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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Report on the functioning of the VAT-based own resource system

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1. Introduction

The Commission has been tasked with producing a report on the functioning of the value added tax (VAT)-based own resource system by 1 January 2025. By law[1], the report must include '*an assessment of whether the VAT-based own resource system, in particular, the multi-annual weighted average rate, is effective and adequate. If appropriate, the report shall be accompanied by a proposal to modify this Regulation with a view to calculating the definitive multi-annual weighted average rate on the basis of more recent data*'.

In accordance with the task entrusted to the Commission, this report provides an overview of the changes made to the VAT-based own resource system, analyses its effectiveness by analysing the evolution of the relevant performance indicators after the changes were made, including an assessment of the new system by Member States. It also assesses the adequacy of the system in relation to the changes made in 2021, with a focus on the multi-annual weighted average rate. The report also gives information about the number of Member States that still apply a weighted average rate, subject to reservations and any changes to national VAT rates.

1.1. Development of the own resource system

VAT is a common tax paid by all final consumers when consuming goods or services in the single market. The tax is applied by all Member States as a broadly based consumption tax within a common framework set by EU Directives. This common tax is a key component of the single market, itself one of the EU's greatest achievements.

The VAT-based own resource system was introduced in 1970[2] and applied progressively, in line with the progressive harmonisation through VAT Directives. Following its introduction, VAT-based revenues, together with customs duties and agricultural levies, gradually replaced financial contributions from Member States. For the EU budget to be financed entirely by own resources, VAT-based revenues became the balancing amount equalising revenue and expenditure by setting the applicable call rate as part of the annual budgetary procedure.

In 1988, the gross national income (GNI) contribution was introduced as the new balancing own resource. This new own resource was considered to be more closely linked to national economic activity, bringing each Member State's contributions more into line with its ability to pay. Over the years, the GNI-based own resource has become a more and more significant part of the EU budget, as the VAT-based own resource call rate was incrementally reduced, from 1.4% in 1985[3] to the current level of 0.3%[4] (Chart 1).

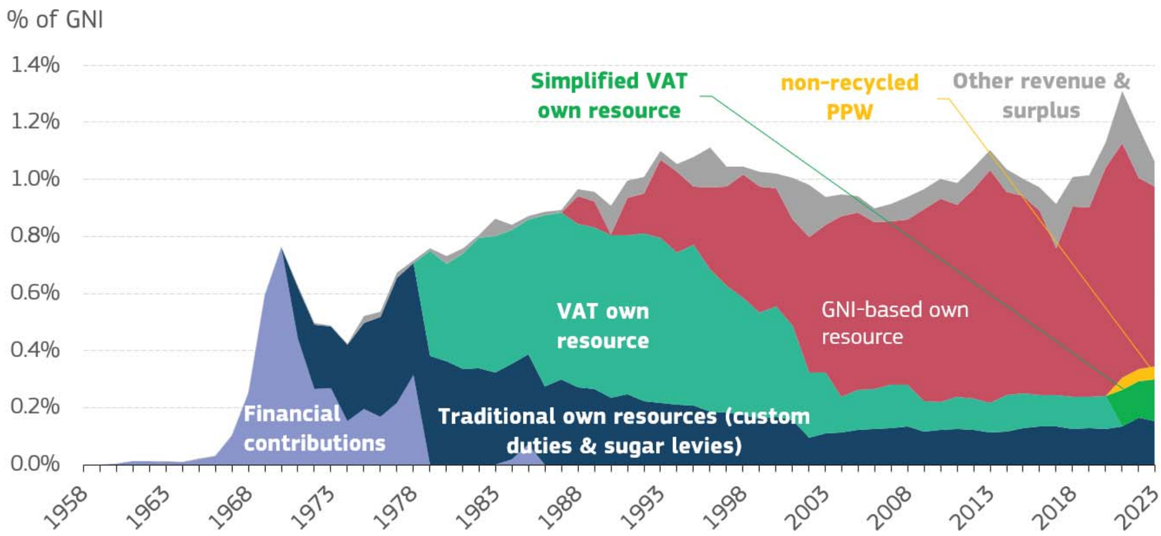
The VAT-based own resource contribution is calculated by applying a uniform call rate to Member States' VAT bases. These bases are estimated by applying harmonised rules to

[1] Art 13a of Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 on the definitive uniform arrangements for the collection of own resources accruing from value added tax, as amended by Council Regulation (EU, Euratom) 2021/769 of 30 April 2021.
[2] Council Decision of 21 April 1970, 70/243/ECSC, EEC, Euratom.
[3] In 1970, the maximum call rate was fixed at 1%. The enlargement to Spain and Portugal triggered the increase to a maximum of 1.4%. Decision 2000/597/EC of 29 September 2000 decreased the call rate, putting it at 0.5%.
[4] EU Public Finances, 2014.

the actual VAT tax receipts that are collected by Member States and, after any necessary corrections, are divided by a country-specific weighted average VAT rate. Over time, some adjustments have been made. First, to protect Member States with higher shares of consumption in final demand and reduce regressive impacts on poorer countries, the base for the VAT-based own resource of each Member State was capped at 50% of GNI. Second, some Member States benefited until 2020 from reduced call rates[5].

The share of the VAT-based own resource has declined over time. In 2024, it represents around 14% of the revenues collected for the EU budget.

Chart 1 – Evolution of revenues 1958-2023



Source: Commission services

1.2. The VAT framework until the reform of 2021

Until 2021, the VAT-based own resource was subject to complex calculations. The complexity of the calculations was mainly the result of two factors: (1) the need to obtain a 'notional' VAT base corresponding to a harmonised application of the VAT Directives; (2) the multiplicity of VAT rates requiring the calculation of a weighted average rate on an annual basis.

As far as the first factor is concerned, the harmonisation of the VAT-based own resource base required numerous corrections and statistical compensations. The *corrections* adjusted the VAT receipts for non-VAT aspects.

These corrections accounted for 0.5% of total receipts for the period 2016-2019. The objective of *statistical compensations* was to 'neutralise' national derogations from the VAT Directive. They accounted for approximately 0.5% of the base during the same period (see Tables 4 and 5 for details). A list of all corrections and compensations is in Annex 3.

[5] For the period 2007-2013, the call rate was 0.225% for Austria, 0.14% for Germany and 0.1% for Sweden and the Netherlands. For the period 2014-2020, the call rate was 0.15% for Germany, the Netherlands and Sweden. From 2021 onwards, the uniform call rate of 0.3% is also applied by these Member States.

As far as the second factor is concerned, to calculate the VAT own resource base for a given calendar year, a Member State had to divide the total net VAT revenue collected during that year by the rate the VAT was levied at in that Member State during the same year. However, if more than one VAT rate was applied in a Member State, the harmonised base of the VAT-based own resource was calculated by dividing the total net VAT revenue collected by the weighted average rate of that country's VAT. This methodology was determined in Council Regulation 1553/89 on the definitive uniform arrangements for the collection of own resources accruing from VAT.

1.3. The reform of 2021

Simplified calculations

To make the system less complicated and to reduce the administrative burden for the Commission and Member States' administrations, the VAT-based own resource was simplified, starting with the 2021-2027 Multiannual Financial Framework.

First, most of the adjustments for derogations and exemptions (*corrections* and *compensations*) were removed, making the calculations easier.

Second, under the new system, the VAT-based own resource base is calculated more easily, by dividing national VAT receipts by the weighted average VAT rate based on a fixed reference year, instead of using a weighted rate calculated for every year. The reference year for this weighted average rate (WAR) was fixed at 2016 and is applied throughout the 2021-2027 Multiannual Financial Framework. It will continue to be used after that, up to and until Council Regulation 1553/89 is changed.

As in the previous system, the VAT bases of each Member State are then capped at 50% of each Member State's GNI, to limit the regressivity of the VAT-based own resource. Finally, from 2021 onwards, a uniform call rate of 0.3% is applied to each Member State's VAT base.

Collected receipts remain the starting point for calculating the final VAT-based own resource base. All VAT collected should be considered. Anything recorded as VAT by Member States that is not VAT in nature, such as fines or belated interest, should consequently be deducted. Annexes 1 and 2 show the financial statement Member States need to submit each year under both the old and new systems.

Table 1 – Comparison of the new and old VAT-based own resource systems

	2014-2020	2021-2027	Differences
VAT receipts	VAT revenues collected by the Member States minus VAT refunds	VAT revenues collected by the Member States minus VAT refunds	No difference
Corrections	Corrections as required by Regulation 1553/89[6]	Corrections only for territorial scope[7] and deviations from the VAT Directive	Reduction in the number of corrections
Weighted average rate (WAR)	Calculated each year	Applies the 2016 frozen WAR	No more calculations of the WAR
Compensations	Compensations apply	Compensations do not apply	No more compensations
Definition of the VAT base	VAT receipts (+/-corrections) /WAR_N + compensations	VAT receipts (+/- corrections) /WAR_{2016}	Easier calculation
Capping	VAT own resource base not higher than 50% of GNI for each Member State	VAT own resource base not higher than 50% of GNI for each Member State	No difference
Call rate	0.3% (except the Netherlands, Germany and Sweden which apply 0.15%)	0.3% for all Member States	No more exceptions

Targeted controls

The Commission performs inspections of the VAT-based own resource as defined by Article 2(4) of Council Regulation 2021/768 laying down implementing measures for the system of own resources. Inspections are performed to ascertain that the operations to calculate the total net VAT collected were performed correctly, that the data used were appropriate, and that the calculations to determine the amount of that own resource are correct.

The overall purpose of the inspections is to ensure that each Member State contributes the correct amount of the VAT-based own resource to the EU budget. During the inspections, the Commission checks all aspects of the annual statements of the VAT base (receipts, corrections of receipts, the 2016 weighted average rate (if under reservation), etc.). The inspections also aim to obtain reasonable assurance that national systems and procedures for determining the VAT base are reliable, effective, accurate, exhaustive, and in accordance with applicable EU law, in terms of both their scope and method, and of the quality of the data used.

The changes brought about by the new system make it a lot easier to produce annual statements, prepare and carry out inspections. They also make it a lot easier for both Member States and the Commission to perform and follow up on inspections. The changes, also discontinued a significant number of calculations, as Tables 4 and 5 show. Using the 2016

[6] Annex 1 has a template of the summary statement detailing all corrections and compensations applied in the old system.
[7] As described in Articles 6 and 7 of Directive 2006/112/EC (VAT Directive).

weighted average rate percentage instead of calculating a new rate for each year also makes matters easier.

These changes enable Member States to use fewer resources for this exercise, meaning: the production of annual statements by the national authorities, the provision of data for the different calculations often sourced from other state agencies and/or other external data source providers. National authorities also now need to devote less time to preparing for and taking part in inspections.

The simplification also reduced the workload for the Commission. In particular, the time spent on preparing and carrying out inspection has been significantly reduced. Inspections performed under the new system (of the years 2021 and 2022) focus on the checks to ensure that the systems put in place by the Member States to collect, aggregate and report collected VAT receipts are effective and efficient. However, when the new system was still in its infancy, inspections also focused on addressing, together with the Member States, the open reservations from previous years referring to calculation items that were subsequently discontinued. As the number of reservations related to the previous system will gradually dwindle, the time savings on inspections performed under the new system will increase over time. Inspection time, excluding the work on reservations from the old system, is expected to decrease from 1 week on average to 2-2.5 days, depending on the number of infringements.

The benefits of the 2021 simplification garnered praise from the European Court of Auditors in its opinion No 11/2020[8] confirming the expected decrease in the administrative burden for both the Member States and the Commission without significantly affecting the accuracy of the VAT-based contributions.

2. Effectiveness of the VAT-based own resource system

To assess the effectiveness of the system, this section analyses to what extent the EU budget has been sufficiently protected and the VAT contribution properly collected. It also evaluates the evolution of the bases of the VAT-based own resource and its different components in order to assess how the simplification has affected the own resource.[9]

2.1. Evolution of VAT own resource bases

Since 2016, the VAT base has followed an upward trend, except for 2020[10], despite the changes introduced by the 2021 reform[11]. This evolution was influenced by several events, the most important of which was the COVID-19 pandemic in 2020, and other macroeconomic impacts such as price increases in 2021 and 2022 which affected consumption and VAT collected in the economy (Charts 2 and 3).

[8] Opinion No 11/2020 (pursuant to Articles 287(4) and 322(2), TFEU) concerning the draft Council Regulation (EU, Euratom) amending Regulation (EEC, Euratom) No 1553/89 on the definitive uniform arrangements for the collection of own resources accruing from value added tax (document 12771/20, interinstitutional file 2018/0133 (NLE)) (europa.eu).

[9] Data used in section 2 of the report is calculated as of March 2024

[10] Annex 5 presents the evolution of the VAT bases per Member State for the period 2016-2022.

[11] From 2021 onwards the VAT bases are calculated by dividing the receipts by the ‘frozen’ weighted average rate of 2016, while before the actual annual weighted average rate was used

The VAT-based own resource revenues followed the same evolution until 2019, then to a lesser extent in the following years (Table 3), The impact of capping the own resource base at 50% of GNI plays a role but the main reason is that the full difference between the forecast and revenues on the final VAT base will only show up in later years due to the time-lag of the balances exercise. .

Table 2 – Evolution of aggregated VAT own resource bases of the EU-27

EUR million	2016	2017	2018	2019	2020	2021*	2022*
VAT-based own resource base	5 231 083	5 564 631	5 838 647	6 005 905	5 654 042	6 355 460	7 154 323
Annual growth rate		6.4%	4.9%	2.9%	-5.9%	12.4%	12.6%

Source: VAT statements.

The method of calculation for the VAT base is explained in Annex 1 for the old system and in Annex 2 for the new system.

*From 2021, the base is obtained by dividing the net receipts by the weighted average rate of 2016.

Table 3 – Evolution of aggregated VAT own resource revenues EU 27

EUR million	2016	2017	2018	2019	2020	2021	2022
VAT-based own resource revenues	15 859	16 947	17 624	18 128	17 858	18 340	19 666
Annual growth rate		6.9%	4.0%	2.9%	-1.5%	2.7%	7.2%

Source: European Commission Annual Accounts.

The revenue is calculated by applying the call rate to the VAT base after capping. The VAT base is further adjusted using the results of the balances exercise (Section 2.2) to calculate the VAT revenues. Annex 4 also shows a comparison of VAT bases of the Member States where capping applies.

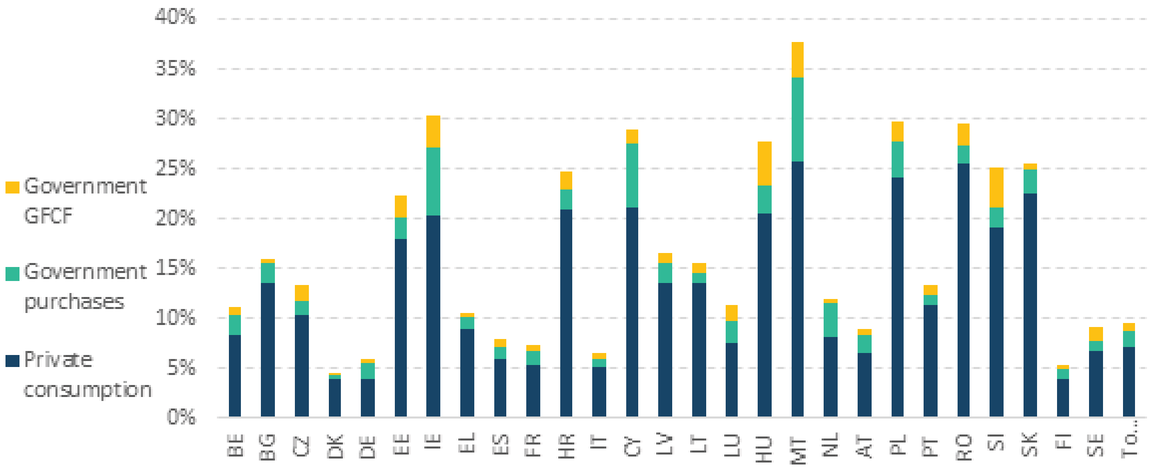
The development of the VAT base can be further analysed by looking at the main drivers. Key expenditure categories forming the VAT base include private household consumption, government purchases, and gross fixed capital formation (GFCF) by the government. Together, these categories comprise approximately 88% of the total VAT base (2020), with intermediate consumption expenditures of firms being the main part of the remainder. Among these, private household consumption is the most significant, accounting for 60% to 80% of expenditures subject to VAT, depending on the Member State.

Looking at national accounts' indicators in current prices as proxies for the three main VAT base components[12], **private household consumption was the primary driver of growth in**

[12] These macroeconomic indicators are also used in the annual procedure for forecasting the VAT own resources base for the annual budget.

the VAT base between 2016 and 2022, contributing to 74% of its increase in total on average for the EU-27 (Chart 2).

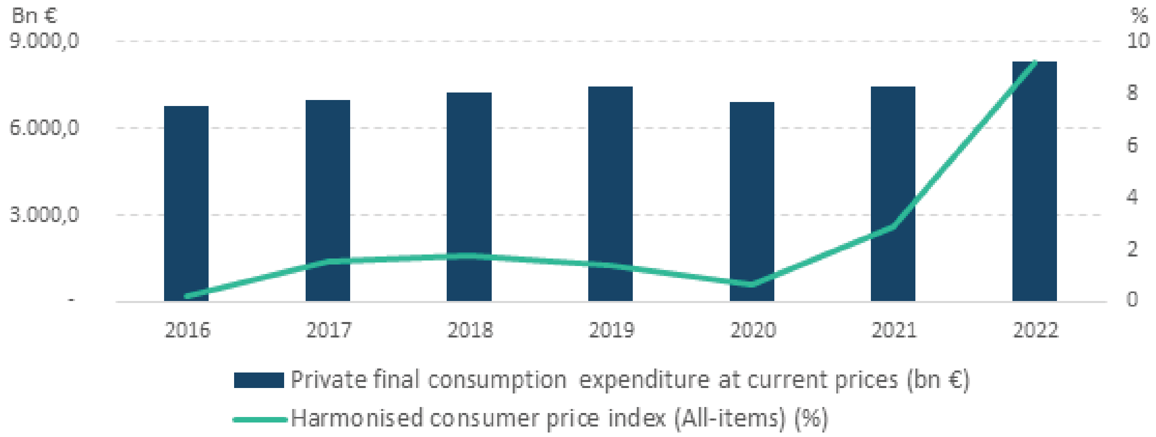
Chart 2 – Development of macroeconomic indicators for VAT base components (2016 to 2022)



Source: ACOR forecasts. Own calculations.

As far as the development of private consumption expenditure at EU-27 level (Chart 3) is concerned, inflation played a major role in 2021 and 2022.

Chart 3 – Evolution of inflation and private consumption at current prices 2016-2022 EU-27



Source: Commission Autumn Forecasts 2023

The simplification of the VAT system did not have a significant impact on the evolution of the base. The weight of each of the main components of the VAT statements of Member States has remained relatively stable, except for corrections that have increased in absolute terms following the reform (Table 4). The impact of the corrections that no longer apply is not higher than 0.1% of net receipts, while the compensations account for no more than 0.6% of the total VAT base (Tables 5 and 6). The absolute value of compensations increased in 2019 and 2020 due to changes in the exemptions applied by Member States; for example, Italy has introduced a higher threshold for the small exempt firms scheme. Some limited compensations (such as those linked to infringements of the VAT Directive) are recorded as corrections in the new system, which explains the slight increase in the weight of corrections in 2021 and 2022.

Table 4 – Evolution of main components of VAT statements (EU-27)

EU-27	2016	2017	2018	2019	2020	2021	2022
Corrections (million EUR)	4 612	5 041	5 546	6 256	6 212	9 414	14 754
Corrections as a percentage of net receipts (%)	0.53%	0.55%	0.57%	0.63%	0.68%	0.89%	1.24%
Compensations (million EUR)	8 013	23 179	27 328	34 974	35 809		
Compensations as a percentage of total VAT base (%)	0.15%	0.42%	0.47%	0.58%	0.63%	N/A	N/A

Source: VAT statements and own calculations.

Table 5 – Evolution of corrections as a percentage of net receipts*

EU27	2016	2017	2018	2019	2020
Small taxed enterprises (%)	-0.03%	-0.03%	-0.03%	-0.03%	-0.02%
Graduated tax relief (%)	0.01%	0.01%	0.01%	0.01%	0.01%
Flat rate farmers (%)	-0.08%	-0.05%	-0.06%	-0.05%	-0.07%
Total discontinued corrections (%)	-0.10%	-0.07%	-0.08%	-0.07%	-0.08%

Source: VAT statements and own calculations.
*These corrections were removed in 2021.

Table 6 – Evolution of compensations as a percentage of total VAT base*

EU-27	2016	2017	2018	2019	2020
Small exempt enterprises (%)	0.22%	0.25%	0.27%	0.43%	0.46%
Compensations Annex X part A[13] (%)	-0.11%	-0.11%	-0.10%	-0.09%	-0.10%
Compensations Annex X part B[14] (%)	0.45%	0.48%	0.50%	0.52%	0.53%
Cars (%)	-0.29%	-0.29%	-0.29%	-0.29%	-0.29%
Expenditure for cars (%)	-0.22%	-0.21%	-0.19%	-0.23%	-0.23%
Total compensations (%)	0.15%	0.42%	0.47%	0.58%	0.63%

Source: VAT statements and own calculations.
* These compensations were removed in 2021.

[13] Compensations included under Annex X part A are dental technicians, public radio and television, buildings and building land, travel agents.
[14] Compensations included under Annex X part B are admission to sporting events, liberal professions, public telecommunication, cremations and undertakers, blind persons, war victims' commemorations, private hospitals, public water, new buildings and building land, passenger transport, aircraft, warships, travel agents (within the EU).

Table 7 – Analysis of the VAT base in the period 2016-2022

EU-27 EUR million	2016	2017	2018	2019	2020	2021	2022
Receipts	868 503	917 138	959 113	992 668	913 713	1 056 431	1 182 601
Net receipts	873 114	922 179	964 658	998 924	919 926	1 059 404	1 185 813
Weighted average rate	16.72%	16.64%	16.60%	16.73%	16.37%	16.72%	16.72%
Total compensations	8 013	23 179	27 328	34 974	35 809	-	-
Final base (uncapped)	5 231 083	5 564 631	5 838 647	6 005 905	5 654 042	6 355 460	7 154 323
Annual growth of final base		6.38%	4.92%	2.86%	-5.86%	12.40%	12.57%

Note: The weighted average rate for 2021 and 2022 is the frozen 2016 weighted average rate.
Source: VAT statements.

2.2. Collection of VAT-based own resource revenues

Member States pay the VAT own resource contribution monthly together with the other own resources. The Commission collects the VAT revenues initially based on estimates of the VAT bases agreed by the Commission and Member States at the Advisory Committee on Own Resources (ACOR/Forecast). The VAT contributions are calculated and paid on the basis of forecasts, so they need to be adjusted to the real data provided in the VAT statements later on. The VAT statements may also include modifications to the VAT bases for the 4 previous years. In case of reservations introduced by the Commission or by the Member States, data for earlier years can also be adjusted.

The Commission calculates for each Member State the difference between the forecast of the VAT-based own resource and the latest data provided in the statements (the balances).

The Commission informs the Member States of the result of the balances calculation before 1 February of the year following the year in which the data for the statement were submitted, and the Member States need to make available the amounts on the first working day of March of the year following the year in which the Commission informed the Member States of the balances calculation. Failure by the Member States to make the necessary payments can result in the application of interest (interests lower than EUR 1 000 are waived).

Table 8 – VAT adjustments (balances)*

EU-27 EUR million	2016	2017	2018	2019	2020	2021	2022
VAT balances due to differences between the first statement and the forecast	313	418	502	403	- 54	1.011	1.734
VAT balances due to revisions of previous statements	87	6	23	- 1	121	97	125
Total adjustments EU-27	400	424	525	402	68	1.108	1.859

Source: EU annual accounts and European Commission calculations. Annex 6 provides the evolution of the VAT adjustments per Member State.

* The balances exercise adjusts the data annually for the latest available year and for previous years.

The new system for calculating the own resource base has not affected the process of calculating and collecting the VAT-based own resource and its adjustments (balances). No outstanding payments are due.

The outcome of the balances exercises for 2021 and 2022 is significantly higher than for previous years, and the adjustments are bigger in the case of most Member States (see also Annex 6). The main element contributing to these variations is the correction of the forecasts of the 2021 and 2022 VAT bases used for financing the relevant EU budgets, due to the underestimated increase in the inflation rate.

The Commission continuously assesses the collection of VAT revenues by the Member States and the introduction of measures to increase the proper collection of VAT funds (Box 1).

Box 1: Initiatives to improve the proper collection of VAT funds in Member States

The VAT-based own resource accounts for about 2% of VAT revenues collected by Member States. Therefore, measures to improve the collection of VAT revenues primarily benefit national budgets but to some extent also the EU budget.

Collection of VAT – Ninth report on VAT registration, collection, and control procedures (Article 12 of Regulation 1553/89)

Every 5 years, the Commission produces a report on the measures taken and progress made by Member States in relation to the collection of VAT and on any improvements made. Following the assessment issued by the Commission in the last report published in April 2022[15], 39 recommendations were provided by the Commission to improve the Member States' VAT collection system.

The recommendations cover mainly the Member States' VAT collection processes, namely VAT registration and risk analysis, VAT information technology and new technologies, filing and payment, collection of VAT debts, refunds and audits, VAT accounting, accountability, and disputes. Swift implementation of the proposed measures will improve the adequacy of the VAT own resource system for the EU budget.

That is why, in the report's conclusions, the Commission called on Member States to act on its recommendations, not only to help generate the tax revenue needed to respond to the major challenges the EU is facing, but also to level the playing field in the internal market and pave the way towards a faster and more durable post-pandemic recovery.

Changes to VAT legislation dealing with under-collection and fraud.

From 1 July 2021, the mini one-stop shop (MOSS), put in place on 1 January 2015, became a one-stop shop (OSS)[16] covering a wider range of supplies and has introduced further simplifications. This enlarged OSS covers three special schemes: the non-EU scheme, the EU scheme, and the import scheme.

The scope of the existing non-EU scheme and EU scheme has been extended, but the import scheme is new. These special schemes enable taxable persons to declare and pay VAT due in Member States in which they are (in general) not established using a web

[15] eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0137

[16] The Council adopted these rules by means of Directive 2017/2455 in December 2017 and Directive 2019/1995 (See Consolidated text: Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax).

portal in the Member State in which they are identified (Member State of identification). This saves taxpayers the costs of registering for VAT in multiple Member States.

These schemes are widely used. In 2022, Member States altogether collected more than EUR 17 billion through the expanded OSS portal covering online sales in the EU. EUR 2.5 billion in VAT revenues was also collected on imports of e-commerce goods. This includes the new VAT revenues generated by the abolition of the VAT exemption that previously applied to imports of low value goods not exceeding EUR 22 and was highly susceptible to fraud[17]. By making it easier to comply with the rules, thereby encouraging compliance, the schemes contribute to the proper functioning of the internal market, as the VAT rate applied is the same for all sellers irrespective of where they are based.

In March 2018, the report[18] presented by the Commission to the Council and the European Parliament on the effects of Articles 199a and 199b of Directive 2006/112/EC on combatting fraud (the report), led to a further important legislative initiative improving the adequacy of the VAT collection system and compliance with the VAT Directive.

According to the report, Member States and stakeholders generally regarded the reverse charge mechanism set out in Article 199a of Directive 2006/112/EC as an effective tool in fighting or preventing VAT fraud in the sectors concerned. Therefore, with the entry into force of Council Directive (EU) 2018/1695 and Council Directive (EU) 2022/890, the application of those measures for a limited period, until the envisaged entry into force of the definitive VAT regime, has been prolonged.

Finally, in December 2022, the Commission proposed a series of measures to modernise and make the EU's VAT system work better for businesses and make it more resilient to fraud by embracing and promoting digitalisation[19]. At the time of the writing of this report, the legislative package is being negotiated in the Council.

Key actions proposed will help Member States to collect up to EUR 11 billion more in VAT revenues annually. The legislative package aims, among other objectives, to move to real-time digital reporting based on e-invoicing for businesses operating cross-border in the EU, to update VAT rules for passenger transport and short-term accommodation platforms, and to introduce a single VAT registration across the EU.

According to the impact assessment[20], between 2023 and 2032, the preferred policy approach, an 'enhanced approach' (combining the introduction of digital reporting requirements at EU level, a deemed supplier provision for all accommodation and transport sectors, and a combination of a broader OSS extension, a reverse charge and mandatory IOSS) is expected to raise between EUR 172 billion and EUR 214 billion in net impacts against the baseline.

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[17] Source: Directorate-General for Taxation and Customs Union / Press Release dated 30/06/2023/ EU VAT rules for e-commerce two years on: Updated revenue figures point again to a successful implementation.

[18] COM(2018) 118 final, 8.3.2018 Report from the Commission to the Council and the European Parliament on the effects of Articles 199a and 199b of Council Directive 2006/112/EC on combatting fraud.

[19] Proposal for a Council Directive amending Directive 2006/112/EC as regards VAT rules for the digital age. Proposal for a Council Regulation amending Regulation (EU) No 904/2010 as regards the VAT administrative cooperation arrangements needed for the digital age.
Proposal for a Council implementing Regulation amending Implementing Regulation (EU) No 282/2011 as regards information requirements for certain VAT schemes.

[20] Commission Staff Working Document SWD(2022) 394 final.

The enhanced approach will save EUR 50.6 billion between 2023 and 2032: EUR 41.4 billion from VAT reporting (EUR 11 billion from removing reporting obligations, EUR 24.2 billion from reducing fragmentation costs, EUR 4.3 billion from using pre-filled VAT returns, and EUR 1.9 billion from e-invoicing); EUR 0.5 billion from streamlining and clarifications in relation to the platform economy; EUR 8.7 billion from removing VAT registration obligations.

It is therefore expected that when this series of measures is adopted and fully implemented by the Member States, the EU's VAT system will work better. Consequently, the expected increased effectiveness of the collection of VAT by the Member States will generate more revenues for the EU budget.

2.3. Protection of the EU's financial interests

Evolution of outstanding reservations from 2016 to 2022

Reservations are a way to protect the EU's financial interests until the Commission can get sufficient assurance on the matter of own resource.

Article 9.2 of Council Regulation 1553/89 as amended states that 'no further corrections shall be made to the statements referred to in Article 7(1) after 31 July of the fourth year following the financial year concerned, unless those corrections concern points previously notified either by the Commission or by the Member State concerned'. Points previously notified are commonly referred to as reservations. A reservation keeps open any question of methodology or of used data sources relating to an item on which there is no agreement between the Commission and a Member State. The Commission can also place reservations in cases of infringements or potential deviations by the Member States from the VAT Directive. Reservations can also be placed by the Member States if they disagree with the Commission.

Reservations give Member States a measure of legal and budgetary certainty. Once an item of an annual statement is time-barred (i.e. without any reservation), it cannot be changed and there is no financial impact on that item after time-barring.

The number of reservations has slightly decreased over time (Table 9) and is expected to decrease further as most reservations concern the system before 2021. The large majority of reservations relate to items of annual statements that have been discontinued in the new system (at the end of 2023 this number was 30 out of the 37 reservations placed by the Commission). These reservations will gradually be dealt with and lifted and due to the introduction of the new system, so the number of reservations is expected to significantly decrease over time.

At the end of 2023 there were seven reservations covering the years of the new system (2021-2022). At the same time not all inspections for 2021 and 2022 were finalised at the time of this report, so the number of reservations related to the new system might slightly increase[21]. Reservations placed in 2021 and 2022 mainly relate to infringements of and deviations from the VAT Directive[22]. Some of the reservations placed in previous years relate to items of the statement that will be maintained and resolved during the next inspection cycles.

Table 9 – Number of open VAT reservations

	2016	2017	2018	2019	2020	2021	2022	2023
Placed by Member States	16	15	12	10	17	17	11	13
Placed by the Commission	50	53	64	61	61	71	56	37
Related to infringements	15	14	16	19	19	16	17	16
Total	81	82	92	90	97	104	84	66
Out of which relating to the new system								7

Note: Number of reservations open on 31 December of each year (which could have been placed in previous years). Annex 7 also shows the distribution of reservations across Member States.

Table 10 – Open long outstanding VAT reservations*

	2016	2017	2018	2019	2020	2021	2022	2023
Placed by Member States	4	6	6	7	3	2	1	1
Placed by the Commission	2	6	1	4	5	3	9	7
Related to infringements	3	2	3	4	6	5	4	3
Total	9	14	10	15	14	10	14	11

Source: European Commission.

* A long outstanding reservation is defined as a reservation in place for over 5 accounting years.

For the 2016 weighted average rate, used starting with 2021 VAT-based own resource statements, three Member States have one or more reservations. This means that for these Member States, the weighted average rate is provisional at this stage and will become

[21] The 2021 statements have been inspected for 22 Member States (BE, BG, CZ, DK, DE, IE, EL, HR, IT, CY, LV, LU, HU, NL, AT, PL, PT, RO, SI, SK, FI and SE), while the 2022 statements have been inspected for 12 Member States (CZ, DK, DE, IE, HR, CY, HU, NL, AT, PL, FI, and SE)..

[22] Reservations related to infringement cases may take longer to resolve as some of them are awaiting legal analysis or rulings by the European Court of Justice.

definitive only once the reservation has been lifted. The Member States are Germany, Croatia, and Luxembourg[23].

Evolution of infringements in relation to the VAT-based own resource from 2016 to 2022

Non-compliance with own resource legislation leads to infringements. Infringement procedures for the VAT-based own resource are extremely rare, and most differences of opinion are resolved during the verification cycle permitting corrections and adjustments within 4 years. Between 2016 and 2022, the Commission launched one infringement (Box 2). The introduction of the new system has had no impact on infringements so far. The introduction of the frozen weighted average rate and elimination of most of the compensations has made it a lot easier to calculate VAT bases and has the potential to limit the number of disagreements with the Member States.

Although relatively rare, infringement procedures are a powerful incentive for Member States to comply with own resource legislation and are essential for the credibility of the EU's own resource system. These procedures ensure equal treatment of Member States and discipline in the way revenue is collected.

Box 2: Pending infringement procedures

In the period 2016-2022, the Commission launched one infringement procedure related to the VAT-based own resource (UK mini one-stop Shop procedure – infringement 2020/2316). The mini one-stop shop (MOSS) was introduced on 1 January 2015 and extended, to become a one-stop shop (OSS) from 1 July 2021, covering a wider range of supplies and making things even easier, as Box 1 describes. The VAT mini one-stop shop is an optional scheme that enables taxpayers to account for VAT, usually due in multiple Member States, in just one Member State. Services included in the MOSS scheme include cross-border telecommunication, television and radio broadcasting, and digital services. The Member State where the payment is made could retain 30% of the VAT paid in 2015 and 2016 and 15% in 2017 and 2018. This retained VAT should be included in the VAT base for the purpose of the VAT-based own resource.

From 2015 to 2018, the UK national authorities did not consider MOSS retentions as VAT and therefore did not take them into account in their statement for calculating and paying the VAT-based own resource. After receiving a reasoned opinion from the Commission in November 2023, the UK requested an extension of the deadline for replying, and worked closely with the Commission to precisely determine the amount of resources still due and to resolve the case. Following extensive discussions an agreement was reached and the UK made available the amount of principal due in July 2024 (GBP 4.016 million). The interest amount due (GBP 3.05 million) has been included in the UK September invoice

[23] Annex 7 also shows a detail of the percentages of the 2016 weighted average rate per Member State and their status. Note that the VAT base in Croatia and Luxembourg is significantly higher than the capped base, and their calculated VAT bases are replaced by a value corresponding to 50% of their respective GNI. This implies that any change in the percentages of their rates would not affect the size of their VAT-based own resource contributions.

and the Commission will be able to proceed with the formal closure of this case once the last instalment of this invoice has been paid (first half of 2025).

2.4. Feedback from Member States

In preparing this report, the Commission sent a questionnaire to Member States (Annex 8) to get feedback on their assessment of the new simplified VAT-based own resource system. Member States were asked to score the new system, consider the features that they value the most/least and reflect on possible savings the new system could bring (for example, in workload, the number of staff), and if possible, to quantify those savings.

SCORING OF THE NEW SYSTEM

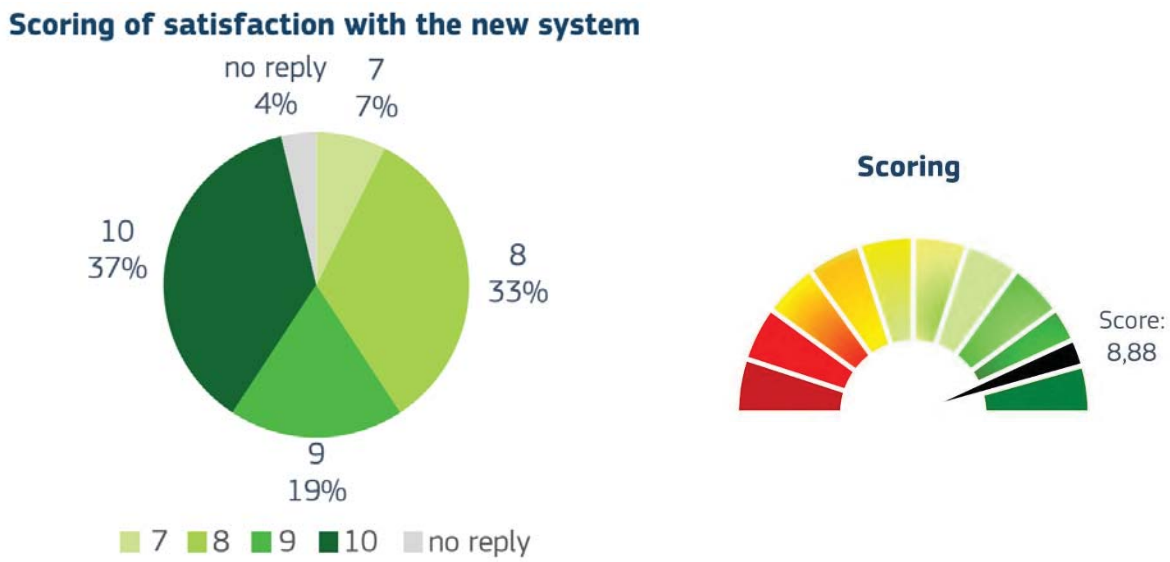
On a scale from 1 to 10 (where 10 is the highest score), 26 Member States (one Member State did not give any score) gave the new system a score of 8.9 on average. Putting the scores into a grid with 5 categories (Table 11), most (15) of the 26responding Member States reported being ‘very satisfied’ with the new system, while 11 Member States reported being ‘satisfied’, of which only 2 gave the new system a score of 7. Member States highlighted different aspects as particularly positive in view of their scoring. They pointed to the smaller amount of time and fewer human resources needed to draw up the annual VAT statement and to participate to the inspection cycle, especially thanks to the use of the frozen weighted average rate and the elimination of compensations/corrections. Benefits were also seen in less susceptibility to error and overall reduced administrative burden.

Table 11 – Scoring of the new system

1-2	3-4	5-6	7-8	9-10
Very dissatisfied	**Dissatisfied**	**Neither satisfied nor dissatisfied**	**Satisfied**	**Very satisfied**
0	0	0	11	15

Source: Member States responses to questionnaire; one Member State did not provide a scoring

Chart 4 – Score of satisfaction with the new system on a scale from 1 to 10



Source: Member States responses to questionnaire

GREATEST VALUES OF THE NEW SYSTEM

Member States most valued the new system's being easier to use, as compensations and corrections have been removed (16 Member States) and the annual calculation of the weighted average rate is no longer required (19 Member States). Some Member States (7) also pointed out, to varying degrees, that the simplified calculation is now much more closely linked to the actual VAT revenues. Some also said that parts of the previous calculations required significant resources but had a limited impact on the VAT-based own resource. One Member State was also very pleased that the new system provides a more level playing field between Member States because discrepancies linked to different methods and data sources for calculating the weighted average rate and compensations are no longer relevant. General time savings, a reduction in workload and administrative burden (for example, fewer national authorities or other external data source providers are involved), (expected) positive effects on the inspection cycle (in particular due to abolished corrections/compensations), as well as clear and comprehensive templates, were also positively acknowledged by Member States. Only one Member State asked for the calculation method to be made even easier.

LEAST VALUABLE FEATURES OF THE NEW SYSTEM

Even though the new system was received positively, a few Member States identified room for improvement. In particular, five Member States pointed out that using a frozen weighted average rate may not reflect changes in national VAT law, especially VAT rate changes, and would limit accuracy; three Member States mentioned the burden of reservations related to the old system; three mentioned the uncertainty about new potential future calculations of the weighted average rate; one Member State mentioned the complex calculations for existing corrections with limited financial impact; and seven Member States mentioned the need to continue to calculate the rate due to the VAT gap study. Thirteen Member States did not report there being any less valuable features of the new VAT-based own resource system.

IMPACT OF THE NEW SYSTEM ON RESOURCES

On the impact on savings (for example, the reduction of staff, workload, costs) of the new system, 21 Member States gave a clearly positive but mostly generic reply. They generally confirmed a remarkable reduction of workload for preparing the VAT statement (from months to only a few days) and highlighted the time savings as regards previous corrections/compensations, the weighted average rate calculation and the use of external data providers.

Savings made possible by the reform of the system for the preparation of VAT statements, as well as the preparation of and participation in inspections, were quantified by 14 Member States. The replies show a broad variety of savings and calculation methods used. For example, savings were reported, from 0.2 to 0.3 FTE (full-time equivalents) to 90% savings in workload compared to the resources allocated to the old system.

2.5. Conclusion

The analysis shows that the simplification of the VAT own resource system has broadly achieved its objectives of reducing the administrative burden for both the Member States and the Commission.

The discontinuation of certain corrections and compensations decreased the complexity of the calculations, without having a significant impact on the value of the VAT base on which the own resource is collected. The impact of the discontinued corrections is not higher than 0.1% of net receipts, while the discontinued compensations account for no more than 0.6% of the total VAT base. The value of the uncapped VAT base continues to increase over time, with macroeconomic factors linked to the COVID-19 pandemic's playing a major role in recent years.

At the same time, the collection of the VAT-based own resource has not been affected by the new VAT own resource system as the rules on forecasting, balancing and collection were not changed when the simplification was introduced[24].

The number of reservations have slightly decreased over time as most of the compensations and corrections were discontinued. Most of the open reservations relate to items in the previous system that have been discontinued. Once these reservations will have been addressed and resolved in future inspections, the number of open reservations is expected to significantly decrease together with the administrative resources needed to address these reservations for both the Commission and the Member States.

The reform's positive impact on the administrative burden was acknowledged by Member States. It is too early to fully assess and quantify the administrative savings of the change for both the Commission and the Member States, but it seems that the new system has brought substantial benefits, while ensuring the continued effectiveness of the VAT own resource system. Some Member States expressed concerns that the use of the frozen 2016 weighted average rate may not reflect significant changes in national VAT rates, thereby decreasing the accuracy of the VAT base.

Freezing the rate at its 2016 level could create adverse financial incentives, in the sense that any subsequent rate cut (or base narrowing, or moving of a class of transactions to a lower VAT bracket) could end up reducing the Member State's contribution to the EU budget.

The issue of the adequacy of the application of the 2016 weighted average rate will be evaluated in the next chapter.

[24] To be noted that the revision of the Making Available Regulation in 2021, postponing the payment of the balances and capping the impact of late payment interest, was unrelated to the simplification being analysed.

3. Evolution of the weighted average rate since 2016

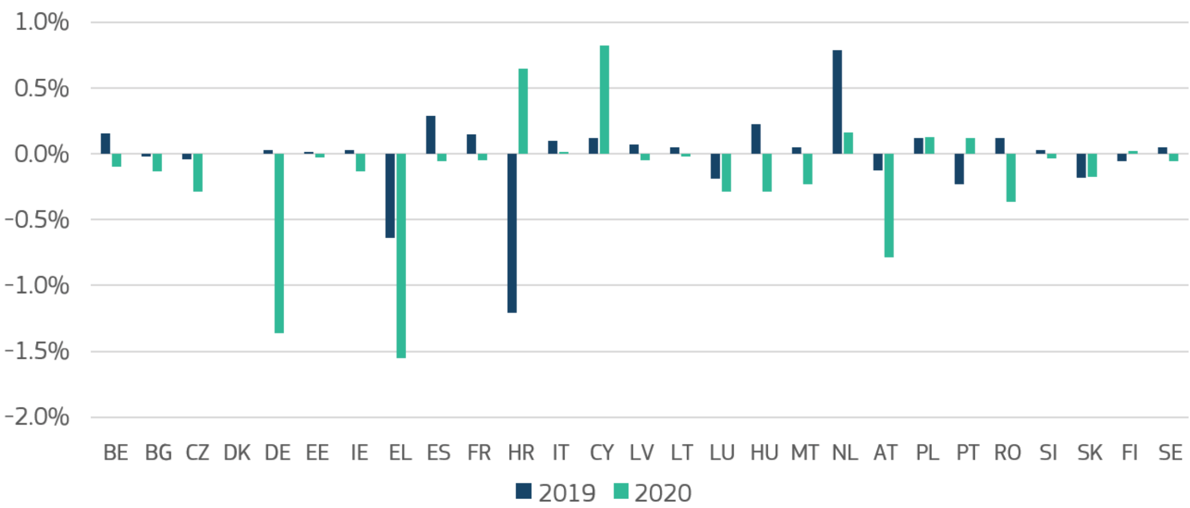
3.1. Evolution of the weighted average rate: 2016-2020

Between 2016 and 2020, the weighted average rate remained stable for most Member States. Only Germany, Greece and Croatia saw changes of above 1 percentage point compared to the rate in 2016, exhibiting lower rates in 2019 or 2020 compared to 2016, primarily due to responses to the COVID-19 pandemic.

Generally, Member States' weighted average rates evolved due to changes in overall VAT rates or the application of different categories of VAT for certain products. Germany and Ireland decreased their reduced and standard VAT rates, while Austria introduced a new reduced rate. Many countries also applied reduced rates or super-reduced rates[25] to specific product categories. For instance, restaurants and hotels saw reductions in Austria, Belgium, Bulgaria, Czechia, Germany, Greece, Croatia, Hungary, Ireland and Lithuania. The passenger transport sector was subject to reduced VAT rates in Czechia and Greece. VAT rates on books and newspapers were also reduced in Austria, Bulgaria, Latvia, Slovenia and Slovakia.

The recreation and cultural sector, covering cinemas, theatres and concerts, saw VAT reductions across numerous Member States, including Bulgaria, Germany, Greece, France, Czechia, Estonia, Croatia, Hungary, Ireland, Italy, Luxembourg, Malta, the Netherlands, Poland, Romania and Slovenia. Conversely, the increase in the Netherlands' weighted average rate in 2019 was due to an increase in the reduced VAT rate. Denmark applies only one VAT rate, with no changes to its weighted average rate.[26]

Chart 5 – Absolute change in weighted average rate of 2019-2020 compared to 2016 (in percentage points)



Source: Member States' VAT statements for the financial years 2016, 2019 and 2020

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[25] A super-reduced rate is below the minimum 5% rate and can be applied to a limited list of goods and services (Article 98.2 of the VAT Directive).
[26] Annex 12 presents the evolution of Member States weighted average rates in the period 2016 - 2020

Box 3: Changes in VAT legislation that could affect the weighted average rate

In April 2016 the Commission issued the *Action plan on VAT – Towards a single EU VAT area – Time to decide*[27]. This action plan sets out the pathway towards creating a single EU VAT area. In this context, since 2016 the VAT Directive has been amended several times (16 Directives amending it adopted –Annex 10). The impact of these amendments is expected to have an effect over time and will continue to have a fundamental impact on the functioning of the VAT system and the internal market in the years to come.

Council Directive (EU) 2022/542 of 5 April 2022 amending Directives 2006/112/EC and (EU) 2020/285 as regards rates of value added tax provides the possibility to maintain preferential rates for products for which derogations already existed for some Member States enabling other Member States to gain access to those derogations, the introduction of rates lower than 5% (forbidden before the amendment), and the possibility to apply reduced rates to more products. These amendments can have an impact on the multiannual weighted average rate, currently set at 2016 levels.

Finally, in particular for 2020 and 2021, the adequacy of the multiannual weighted average rate might also have been affected by the Directives[28] adopted for the temporary measures in relation to value added tax applicable to COVID-19 vaccines and *in vitro* diagnostic medical devices in response to the COVID-19 pandemic, and the temporary exemptions on imports and certain supplies, in response to the COVID-19 pandemic.

3.2. Evolution of the weighted average rate: 2021-2024 estimated

Since 2021, Member States are no longer required to calculate weighted average rates for the VAT-based own resource. Therefore, this section estimates those rates for the years 2021-2024 in order to evaluate the adequacy of the application of the 2016 rate used in this period. The Commission has estimated the weighted average rate after 2020, using a simplified calculation method compared to the actual weighted average rate calculations of Member States. This method only uses the consumption data of private households (Box 4).

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27 Communication from the Commission to the European parliament, the Council and the European Economic and Social Committee on an action plan on VAT towards a single EU VAT - time to decide COM/2016/0148 final.

28 Council Directive (EU) 2020/2020 of 7 December 2020 amending Directive 2006/112/EC as regards temporary measures in relation to value added tax applicable to COVID-19 vaccines and in vitro diagnostic medical devices in response to the COVID-19 pandemic;
Council Directive (EU) 2021/1159 of 13 July 2021 amending Directive 2006/112/EC as regards temporary exemptions on importations and on certain supplies, in response to the COVID-19 pandemic.

Box 4: Explanation of the simplified method for the weighted average rate

Up to 2020, the calculation of the weighted average rate, as done by the Member States, required a lot of detailed information on, for example, different expenditure categories, their VAT rates or exempt sub-categories. Most of this information is not readily available without Member States' detailed investigations and calculations. The major determinant of the weighted average rate, making up about 60-80% of Member States' expenditure subject to VAT, is the consumption of private households. Data on households' private consumption, as part of Member States' national accounts, are publicly available from Eurostat. The simplified weighted average rate relies on estimations based on this household data but abstains from calculations of other categories, such as government purchases, gross fixed capital formation, and the intermediate consumption of companies (see Annex 14 for a breakdown of consumption per Member States).
The simplified weighted average rate (S-WAR) applies the growth rate of the weighted average rate based on household consumption data, termed household weighted average rate (HH-WAR) of year N, using year B as the basis (reference year), to the actual weighted average rate of the base year:

$$S\text{-}WAR_N = WAR_B \times \frac{HH-WAR_N}{HH-WAR_B}$$

The household weighted average rate (HH-WAR) is calculated by the European Commission Joint Research Centre (JRC). A detailed description of the methodology is in Annex 15.

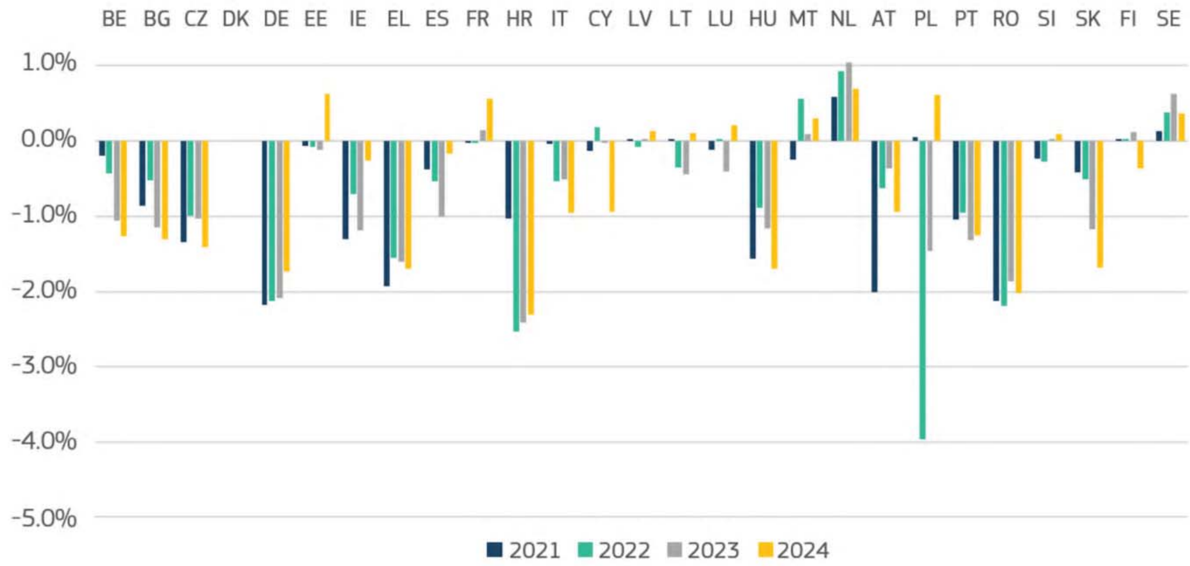
Annex 13 presents a comparison between the simplified weighted average rate for 2020 and the actual rates.

According to these estimates, the simplified weighted average rate between 2021 and 2024 in Member States remained relatively close to the actual weighted average rate from 2016. In 13 out of 27 Member States, the simplified weighted average rate stayed within a 1 percentage point difference of the 2016 rate throughout all the observed years (2021-2024). Significant changes in the weighted average rate greater than 2 percentage points were only observed in a few countries: Germany, Croatia, Poland and Romania.

Generally, changes to the simplified weighted average rate in the observed timeframe can be attributed to changes in consumption patterns and VAT rates. Often the VAT rate decreased for electricity, gas, or fuels in response to energy supply shortages and related price increases following the Russian attack on Ukraine. These decreases were seen in Belgium, Bulgaria, Spain, Croatia, Ireland, Italy, Poland, and Portugal. Lower rates on food products, such as fruits and vegetables, also contributed to the changes in Spain, Croatia, Italy and Poland. Some countries, including Belgium, Germany, Romania and Ireland, reversed the temporary VAT rate reductions implemented during the COVID-19 pandemic, resulting in increases in their weighted average rates. VAT rate deductions on electricity, gas and fuels have also been removed in some countries, such as Poland, explaining the rise of the weighted average rate in 2023 and 2024.

Regarding the changes to the national VAT rates, Annex 11 gives an overview of the VAT rates applicable in each Member State in the period 2016-2023.

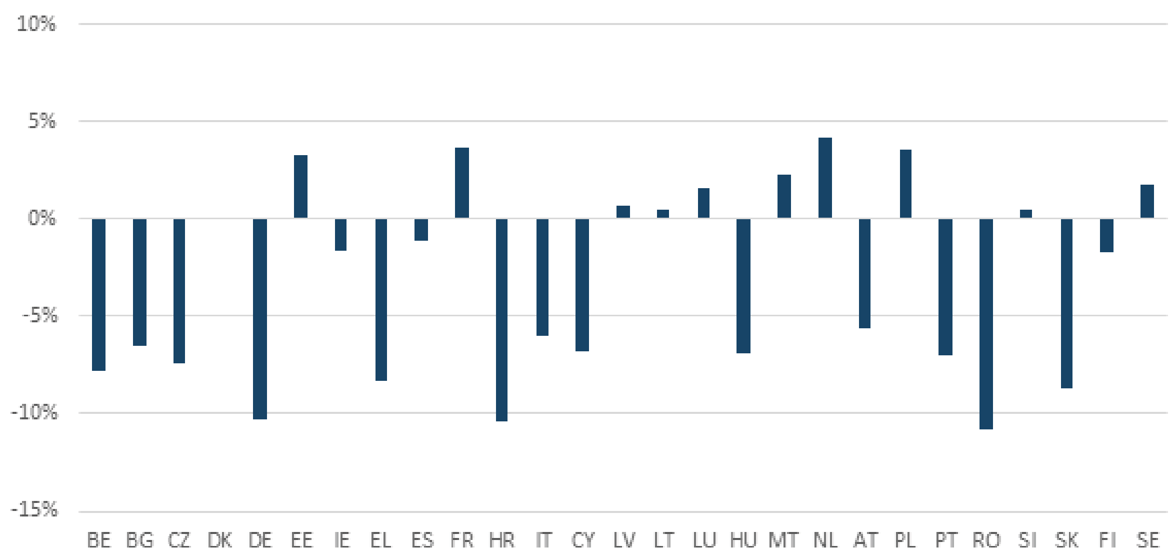
Chart 6 – Absolute change in simplified weighted average rates from 2021 to 2024 compared to 2016 weighted average rate (percentage points)



Source: Own calculations.

In 2024, it is to be expected that most VAT measures taken by Member States to account for the economic impacts of the COVID-19 pandemic have been lifted. This means that comparing the 2016 weighted average rate to the simplified rate of 2024 should give a useful indication of the adequacy of the 2016 rate after the pandemic. For most countries, the weighted average rate in 2024 was below the 2016 rate, with decreases between 5% and 10% for many countries. Germany, Croatia and Romania show the largest decreases, of about 10%.

Chart 7 – Relative change in simplified weighted average rate 2024 compared to 2016 weighted average rate (%)



Source: Own calculations.

3.3. Conclusion of the weighted average rate analysis

In conclusion, the analysis of the simplified weighted average rate estimation indicates that applying the 2016 weighted average rate to the years 2021 to 2024 seems to have been adequate for most Member States. The estimations show that the number of countries whose weighted average rate would otherwise have been considerably different (above 10%) is very small.

The period under consideration was affected by several events with a potential impact on the applicable VAT rates and consequently on VAT own resources. Temporary changes in VAT rates linked to COVID-19 measures, as well as greater flexibility for setting VAT rates in accordance with Council Directive (EU) 2022/542, make it difficult to estimate the impact of the application of the 2016 frozen rate in isolation. However, the analysis suggests that discontinuing the annual calculation of the weighted average rate had a limited impact on the fair distribution of the VAT contribution to the EU budget, while significantly reducing the administrative burden for the Commission and Member States.

4. Conclusion

This report assesses the functioning of the VAT-based own resource after the changes introduced by Council Regulation (EU, Euratom) N° 2021/769, in particular the adequacy of the frozen multiannual weighted average rate.

As described in Chapter 2, the discontinuation of most of the compensation and corrections did not have a significant effect on the amount of the VAT own resource base, while the number of open reservations has been reduced. Together with the simplified method of calculating the VAT-based own resource with the frozen 2016 weighted average rate, the administrative burden on both the Member States and the Commission has decreased remarkably.

There are currently three Member States that use a provisional 2016 rate due to open reservations: Germany, Croatia and Luxembourg (Annex 9 shows the weighted average rate for each Member State).

On the adequacy of the frozen rate, Chapter 3 shows that the estimated impact of using the 2016 rate in the years 2021 to 2024 only led to deviations from the actual rate of more than 1 percentage point for a small number of Member States. Overall, the estimated deviations became smaller in 2024 due to the adjustments made to counter the economic impacts of the COVID-19 pandemic. These deviations from the estimated rate in 2024 range from +4% to -11%.

Annex 11 gives an overview of the VAT rates applicable in each Member State in the period 2016-2023.

Annex

Annex 1 Statement Summary Table

VAT own resources according to Council Regulation 1553/89

Code			Negative	Positive
	Receipts			
R.1	Receipts			
R.2	Fines & interest			
R.3	Recovery costs			
R.4	Small taxed enterprises (-)			
R.5.1	Other corrections (+)			
R.5.2	Other corrections (-)			
R.6	Graduated tax relief			
R.7.1	Flat-rate farmers (+)			
R.7.2	Flat-rate farmers (-)			
R.8	Net receipts			
W	Weighted average rate (%)			
IB	Intermediate base			
	Compensation to base			
SE.1	Small exempt enterprises (+)			
E.2	Small exempt enterprises (-)			
	Annex X, part A of Dir 2006/112/EC			
XA.1	Dental technicians			
XA.2	Public radio and TV			
XA.3	Existing buildings and building land			
XA.4	Travel agents (outside EU)			
XA.T	Total Annex X, part A			
	Annex X, part B of Dir 2006/112/EC			
XB.1	Admission to sporting events			
XB.2	Liberal professions			
XB.3	Public telecommunication			
XB.4	Cremation and undertakers			
XB.5	Blind persons			
XB.6	War victims' commemorations			
XB.7	Private hospitals			
XB.8	Public water			
XB.9	New buildings and building land			
XB.10	Passenger transport (domestic leg)			

Code			Negative	Positive
XB.11	Aircraft			
XB.12	Warships			
XB.13	Travel agents (in the EU)			
XB.T	Total Annex X, part B			
	Limited deduction rights			
RD.C	Cars			
RD.E	Expenditures on cars			
	Other compensations			
OC.1	Other compensations			
OC.2	Other compensations			
OC.3	Other compensations			
OC.4	Other compensations			
OC.5	Other compensations			
OC.6	Other compensations			
OC.7	Other compensations			
C.T	TOTAL compensations			
Final VAT base				

Source: European Commission

Annex 2 Statement Summary Table

VAT own resources according to Council Regulation 1553/89 as amended by Council Regulation 2021/769

Code	Description	Currency used:
R1	Receipts	
R1.1	Any VAT amount not recorded in receipts (+)	
R1.2	Any non-VAT amount recorded in receipts (-)	
NR	Net receipts	R1+R1.1–R1.2
A	Correction Article 3.2[29] (a) Territorial Scope_____ __(+)	
B	Correction Article 3.2[30] (b) Territorial Scope_______(+-)	
C_1	Correction Article 3.2 (c) Infringement 1 _________(+)	
C_2	Correction Article 3.2 (c) Infringement 2 _________(+)	
…	……	
C_n	Correction Article 3. 2 (c) Infringement n _________(+)	
TC	Total corrections	A+or–B+C_1…C_n
CNR	Corrected net receipts	NR+or–TC
WAR	Multiannual weighted average rate (%)[31]	nn.nnnn%
FB	Final uncapped VAT OR Base	CNR/WAR

Source: European Commission

[29] Territories mentioned under Article 6 are Mount Athos, the Canary Islands, the French territories referred to in Article 349 and Article 355(1) of the Treaty on the Functioning of the European Union (Guadeloupe, French Guiana, Martinique, Reunion, Saint-Barthelemy, Saint Martin), the Aaland Islands, the Channel Islands, Campione d'Italia, the Italian waters of Lake Lugano, the Island of Heligoland, the territory of Busingen, Ceuta, Melilla, and Livigno.
[30] Territories mentioned under Article 7 are the Principality of Monaco, the Isle of Man, and the United Kingdom Sovereign Base Area of Akrotiri and Dhekelia.
[31] The definitive or preliminary weighted average rate of year 2016 expressed in four decimal places from the pre-2021 VAT-based own resource system.

Annex 3 Description of compensations and corrections

Title	Description	Purpose	Legal reference
R.2 Fines & interest **R.3 Recovery costs**	To eliminate elements that are not VAT but are booked together with VAT	Only collected VAT should constitute the base for the VAT-based own resource	Article 2(1) of the old CR 1553/89 and Article 2 of the VAT Directive
R.4 Small taxed firms	To exclude such small firms with a turnover below EUR 10 000	Member States have the option of leaving these firms out based in situations where they encounter difficulties applying normal VAT arrangements	Article 2(3) of the old CR 1553/89 and Title XXI, Chapter 1, Section 1 of the VAT Directive
R.5.1 & R.5.2 Other corrections	To correct for other elements affecting R.1 'Collected receipts' positively or negatively	Only collected VAT, should constitute the base for the VAT-based own resource. The corrections deduct non VAT elements and add VAT elements recorded elsewhere	Article 2(1) of the old CR 1553/89 and Article 2 of the VAT Directive
R.6 Graduated tax relief	Firms with a turnover above EUR 10 000 may be excused on a sliding scale from paying the VAT due	To alleviate the administrative burden for small firms when applying normal VAT arrangements	Article 5(1) of the old CR 1553/89 and Title XXI, Chapter 1, Section 1 of the VAT Directive
R.7.1 & R.7.2 Flat-rate farmers	As certain farmers carry out their VAT obligations differently, the effect of that needs to be translated into a positive or negative effect on R.1 'Collected receipts'	To alleviate the administrative burden for farmers when applying normal VAT arrangements	Article 5(2) of the old CR 1553/89 and Title XXI, Chapter 2 of the VAT Directive
SE.1 & SE.2 Small exempt firms	To include such small firms with a turnover above EUR 10 000 that are exempt and therefore not subject to the normal VAT obligations	To include exempt firms with a turnover between EUR 10 000 and the national exemption thresholds as if they had been subject to the normal VAT obligations	Article 6(1) of the old CR 1553/89 and Title XXI, Chapter 1, Section 1 of the VAT Directive
XA.1 Dental technicians **XA.2 Public radio and TV** **XA.3 Existing buildings and building land** **XA.4 Travel agents (outside the EU)**	To exclude VAT receipts related to certain supplies that are included in R.1, but should not be	To take out supplies that are taxed in a Member State but should be exempt	Article 2(2), second indent and Article 6(2) first indent of the old CR 1553/89, Article 370 and Annex X, part A of the VAT Directive
XB.1 Admission to sporting events	To include VAT receipts related to certain supplies	To add back VAT onto supplies that are	Article 2(2), third indent and Article

Title	Description	Purpose	Legal reference
XB.2 Liberal professions	that are not included in R.1, but should be	exempt in a Member State but that should be taxed	6(2) second indent of the old CR 1553/89, Article 371 and Annex X, part B of the VAT Directive
XB.3 Public telecommunications			
XB.4 Cremation and undertakers			
XB.5 Blind persons			
XB.6 War victims' commemorations			
XB.7 Private hospitals			
XB.8 Public water			
XB.9 New buildings and building land			
XB.10 Passenger transport			
XB.11 Aircraft			
XB.12 Warships			
XB.13 Travel agents			
RD.C Company cars	This compensation is optional for the Member States. When the general deduction right is limited, a negative compensation is needed as R.1 'Collected receipts' would otherwise be inflated compared to other Member States where the deduction right for these supplies is not restricted	To adjust R.1 Collected receipts to mimic the situation where these supplies are not subject to restricted deduction rights	Article 6(4) of the old CR 1553/89 and Article 176 of the VAT Directive
RD.E Expenditures on company cars			
OC.1 – OC.n Other compensations	Typical examples of 'Other compensations' relate to infringements, infringement-like departures from the VAT Directive, or certain VAT aspects of a Member States's territorial particularities	To add back VAT onto supplies that are not subject to an infringement or treated in a way that otherwise departs from normal VAT treatment in other Member States	Article 2(1) of the old CR 1553/89 and Article 2 of the VAT Directive

Source: European Commission

Annex 4 Comparison of VAT own resource bases for capped Member States in 2020 and 2023

Country	2020			2023		
	Before capping	After capping	Difference	Before capping	After capping	Difference
	EUR bn	EUR bn	%	EUR bn	EUR bn	%
Croatia	33.212	24.518	-26%	43.376	36.747	-15%
Cyprus	15.360	9.834	-36%	19.320	13.391	-31%
Luxembourg	30.402	21.357	-30%	41.205	27.719	-33%
Malta	9.183	5.784	-37%	9.745	8.403	-14%
Poland	254.114	248.794	-2%	359.996	351.380	-2%
Portugal	102.256	97.793	-4%	N/A	N/A	N/A
Slovenia	N/A	N/A	N/A	31.842	31.759	0%

Source: Definitive adoption (EU/Euratom) 2021/118 of amending budget No 9 of the European Union for the financial year 2020; Definitive adoption (EU/Euratom) 2023/2750 of amending budget No 4 of the European Union for the financial year 2023.

Note: The capping does not apply to the other Member States as their VAT base is below 50% of their GNI.

Annex 5 Evolution of VAT bases per Member State (EUR billion)

Member State	2016	2017	2018	2019	2020	2021	2022
Belgium	177	187	195	196	171	207	222
Bulgaria	22	24	26	29	29	34	40
Czechia	70	81	87	92	89	99	118
Denmark	105	110	115	118	114	148	141
Germany	1 300	1 357	1 407	1 457	1 432	1 500	1 702
Estonia	10	11	12	13	13	15	17
Ireland	78	86	88	94	78	96	117
Greece	70	70	74	79	69	74	89
Spain	495	508	564	564	500	578	659
France	989	1 057	1 104	1 113	1 043	1 209	1 314
Croatia	28	30	33	37	31	35	40
Italy	659	702	713	733	645	764	897
Cyprus	12	14	16	16	16	16	19
Latvia	11	11	12	13	13	14	18
Lithuania	15	17	18	20	18	24	29
Luxembourg	27	27	28	30	30	35	40
Hungary	44	48	54	60	57	60	70
Malta	7	7	8	9	8	7	9
Netherlands	290	303	326	335	329	381	431
Austria	159	168	173	178	173	184	212
Poland	171	224	242	252	238	276	315
Portugal	91	99	104	113	103	106	127
Romania	62	68	78	82	78	86	102
Slovenia	19	20	22	22	20	24	27
Slovakia	28	31	34	36	37	40	45
Finland	93	96	100	105	102	114	121
Sweden	201	205	206	208	219	230	234
Total	5 231	5 565	5 839	6 006	5 654	6 355	7 154

Source: Member States VAT statements for financial years 2016-2022

Annex 6 Evolution of VAT balances (EUR million)*

Member State	2016	2017	2018	2019	2020	2021	2022
Belgium	12.33	15.02	15.37	-8.42	-57.72	31.76	-13.23
Bulgaria	2.32	4.58	1.92	4.68	5.46	7.14	8.46
Czechia	5.12	20.69	10.67	8.35	-4.18	9.59	20.28
Denmark	4.54	2.63	-21.97	-9.11	25.42	71.18	4.42
Germany	-6.57	14.07	14.67	-3.28	106.98	104.48	268.70
Estonia	0.14	1.09	0.49	0.65	0.32	3.08	3.00
Ireland	-9.95	0.84	17.06	2.03	-41.81	11.46	27.42
Greece	-53.43	-12.05	-4.82	14.16	0.07	-42.82	41.17
Spain	67.71	-9.52	128.69	85.19	-73.72	78.88	160.69
France	58.70	98.94	111.62	57.41	27.59	253.03	322.78
Croatia	2.75	2.88	2.55	2.99	11.28	9.02	11.13
Italy	262.80	145.51	87.06	48.96	-15.63	230.68	580.28
Cyprus	1.49	2.37	3.49	1.48	2.32	1.96	4.63
Latvia	1.82	1.54	2.94	3.15	3.25	1.39	6.44
Lithuania	1.13	0.71	2.26	3.08	0.74	10.26	17.26
Luxembourg	3.28	4.75	-8.57	-1.97	46.02	11.57	-8.04
Hungary	-1.77	-1.54	8.47	11.37	13.65	11.04	26.90
Malta	0.81	1.38	-0.05	2.76	2.65	2.53	3.61
Netherlands	17.27	-0.77	7.72	-1.04	17.14	136.32	48.76
Austria	5.24	-1.22	5.51	1.65	2.32	16.49	39.83
Poland	-21.72	100.22	100.90	117.91	-12.60	79.52	58.82
Portugal	9.11	6.14	9.15	11.63	2.66	1.80	20.91
Romania	19.50	5.60	10.15	17.41	-6.63	29.37	69.54
Slovenia	1.37	2.74	3.68	0.78	-4.69	5.17	2.74
Slovakia	4.19	5.78	12.34	10.68	8.82	10.81	9.99
Finland	5.12	7.82	3.68	11.69	-0.13	7.16	114.83
Sweden	6.85	3.54	-0.01	7.86	8.13	15.35	7.57
Total	400.15	423.73	524.96	402.03	67.72	1 108.22	1 858.89

Source: EU annual accounts and European Commission calculations
*The balances exercise adjusts the data annually for the latest available year and for previous years.

Annex 7 Reservations per Member State

	Total number of reservations on 31 December 2023	Of which, reservations covering 2021 and 2022
Belgium	1	-
Bulgaria	-	-
Czechia	-	-
Denmark	7	-
Germany	8	-
Estonia	-	-
Ireland	9	-
Greece	5	2
Spain	-	-
France	2	-
Croatia	2	-
Italy	3	1
Cyprus	-	-
Latvia	-	-
Lithuania	-	-
Luxembourg	5	-
Hungary	-	-
Malta	-	-
Netherlands	4	-
Austria	5	-
Poland	-	-
Portugal	-	-
Romania	11	3
Slovenia	-	-
Slovakia	-	-
Finland	2	1
Sweden	1	-
UK	1	-
Total	66	7

Source: European Commission

Annex 8 Questionnaire for Member States

Questionnaire for the report mentioned in Article 13a of Council Regulation 1553/89 on the definitive uniform arrangements for the collection of own resources accruing from VAT.

1. On a scale from 1 to 10 (where 10 is the highest score), how satisfied are you with the new system introduced by Council Regulation (EU, Euratom) 2021/769 of 30 April 2021 compared to the old one in terms of the time/resources needed for drawing up the annual statement and to prepare and take part in an inspection (full cycle)?

2. What are the features of the new VAT-based own resource system that you value the most?

3. What are the features of the new VAT-based own resource system that you value the least?

4. Did the introduction of the new system lead to any reduction in the number of people, workload, costs, or other resources?

5. If the answer to question 4 is yes, could you quantify the savings made possible by the reform related to the preparation of the statements as well as the preparation of and participation in inspections (in terms of full-time equivalent (FTE), workload, costs, or other resources as applicable)?

Annex 9 Weighted average rate percentages and status for 2016

Member State	WAR 2016 (%)	Number of reservations	Status
Belgium	16.1119%	-	Definitive
Bulgaria	19.7258%	-	Definitive
Czechia	18.9045%	-	Definitive
Denmark	25.0000%	-	Definitive
Germany*	16.7396%	1	Provisional
Estonia	19.2187%	-	Definitive
Ireland*	16.2875%	2	Provisional
Greece	20.3585%	-	Definitive
Spain	14.5883%	-	Definitive
France	15.3663%	-	Definitive
Croatia*	22.0014%	1	Provisional
Italy	15.5720%	-	Definitive
Cyprus	13.6041%	-	Definitive
Latvia	19.7217%	-	Definitive
Lithuania	19.7924%	-	Definitive
Luxembourg	13.0210%	3	Provisional
Hungary	24.3450%	-	Definitive
Malta	13.5716%	-	Definitive
Netherlands	16.4194%	-	Definitive
Austria	16.6805%	-	Definitive
Poland	17.0229%	-	Definitive
Portugal	17.7076%	-	Definitive
Romania	18.6242%	-	Definitive
Slovenia	17.4687%	-	Definitive
Slovakia	19.1907%	-	Definitive
Finland	20.6655%	-	Definitive
Sweden	21.1007%	-	Definitive

Source: Member States VAT statements for financial year 2016.

*The data presented in this Annex is from March 2024. Following inspections performed after March 2024, the percentage for Ireland became definitive (the new percentage is 16.2875). In addition, the provisional percentage for Germany changed to 16.7453 and for Croatia changed to 22.0578.

Annex 10 List of Council Directives amending the VAT Directive since year 2016

1. Council Directive (EU) 2016/856 of 25 May 2016 amending Directive 2006/112/EC on the common system of value added tax, as regards the duration of the obligation to respect a minimum standard rate.
2. Council Directive (EU) 2016/1065 of 27 June 2016 amending Directive 2006/112/EC as regards the treatment of vouchers.
3. Council Directive (EU) 2017/2455 of 5 December 2017 amending Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods.
4. Council Directive (EU) 2018/912 of 22 June 2018 amending Directive 2006/112/EC on the common system of value added tax as regards the obligation to respect a minimum standard rate.
5. Council Directive (EU) 2018/1695 of 6 November 2018 amending Directive 2006/112/EC on the common system of value added tax as regards the period of application of the optional reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud and of the Quick Reaction Mechanism against VAT fraud.
6. Council Directive (EU) 2018/1713 of 6 November 2018 amending Directive 2006/112/EC as regards rates of value added tax applied to books, newspapers and periodicals.
7. Council Directive (EU) 2018/1910 of 4 December 2018 amending Directive 2006/112/EC as regards the harmonisation and simplification of certain rules in the value added tax system for the taxation of trade between Member States.
8. Council Directive (EU) 2019/475 of 18 February 2019 amending Directives 2006/112/EC and 2008/118/EC as regards the inclusion of the Italian municipality of Campione d'Italia and the Italian waters of Lake Lugano in the customs territory of the Union and in the territorial application of Directive 2008/118/EC.
9. Council Directive (EU) 2019/1995 of 21 November 2019 amending Directive 2006/112/EC as regards provisions relating to distance sales of goods and certain domestic supplies of goods.
10. Council Directive (EU) 2019/2235 of 16 December 2019 amending Directive 2006/112/EC on the common system of value added tax and Directive 2008/118/EC concerning the general arrangements for excise duty as regards defence efforts within the Union framework.
11. Council Directive (EU) 2020/284 of 18 February 2020 amending Directive 2006/112/EC as regards introducing certain requirements for payment service providers.
12. Council Directive (EU) 2020/1756 of 20 November 2020 amending Directive 2006/112/EC on the common system of value added tax as regards the identification of taxable persons in Northern Ireland.
13. Council Directive (EU) 2020/2020 of 7 December 2020 amending Directive 2006/112/EC as regards temporary measures in relation to value added tax applicable to COVID-19 vaccines and in vitro diagnostic medical devices in response to the COVID-19 pandemic.

14. Council Directive (EU) 2021/1159 of 13 July 2021 amending Directive 2006/112/EC as regards temporary exemptions on importations and on certain supplies, in response to the COVID-19 pandemic.

15. Council Directive (EU) 2022/542 of 5 April 2022 amending Directives 2006/112/EC and (EU) 2020/285 as regards rates of value added tax.

16. Council Directive (EU) 2022/890 of 3 June 2022 amending Directive 2006/112/EC as regards the extension of the application period of the optional reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud and of the Quick Reaction Mechanism against VAT fraud.

Annex 11 VAT rates applicable in the Member States

	2016	2017	2018	2019	2020	2021	2022	2023
BE	6%; 12%; 21%	6%; 12%; 21%	6%; 12%; 21%	6%; 12%; 21%	6%; 12%; 21%	6%; 12%; 21%	6%; 12%; 21%	6%; 12%; 21%
BG	9%; 20%	9%; 20%	9%; 20%	9%; 20%	9%; 20%	9%; 20%	9%; 20%	9%; 20%
CZ	10%; 15%; 21%	10%; 15%; 21%	10%; 15%; 21%	10%; 15%; 21%	10%; 15%; 21%	10%; 15%; 21%	10%; 15%; 21%	10%; 15%; 21%
DK	25%	25%	25%	25%	25%	25%	25%	25%
DE	7%; 19%	7%; 19%	7%; 19%	7%; 19%	7%; 19%	5/7%; 16/19%	7%; 19%	7%; 19%
EE	9%; 20%	9%; 20%	9%; 20%	9%; 20%	9%; 20%	9%; 20%	5%; 9%; 20%	5%; 9%; 20%
IE	4,8%; 9%; 13,5%; 23%	4,8%; 9%; 13,5%; 23%	4,8%; 9%; 13,5%; 23%	4,8%; 9%; 13,5%; 23%	4,8%; 9%; 13,5%; 23/21%	4,8%; 9%; 13,5%; 21/23%	4,8%; 9%; 13,5%; 23%	4,8%; 9%; 13,5%; 23%
EL	6%; 13%; 24%	6%; 13%; 24%	6%; 13%; 24%	6%; 13%; 24%	6%; 13%; 24%	6%; 13%; 24%	6%; 13%; 24%	6%; 13%; 24%
ES	4%; 10%; 21%	4%; 10%; 21%	4%; 10%; 21%	4%; 10%; 21%	4%; 10%; 21%	4%; 10%; 21%	4%; 10%; 21%	4%; 10%; 21%
FR	2.1%; 5.5%; 10%, 20%	2.1%; 5.5%; 10%, 20%	2.1%; 5.5%; 10%, 20%	2.1%; 5.5%; 10%, 20%	2.1%; 5.5%; 10%, 20%	2.1%; 5.5%; 10%, 20%	2.1%; 5.5%; 10%, 20%	2.1%; 5.5%; 10%, 20%
HR	5%; 13%; 25%	5%; 13%; 25%	5%; 13%; 25%	5%; 13%; 25%	5%; 13%; 25%	5%; 13%; 25%	5%; 13%; 25%	5%; 13%; 25%
IT	4%; 5%; 10%; 22%	4%; 5%; 10%; 22%	4%; 5%; 10%; 22%	4%; 5%; 10%; 22%	4%; 5%; 10%; 22%	4%; 5%; 10%; 22%	4%; 5%; 10%; 22%	4%; 5%; 10%; 22%
CY	5%; 9%; 19%	5%; 9%; 19%	5%; 9%; 19%	5%; 9%; 19%	5%; 9%; 19%	5%; 9%; 19%	5%; 9%; 19%	3%;5%; 9%; 19%
LV	12%; 21%	12%; 21%	12%; 21%	5%; 12%; 21%	5%; 12%; 21%	5%; 12%; 21%	5%; 12%; 21%	5%; 12%; 21%

	2016	2017	2018	2019	2020	2021	2022	2023
LT	5%; 9%; 21%	5%; 9%; 21%	5%; 9%; 21%	5%; 9%; 21%	5%; 9%; 21%	5%; 9%; 21%	5%; 9%; 21%	5%; 9%; 21%
LU	3%; 8%; 14%; 17%	3%; 8%; 14%; 17%	3%; 8%; 14%; 17%	3%; 8%; 14%; 17%	3%; 8%; 14%; 17%	3%; 8%; 14%; 17%	3%; 8%; 14%; 17%	3%; 7%; 13%; 16%
HU	5%; 18%; 27%	5%; 18%; 27%	5%; 18%; 27%	5%; 18%; 27%	5%; 18%; 27%	5%; 18%; 27%	5%; 18%; 27%	5%; 18%; 27%
MT	5%; 7%; 18%	5%; 7%; 18%	5%; 7%; 18%	5%; 7%; 18%	5%; 7%; 18%	5%; 7%; 18%	5%; 7%; 18%	5%; 7%; 18%
NL	6%; 21%	6%; 21%	6%; 21%	9%; 21%	9%; 21%	9%; 21%	9%; 21%	9%; 21%
AT	10%; 13%; 20%	10%; 13%; 20%	10%; 13%; 20%	10%; 13%; 20%	5%, 10%; 13%; 20%	5%, 10%; 13%; 20%	10%; 13%; 20%	10%; 13%; 20%
PL	5%; 18%; 23%	5%; 18%; 23%	5%; 18%; 23%	5%; 18%; 23%	5%; 18%; 23%	5%; 18%; 23%	5%; 18%; 23%	5%; 18%; 23%
PT	6%; 13%; 23%	6%; 13%; 23%	6%; 13%; 23%	6%; 13%; 23%	6%; 13%; 23%	6%; 13%; 23%	6%; 13%; 23%	6%; 13%; 23%
RO	5%; 9%; 20%	5%; 9%; 19%	5%; 9%; 19%	5%; 9%; 19%	5%; 9%; 19%	5%; 9%; 19%	5%; 9%; 19%	5%; 9%; 19%
SI	9,5%; 22%	9,5%; 22%	9,5%; 22%	9,5%; 22%	5%; 9,5%; 22%	5%; 9,5%; 22%	5%; 9,5%; 22%	5%; 9,5%; 22%
SK	10%; 20%	10%; 20%	10%; 20%	10%; 20%	10%; 20%	10%; 20%	10%; 20%	10%; 20%
FI	10%; 14%; 24%	10%; 14%; 24%	10%; 14%; 24%	10%; 14%; 24%	10%; 14%; 24%	10%; 14%; 24%	10%; 14%; 24%	10%; 14%; 24%
SE	6%; 12%; 25%	6%; 12%; 25%	6%; 12%; 25%	6%; 12%; 25%	6%; 12%; 25%	6%; 12%; 25%	6%; 12%; 25%	6%; 12%; 25%

Source: Taxes in Europe database, previously published list of VAT rates, publicly available information.

Annex 12 Weighted average rates in Member States, 2016-2020, in %

Member State	2016	2017	2018	2019	2020
Belgium	16.1119	16.0177	15.9033	16.0603	15.9622
Bulgaria	19.7258	19.7290	19.7185	19.7149	19.5845
Czechia	18.9045	18.8680	18.8187	18.7778	18.4913
Denmark	25.0000	25.0000	25.0000	25.0000	25.0000
Germany	16.7396	16.7185	16.7355	16.7636	15.4041
Estonia	19.2187	19.2257	19.1851	19.1873	19.1596
Ireland	16.2875	16.3228	16.5002	16.5307	16.3979
Greece	20.3585	20.6506	20.6097	19.9687	18.4146
Spain	14.5883	14.4696	14.3250	14.6177	14.5594
France	15.3663	15.2702	15.2840	15.4303	15.379
Croatia	22.0014	21.4101	21.5697	20.3610	21.0095
Italy	15.5720	15.4768	15.4872	15.5858	15.5942
Cyprus	13.6041	13.2560	12.5966	12.7172	13.5437
Latvia	19.7217	19.8917	19.6934	19.7677	19.7213
Lithuania	19.7924	20.0566	19.8387	19.8857	19.8848
Luxembourg	13.0210	12.8644	13.4055	13.2147	12.931
Hungary	24.3450	23.8176	22.9542	23.1810	22.8911
Malta	13.5716	13.6878	13.5302	13.5795	13.3496
Netherlands	16.4194	16.4882	16.1383	16.9233	17.0848
Austria	16.6805	16.6223	16.8065	16.6780	15.892
Poland	17.0229	16.9906	16.9136	17.0331	17.1593
Portugal	17.7076	17.0838	17.0488	16.8203	16.942
Romania	18.6242	16.9892	16.7183	16.8408	16.4777
Slovenia	17.4687	17.4037	17.2777	17.3087	17.2753
Slovakia	19.1907	19.2161	19.1329	18.9486	18.7725
Finland	20.6655	20.6719	20.6995	20.6476	20.6691
Sweden	21.1007	21.1800	21.2425	21.2911	21.2327

Source: Member States' VAT statements for the financial years 2016- 2020.

Annex 13 Simplified weighted average rate of 2020 compared to actual weighted average rate of 2020

To exemplify and test the accuracy of the simplified weighted average rate, this annex presents calculations of the simplified weighted average rate 2020 using the weighted average rate of 2019 as the basis.

$$S\text{-}WAR_{2020} = WAR_{2019} \times \frac{HH\text{-}WAR_{2020}}{HH\text{-}WAR_{2019}}$$

To verify the accuracy of the estimate, the table includes a comparison with the actual 2020 weighted average rate, reported by Member States in their financial statements and verified by the Commission. For most countries, the simplified weighted average rate closely matches the actual weighted average rate, with a difference of less than 0.2 percentage points between the two. When weighted with the VAT base of the country in question, the simplified weighted average rate differs on average by only 0.10 percentage points from the actual weighted average rate of 2020.

Had this simplified method been used instead of the full calculation of the weighted average rate, the financial impact would have been minimal. Member States' total contributions would have decreased by only EUR 14.9 million in 2020. For most Member States, contributions would have been lower or unaffected due to the capping mechanism.

Member State	Simplified WAR 2020	Actual WAR 2020	Difference (percentage points)	Own resource impact of using simplified WAR (EUR Mio.)	Relative own resource impact
Belgium	16.08%	15.96%	0.12%	3.8	0.7%
Bulgaria	19.70%	19.58%	0.12%	0.0	0.0%
Czechia	18.54%	18.49%	0.05%	0.7	0.3%
Denmark	25.00%	25.00%	0.00%	0.0	0.0%
Germany*	*16.66%*	*15.40%*	*1.25%*	*321.9*	*7.5%*
Estonia	19.19%	19.16%	0.03%	0.1	0.1%
Ireland	16.49%	16.40%	0.09%	1.3	0.5%
Greece	17.09%	18.41%	-1.32%	-16.0	-7.7%
Spain	14.59%	14.56%	0.03%	3.1	0.2%
France	15.42%	15.38%	0.05%	9.2	0.3%
Croatia	19.48%	21.01%	-1.53%	0.0	0.0%
Italy	15.58%	15.59%	-0.01%	-1.2	-0.1%
Cyprus	12.72%	13.54%	-0.82%	0.0	0.0%
Latvia	19.79%	19.72%	0.06%	0.1	0.3%
Lithuania	19.91%	19.88%	0.02%	0.1	0.1%

Member State	Simplified WAR 2020	Actual WAR 2020	Difference (percentage points)	Own resource impact of using simplified WAR (EUR Mio.)	Relative own resource impact
Luxembourg	13.36%	12.93%	0.42%	0.0	0.0%
Hungary	22.73%	22.89%	-0.16%	-1.2	-0.7%
Malta	13.52%	13.35%	0.17%	0.0	0.0%
Netherlands	16.94%	17.08%	-0.15%	-8.5	-0.9%
Austria	16.66%	15.89%	0.77%	24.1	4.7%
Poland	17.05%	17.16%	-0.11%	-4.5	-0.6%
Portugal	16.79%	16.94%	-0.15%	0.0	0.0%
Romania	16.70%	16.48%	0.22%	3.0	1.3%
Slovenia	17.31%	17.28%	0.03%	0.1	0.2%
Slovakia	18.62%	18.77%	-0.15%	-0.9	-0.8%
Finland	20.66%	20.67%	-0.01%	-0.1	0.0%
Sweden	21.29%	21.23%	0.06%	1.7	0.3%
EU average			0.25%	2.9	
EU weighted average (by VAT Base)			0.10%		
Total				14.9	

Sources: Member States' VAT statements for the financial years 2019 and 2020, EUROMOD (see explanation below) consumption data calibrated to Eurostat household consumption data by COICOP (classification of individual consumption according to purpose) 3-digit consumption category for the years 2017-2018, Taxes in Europe database, VAT rates by COICOP 5-digit consumption category for 2019-2020. Own calculations.

*: The large difference between the S-WAR and actual WAR for Germany can be explained by the reduction of the standard and reduced VAT rates in 2020, not reflected in the data underlying the S-WAR. Germany is therefore excluded from averages and totals.

Annex 14 Distribution of consumption subject to VAT by category, 2020

	Household consumption	Government purchases	Gross fixed capital formation	Intermediate consumption
Belgium	61%	4%	16%	18%
Bulgaria	75%	7%	5%	14%
Czechia	59%	7%	13%	21%
Denmark	-	-	-	-
Germany	65%	5%	16%	14%
Estonia	64%	10%	17%	9%
Ireland	66%	7%	16%	12%
Greece	85%	7%	4%	4%
Spain	74%	7%	11%	8%
France	62%	3%	17%	17%
Croatia	73%	8%	9%	9%
Italy	72%	7%	12%	9%
Cyprus	59%	3%	14%	24%
Latvia	75%	8%	11%	6%
Lithuania	81%	6%	8%	5%
Luxembourg	56%	3%	6%	7%
Hungary	66%	12%	15%	7%
Malta	76%	9%	9%	6%
Netherlands	60%	8%	16%	16%
Austria	77%	7%	9%	7%
Poland	73%	7%	9%	11%
Portugal	75%	7%	6%	12%
Romania	43%	5%	14%	38%
Slovenia	70%	9%	10%	10%
Slovakia	69%	6%	10%	15%
Finland	62%	18%	9%	11%
Sweden	58%	12%	18%	13%

Sources: Member States' VAT statements for the financial year 2020. Own calculations.

Annex 15 Detailed explanation of the calculation of the household weighted average rate (HH-WAR)

This annex gives a detailed explanation of the weighted average rate for household consumption, referred to as the household weighted average rate. It is the main component in calculating the simplified weighted average rate, i.e. the simplified weighted average rate is calculated by applying the household weighted average rate's growth rate to the (actual) weighted average rate of a reference year. This household weighted average rate has been calculated by the JRC in Seville.

Its underlying consumption expenditure data are derived from EUROMOD, [32] which operates on microdata from the EU statistics on income and living conditions (EU-SILC) and the Household Budget Survey (waves 2019 and 2015, respectively, for most countries). These results can be calibrated to reflect national account figures available from Eurostat, termed 'Final consumption expenditure of households by consumption purpose (COICOP 3-digit)'. To calculate the weighted average rate in year n, Member States use consumption data from year n-2. This means that national accounts consumption data from year n-2 were used for the calibration of the consumption data.

The estimation of the weighted average rate also requires VAT rates per consumption category, collected from the Taxes in Europe database and verified against national legislation. To each COICOP 5-digit category (approximately 200 categories for most countries), a single VAT rate is manually given. If multiple rates apply (for example, because there are various products within the 5-digit category bundle, or rates differ throughout the year), the most prevalent rate is used[33].

Exempted consumption categories, which do not contribute to the VAT base, are identified using the document 'VAT rates applied in the Member States of the European Union' from DG TAXUD, for 2019, and the VAT Directive 2006/112. These exemptions are assumed to remain constant over the years.

The household weighted average rate for each Member State is then estimated as the implicit rates dividing the VAT liabilities with consumption expenditures of private households:

$$HH\text{-}WAR \quad = \frac{VAT^{NA}}{\left(EXP^{NA} - VAT^{NA}\right)}$$

Where *HH-WAR* is the household weighted average rate for a given Member State and year; VAT^{NA} and EXP^{NA} are, respectively, the total VAT liabilities and total consumption expenditure, of any consumption expenditure not exempt from VAT. Consumption categories

[32] EUROMOD is a tax-benefit microsimulation model for the EU that enables researchers and policy analysts to calculate, comparably, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole. The results presented here are based on EUROMOD version i6.120. Originally maintained, developed and managed by the Institute for Social and Economic Research (ISER), since 2021 EUROMOD has been maintained, developed and managed by the JRC, in collaboration with Eurostat and national teams from EU countries. We are indebted to the many people who have contributed to the development of EUROMOD. The results and their interpretation are the author's(') responsibility. More info: https://euromod-web.jrc.ec.europa.eu/.

[33] Rates for 2024 were reviewed by experts from each Member State. However, they were still provisional at the time of calculation (July 2024) and therefore subject to checks, revisions and adjustments until the next EUROMOD stable release in early 2025.

with zero rates are included. NA indicates that VAT and EXP have been calibrated to national accounts.

Annex 16 Simplified weighted average rates for 2021-2024, using 2019 as the reference

Member State	2021	2022	2023	2024
Belgium	16.04%	15.81%	15.18%	14.97%
Bulgaria	18.98%	19.32%	18.69%	18.54%
Czechia	17.62%	17.97%	17.93%	17.55%
Denmark	25.00%	25.00%	25.00%	25.00%
Germany	15.76%	15.82%	15.85%	16.24%
Estonia	19.18%	19.17%	19.13%	19.88%
Ireland	15.07%	15.67%	15.19%	16.11%
Greece	17.12%	17.46%	17.41%	17.33%
Spain	14.24%	14.09%	13.63%	14.46%
France	15.40%	15.39%	15.56%	15.98%
Croatia	19.45%	18.06%	18.17%	18.27%
Italy	15.53%	15.03%	15.06%	14.62%
Cyprus	12.66%	12.95%	12.76%	11.91%
Latvia	19.80%	19.71%	19.81%	19.92%
Lithuania	19.84%	19.47%	19.38%	19.92%
Luxembourg	13.34%	13.46%	13.03%	13.66%
Hungary	22.63%	23.30%	23.03%	22.50%
Malta	13.50%	14.31%	13.84%	14.05%
Netherlands	16.86%	17.19%	17.31%	16.96%
Austria	15.40%	16.84%	17.11%	16.52%
Poland	16.97%	12.99%	15.47%	17.52%
Portugal	16.53%	16.62%	16.25%	16.31%
Romania	16.73%	16.67%	16.99%	16.84%
Slovenia	17.27%	17.23%	17.52%	17.59%
Slovakia	18.63%	18.54%	17.87%	17.38%
Finland	20.66%	20.66%	20.78%	20.30%
Sweden	21.29%	21.53%	21.78%	21.53%
Simple average	17.46%	17.42%	17.40%	17.48%
Average, weighted by VAT Base	16.34%	16.14%	16.23%	16.45%

Source: European Commission calculations