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Opinion of the European Economic and Social Committee on the 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

(COM(2023) 330 final)

and the amended proposal for a Council Decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union

(COM(2023) 331 final/2 — 2021/0430 (CNS))

(C/2024/884)

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1. **Conclusions and recommendations**

1.1. The EESC acknowledges the Commission's efforts to propose new own resources and guarantee a solid and sustainable EU budget. The EU budget represents one of the main pillars for the economic integration and social cohesion of the EU and its global competitiveness over the long term.

1.2. The EESC supports the Multiannual Financial Framework (MFF) 2021-2027 mid-term review proposal to progressively increase the ratio of EU own resources to Member States' GNI-based revenue. The budgetary needs of the EU, impacted by the COVID-19 economic downturn, NextGenerationEU and the Recovery and Resilience Facility (RFF), the support given to Ukraine's recovery, the strategic autonomy policies, and the just, green, and digital transitions, will require an increase in the Member States' contribution to the existing EU own resources.

1.3. The EESC also broadly supports the European Commission's adjusted package for the next generation of own resources, understanding its temporary nature and on the basis that it is limited to the repayment of the appropriations used to finance NextGenerationEU.

1.4. The EESC calls on the European Parliament and the Council of the EU to adopt an adjusted package for the next generation of own resources before the next European Parliament elections in 2024 and before the end of the current political term of office.

1.5. However, the EESC believes that the issue of EU own resources and budgetary capacities has not received the visibility needed to address all its aspects. An in-depth but time-bound debate involving the social partners and civil society organisations should take place without delay and in accordance with the next term of office of the EU institutions. This is a particularly pressing debate, which should also focus on the EU's fiscal capacity to finance its own ambitious but necessary agenda. In this regard, the set of proposals for own resources proposed by the European Parliament on 10 May 2023 ([1]), and largely supported by the EESC, represents an important contribution to this debate.

1.6. The EESC emphasises that the expenditure from the Union budget related to the NextGenerationEU repayment must not reduce the funding of other EU programmes or investments under the current and next MFF. This remains key for the EU's economic integration and social cohesion, as well as the EU's global competitiveness and the post-pandemic recovery over the medium term.

1.7. The EESC acknowledges the need and urgency to add adjustments to the already proposed new own resources and put forward new additional own resources. At the same time, the EESC reiterates the need for a structural modernisation of the own resources system, which should support digital, environmental, and sustainable economic growth objectives.

1.8. The EESC believes that revenues deriving from the Emissions Trading System (ETS) should support Member States' efforts to put in place measures for the decarbonisation of businesses operating in the sectors where the revenues are collected. Therefore, the share of ETS revenues to go to the EU budget should be subject to rigorous assessment and consensus between the Commission and the Member States.

1.9. The EESC believes that productivity and the competitiveness of European businesses should be among the priorities. At the same time, the EESC recognises that the potential impact of this new own resource on the competitiveness of businesses, including a possible review of national corporate tax policies, should be properly assessed and that the administrative burden, for public administrations and companies, should be kept to a minimum. The resources should be used strategically to strengthen the EU's competitiveness and sustainability and to promote innovation as well as social and fiscal fairness, and environmental objectives.

1.10. The EESC points out that the statistical own resource on company profits could entail an administrative burden for national statistical institutes and businesses, as inherent to any new own resource. While this extra burden is deemed marginal compared to alternatives, the EESC stresses that administrative burdens — especially on businesses — should be avoided or minimised.

1.11. The EESC deems necessary the use of quantitative analyses to assess how the proposed measures would play out in practice. The volume of the expected revenues from each new own resource and the proposed technical adjustments must be substantiated by comprehensive forecasts, and transparency should be guaranteed, for Member States to accept them. Hence, the Commission should produce country-level, and where necessary, regional-level specific evaluations to establish the expected contributions from Member States' budgets.

1.12. The EESC agrees with the Commission on prioritising the implementation of the OECD/G20 Pillar One against other measures in the digital sector. The EESC believes it is essential to speed up the ratification of the convention. In this regard, the EESC would like to underline that the Commission should promptly follow up the implementation of the OECD Pillar One with the technical work to support an EU Directive for the Pillar One-based own resource.

1.13. The EESC recognises that, overall, the temporary statistical own resource could contribute to financing NextGenerationEU until the implementation of the BEFIT mechanism. At the same time, the EESC calls for a thorough assessment of the effectiveness of the own resources already in place, and points to the need to ensure compliance with the already established rules and to complete and implement the reforms that have been started.

2. **General comments**

2.1. In December 2021, the Commission proposed three new own resources to finance the EU budget: a contribution from the ETS, a contribution from the carbon border adjustment mechanism (CBAM), and an own resource based on a share of residual profits from multinationals under the OECD/G20 agreement (Pillar One).

([1]) European Parliament Resolution on *Own resources: a new start for EU finances, a new start for Europe*.

2.2. The EESC fully supports the proposal in the MFF 2021-2027 mid-term review to progressively increase the ratio of EU own resources relative to Member States' GNI-based revenue ([2]). Following the adoption of the MFF, new requirements for European funding have arisen due to the COVID-19 economic downturn, NextGenerationEU and RRF, the support given to Ukraine's reconstruction, and the financing of investments to ensure the EU's strategic autonomy in various fields, particularly in the green industry.

2.3. The Commission's proposal is deemed urgent in view of the repayment with higher rates of interest of the EU's borrowing to finance the RRF. The EESC agrees with the scope of the proposal and supports its early adoption before the next European Parliament elections. However, in line with the European Parliament's resolution, the EESC stresses the need to ensure more income for the EU budget in future. The Committee believes that this second step must be taken after an urgently needed in-depth debate on the EU's fiscal capacity for sustainable financing of Europe's common goals, in which organised civil society should play a key role.

2.4. The EESC acknowledges the Commission's efforts — in accordance with Article 322(2) TFEU and Article 9(3) of Council Decision (EU, Euratom) 2020/2053 ([3]) — to propose new own resources and guarantee a solid and sustainable EU budget. The EU budget represents one of the main pillars for the economic integration and social cohesion of the EU and its global competitiveness over the long term.

2.5. The EESC recognises the need for a stable framework that guarantees a flexible European budgetary response to unexpected shocks that may occur in the future. This framework has to factor in the need to repay the capital and interest of the NextGenerationEU financing, which was agreed by the Member States during the COVID-19 pandemic.

2.6. The EESC emphasises that the expenditure from the Union budget related to the NextGenerationEU repayments must not reduce the funding of other EU programmes or investments under the current and next multiannual financial framework. This remains key for the EU's economic integration and social cohesion, as well as for the global competitiveness of the EU during the post-pandemic recovery over the medium term.

2.7. As stressed in its two previous opinions on the *Proposal for an own resources decision* ([4]) and on the *Second set of new own resources* ([5]), the EESC acknowledges the need and urgency to add adjustments to the already proposed own resources and put forward new own resources. This is needed to avoid an increase in the GNI-based resource contribution due to insufficient contributions deriving from the package of own resources presented in December 2021.

2.8. The EESC, in principle, welcomes the Commission's analysis and proposal, published in June 2023, for a new own resources package comprising the revision of the December 2021 initial proposal to generate three new sources of revenue for the EU, including a new temporary statistical own resource based on company profits. At the same time, the EESC

([2]) Opinion of the European Economic and Social Committee on 'Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions. A Modern Budget for a Union that Protects, Empowers and Defends. The Multiannual Financial Framework for 2021-2027' (COM(2018) 321 final) — 'Proposal for a Council Regulation laying down the multiannual financial framework for the years 2021 to 2027' (COM(2018) 322 final/2 — 2018/0166 (APP)) — 'Proposal for a Council Decision on the system of Own Resources of the European Union' (COM(2018) 325 final — 2018/0135 (CNS)) — 'Proposal for a Council Regulation on the methods and procedure for making available the Own Resources based on the Common Consolidated Corporate Tax Base, on the European Union Emissions Trading System and on Plastic packaging waste that is not recycled, and on the measures to meet cash requirements' (COM(2018) 326 final — 2018/0131 (NLE)) — 'Proposal for a Council Regulation laying down implementing measures for the system of Own Resources of the European Union' (COM(2018) 327 final — 2018/0132 (APP)) — 'Proposal for a Council Regulation amending Regulation (EEC, Euratom) No 1553/89 on the definitive uniform arrangements for the collection of own resources accruing from value added tax' (COM(2018) 328 final — 2018/0133 (NLE)) (OJ C 440, 6.12.2018, p. 106).

([3]) Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (OJ L 424, 15.12.2020, p. 1).

([4]) Opinion of the European Economic and Social Committee on Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. The next generation of own resources for the EU Budget (COM(2021) 566 final), Proposal for a Council Regulation amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027 (COM(2021) 569 final — 2021/0429 (APP)), Proposal for a Council Decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union (COM(2021) 570 final — 2021/0430 (CNS)) (OJ C 323, 26.8.2022, p. 48).

([5]) Opinion of the European Economic and Social Committee on the second set of new own resources (exploratory opinion) (OJ C 293, 18.8.2023, p. 13).

reiterates the need for a structural modernisation of the own resources system, which should support Member States' efforts to achieve digital, environment and sustainable economic growth objectives.

2.9. In May 2023, the European Parliament put forward an array of new sources of income for the EU budget, including corporate tax-based own resources, the financial transaction tax, a fair border mechanism, a tax on crypto-assets, green own resources, and national contributions based on statistics.

2.10. In its previous opinion on the second set of new own resources, the EESC welcomed a number of the European Parliament's proposals and put forward its own recommendations on possible new own resources. On the same occasion, the EESC reiterated that any proposal for own resources should be accompanied by an impact assessment of their effectiveness and impact on businesses and households. The EU should therefore explore, as a matter of priority, further options for future revenues for the EU budget that minimise the tax burden on European businesses and citizens.

2.11. While the Commission carried out an analysis of the possible options for new sources of revenue for the EU budget, the EESC regrettably notes that several of the options proposed by the European Parliament and the EESC were ultimately considered to be insufficiently suitable and robust for inclusion in the Commission's proposal. That said, a statistical own resource based on an estimate of company profits is considered to be an effective interim solution with a 'high potential added value' ([6]).

2.12. The EESC maintains, once again, that for every decision on matters related to the EU budget, the Commission must seek to open a wide societal debate and gather views from citizens, non-governmental and civil society organisations, businesses, administrations, and all interested parties. This principle should always guide the EU co-legislators in proposing measures that do not create any risk for the budgets of other EU programmes and that deliver in line with the proportionality and social fairness principles.

2.13. The EESC calls on the Commission to carry out further assessments and evaluations of the candidate measures identified as potential own resources and expresses doubts about the effectiveness and sustainability over the long term of the resources proposed to repay the funds raised to finance the NextGenerationEU recovery instrument.

2.14. In this regard, the EESC considers the criteria adopted by the Commission in its assessment, e.g. revenue potential, simplicity, and fast mobilisation of revenues, to be relatively limited. The evaluation of the eight potential own resources was based on three principles derived from limited existing literature on EU revenues. As a result, the scoring assessment is largely qualitative ([7]) and creates further ambiguity regarding the effectiveness and sustainability of the resources over the long term.

2.15. To overcome this, the EESC deems the use of quantitative analyses of the measures necessary. The volume of the expected revenues from each new own resource and the proposed technical adjustments have to be substantiated by comprehensive forecasts and should guarantee transparency in order for the Member States to be able to accept them. Hence, the Commission should produce country-level, and where necessary, regional-level specific evaluations to establish the expected pressure on Member States' budgets. The forecasts should also consider future scenarios — including economic shocks or new sources of financial instability — that will impose further constraints on Member States' budgets.

2.16. The EESC also expresses concern about the timetable for presenting the proposal on the new own resources. Considering the priorities presented by the Spanish presidency of the Council of the EU, and the upcoming European Parliament elections in June 2024, the EESC urges the parties involved to adopt an adjusted own resources package before the end of the current political term of office.

2.17. The EESC calls on the Commission to continue identifying new sources of funding for the repayment of NextGenerationEU and for financing the EU budget. As previously mentioned, it is crucial to open up the debate by involving relevant stakeholders when exploring further options and addressing their potential impact over the medium and long term. The EESC believes that, when it comes to establishing own resources to finance the repayment of the RRF, as well as reviewing the broader own resources system, the involvement of the social partners and organised civil society in formal consultations is crucial. This would facilitate achieving a European social consensus in regard to the EU budget. The Committee calls on the Commission to move in this direction.

([6]) Draft report on own resources: a new start for EU finances, a new start for Europe, Committee on Budgets, European Parliament.

([7]) Amended proposal for a Council Decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union (COM(2023) 331 final).

3. **Specific comments**

3.1. The EESC agrees with the Commission on prioritising the implementation of the OECD/G20 Pillar One against other measures in the digital sector. With the OECD Pillar One already tackling challenges related to taxation in the digital sector and with the technical work for its implementation still ongoing, the EESC believes it is essential to speed up the ratification of the convention. In this regard, the EESC would like to underline that the Commission should promptly follow up the implementation of the OECD Pillar One with the technical work to support an EU Directive for the Pillar One-based own resource.

3.2. The EESC recognises that recent developments in the carbon markets have increased the revenue potential of the Emissions Trading System. Despite market prices being expected to remain steadily above the price level of EUR 55 over the coming years — as mentioned by the Commission ([8]) — the EESC believes that ETS revenues should also support the Member States' efforts to put in place measures for the decarbonisation of businesses operating in the sectors where the revenues are collected. Therefore, the share of ETS revenue going to the EU budget should be subject to rigorous assessment and consensus between the Commission and the Member States. The EESC is concerned about the adjustment of the ETS own resource and the proposed increase in the call rate to 30 % of all revenues generated by EU emissions trading, up from the 25 % initially proposed. This carries the risk of slowing down the decarbonisation processes and, in general, green investments at the national level.

3.3. Attaining climate neutrality demands significant endeavours from the Member States, while considering the different country-specific needs, tools, and measures to be undertaken. It is therefore necessary to facilitate their capacity and efforts to achieve the climate-related objectives without undermining their commitment to repay NextGenerationEU.

3.4. The EESC welcomes the fact that the proposed statistical own resource is of a temporary nature. At the same time, the EESC recognises that the potential impact of this new own resource on the competitiveness of businesses, including a possible review of national corporate tax policies, should be properly assessed and that the administrative burden, for public administrations and companies, should be kept to a minimum.

3.5. The EESC notes the Commission's pronouncement that the lack of sufficient tax harmonisation in the EU justifies the statistical own resource based on company profits. This enables large multinational enterprises (MNEs) to benefit through profit-shifting behaviours, tax planning, and mismatches in national tax systems. However, a clearer picture of the problem related to the Commission's proposal and a thorough assessment of the potential revenues should be made available. Hence, the EESC believes that a comprehensive impact assessment should support the proposal for this new source of revenues.

3.6. The EESC highlights the fact that more clarity in the definition of MNEs operating in the financial and non-financial sectors is needed. The Commission Staff Working Document ([9]) needs more transparent information for identifying the harmonised statistics on corporate income or corporate profits and their composition. With calculations based on data extrapolated from the Eurostat NFSA database, the Commission should provide easily accessible information for the monitoring of the contribution of each Member State to the EU budget through the temporary statistical own resource.

3.7. The EESC recognises that, overall, the temporary statistical own resource could contribute to financing the NextGenerationEU programme until the implementation of the BEFIT mechanism.

Brussels, 25 October 2023.

The President
of the European Economic and Social Committee

Oliver RÖPKE

([8]) Amended proposal for a Council Decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union (COM(2023) 331 final).

([9]) Amended proposal for a Council Decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union (COM(2023) 331 final).