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The Financing Of The European Union Budget

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ABSTRACT
The European Union (E.U.) has a special system of financing its institutions. The system has been the subject of political discussion for many years. The current financing system has been in place since 1970 and was modified in 2014. But this system has come under increasing pressure as a result of the growth of the number of member states and growing economic disparity between the member states. The question of whether to rely on its own sources of finance or on contributions from its members is the subject of a separate political argument.

INTRODUCTION

This study examines the way the European Union is financed.(2) The numerical data presented here is drawn from the primary source, namely the figures in the EU budgets.(3)

Specifically this article pursues the following lines of inquiry:
- how have the "own resources" evolved in recent decades,
- how much do members contribute to the financing of the EU budget, ranked per capita and general funding,
- what are the future alternatives for the EU budget?

THE PRESENT SYSTEM

Since 1970 several systems have been used to finance the EU budget. At present a new financial system for the general budget of the European Communities is in working with the new council decision of 2014.(4)

The financial system of the European Union is based on a council decision. This means that the member states are deciding. This accords with article 311 of the Lisbon treaty (on the functioning of the EU), which says that the arrangements relating to the union's own resources must be unanimously decided by the council. Effectively this means that every member state can veto proposals aimed at changing the system.

TOR – Custom duties

The assignment of the customs duties as own resources for the EU budget is the consequence of the free movement of goods within the member states. This custom duties may comprise all kin of levies and amounts establishes on goods coming from outside the Union and imported in one of the EU states. So these duties are a tax on imports levied at the external borders of the Union. The common customs tariffs were set in 1968, two years earlier than planned. In the Treaty of Rome customs duty was designated as the primary source of finance for the expenditure of the European Economic Community. In 1988 the regime was extended to include the customs duties levied by the European Coal and Steel Community. percent of this Agricultural levies were instituted in 1962 and were transferred to the Community by the decision of 21 April 1970. Originally these were taxes which varied according to the price in global markets and the price in the European market. Since the multilateral trade agreements of the Uruguay Round (April 1994) were taken up into Community law no distinction is made between agricultural levies and customs duties. Agricultural levies are now simply customs duties imposed on agricultural products imported from third countries.

So the custom duties are existing to protect the European goods against the cheaper import from non- European goods, which have mostly a lower production cost.

The levies on the production of sugar were originally also a TOR source. But following the end of the sugar quota system on 30 September 2017, the sugar production levies don't exist anymore. The EU budget 2018 is the first one without the duties for the common organization of the markets in sugar.

VAT

The "Value Added Tax" (VAT) was established by the decision of 21 April 1970 because the traditional own resources provided insufficient finance for the community budget. The harmonization of this complex resource demanded much time, so that it was only first collected in 1980. The VAT resources are the result of the application of a specific percentage to a uniformly established basis.

In the 2014 system the VAT rate is fixed at 0,30%. But first of all there are a number of calculations prior. The own resource system of 2014 calculates for every member state the 1% VAT and the 1% GNI (Gross National Income). Thereafter there is a cap of 50% of the GNI. If the 1% VAT is higher than the 50% cap GNI, the system works further with the capped GNI figure. The reason for these two calculations is the fact that the own resource decision wants to defend the countries with a higher indirect taxes on consumption, which is the VAT. In the fiscal year 2018 this is the case for Estonia, Croatia, Cyprus, Luxembourg and Malta.

Example: I (figures budget 2018)

Belgium

1% VAT is 1.875 million euro
1% GNI is 4.450 million euro
50% cap is 2.225 million euro
In this case of Belgium the 1% VAT is lower than the cap of the GNI. So the 0,30% rate is calculated on the 1.875 million, which is the 1% VAT. That gives a Belgian VAT contribution of 562 million.

Luxembourg

1% VAT is 282 million euro
1% GNI is 394 million euro
50% cap is 197 million euro
In the case of Luxembourg the 1% VAT is higher than the GNI cap. So the 0,30% VAT rate is for Luxembourg calculated on the 197 million, which is the 50% capped GNI. That gives for Luxembourg a VAT contribution of 59 million euro for 2018.

The system of the own resources defines for three countries: F.R. of Germany, the Netherlands and Sweden a lower rate of 0,15%. In the former system of 2007 the Netherlands and Sweden did have a rate of 0,10%. These two countries have a little less attractive reduction. (minus 0,05%) For Germany the reduced rate is the same as in the old system. In the 2007 system Austria had also a reduced rate of 0,225%, but this benefit disappears in the present system for this federal republic.

In the 2014 system these reductions in favour of these three countries do cost 2,8 billion euro. Germany wins 2.093 million, the Netherlands 470 million and Sweden gains 321 million.

GNI

In 1988 the "Gross National Income" (GNI) was introduced as the new own resource, and was originally based on "Gross National Product" (GNP). This resource was meant to replace the VAT resource as a way of balancing the budget. In 2000 the EU extended the application of the European system of economic accounting introduced in 1995 (ESA 95) to the EU budget. In ESA 95 gross national product (GNP) was replaced by the concept of gross national income (GNI). The new decision thus used GNI for the determination of the own resources instead of GNP. In order not to touch the amount of financial resources made available to the Communities the ceiling for the own resources as a percentage of the GNI of the EU was adjusted.

Every year the European Union calculates the 1% GNI for every member. Thereafter they do a calculation of the uniform rate of "additional base" GNI as own resource. This is the rate which is needed for a balanced budget. The EU treaty doesn't allow a deficit budget for the Union. For 2018 this uniform rate is fixed at 0,6524062% of the full 1% GNI figure.

Example: II

Belgium 1% GNI is 4.450 million euro
The fixed rate (0,65… %) gives a contribution of 2.903 million euro.

The 2014 system concerning the own resources has, as the old one of 2007, an exception for three countries (Denmark, the Netherlands and Sweden). These national reductions concerns a total amount of 1.099 million euro, divided as follow over the three mentioned members:

- Denmark: 141 million,
- the Netherlands: 757 million,
- Sweden: 201 million.

These 1.099 million is related with a complicated calculation in which for every country the percentage share in the EU – GNI is made. (f.e. for 2018: Germany: 21,59%, France: 15,16%, … Netherlands: 4,67%, Sweden: 3,20% and Denmark: 1,94%, ..)

In these part of the system the shares of the three related countries are imported. Indeed all these shares are linked with the amount of the reduction: 1.099 million euro. That gives the following figures for the three related countries:

- Denmark: 21,3 million,
- Netherlands: 51,4 million,
- Sweden: 35,2 million.

These are the amounts which the three countries are losing on their reduction, namely their percentage share in the 1.099 million. What means that their real reduction is as follow:

- Denmark: 141,5 million minus 21,3 gives a reduction of 120,2 million,
- Netherlands: 756,8 million minus 51,4 gives a reduction of 705,4 million,
- Sweden: 201,4 million minus 35,2 million gives a reduction of 166,7 million.

This reduction of 991,8 million euro for the three countries has to be paid by all the other members on base of their share in het GNI of the EU.

UK rebate

The first rebate in favour of the United Kingdom was made under the agreement of June 1984 and this on demand of the former conservative PM miss Thatcher. This was approved in the 'Fontainebleau ' summit and resulted in a new 'own resource decision ' of 1985. All the other nine member states (5) were agree to give the UK a reduction on their EU contributions , because was the country was a 'net' payer to the union. This measure came in the 'own resources' decision, which can only be changed by unanimity, which gives the UK a 'de facto' veto ! The correction mechanism in favour of the United Kingdom was upheld in all the Council decisions concerning the own resources. First of all, the UK is reimbursed for 66% of the difference between its contribution and what is received back from the budget. The calculation is based on its GNI and VAT.In the 2018 budget this rebate concerns 4,9 billion euros. The own resources system now in effect makes the rebate in favour of the UK less attractive than it was in previous versions of the system. Indeed the system was changed in 2007 and in the 2014 version.

The cost of the UK rebate is shared among the other EU member states in proportion to the share they contribute to the GNI of the EU. The yearly calculation is a complicated step by step procedure. First of all there is a calculation concerning the percentage share in the GNI.

Following without the share of the UK, which is divided over all the other members. And since 2002 this impact is limited to 25% of its normal value for Germany, the Netherlands, Austria and Sweden. As a result the cost of this reduction in the contribution by these four member states to the UK's rebate is divided among the other 22 countries.

Example: III

- Percentage share in the GNI of the EU: f.e. Belgium 2,83%, FRG: 21,59% and UK 15,55%;
- Share without the UK: f.e. Belgium: 3,35% and FRG: 25,56%;
- Share without the four reduction countries and the UK: Belgium: 5,37%;
- ¾ of the share of Austria, Germany, the Netherlands and Sweden should not be paid. Thi s means that these four countries have only to pay 25% of their share in het GNI calculat ion without the UK. That's gives for Austria: 0,7% in place of 2,8%; FRG: 6,39% in place of 25,56%; the Netherlands: 1,38% in place of 5,53% and Sweden: 0,95% in place of 3,7 9%.
- Belgium with a GNI share of 2,83% has finally to pay 4,86% in the UK rebate of 4,9 billio n euro for 2018. The share for France increases from 15,16% to 26,1%, which makes fro m the France republic the greatest contributor in the UK rebate.
- The discussion about this UK rebate was also the beginning of the demands of other me mbers for exceptions concerning their own resources obligations.(6)

Total reduction costs

All the previous reductions systems in the 'own resources' decision do have a total price card of 8,6 billion euro in the budget year 2018. It concerns the UK rebate for 4,9 billion euro; the GNI reductions of 991 million euro for three countries (FRG , the Netherlands and Sweden) and the reduced VAT rate of 0,15% for three countries (FRG, the Netherlands and Sweden). This VAT favour has a budget impact of 2,8 billion euro.

COMPARISON

From the figures given below it will be seen that the importance of the own resources system (TOR and VAT) has declined significantly relative to total revenues.

This declining share in respect of the traditional own resources (agricultural levies, customs duties) is related to the growing freedom of world trade and the associated policy of lower import duties.

The lower share of VAT revenue has to do with the maximum percentage of 1.4 % imposed in 1985 and which now has been reduced to the current 0.3% for most member states.

Over the last twenty years the importance of the GNI resources has grown uninterrupted.
For the budget 2018 the revenues are as follow voted and fixed (in billion euro):

- custom duties: 22,8
- VAT: 17,2
- GNI: 102,8
- others: 1,9
- Total:144,7

The other revenues (1,9 billion euro) are related with the taxes from the EU civil servants, MEP etc. and surplus balances and adjustments.

Table I: Percentage of the budget

	1988	1995	2000	2005	2012	2018
(Sugar levies) & Customs duties	28.5	19.3	15.3	11.3	14.95	15.8
VAT resources	57.2	52.2	38.1	14.0	11.23	11.9
GNP/GNI resources	10.6	18.9	42.3	73.8	72.60	71.0
Other revenues related with the EU institutions	3.7	9.7	4.3	0.9	1.22	1.3
Total	100	100	100	100	100	100

The intention of the 1970 treaty to introduce a system of own resources has been allowed to decline by the present system, which is again based on national contributions: the GNI !

BUDGET 2018

Next this article calculates the contributions of the members in relation till the three main sources, namely: custom duties, VAT and GNI.

First of all the custom duties (estimated reception 2018: 22,8 billion euro)? The top ten of payers are the following countries (in millions of euro and % share of the total) :

- FRG: 4.731or 20,71%
- UK: 3.535 or 15,47%
- Netherlands: 2.746 or 12,02%
- Belgium: 2.473 or 10,82%
- Italy: 2.095 or 9,17%
- France: 1.749 or 7,65%
- Spain: 1.712 or 7,49%
- Poland: 705 or 3,08%
- Sweden: 548 or 2,39%
- Denmark: 377 or 1,65%

The custom duties, which are mainly related with import of goods from outside the EU, are concentrated in het ports and the airports of the countries near the North Sea. See the importance of the UK and certainly : Germany. If you take together the two low countries, then their receptions of these duties are the most important. Indeed, Belgium and the Netherlands are contributing 5.2 billion euro or 22,9%. This large contribution, coming from these two countries, can be explained by the size of their ports (f.e. Antwerp, Rotterdam, Zeebrugge) and their airports (Shiphol- Amsterdam and Zaventem- Brussels). With the FRG the share of contribution is already 43,6% for these three countries and with the UK custom duties it's increasing till 59% ! The top ten together contributes 90,4% of all the custom duties.

The TVA (estimated: 17,2 billion euro) and their ten most important contributors. Hereby we underline again the reductions for Germany, the Netherlands and Sweden. The top ten of payers are the following countries (in millions of euro and % share of the total):

- UK: 3.465 or 20,08%
- France: 3.133 or 18,16%
- FRG: 2.093 or 12,13%
- Italy: 1.996 or 11,57%
- Spain: 1.588 or 9,2%
- Poland: 597 or 3,46%
- Belgium: 562 or 3,25%
- Austria: 519 or 3%
- Netherlands: 469 or 2,71%
- Denmark: 342 or 1,98%

Remarkable is the fact that two of the three countries with a TVA reduction (0,15 in place of 0,30 %) are still in the top ten: the FRG and the Netherlands. Off course the Uk f.e. has higher indirect taxes and lower personal income taxes, which has also a historic influence on this list. If Germany shouldn't have an exemption, then this country should pay 24,26% of the total TVA revenues for the EU general budget. The five biggest members are paying 71% of the TVA. The complete top ten of payers are contribution in 2018 nearly 85% of this own resources.

Finally, the GNI-GNP contribution for the EU general budget.(estimated: 102,7 billion euro) Also here, the own resource system has exceptions for three countries: Denmark, the Netherlands and Sweden.(supra) The top ten of contributions is coming from the following countries (in millions of euro and % share of the total)

- FRG: 22.179 or 21,59%
- UK: 15.973 or 15,55%
- France: 15.579 or 15,16%
- Italy: 11.417 or 11,11%
- Spain: 7.831or 7,62%
- Netherlands: 4.798 or 4,67%
- Poland: 3.054 or 2,97%
- Sweden: 3.291 or 3,2%
- Belgium: 2.903 or 2,83%
- Austria: 2.427 or 2,36%

Even with their reductions the Netherland and Sweden are top ten contributors of the GNI financial levy. Off course the level of well fare and the GDP total are very crucial for these kind of contribution to the EU general budget. The main five members are paying 71% of the total GNI. The two low countries are together good for 7,64% and therefore a little bit more important than Spain. All these top ten countries together are contributing nearly 87,2% of all the GNI financial levy.

In these calculations of the three financial sources , eight countries are always in the list of the ten most important contributors: FRG, UK, France, Italy, Spain, Poland, the Netherlands and Belgium. Sweden is only in the list for the custom duties and GNI; Austria only for TVA and GNI and Denmark for the custom duties and the TVA. Over the three calculations only 11 of the 28 members are in a top ten position. With exception of Poland , there is no other new member state of this century in these lists !

Who is paying ?

The following tables are given an overview of the ranking of the member states by per capita contribution (in euros) to the budgets for the years 2006, 2013 and the present one: 2018.

Per capita contribution

An important remark is that Bulgaria and Romania were not EU member states in 2006 and Croatia has been member only since 1 July 2013 ! The next tables examines the national contributions to the EU budget per capita in euro for the three mentioned years.

Table: II Per capita contribution in 2006

1.	Luxembourg	535
2.	Denmark	355
3.	Ireland	327
4.	Sweden	290
5.	Belgium	276
6.	France	274
7.	The Netherlands	260
8.	Austria	259
9.	Finland	258
10.	Germany	236
11.	Italy	230
12.	Spain	198
13.	United Kingdom	179
14.	Cyprus	172
15.	Greece	162
16.	Slovenia	139
17.	Portugal	129
18.	Malta	108
19.	Czech Republic	92
20.	Hungary	84
21.	Estonia	69
22.	Slovakia	67
23.	Poland	60
24.	Lithuania	58
25.	Latvia	52

Source: EU budget figures and population figures from Eurostatt

The financial crisis had to yet to strike in 2006 and the Benelux and Scandinavian states were the largest per capita contributors to the EU budget along with France and Germany. The member states joining the EU since 2006 are all smaller contributors. With the exception of

Cyprus all the new member states joining in 2006 made a smaller contribution than the 15 existing member states (apart from Portugal). It may be recalled that the EU expanded to 15 in 1995. The contributions of Luxembourg and Latvia differed by a factor of 10.28 !

Table III - Per capita contribution in 2018 (in parentheses figures 2013)

1.	Luxembourg	614 (677)
2.	Belgium	546 (502)
3.	Ireland	488 (326)
4.	Denmark	479 (505)
5.	The Netherlands	432 (380)
6.	Sweden	404 (425)
7.	Finland	375 (412)
8.	Austria	368 (380)
9.	F.R. Germany	357 (341)
10.	France	327 (345)
11.	United Kingdom	276 (263)
12.	Italy	273 (276)
13.	Spain	255 (241)
14.	Malta	235 (186)
15.	Slovenia	215 (207)
16.	Cyprus	213 (154)
17.	Portugal	177 (161)
18.	Estonia	176 (156)
18.	Czech rep.	176 (153)
20.	Greece	162 (176)
21.	Lithuania	152 (109)
22.	Slovakia	149 (147)
23.	Latvia	144 (116)
24.	Poland	122 (113)
24.	Hungary	122 (104)
26.	Croatia	113 (53)
27.	Romania	87 (69)
28.	Bulgaria	73 (65)

Source: EU budget & Eurostatt figures

It is noteworthy that the two countries (i.e. Belgium and Luxembourg) that are home to the great majority of European institutions were among the top five per capita contributors in 2006 and the top three contributors in 2013 and 2018. Despite the reductions is the Netherlands, the third Benelux country, is this country a growing contributor per capita.

Concerning the five big countries we see a different evolution in these member states. Per capita are Spain and Italy the top contributors to the budget. The same conclusion is related with the United Kingdom, but this a member with a well know financial rebate ! Over these years France decreased form the fifth to the 10th place on the list. The reduction don't have an influence on the position (place 9 or 10)of the federal republic.

Ireland takes remarkable positions in these lists over the three years. In 2006, before the financial crisis, the Irish republic the third most important contributor per capita. But in 2013 the per capita contribution was nearly the same figures as in 2006, what indicates the enormous impact of the crisis on the island. But in 2018 the same country has left the crisis behind with a third place and a giant increase of the per capita contribution ! Also the Scandinavian countries in the EU are in these lists larger payers.

What is also worth remarking is that the 21st century expansion of the Union with the ten Southern and Eastern European countries in 2004 as well the 2007 expansion with Romania and Bulgaria cannot be regarded as a financial success for the EU budget.

The Republic of Cyprus is the only member state in the 2006 ranking which had a higher per capita ranking than in the 2013 list. The reason is the amazing financial crisis on this east Mediterranean island. For the same reason Greece has in 2013 the same per capita figure as in 2006 ! ranking this applies to only Slovenia and Malta.

Furthermore, the 2018 ranking shows that the 15 member states in 1995 still lead the contributions table with the minor exception of Portugal and Greece. Malta is in 2018 the first new member of this century at the list (place 14), following by Slovenia.

The Luxemburg (place n° 1) and Bulgarian (last place) per capita contributions differ by a factor 10.41, which is nearly the same as in 2006. (see table: II) But in the 2018 list the difference between Luxembourg and Bulgaria goes down to 8,41 !What means that differences between the top and the down of the list are a little bit decreasing.

Even after the reductions enjoyed by Austria, Germany, the Netherlands and Sweden these four countries remain among the top ten.

Contributions

The EU general budget may also be used to determine the overall share of the member states in the financing of the budget (TOR, VAT and GNI).

The following table ranks the member states by their percentage contribution to EU budget between 2002 (15 members), 2012 (27 members) and 2018 (28 members).

TABLE: IV Ranking of Member States by % Contribution to the EU Budget

	2002	2006	2012	2018
Germany	24.44 % (1)	20.56 % (1)	19.95 % (1)	20.70 % (1)
France	16.72 %	16.43 % (2)	16.37 % (2)	15.75 % (2)
United Kingdom	14.27 %	12.38 % (4)	11.61 % (4)	12.70 % (3)
Italy	13.03 %	13.69 % (3)	12.89 % (3)	11.61 % (4)
Spain	7.73 %	8.93 % (5)	8.87 % (5)	8.31 % (5)
the Netherlands	6.48 %	5.20 % (6)	4.99 % (6)	5.16 % (6)
Belgium	3.97 %	4.01 % (7)	4.11 % (7)	4.34 % (7)
Sweden	2.73 %	2.72 % (8)	2.77 % (9)	2.83 % (9)
Austria	2.47 %	2.15 % (11)	2.12 % (10)	2.26 % (10)
Denmark	1.97 %	2.09 % (12)	2.04 % (11)	1.90 % (11)
Greece	1.63 %	2.20 % (10)	1.73 % (12)	1.22 % (16)
Portugal	1.46 %	1.36 % (15)	1.29 % (14)	1.28 % (14)
Finland	1.45 %	1.48 % (13)	1.56 % (13)	1.44 % (13)
Ireland	1.40 %	1.38 % (14)	1.25 % (15)	1.61 % (12)
Luxembourg	0.25 %	0.24 % (20)	0.25 % (23)	0.25 % (24)
Poland	-	2.34 % (9)	3.18 % (8)	3.25 % (8)
Czech Republic	-	1.02 % (16)	1.08 % (16)	1.25 % (15)
Slovakia	-	0.38 % (18)	0.60 % (18)	0.56 % (19)
Hungary	-	0.91 % (17)	0.86 % (19)	0.93 % (18)
Slovenia	-	0.29 % (19)	0.33 % (20)	0.31 % (22)
Lithuania	-	0.22 % (21)	0.26 % (21)	0.30 % (23)
Latvia	-	0.13 % (23)	0.15 % (25)	0.19 % (25)
Estonia	-	0.10 % (24)	0.13 % (26)	0.16 % (26)
Cyprus	-	0.16 % (22)	0.16 % (24)	0.12 % (27)
Malta	-	0.05 % (25)	0.06 % (27)	0.07 % (28)
Romania	-	-	1.07 % (17)	1.19 % (17)
Bulgaria	-	-	0.32 % (21)	0.36 % (20)
Croatia	-	-	-	0,33% (21)

Germany was and still is the greatest contributor to the Union. Even so Germany's contribution has fallen as a result of the EU's expansion and the correction in favour of the Federal Republic. As a result the difference with France has been reduced, with the latter's contribution remaining at its historic level.

The "juste- retour" (fair return) principle works in favour of the British treasury and the UK has been a smaller contributor than Italy since the mid-2000s. This country's contribution has remained steady over the years, although here again we see the impact of the financial crisis. The same remark can be made for Spain.

If we group these countries by date of accession we are struck by the following shares based on the figures-facts in the budget 2018 (see supra):

- the six founder members still contribute 55.52 % of funding;
- the three member states that joined in 1973 contribute 15.86 % ;
- the southerly expansion of the eighties with the accession of Greece in 1981 and the two main countries of the Iberian peninsula (1986) accounts for 10.81 % ;
- the 1995 expansion, which saw the accession of Sweden, Finland and Austria, has in relative terms been financially favourable. These three member states provide 6.53% of all national contributions;

The conclusion is that the fifteen member states that acceded in the period from 1951 to 1995, still account for 89.11% (figures 2018) of the national contributions to the EU budget.

This makes it clear that the accession of the new members has certainly not brought any budgetary windfalls.

It also says much about the differences in prosperity between the former fifteen and the member states acceding to the EU in the new century.

Comparisons of the figures for 2006 and 2012 also highlight the impact of the economic recession and financial crisis, particularly the decline of the contributions to the EU budget of the "PIGS" countries (7).

The Eurozone states (19 members)(8) finance the budget for 73.35% (2018).

Noteworthy is the 9.75% (2018) contribution of the Benelux, which is in excess of that of Spain. Comparison of the British contributions for 2006 and 2012 also show that the UK rebate became less attractive in this researched period.

CONCLUSION

The own resources decision formalized the existing trend towards making the GNI contributions the main source of finance for the general budget of the European Union. After 50 years this system started with the emphasis on the importance of 'real ' own resources (Custom duties and VAT) to the present GNI.

For almost 40 years this budget has been compromised by the "fair return" principle, which works in favour of the United Kingdom.

In the meantime special arrangements are exiting for many members: Austria, Denmark, the FRG, the Netherlands and Sweden.

All decisions on the own resources continues to be subject to unanimous approval. This means that each member state must give its approval to any change. This is the challenge that must be overcome if any change is to be made. This will be the problem in the near future to modify the system, even when the UK will have his 'Brexit' there is no present change that the 27 members should be agree to go from an unanimous rule to an easier majority !

Although the idea of raising a direct EU tax for funding the EU's budget was widely discussed in the 1970s and 1980s, it is now moribund. Even today with the French idea, President Macron, for an own Eurozone budget the discussion will be: how large can the budget be and who will pay with which source ?

The funding of the budget continues to rest very largely on the shoulders of the first 15 member states of the 20th century. The accession of the 13 new member states can hardly be regarded as a financial – budget success.

The discussions for a new 'Multiannual Financial Framework' (which is not the subject of this study) for after 2020 is related with a new system of own resources. (9) This discussion is now completely overshadowed by the upcoming European parliament elections of 2019 and the fear of several countries that they have to pay more after the 'Brexit'.(10)

My proposal is to return to the original idea of own resources. The VAT is an excellent means for financing the EU budget and that in combination of the custom duties.

Europe needs a new fairer and more transparent system. Since the 1970 Luxembourg agreement the Union has done little regarding the use of VAT for own resources. VAT is related to the welfare of member states and a fixed percentage of this indirect tax could be set aside as part of a long-term financial plan for the funding of the general EU budget.

So ultimately it comes down to the following question: are the member states prepared to return to the own resources system and an associated increase in revenues at a time when nearly all member states are having to implement strict budgetary discipline. Finally it's up to the EU Council to take the decision, but in several member states the present governments are not so pro EU anymore and this determination is related with the European failures in several actual case. (f.e. migration) A real answer to these questions will be there after the 2019 elections ?

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