REFORM THE OWN RESOURCES SYSTEM:
AN EU BUDGET FOR GROWTH AND EMPLOYMENT

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MAIN PROPOSALS

> Considerably increase the share of own resources in the revenue of the EU budget (goal 60%)

> Reform the correction mechanisms

> Increase the EU budget from 1% of the GNI to 2% by 2020, without new expenditure, by transferring some expenditure from a national to European level

This reform would:

- Revitalize growth and employment only to a relevant level, i.e. where there is no debt;
- Reduce the individual contribution of countries, which would make it easier for them to reduce their sovereign debt;
- Boost the effectiveness of investment made at a level where new synergies and economies of scale can be organized.

OVERVIEW

The European Union budget is funded by two sources:

- Contributions of Member States;
- Resources allocated directly to the EU budget, own resources.

The share of traditional own resources in the EU budget has continued to abate. It now only represents 14% of the total budget. This renationalising of budget resources poses problems that could jeopardise the European project:

- An increasingly widespread fair return mentality, which conceals the intrinsic advantages of working at the European level: gains of the single market, European integration, synergies and economies of scale;
- Introduction of rebates that benefit several countries, including the United Kingdom, which have lost a good deal of their legitimacy;
- Budget nationalism at a time when the crisis requires Europe to step up its integration and acquire additional resources.

Consequently, the following proposals have been put forward:

1. Approve Commission proposals to establish a new lump-sum system to replace rebates and create two new kinds of own resources:

- A share of VAT revenues;

- A financial transaction tax with differentiated rates covering 85% of these transactions.

2. Create other kinds of resources:

- European tobacco tax (€7bn);

- European alcohol tax (€3bn);

- Half of the proceeds from the CO2 emission allowance auctions (€10bn).

If this is done, own resources in the EU budget can easily exceed the 50% ceiling, even if the European financial transaction tax does not contribute to the EU budget.

3. Study other possible new kinds of own resources:

- European corporate tax, energy tax;

- Online gambling tax, arms trade tax.

If a share of such taxes is introduced, own resources can easily exceed a rate of 60%, even if there is an increase in the EU budget.

4. Increase the EU budget from 1% of the GNI to 2% by 2020, without new expenditure, through by transferring some expenditure from a national to European level. This could give countries more room for manoeuvre to reduce their sovereign debts.

To do so, a **comprehensive review of public policy at the country and European level** should be launched to identify, heading by heading, the actions that could be conducted just as efficiently or more efficiently for the same cost or less by the European Union. In every area, the groups should be established with representatives of the European Commission and Council and members of parliaments of Member States and the European Parliament.

5. Consider the possibility of Europe borrowing money

Reducing the contribution of countries to the EU budget by creating new resources would help them contain their sovereign debts.

An increase in the EU budget—which is not in the red—would stimulate growth in Europe thereby making it easier for countries to pay back their debt and foster growth and job creation.

The report is available at the following address: http://www.senat.fr/rap/r11-385/r11-3851.pdf