

Paper series: An MFF fit for purpose

New EU own resources to strengthen Europe's long-term budget

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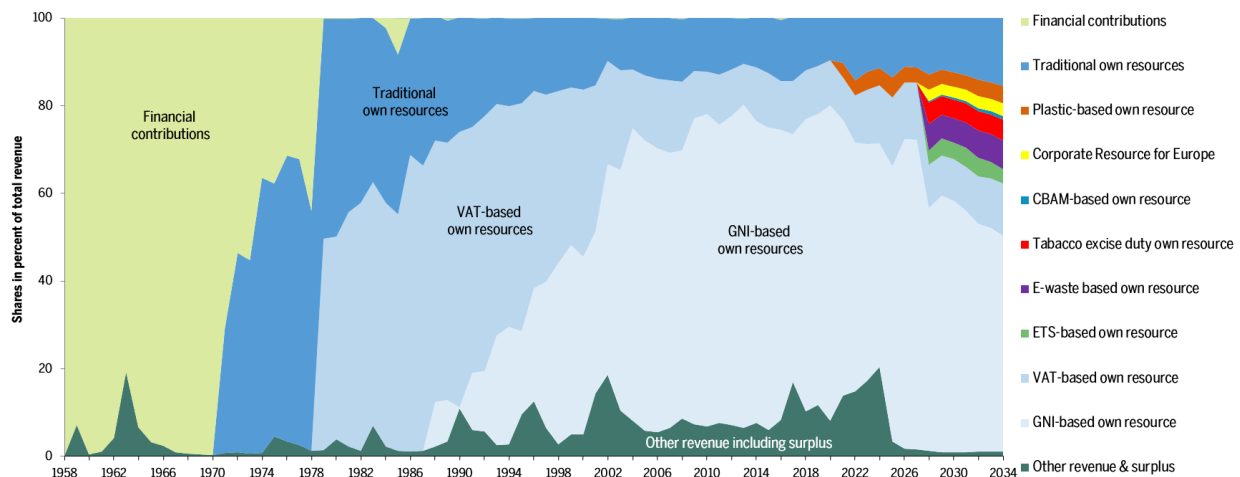
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In mid-July 2025, the European Commission published its first proposal for the next EU budget for the period 2028 to 2034, which includes a reform proposal for 'modern revenues' (European Commission, 2025a, 2025d). At its core is a package of five new own resources, which are intended to cover EUR 21 billion¹ annual repayments of debt issued under the EU pandemic rescue programme NextGenerationEU (NGEU) that are set to start in 2028, and to replace a part of Member States' current national contributions to the EU budget.

1. The current system of own resources is in urgent need of reform

The regular EU budget, the Multiannual Financial Framework (MFF), is currently financed mainly through: customs revenues ('traditional own resources'); own resources based on the harmonised value added tax (VAT) base of Member States; own resources based on Member States' gross national income (GNI); and own resources based on the amount of non-recycled plastic waste. While the current revenue system has been providing the EU with stable and predictable revenue over the last decades, it is approaching its limits, as it is to a large and growing extent dependent on GNI-based national contributions (see Figure 1).

Figure 1: Development of EU revenue in the past and the future, 1958 to 2034



Source: European Commission (2025c; 2025e), own representation. Other revenue excluding external assigned revenue related to NGEU. 1958 to 2024: actual outturn; 2025 to 2034: projections.

Except customs revenue, existing own resources are hardly related to the tasks and competences of the EU. They do not constitute an independent source of revenue for the EU providing it with fiscal autonomy but rather constitute transfers from the budgets of EU Member States to the EU. Thus, they reinforce Member States' net-position thinking, namely the desire to maximise the balance between funds received from the EU budget and national financial contributions, which ignores the benefit EU membership and the EU budget yield beyond financial transfers. Moreover, as national budgets are tight in many Member States in the wake of recent multiple crises, the level of national contributions to the EU budget is increasingly under pressure.

¹ In 2025 prices (EUR 24 billion in current prices); if not noted otherwise, all figures mentioned in the following are in 2025 prices.

Apart from the plastic-based own resource, which is intended to create an incentive for Member States to curb non-recycled plastic packaging waste, the current own resources system does not contribute to important EU objectives and strategies.

2. Overview of the European Commission proposal for reforms of the EU revenue system from July 2025

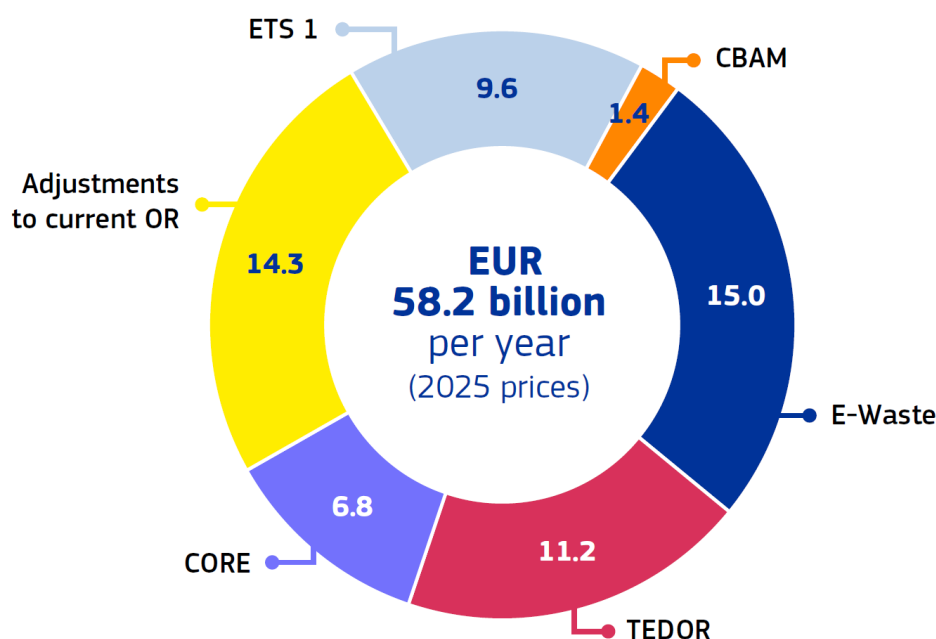
Against this backdrop, the European Commission has suggested five new own resources that are expected to generate EUR 44 billion in revenue for the EU budget annually (European Commission, 2025a, 2025b, 2025d; Figure 2):

- EU Emissions Trading System (ETS)–based own resource: a share of 30% of the revenue from the first pillar of the EU ETS is expected to generate EUR 9.6 billion annually.
- Carbon border adjustment mechanism (CBAM)–based own resource: 75% of the revenue from the CBAM introduced in 2023 shall contribute EUR 1.4 billion per year.
- Non-collected e-waste–based own resource: a contribution of EUR 2 per kilogram of non-collected e-waste is expected to generate total annual revenues of EUR 15 billion.
- Tobacco excise duty own resource (TEDOR): 15% of revenue based on the Member State–specific minimum rate for manufactured tobacco and tobacco-related products are expected to yield EUR 11.2 billion per year.
- Corporate resource for Europe (CORE): an annual lump-sum contribution of companies operating in the EU with an annual turnover above EUR 100 million shall yield EUR 6.8 billion per year.

An additional EUR 14.3 billion is to result from various adjustments within current own resources: the share of customs revenue allocated to the affected Member States to cover collection costs is to be reduced from the current 25% to 10%; rebates for individual Member States regarding the GNI- and the plastic-based own resource are to be abolished; and the call rate for the plastic-based own resource is to be regularly adjusted for inflation.

Overall, additional revenue resulting from the own resources reform package is expected to amount to an annual EUR 58.2 billion.

Figure 2: European Commission proposal for new own resources from July 2025



Source: European Commission (2025a). In 2025 prices.

3. Brief assessment of the European Commission proposal for a reform of the EU system of own resources

Given the very limited progress made in reforming the own resources system over the past decades, the implementation of the European Commission proposal would represent a rather ambitious step forward. The European Commission's revenue estimates indicate that the yields of the proposed new own resources could be more than double the amount needed to cover NGEU debt repayment. Thus, cuts in other MFF programmes and/or an increase in Member States' GNI-based own resource payments that would have been necessary otherwise to repay NGEU debt could be avoided. The remaining new own resource revenue could partially replace GNI-based own resource payments as the residual resource to balance the budget: the share of GNI-based own resources in total own resources could decrease from an estimated share of 72% in 2026 and 2027 to 50% in 2034 (see European Commission, 2025c; Figure 1). At the same time, however, the potential of new own resources to increase overall EU revenue to an extent that would allow a significant increase of the overall volume of the next MFF remains underused: after all, the next MFF will increase to a mere 1.26% of EU GNI only. This represents an increase of 0.14% of EU GNI compared to the current MFF, of which, however, 0.11% of EU GNI is dedicated to the repayment of NGEU debt, so that actual additional spending is limited to 0.03% of GNI.

In terms of *overall revenue potential and revenue growth over the next MFF period*, the e-waste-based own resource is most promising.² TEDOR would yield sizeable and rather stable revenue as well. Projected CORE revenue is markedly lower but growing over time. Revenue from the ETS-based own resource is expected to increase until 2031 but to steadily fall afterwards. CBAM-based own resource revenue will increase over time but remain negligible. Beyond the next MFF period, not only the ETS- and the CBAM-based own resources but also the e-waste-based own resource and TEDOR may lose in importance to the extent as the policies behind them are effective.

Almost all new own resources are linked to *EU goals and strategies and make a useful contribution to their achievement*. The EU ETS and the CBAM are a core element of the EU's climate policy. TEDOR is linked to the increase in minimum tobacco tax rates simultaneously proposed by the European Commission and to Europe's Beating Cancer Plan. The e-waste-based own resource is intended to set incentives for Member States to strengthen national efforts to increase collection rates for the waste of electrical and electronic equipment (WEEE) anchored in the WEEE Directive. The only exception is CORE, which the European Commission sees as the corporate sector's contribution to the EU's policies to foster innovation and competitiveness, and which ostensibly serves as a substitute to earlier digital tax plans that have been withdrawn to avoid further tensions in EU-US relations. However, CORE has the severe drawback that as a tax on turnover it does not take into account profit margins, thus unevenly burdening firms. Moreover, the turnover-dependent stepwise increase of lump sum payments would favour large firms compared to smaller ones (Darvas et al., 2025).

The most *genuine EU own resources enhancing the EU's fiscal autonomy* are based on levies that cannot be implemented effectively at Member State level due to cross-border issues and/or because they are linked to EU mechanisms. In this perspective, ETS- and CBAM-based own resources are genuine own resources: they are based on carbon emissions that have a cross-border element and thus are addressed by the EU ETS and the CBAM as EU-wide carbon pricing mechanisms. As such, they enhance the EU's fiscal autonomy. Similarly, CORE would be hard to implement at Member State level as additional taxes on large internationally mobile firms may lead to avoidance reactions. In contrast, TEDOR (even if it is based on a minimum tobacco tax rate aimed at curbing cross-border tax avoidance) and the e-waste-based own resource represent national contributions to be paid out of Member States' budgets.

Adjusting the nominal call rates for the plastic-based own resource and the proposed e-waste own resource to inflation would prevent the long-term erosion of their steering effects and preserve their revenue potential. Moreover, the proposed repeal of the various correction mechanisms and rebates would make the own resources system more transparent.

Several of the proposed new own resources could be *politically contentious*. Member States can be expected to oppose having to transfer 30% of ETS1 revenue, which currently almost completely accrues to Member States, to the EU budget. TEDOR and the e-waste-based own resource, which would burden national budgets as well, can be expected to meet with Member State resistance as well. CORE, as an additional source of revenue stemming from large firms and not from Member States' budgets, may be more acceptable for Member States, as well as the CBAM-based own resource burdening firms based in third countries. While the CBAM-based own resource is rather undisputed within the EU, resistance, particularly from developing and emerging economies, is mounting, however. Finally, the discontinuation of all rebates and correction mechanisms may face opposition from those Member States currently benefiting from them.

² See European Commission (2025c) for projections of annual revenue expected from the five new own resources.

To sum up, the European Commission's own resource proposals imply only relatively moderate adjustments and are far from the radical restructuring of the EU revenue system that is actually required. The CORE proposal is problematic from an economic perspective. Several of the proposals are politically sensitive. Revenue from taxes that can only be effectively enforced at EU level play no role at all.

Policy recommendations: The way forward

The upcoming post-2027 MFF period should not only witness a reform of expenditure structures, but also a reform of the EU revenue system envisaging the implementation of new own re-sources. While the GNI-based own resource should continue to play a strong role, it could partially be replaced by new own resources supporting EU policies within a revenue-neutral structural reform of EU revenue.

New own resources could also be scaled up to create scope for a real expansion of the EU budget, which is urgently needed in view of the existing funding gaps regarding European public goods in the areas of climate, research, digitalisation, migration, development cooperation and security (Felbermayr & Pekanov, 2024; Thöne, 2024; Darvas et al., 2025).

The main objectives of new own resources should be to support EU policies and mitigate Member States' net position thinking (Darvas et al., 2025). Negotiations on a basket of new own resources to be introduced in the upcoming post-2027 MFF period should therefore be guided by the following principles:

- New own resources should support important EU goals and strategies.
- A focus should be on genuine new own resources linked to EU policies that directly accrue to the EU instead of being paid out of Member States' budgets as national contributions.
- Particularly suitable are new own resources that are based on taxes and levies that cannot be enforced effectively at the national level.
- A modern EU revenue system should rely on a basket of several new own resources to ensure a fair distribution of the overall burden across Member States and different sectors.

The upcoming negotiations on the post-2027 MFF could therefore particularly focus on the following potential new own resources:

- **ETS-based own resource:** As suggested by the European Commission, a part of ETS1 revenue should be transferred to the EU budget. Given that the ETS-based own resource is one of the most genuine potential own resources and an essential element of EU climate policy, it could be considered to include ETS2 revenue and to substantially increase the share of overall ETS revenue flowing to the EU.
- **CBAM-based own resource:** Similarly, except for a small percentage of revenue compensating Member States for collection costs, CBAM revenue could exclusively be assigned to the EU budget.
- **E-waste-based own resource:** The proposed e-waste-based own resource is an interesting candidate; although it is no genuine own resource, it may support EU environmental goals by incentivising Member States to ramp up collecting and recycling efforts.
- **Own resources from the corporate sector:** A new own resource collected from multinational enterprises appears justified as one element of the EU's efforts to counter tax avoidance and ensure fair minimum taxation of multinational firms. However, instead of the design envisaged by the European Commission for the proposed CORE, an own resource levied on the corporate sector should be profit-based. One potential design option could be based on Pillar Two of the OECD/G20 global tax agreement (Darvas et al., 2025).
- **Own resources based on aviation and shipping:** With the aviation and shipping sector representing a still under-taxed, yet significant, emission source, own resources based on their taxation would contribute to EU climate goals (Krenek & Schratzenstaller, 2017; Schratzenstaller et al., 2022). Moreover, levies on aviation and shipping are hard to enforce effectively at the national level.
- **Own resources based on the taxation of high wealth:** Own resources based on the EU-wide coordinated taxation of high wealth could contribute to current efforts at the global level

(see, for example, Zucman, 2024) to ensure adequate taxation of high-net-worth individuals. These own resources could be based on a net wealth introduced based on EU-wide coordination in all Member States (Krenek & Schratzenstaller, 2022). To protect external EU borders against untaxed outflows of wealth, exit taxes on high net worth individuals leaving an EU country with unrealised capital gains could be imposed (Saint-Amans, 2024).

Most of these own resource options would constitute additional fresh money that would not have to be redirected from Member States' budgets to the EU budget. Although their assignment to the EU would imply opportunity costs for Member States, as revenue could also flow to Member States based on EU-wide coordination (Darvas et al., 2025), this could make them more acceptable for Member States.

Recently, several additional own resource candidates have been put forward. The European Parliament (2025), for example, suggested own resources based on the gender pay gap or on biowaste. While these ideas are interesting, details are missing, as well as a thorough investigation of their effects and feasibility, so that focusing on more concrete options seems to be more efficient. The same is true for the financial transaction tax stipulated in the legally binding Inter-institutional Agreement accompanying the implementation of NGEU: while it offers itself as a good candidate for a genuine own resource, the failure of efforts made in the last almost two decades to introduce it at the EU level suggests that it cannot expect to meet broad acceptance among Member States in the upcoming negotiations.

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