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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**An adjusted package for the next generation of own resources**

## 1. NEW OWN RESOURCES: TAKING STOCK OF PROGRESS

**In 2020, the European Parliament, the Council and the Commission agreed on a roadmap for the introduction of new own resources taking account of NextGenerationEU<sup>1</sup>.** According to this agreement, “the expenditure from the Union budget related to the repayment of the European Union Recovery Instrument should not lead to an undue reduction in programme expenditure or investment instruments under the MFF. It is also desirable to mitigate the increases in the GNI-based own resource for the Member States”. Hence “the Institutions will work towards introducing sufficient new own resources with a view to covering an amount corresponding to the expected expenditure related to the repayment. In accordance with the principle of universality, this would not imply an earmarking or assignment of any particular own resource to cover a specific type of expenditure”.

**In December 2021, the Commission proposed three new sources of revenues for the EU budget<sup>2</sup>** with contributions from the Emissions Trading System (ETS), from the EU Carbon Border Adjustment Mechanism (CBAM) and from a share of the residual profits of the largest multinational enterprises that would be reallocated to the EU under the OECD/G20 Pillar 1 agreement. This basket of own resources was consistent with the proposed sectorial legislation on both the revised ETS Directive and on the Carbon Border Adjustment Mechanism proposed earlier in the same year.

**The Commission committed to come forward with further proposals for new own resources by the end of 2023.** The legislative discussions on the proposal made in December 2021 have made limited progress. Today, the Commission proposes to adjust the first basket of new own resources taking into account the agreement on the Fit For 55 and developments since then, and proposes to add a new statistical based own resource . With this proposal, the Commission considers that Member States have all the necessary elements to progress on their negotiations, in the framework of the agreed roadmap. The Commission calls on the Council to accelerate these negotiations.

## 2. FIT FOR 55 AND NEW OWN RESOURCES – AN ADJUSTED PACKAGE

**In December 2022, the EU agreed on a wide range of proposals, which are part of the Fit for 55 package, with the objective of reaching the EU’s 2030 climate target of reducing greenhouse gas emissions by at least 55% compared to 1990 levels and climate neutrality by 2050.** With the agreement, the EU increased – first – the ambition of the existing ETS. Second, it extended the scope of the ETS to maritime shipping emissions and phases out free allowances for the aviation sector. Third, the EU set up a new emissions trading system for buildings, road transport and additional sectors. Fourth, a Social Climate Fund will be set up as of January 2026 to help Member States to address the impacts of the

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<sup>1</sup> Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (OJ L 433I , 22.12.2020, p. 28–46).

<sup>2</sup> Commission proposal of 22 December 2021 amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union (COM/2021/570 final).

new emissions trading system on vulnerable households, transport users and micro-enterprises. Finally, a new Carbon Border Adjustment Mechanism will start in its transitional phase as of October 2023. Once the definitive system enters into force as of January 2026, it will reinforce climate ambitions of the EU and prevent carbon leakage.

**The basket of new own resources needs to be adjusted to reflect the Fit for 55 agreement and the changes agreed by the co-legislators.** In particular, the Social Climate Fund will, as of 2026, initially be financed with external assigned revenues and not, as proposed by the Commission in its December 2021 proposal, by general revenue under the Union budget. The Commission proposes to postpone the introduction of the own resource from the new emissions trading system – which will be established in 2027 – to 2028. For the existing emissions trading system the own resource can be introduced already. The Commission also proposes to reflect other aspects of the agreement in the proposed own resources legislation, such as the possibility to cancel allowances in case of national carbon taxes.

**Since July 2021, the carbon price has significantly increased.** When the Commission presented the Fit for 55 legislative proposals, the carbon price assumption per tonne of CO<sub>2</sub> was EUR 55 for the period 2026-2030 (in 2020 prices)<sup>3</sup>. In 2022 the carbon price in the existing ETS has increased to EUR 80. Member States' annual revenue from auctioning allowances have doubled from some EUR 15 billion in 2020 to an unprecedented level of almost EUR 30 billion in 2022. The Commission proposes a somewhat higher call rate for the ETS-based own resource: 30% from all revenues generated by EU emissions trading would accrue to the EU budget. With such a call rate, the amounts retained by Member States will still be higher than expected when proposing the Fit For 55 legislation. The total revenues generated by the ETS own resource would reach around 19 billion per year from 2028 onwards. On average, EUR 46 billion per year would accrue to Member States.<sup>4</sup> The Commission proposes to maintain the solidarity adjustment mechanism. This mechanism aims to ensure a fair contribution from all Member States, avoiding that some Member States contribute disproportionately to the EU budget in comparison to the size of their economy.

**As regards the own resource based on the Carbon Border Adjustment Mechanism, the Commission considers that the proposed call rate remains adequate.** The Carbon Border Adjustment Mechanism is expected to generate around 1.5 billion for the EU budget as from 2028. Following the agreement on a new governance model, which has increased the centralisation of the number of tasks at EU level, the Commission accordingly proposes some technical adjustments to the control framework.

### **3. A BASKET COMPLEMENTED WITH A TEMPORARY STATISTICAL BASED OWN RESOURCE ON COMPANY PROFITS**

**The implementation of the OECD/G20 Pillar 1 agreement remains an essential priority in the area of corporate taxation for the EU and its Member States.** In December 2021,

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<sup>3</sup> See the Impact Assessment Report accompanying the Directive of the European Parliament and of the Council amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/75. SWD/2021/601 final.

<sup>4</sup> Based on a carbon price of EUR 80 for the existing ETS and CBAM. For the new ETS the assumed carbon price is derived from the 2021 impact assessment.

the Commission proposed an own resource based on a share of residual profits from multinationals that will be re-allocated to EU Member States under the OECD/G20 agreement on so-called ‘Pillar One’. This agreement addresses the tax challenges arising from the digitalisation of the economy and will reform significantly the international corporate tax system. Substantive progress has been made following the October 2021 agreement and the Commission will continue to promote such efforts. However, the multilateral convention has not yet been signed and ratified, which means that it cannot yet enter into force.

**As announced in the Commission Work Programme<sup>5</sup>, the Commission intends to propose its Business in Europe: Framework for Income Taxation (BEFIT) in the third quarter of 2023.** This initiative will improve the functioning of the Single Market by simplifying corporate tax rules and tax compliance, and levelling the playing field for businesses. BEFIT aims at tackling the complexity and double taxation, and at reducing tax compliance costs that businesses, chiefly those with cross-border activity, currently face in the Single Market. It will contribute to making the EU more attractive to cross-border investment and support growth. BEFIT will be mandatory for large groups with global combined annual revenues of EUR 750 million or more. The discussions in Council are expected to start in the fourth quarter of 2023.

**Until the possible establishment of an own resource based on an underlying tax, the Commission is proposing a statistical own resource.** This own resource is not a tax on companies, nor does it increase companies’ compliance costs: it would be a national contribution calculated on the basis of statistics from national accounts under the European system of accounts (ESA). It would help to balance the basket of own resources and further diversify the revenue sources for the EU budget.

**The statistical base on which to calculate the own resource contribution would be defined using a harmonised indicator that roughly approximates company profits: gross operating surplus.** This notional EU company profit base would be calculated using sectoral national accounts for financial and non-financial corporations according to the European system of accounts 2010, which has the advantage of harmonised accounting across Member States. It will be calculated by multiplying a call rate on the gross operating surplus for the sectors of financial and non-financial corporations. Expected revenues would be around 16 billion per year on average.

#### **4. AN ADJUSTED PACKAGE TO ACCELERATE NEGOTIATIONS**

**With this adjusted proposal expected to deliver annual revenues of up to EUR 36 billion on average over the 2028-2030 period<sup>6</sup>, the Commission gives priority to a package of new own resources that can be negotiated immediately, and calls the Council to accelerate the negotiations.** With the proposal for a temporary statistical based own resource on company profits, Member States in Council now have all elements on the table to proceed with negotiations, towards a quick agreement.

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<sup>5</sup> Commission Work Programme 2023. A Union standing firm and united. COM(2022)548.

<sup>6</sup> 2018 prices, excluding revenues from a reallocated profits based own resource related to OECD Pillar 1.