An EU tax as an EU own resource

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Own resourcesFirst asset report

- I. pillar: from traditional own resources
  - Customs and agricultural duties and sugar levies
- II. pillar: VAT-based resources
- III. pillar: GNI-based resources
  - max 1.27% of GNI of every Member State
- other revenues
  - Bank interest, deductions from EU staff remunerations, contributions by non-EU countries to certain EU programmes

Criticism of present system

- Own resources system too complex and untransparent
- Own resources do not originate with the EU
  - Inconsistent with Treaty of Rome (1957), Article 201:
    - "Without prejudice to other revenue, the budget shall be financed wholly from own resources."
  - they are contributions from national budgets accounting for up to 83% of the EU budget (2013)
- Increased frequency of late payments by member states
- Existence of corrections and rebates

HLG for the EU's own resources

- Established for 2014-2016 Members: 1 + 3 x 3
- Chairman: (jointly appointed by the European Parliament, the Council and the Commission)
- Mario Monti, President of Bocconi University, former Prime Minister of Italy and European Commissioner

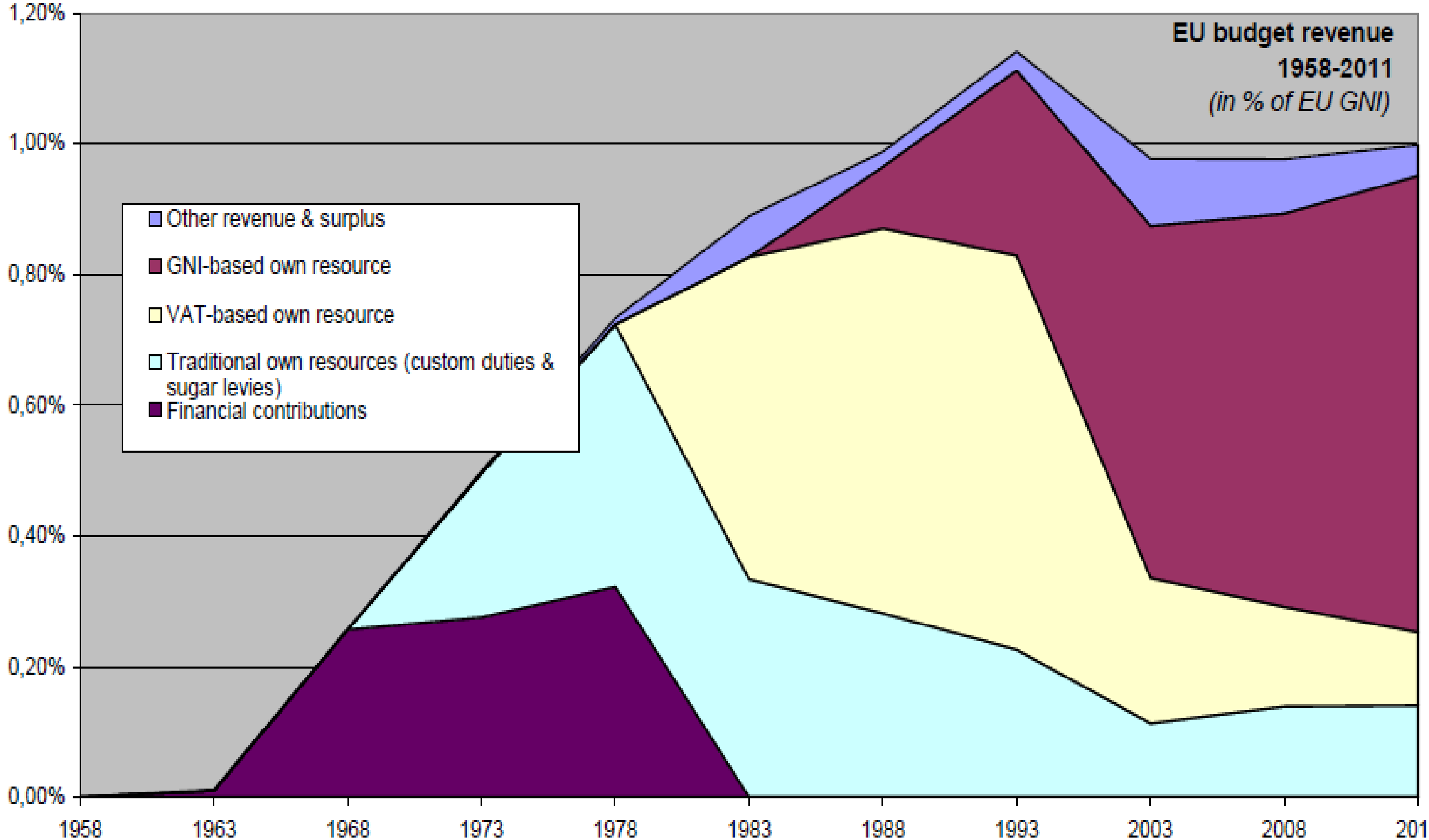
- Members appointed by the European Parliament:
- Ivailo Kalfin, former Member of the EP, Dep. Prime-Minister of Bulgaria and Minister of Labor, Soc.Policy,
- Alain Lamassoure (EPP),
- Guy Verhofstadt (ALDE),

- Members appointed by the Council:
- Daniel Dăianu, former Member of the European Parliament and Finance Minister of Romania,
- Clemens Fuest, President of the Centre for European Economic Research ZEW in Germany,
- Ingrida Šimonytė, former Minister of Finance of Lithuania,

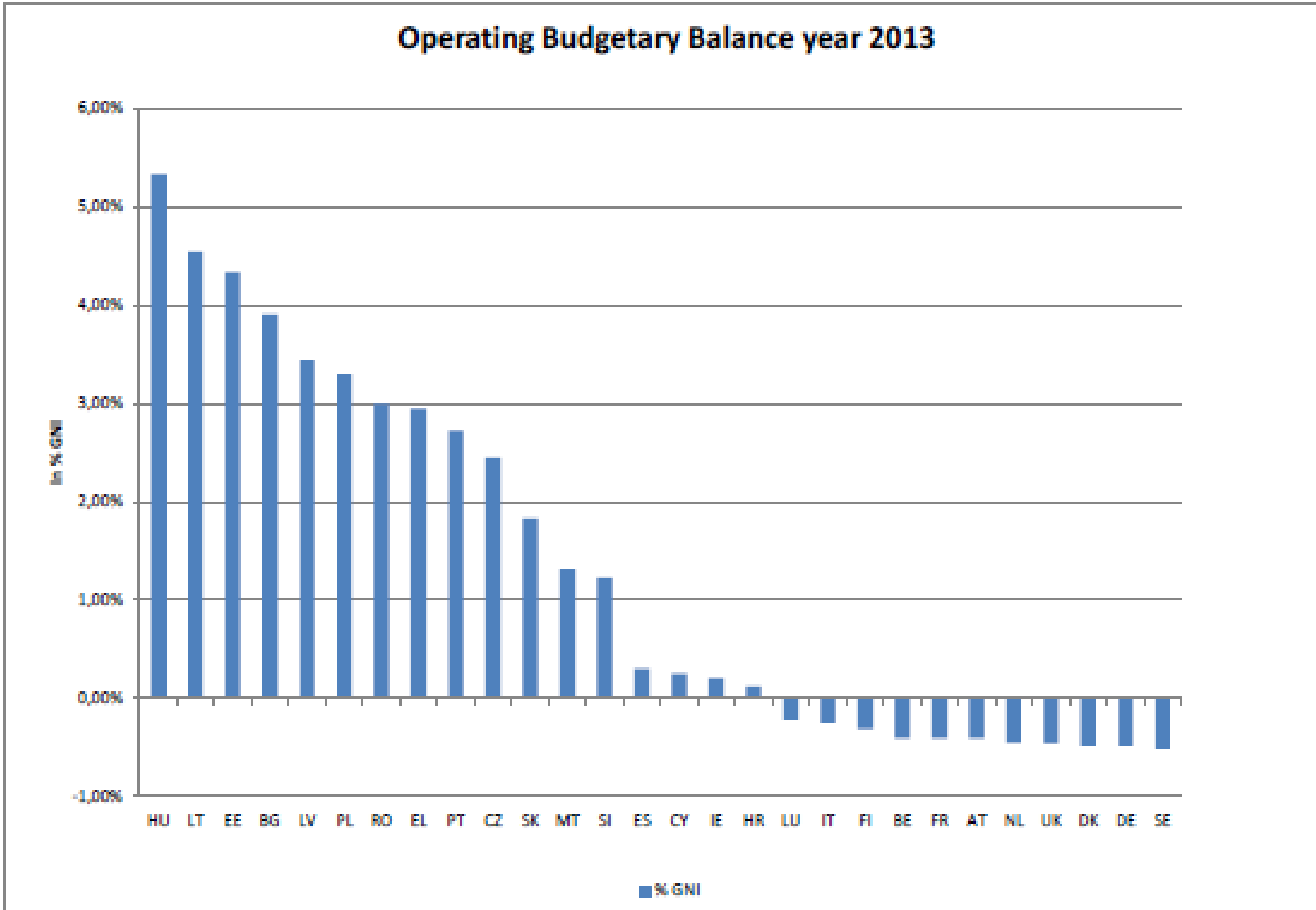
- Members appointed by the Commission:
- Kristalina Georgieva, Vice-President of the Commission in charge of budget and human resources, who replaced former commissioners for Budget Janusz Lewandowski and Jacek Dominik.
- Pierre Moscovici, Member of the Commission in charge of economic and financial affairs, taxation and customs, who replaced former commissioner for taxation, customs, Algirdas Šemeta.
- Frans Timmermans, First Vice-President of the Commission in charge of better regulation, inter-institutional relations, rule of law and Charter of fundamental rights, who replaced former Vice-President Maroš Šefčovič.

- First asset report

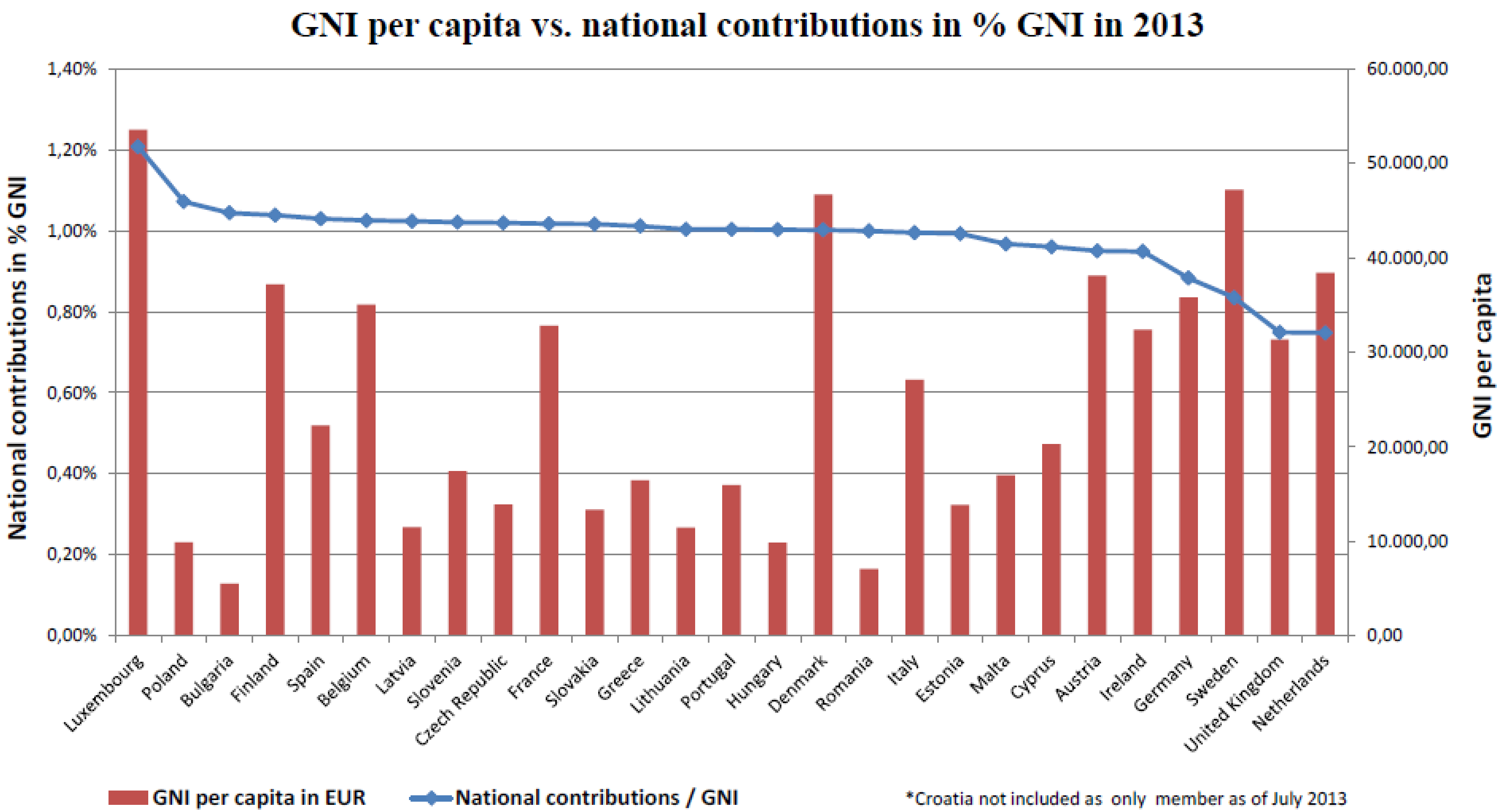
HLG for the EU's own resources: First asset report



HLG for the EU's own resources: First asset report



HLG for the EU's own resources: First asset report



Criteria for the new tax on own resources

1. More transparent
2. Budgetary neutrality
3. Reduce labour taxation and/or

   Abolition of administratively demanding methods of environment protection
4. Eliminating discrimination of European producers on home and world markets

Criterion 1: More transparency

- In connection to EU strategies and goals
  - Environment protection, employment
- Make European policy more clear to voters
  - Low election participation in several countries
- Regularise the position of the European Parliament
  - EP is not budget authority on the income side

Criterion 2: Budgetary neutrality

- Fiscal devaluation:
- Simultaneous and by the same amount:
    - reduction in direct taxes
    - increase in indirect taxes
  - Introduction of new EU tax
  - Reduction labour tax
  - and/or abolition or reduction of taxes, charges + other costs of business in the EU

Criterion 3: Reduction of labour taxation

- Reduction of labour taxation => reduced labour costs
- And/or
  - Environment protection is currently regulated through mainly administrative methods
  - Quantified list will contain volume of financial resources that would replace the financial burden after introduction of new tax
  - In this way fiscal neutrality would be achieved – e.g. excise duty on mineral oils, carbon credits, energy costs

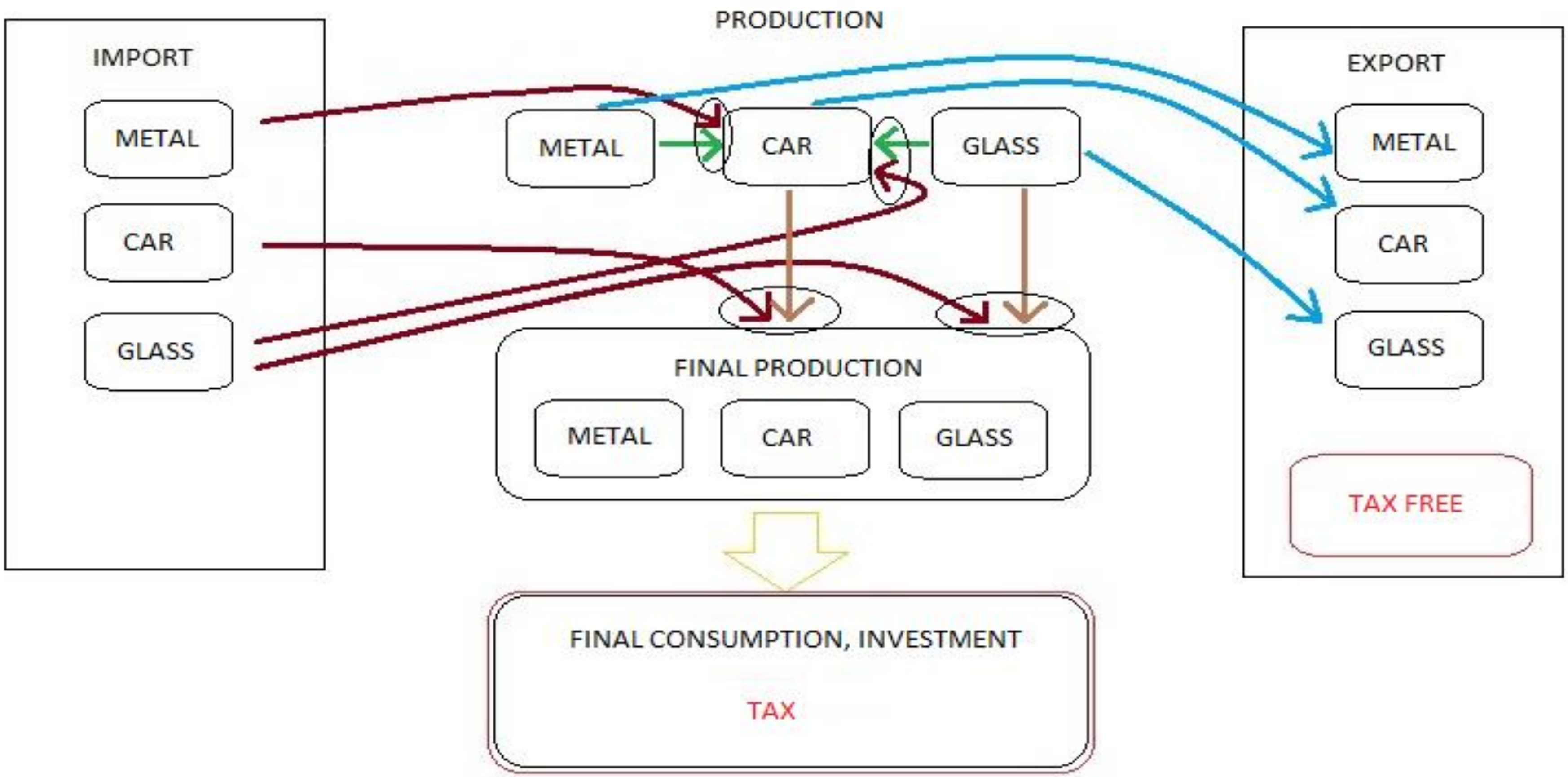
Criterion 4: Eliminating discrimination of European producers

- Environmental protection
  - increases production costs of EU companies
  - (whilst keeping some non-EU companies costs low)
- Eliminating discrimination of European producers on home and world markets:
  - To end unfavourable treatment of Europe's producers compared with manufacturers in 3rd countries with lower environmental standards
  - To do not burden domestic producers exporting to 3rd countries.

Proposal for a new EU tax

- To tax products based on:
  - amount of energy consumed and CO_2 emitted in production process,
  - irrespective of whether all or part of that process is inside or outside the EU.
- Different tax rates for several dozen product types.
- Taxation of end use of goods and services on the European market (C+G+I).
- Exported goods and services will not be taxed.

Funding of EU tax: simplified overview



Elements of the EU tax 1

- To apply in all EU Member States and thus throughout the EU
- 60 to 100 groups of products subject to different rates of EU tax
- Taxation of end use of goods and services on the European market
- No taxation of goods and services exported from EU
- Same taxation of end use of goods and services on the European market regardless of origin

Elements of the EU tax 2

- Tax bands for individual product groups to depend on energy consumption and levels of CO_2 throughout entire production process
- Uniform rates the same for all MS
- Rates for products calculated on basis of input–output analysis so that total revenue from this tax matches current MS payments into EU own resources

Conclusions

- Introduction of this EU tax:

- Sustainable own EU resources
- Fair competitive environment for EU companies
- Contribution to environmental protection
- Cutting costs for companies :
  - more competitive
  - on domestic and foreign markets
  - leading to growth in:
    - domestic production
    - Employment, household income
    - GDP

Thank you.

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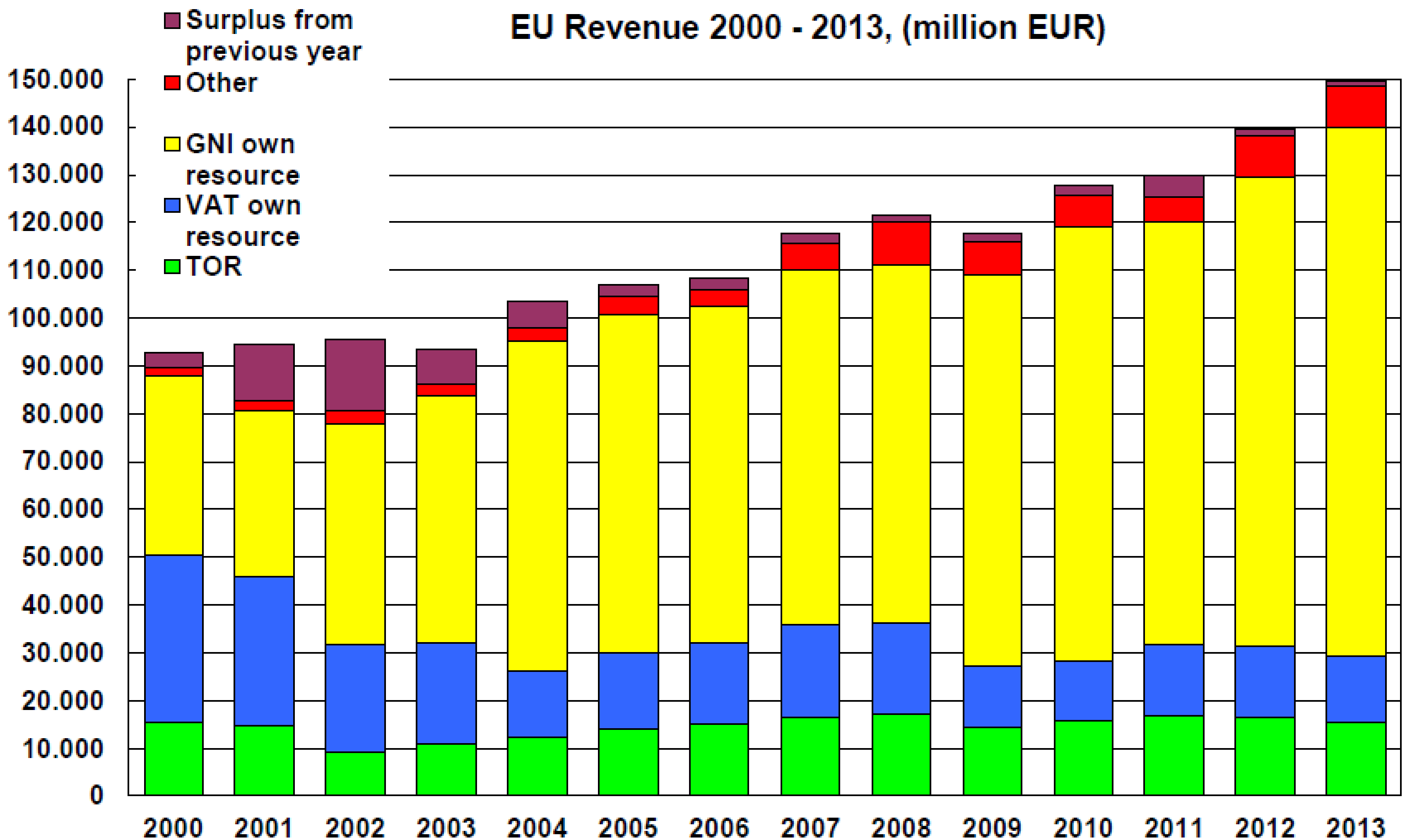
Own resources

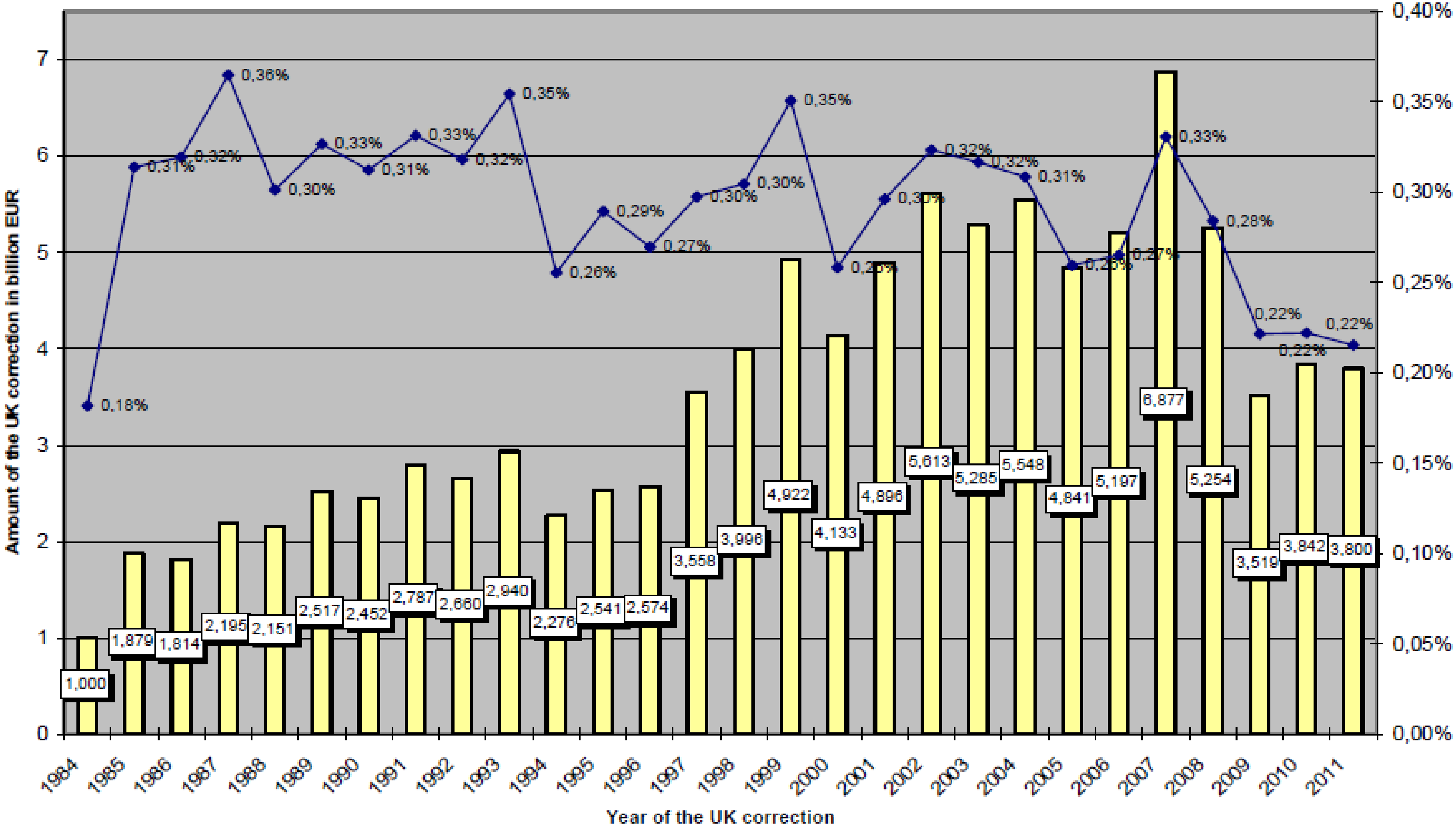


Own resources

Table 1: EU budget revenue 1970-2010 (% GNI)

	1970	**1979**	**1988**	**1995**	**2004**	**2010**
	EU-6	EU-9	EU-12	EU-15	EU-25	EU-27
VAT-based own resource (1)	---	0,38	0,59	0,58	0,13	0,10
GNP/GNI-based own resource (2)	---	---	0,10	0,21	0,65	0,75
Other payments from/to Member States (3)	0,78	---	---	---	---	---
Total national contributions (4)=(1)+(2)+(3)	0,78	0,38	0,68	0,80	0,78	0,85
Traditional own resources (5)	---	0,39	0,28	0,22	0,12	0,13
Total own resources (6)=(4)+(5)	0,78	0,77	0,96	1,01	0,90	0,97
Surplus from previous year (7)	---	0,00	0,01	0,10	0,05	0,02
Other revenue (8)	0,00	0,01	0,01	0,01	0,03	0,05
TOTAL REVENUE (9)=(6)+(7)+(8)	**0,78**	**0,78**	**0,99**	**1,12**	**0,98**	**1,05**

United Kingdom corrections



Note: The amounts of the UK correction for 2008-2011 are provisional.