FAIRTAX

Alternative Procedures and Sources for Financing the EU Budget: Between Desires and Possibilities - View of a Practioner

by Alfredo De Feo

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Executive Summary

This article places the reform of own resources in the contest of the difficulties of the European ideals and the attitude of part of the European public opinion towards the European project. This reform cannot be treated as 'business as usual' but it should be seen as part of deeper reform of the EU methods and values. Reforming the EU financing mechanisms could constitute one of the pillars of a relaunch of the European project, starting from the basic principles of the European construction: Subsidiarity and European added value. Those fundamental principles should drive all EU policies, existing and to come. The reform of own resources cannot be isolated by the expenditure. This article reviews the various proposals of EU taxes, already formally proposed by the Commission or discussed in academic fora, reaching the conclusions that, most of the suggestions have some positive element, but the perfect tax doesn't exist. A reform of own resources cannot be done through small adjustments, it has to last many years, even decades, then it needs ambitions, flexibility and also checks and balances mechanisms. To conclude the article outlines a possible procedures which could guarantee a smooth implementation as well as a correct level of decision maintaining the supremacy of the intergovernmental method for the framework decisions but leaving at the community method for the financing pf the annual budget.

Introduction

The debate on the EU own resources has reached a high position on the European political agendas. The request of the European Parliament to engage an Interinstitutional reflection on alternative to the current system criticized by many for its complexity, opacity, lack of fairness for taxpayers and the absence of democratic accountability.

The research question of this article is *which sources of financing the EU Budget could be envisaged to support the European integration process and which procedure can guarantee a better democratic accountability.* The approach will be more with the eyes of a practitioner, the analyses will range between what is realistically desirable, in the long run, and also indicating the possible short term objectives.

Academia, research centres, EU Institutions and governments have contributed to the political, economic and technical analysis of alternative forms of financing for the EU budget. The various analysis are founded on different motivations and aims: in some cases, as the mandate of the Monti group[1], the motivation is to replace the current system; others aim to improve the efficiency of expenditure and to dismiss some obsolete (in their view) activities in order to generate new resources without aggravating the burden on the Member States[2]; finally others see the introduction of a fiscal capacity at European level as a possibility to make a step in the direction of the fiscal autonomy of the EU and also to consider the possibility to finance an Eurozone budget to complete the Economic and Monetary Union.

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[1]First assessment report of the HLGOR of 17 December 2014, the second report should be published shortly most likely under the same link @http://ec.europa.eu/budget/library/biblio/documents/multiannual_framework/HLGOR_1stassessment2014final_en.pdf

[2] Buettner, T and Thöne, M. (eds) Michael The Future of EU-Finances Working Papers for the Brussels Symposium on 14 January 2016, Research project for the Federal Ministry of Finance, Germany Cologne 2016

These approaches have all some merits, and, in different ways, they contribute to the Fair Tax project, in particular to its final goal *how fair and sustainable taxation and social policy reforms can increase the economic stability of EU member states.*

Lessons learned over years

As soon as the Member States decided to join their destiny in the European project, its financing became one of the major issue.

The model of financing inspired by the Founding fathers for the European Coal and Steel Community (ECSC) aimed to leave a certain autonomy to the High Authority: with its capacity to impose a tax on the steel and Coal production, its ability to contract loans and to decide the expenditures.

In reality, while this model was excellent in theory, in practice, it did not guarantee the real autonomy of the ECSC. Jean Monnet, President of the High Authority, after the failure of the European Defence Community in August 1954, understood that the autonomy of the High Authority, could not go against the will of the Member States. An informal procedure (probably, first example of soft law) to seek the agreement of the Council was established, before taking the final decision on the level of the levy on coal and steel production.

Around 1960, the High Authority reached the maximum allowed (1%) to set the levy under its own responsibility. A proposal was presented to the Member States/Council to allow the High Authority to go over this limit. The Council refused to adopt the proposal and Member States preferred to pay each year a direct contribution to the ECSC budget linked to GNP. This contribution reduced the prerogatives of the High Authority to set the budget as in practice the Member states thus were entitled to fix the upper limit of the budget, and of course they had more than a say on the expenditure side. Member States were back in the driving seat of the ECSC budget.

The Treaty of Rome started with a direct contribution of the Member States. The EC Treaty (art. 200) set the share, for each Member State, to be paid, with a double key one for the general budget and a second for the Social Fund. This differentiation allowed to reinforce the redistributive role of the budget, through its financing, in order to boost support for less-developed regions.

This provision was sufficient during the start-up period, but the Treaty already foresaw (art. 210) the possibility of replacing Member State's contribution with genuine own resources and indicated the customs duty as a potential European tax to be paid into the EEC general budget in order to (at least partially) substitute Member States' financing. The Commission was instructed to draw up proposals to be submitted to the Council, which would decide on them unanimously, with ratification by the national parliaments, if so requested by the respective constitution.

Needless to say, that the issue was very sensitive and led, among others, to the '*empty chair'* crisis but finally the Budgetary Treaties of 1971 and 1975 introduced as well some supranational elements which were linked to the building up of the common market, import duties and agriculture levies. The progressive dismantling of the *'Fortress Europe'* and the evolution toward a generalised reduction of duties and tariffs eroded the traditional own resources at the moment when Europe started to expand its policies.

Member States then introduced the GNI contribution to top up the traditional own resources, which allowed the development of new policies. Gradually, over the years, the 'top up' became the main sources of financing of the EU budget (nowadays more than 70 %). Some recognize the merits of the current system: it has guaranteed stability and sufficiency of resources to finance EU activities, it guarantees stable resources and also a certain fairness among Member States, which contribute in line with their economic capacity (principle of equity), even if the system is heavily distorted by the correction mechanisms. It is easy to collect but not cheap, as MS retain 25% of collection fees, and, last but not least, the current system avoids heated discussions, on financing mechanisms among Member States and eventually in the national parliaments.

The preponderance of GNI resources in the current financing system has changed not only the nature of the own resources system but also the way how policies are assessed by the Member States. During the negotiations on the Multiannual financial frameworks, each Finance Minister calculates the balance between its GNI share and the potential benefit, for its country, of EU policies (juste retour). Even the fundamental principles of subsidiarity and European added value have less relevance; if any, respect to the return of a policy.

Further to that the *net contributors* set the upper limit of the own resources (below 1% GNI) and then the MFF are fine-tuned at the policy level. As results, since at least 2007 there has been a decrease of resources allocated to a growing number of European needs and an increasing number of *special allocations*[3] ('gifts') to Member States to guarantee the unanimity vote in the Council.

The awareness of the distortions and shortcomings of the current system are shared by many, not only in the academia but also in the Institutions, including within the Council. This is reflected in the mandate given to High Level Group on own Resources (HLGOR) whose proposals should be "*guided by the overall objectives of simplicity, transparency, equity and democratic accountability*" to redress the complexity, opacity unfairness and undemocratic current system. But if a large majority share the approach, the research of a shared solution remains a complex, but hopefully not an impossible exercise.

To conclude, lessons learned during more than 60 years of budgetary discussions and negotiations suggest that any reform of the own resources system cannot be totally independent by the Member States direct contribution. The problem is to see in which conditions and up to which level a direct contribution based on GNI should be maintained.

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[3] Conclusion of the European Council 8 February 2013, EUCO 37/13, for the expenditure side see points 19, 23, 50 to 52, 72 for a total amount of about € 18bn; for the revenue side see point 118 for about € 7 bn.

EU crisis and transnational challenges

Before analysing what could be a fair tax model for a sustainable development of the European process we need to raise some fundamental questions: which EU policies for which European Union?

The European project is in a deep crisis due to a number of factors: the absence of long term vision, generalised tendency to make Europe responsible for most of the problems touching directly EU citizens, a difficulty to communicate the success stories, the absence of solid relationships between the member states, often turning in open mistrusts between various leaders and finally the lack of strong European leaderships.

The rise of Populist Parties, supporting a nationalistic solutions and spreading an anti-European spirit, are gaining support in the public opinion of many countries, the idea itself of the European integration is challenged. The risk of disintegration of the project, an option unknown a few years ago, is now a variable which cannot be ignored.

An in-depth reform of the functioning of the EU around the initial values of subsidiarity, European added values, solidarity could offer the positive answers to the worries of the public opinion. The reform of the financing and spending mechanisms could be a central moment of the relaunch of the European construction. A fair and sustainable taxation mechanism, which could generate new financial resources to face the transnational challenges and reinforce the economic stability and the security of European citizens could be a key element to respond to the current identity crisis.

Europe is facing several crisis, some of which internal to the EU, as the weakness of European economy, the security issue, the governance of the Euro, the youth unemployment but also the energy security, linked with the relations with Russia or the fight against the climate change. Other crisis have a world dimension, such as the instability in middle east and the rise of an ideology threatening our European fundamental values, with the consequence of an unprecedented migration flux, dreaming the peace and welfare constructed in Europe. Individual Member States cannot offer stable solutions to those problems, and only a coordinated and united efforts of a stronger and more integrated Europe can respond to these transnational challenges.

Political vision and financial resources are necessary to face together those challenges.

In this contest, the problem is not only to identify some new taxes to increase EU financial allocations but to envisage a global reform which could be perceived by the European citizens as a contribution to a stronger Europe fighting to guarantee the security and the economic stability for future generations, in a more efficient way then individual member States.

Which Resources for European policies and economic stability

The Commission has been active and presented analysis and proposals to reform own resources (in 1998, 2004 and 2010) but the Council has always blocked all proposals. The forthcoming proposals of the HLGOR, due by the end of 2016, might open new avenues of reflection not only on the technicality but also on the practicality of the solutions advanced.

More resources from the EU budget

It would be unrealistic to start a reflexion on new financing models for the EU, without raising first the question whether the resources allocated to each annual budget are spent in the most efficient way[4]. Does EU budget always respond to the subsidiarity and European added value principles? The budgetary authority should carry out an assessment and open a debate, at political level, for an in-depth reform of the EU budget, policies and long term vision; the EU Institutions could then take the lead for a profound change of the European policies and offer concrete solutions to the challenges. The European leadership could prove to the public opinion its capacity to adapt to a fast evolving future. The reform of own resources can be one of the main pillar for more ambitious changes. The business as usual in no longer an option.

i. More effectiveness of EU budget

The #budget4results initiative, launched by the Commission, is an important step in this direction. The evaluation of outputs of the EU policies should assess, if the subsidiarity and European added value are respected and eventually discontinue the policies which don't fulfil the basic criteria and concentrate the resources in areas where the EU added value is higher. Such an approach could be the beginning of a wider reform of the EU which should aim to concentrate its financing on policies which can be perceived by citizens as unique European added value, policies which deliver genuine European public goods, which cannot be delivered with the same efficiency at National level.

This exercise should liberate resources, difficult to quantify at this stage, to invest in new priorities.

ii. Co-financing of agriculture

At the end of the nineties, the debate on own resources touched as well the possibility to introduce a co-financing on the common agriculture policy. Co-financing is a method used for most of EU policies, it is coherent with the shared management of the EU budget and in the case of agriculture could free a substantial part of resources. A mere 25% of co-financing could generate about 10 bn. of resources to be made available for redeployment.

iii. Conditionality of the cohesion policy

Assessment of the EU policies should concentrate in particular on the cohesion and Regional policy. A budget oriented on outputs and on European added value should lead to the redeployment of resources devoted to the cohesion policy and favour a concentration of funds on activities more linked to the new challenges Europe faces and to the structural reforms which Member States have committed to achieve. A mere redeployment of 10% of

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[4]Heinemann, F. (2016) Strategies for a European EU Budget, in Buettner, T and Thöne, M. eds. (2016) The future of the EU Finances, Finanzwissenschaftliches Forschungsinstitut an der Universität zu Köln @http://www.bundesfinanzministerium.de/Content/EN/Downloads/2016-01-14-final-report-future-eu-finances.pdf?__blob=publicationFile&v=3

the regional policy, to be reinvested in the same geographical areas, could free about 3,5 bn for redeployment.

iv. Correction mechanisms and Collection costs

A Reform of the own resources and possibly the introduction of alternative sources of financing should imply a reform of some of the current mechanisms. There is a large consensus to abolish of the VAT source in its current form. The corrections mechanisms should also be abolished. The same for the collection costs paid to Member states and the relative amount about 6 bn redeployed to face new challenges.

To conclude about 20 bn could be generated by internal adjustments and could be added to the 38 bn still available, in 2016[5], under the own resources ceiling.

It is not difficult to foresee heated reactions for all proposals which might touch existing policies (agriculture or others) or long standing arrangements. Some of these proposals might generate supplementary domestic expenditure for the Member States, which can be accepted only if there is a shared objective to reinforce the role and the capacity of the European Union to face some of the current challenges (i.e immigration, border security…..). On these conditions, the redeployment of current expenditure is necessary and probably understood by the public opinion.

The criteria to assess the potential taxes

The Commission has presented various criteria to assess the validity of European Taxes, academic literature offers as well, further criteria. The first interim report of the HLGOR[6] group concentrates and simplifies the criteria, summarising inputs from various sources, into two groups, the general criteria are:

1. Equity/Fairness, 2. Efficiency, 3. Sufficiency and Stability, 4. Transparency and Simplicity, 5. Democratic accountability and budgetary discipline.

And the criteria specific to the EU (3):

6. Focus on European added value; 7. Subsidiarity; 8. Limit political transactions costs.

Those criteria have the advantage to be in a limited number and simple to understand, they might not be perfect but they can give a good appraisal to evaluate their possible impact. Margit Schratzenstaller[7], add another interesting criteria which is the *Regional attribution*

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[5] The own resources needed to finance the 2016 budget account for 0,97 % of the total GNI, thus falling below the ceiling of 1,23 % of GNI calculated using the method set out in Article 3(1) of Council Decision 007/436/EC, Euratom of 7 June 2007 on the system of the European Communities’ own resources (OJ L 163, 23.6.2007, p. 17).

[6] HLGOR first assessment Report @http://ec.europa.eu/budget/library/biblio/documents/multiannual_framework/HLGOR_1stassessment2014final_en.pdf

[7] Margit Schratzenstaller, « Reform options for the EU's system of own resources », Revue de l'OFCE, 2014/1 (N° 132), p. 327-355. DOI 10.3917/reof.132.0327 @http://www.cairn.info/revue-de-l-ofce-2014-1-page-327.htm

which value the taxes for which will be difficult (but maybe not impossible?) to attribute to one individual country, reducing the infamous 'Juste retour'.

Another criteria to take into consideration is the communication and the possible acceptance of new taxes. Imposing new taxes is a nightmare for every Finance Minister, the potential effects of the communication should be evaluated as well.

The criteria to assess potential taxes are important to evaluate the best candidate eligible for EU tax, the ones mentioned above are all valid references for defining the most suitable tax.

Taxes are not only a technical instrument to collect money but the expression of a fiscal policy which the executive wants to follow. The EU not only need a tax mechanism to replace part of all the GNI or to increase its financial resources but also to complement its policies. Policy categories are also necessary as any tax imposed should be linked and recognised as a European policy. Policy categories of taxation could be:

- Beneficiaries of the internal market
- World companies operating in the EU digital market
- Consumers
- Environment/energy
- transport

The potential taxes: the usual suspects

The Commission has presented over the years a number of proposals of candidates taxes, often in the same categories, other suggestions emerged by the European Parliament, academia and think tanks. The final report of the Monti group might enlarge the list of potential candidates to be European taxes.

The list below enumerates the candidates, which are recurrently quoted as potential European Taxes[8]. All these taxes have advantages and disadvantages, respect to various assessment criteria. The most recurrent proposals are grouped into three categories: the taxes related to the Economic sector, the ones with an Energy and environment component and lastly the ones more consumers related. Even if, the first two categories respond better to the communication criterion and could be better be accepted by citizens:

i. **Economic sector taxes[9]:** those taxes don't have only the characteristic to raise funds but also to influence the sector i.e. penalising the abnormal salaries or limiting the high risk operations or in the case of the EU Corporate tax reduce tax avoidance.

[8] Amongst many references See: Commission staff working paper : Financing the EU Budget : Report on the operation of the own resources system, Brussels, 27.10.2011 SEC(2011) 876 final/2; European Parliament Report on the future of the EU's own resources, Alain Lamassoure, 13 March 2007, A6-0066/2007 final. P. 12.
[9] Cfr contributions to Brussels Tax Forum 2011, @http://ec.europa.eu/taxation_customs/taxation/gen_info/tax_conferences/tax_forum/speeches_btf2011_en.htm

a. ***Financial Transaction tax*,** estimated to produce, according to the level of taxation and the extent of its application[10] between 20 and 50 bn.
b. **Financial activity tax,** a levy on the sum of profits and remuneration of financial institutions, could generate up to 25 bn;
c. **EU Corporate Income tax** whic**h** could complemen**t** or partially replace national taxation could generate about 15 bn;
d. **Tax on profits** (Seigniorage) made by the European Central Bank, even if rejected by the Commission is considered by many a potential candidate for EU tax. Independent experts[11] estimate that it could generate about 25bn.
e. **Tax on digital companies[12]** the digital economy, is often beyond reach of Member States fiscal authority and traditional fiscal systems, a European tax would be more efficient than national attempts to tap on these companies. The EU would be in better position than individual Member States to confront worldwide digital companies.

ii. **Environmental taxes** should contribute to the reduction of emissions to reach the targets related to climate changes:
a. ***EU Emission Trading System*** as it result by the Directive (2009/29) could be managed at EU level *where the Commission would sell the emission allowances and transfer the revenues to the EU budget;*
b. ***Energy consumption taxes***: Single EU tax rate on quantities of energy products released/consumption based on their energy content of CO_2;

iii. **Taxes (directly or indirectly) on consumers:**
a. **Aviation transport tax which** could be designed for passengers or for flights could generate a revenue of about 20 bn.
b. **Tax on visitors to Europe:** introduce a Visa for third country citizens entering into Europe. Estimated in about 0,5 bn
c. **A new European VAT**: a single EU rate on the net value of supplies of goods and services, intra-EU acquisitions of goods and the importation of goods that are subject to the standard VAT rate in every member state. A 2% rate could generate up to 100 bn.

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[10] Bonds, shares, derivatives, foreign currencies are the area where the EU levy could be implemented. Commission launched an enhanced cooperation, approved by the European Parliament (December 2012) and the Council in January 2013.
[11] Davies, G. (2011) Does the ECB really have a silver bullet? @http://blogs.ft.com/gavyndavies/2011/11/10/does-the-ecb-really-have-a-silver-bullet/ and Soros, G (2012): L'Europe pourrait financer seule sa relance, Le Figaro, 22/4/2012@http://www.lefigaro.fr/conjoncture/2012/04/22/20002-20120422ARTFIG00166-soros-l-europe-pourrait-financer-seule-sa-relance.php
[12] Tarschys, D. (2015) Entering a World of Footloose Tax Bases: Can the EU Generate Its Own Income?, Swedish Institute for European Policy Studies (SIEPS) @http://www.sieps.se/sites/default/files/2015_8epa_eng_A4_korr2.pdf

d. **Tax on intra Europe mobile communication:** it has lost appeal after the cancellation of roaming.

To conclude, there is no shortage of ideas, the technicality of an EU taxation has certainly a paramount importance, but the Institutional, political, procedural and even communication factors should not be under evaluated.

Which realistic ambition for EU taxes?

The candidates taxes, enumerated above, are amongst the most quoted in European circles, but none of these fully fulfil the assessments criteria and it is unlikely that the perfect tax even exists!

The reform of own resources, passes through, the agreement between the Institutions, which implies, as far as the Council is concerned, the unanimous agreement of Member States, with the ratification of the National Parliaments, where necessary. The reform of own resources is complex exercise which cannot be repeated every few years, it is an once in-a-lifetime opportunity, which cannot be missed: it should be ambitious, realistic and lasting in time, eventually with a long transitional period and with sufficient checks and balance mechanisms which could guarantee its progressive implementation but also the flexibility, in case of necessity.

The events (influx of migrations) of end 2015 beginning 2016, unforeseen at the moment of the adoption of the Multiannual Finance programme 2014-2020, demonstrate that the EU should have the capacity, to activate financing, within EU rules, and not to opt for hybrid solution, as in the case of Turkey facility, where most of the financing should be paid by direct contributions of the Member States, outside the EU mechanisms.

The reform of the own resource system doesn't require a change of the Treaty but a modification of the decision of own resources, which requires also a ratification of the National Parliament.

The overall own resources ceiling

The own resource's decision[13] sets the annual ceiling for payments appropriations allocated to the Communities at 1,23% GNI, of the sum of all the Member States' GNIs. This ceiling should be maintained, because it is a guarantee for Member States of the magnitude of the EU budget and because it still leaves a comfortable margin, more than 25%, of increase of European expenditure. Margin which could be considerably increased with a concentration of financial resources on policies with more European added value and the introduction of a co-financing in the common agriculture policy.

Nevertheless, in a reformed system, a certain degree of flexibility should be introduced. In exceptional circumstances and for a limited period of time, by unanimous mandate of the European Council, the Council could decide, at unanimity, after consent of the European Parliament, the possibility to allocate financial resources – beyond the ceiling of 1,23% GNI -

[13] Council Decision 2007/436/EC, Euratom of 7 June 2007 on the system of the European Communities' own resources (OJ L 163, 23.6.2007, p. 17), amended with Council Decision 2014/335 EC, Euratom of 7 June 2014 (OJ L 168, p. 105).

to specific policies for a defined period. This exception should also apply in case of enhanced cooperation, according to art. 20 TFEU.

Such an exception to the principle of universality14, would introduce a flexibility also in the revenue side of the EU Budget – only in particular circumstances and following a decision of the European Council -, without touching the basic principle of a general ceiling to EU revenue. This flexibility would constitute an exception to the unity of the budget, as the financing would be directed to a specific policy, and implemented with a special procedure described below.

This flexibility could apply also in case of enhanced cooperation to facilitate, among others, eventual measures limited to the Eurozone countries.

A desirable and realistic reform of own resources

The reform of the EU own resources should be ambitious and long lasting. It would then be a mistake, in my view, to select one or two taxes which could contribute to the EU revenue. A reform of the own reform system – one in-a-lifetime - should offer as much potential solutions as possible.

Is a desirable reform also realistic? The line between desirable and realistic is the Treaty. Most of my suggestions below, require only the modification of the OR decision, others (ie a new procedure for the revenue side of the budget) the modification of art. 311, TFEU, which is probably not realistic. Should one of the proposals necessitate a modification of the Treaty, this will be explicitly mentioned.

The reform should allow, not only a financial mechanism to generate resources, but it should prefigure the beginning of an EU fiscal policy which will complement other active policies (ie environmental measures).

In my view, all the candidate taxes, mentioned above as potential sources of financing, should be embedded in the own resources decision. This would leave the specific decision on which tax and which level to raise annually to the implementation measure ahead to the annual procedure, through the community method.

I. Member States should maintain their central role in the decision making process. All decisions in this matter should be taken, unanimously, by the Council. After a transitional period, the Council could decide; at unanimity, that qualified majority should apply in all or some of the decisions where unanimity is required.

II. The VAT based resource at the uniform rate should be eliminated and replaced by other agreed taxes;

[14] Financial Regulation 966/2012, OJ L 298 of 26/10/2012, in particular art. 20 (universality) and 21 (Assigned Revenue)

III. The GNI contribution should be maintained and continue to represent at least 30 % of the annual revenue. No upper limit should be established. This would allow to introduce the new system in a very soft and progressive way, so to avoid the risk of disruption of a functioning mechanism with the new one.

IV. The own resources decision should mention all the potential taxes which can be decided ahead of the annual budgetary procedure. This list should include, ideally all the potential taxes mentioned above and eventually set an upper limit to their implementation.

V. A default mechanism, in case Council cannot reach the unanimity to replace a proposed tax with another one. This provision, which would avoid blocking minority and favour a constructive approach of the Council, would require the modification of the Treaty, in particular of the special procedure foreseen at the last paragraph of art. 311, TFEU.

The reform of the financing system without an increase of EU resources could have a positive effect on Member States finances. The replacement of VAT and of most of the GNI contribution, with taxes to be paid citizens, companies, will reduce the direct burden on Member States public finances. The amount freed could be then invested in structural reforms or other investments or to reduce the debts, with a positive outcome for public finances of the Member State.

This approach to own resources is not original and it is similar to the mechanism proposed by the Commission in 1972 to reform art. 201 of the EC Treaty. Proposal which was not adopted by the Council. Provided that the own resources decision is in place adopted and ratified by National Parliaments, it would be desirable also a revision of the procedure to adopt the implementing measures. Art. 311, TFEU, has made an important progresses allowing a Council decision at majority and EP consent of the (annual?) implementing measures. In spite of the importance of the novelties introduced by the Treaty the influence of the European Parliament remains marginal.

The procedure of a reformed EU own resources

This paragraph suggests the modifications to the OR decision to incorporate EU taxes. The proposal to adopt the revenue side of the budget in the frame of the annual procedure, will require a modification of the Treaty.

The decision on own resources should be revised and foresee

a) A special procedure to finance policies beyond the ceiling of 1,23% of EU GNI: *The European Council, in exceptional circumstances, can give mandate to the Council, at the unanimity, to finance some actions beyond the ceiling of 1,23%. In this circumstance, the Commission will present a proposal to the Council which should contain the revenue and the delimitation of the field of action. The revenue will be assigned to a specific policy and it cannot be used for other purposes; The Council* *decision, based on a Commission proposal, will enter into force after obtaining the consent of the European Parliament which shall be given by a majority of its component members. The special procedure should apply also in case of enhanced cooperation.*

b) The list of all potential European taxes, susceptible to be called during the annual procedure should be included in the own resources decision. For each tax a maximum ceiling could be established.

c) The resources necessary to finance the annual EU budget should be decided ahead of the annual budgetary procedure.

d) A default mechanism should be foreseen as well in case the Council cannot reach the unanimity to replace a proposed tax with another one.

The procedure could articulate as follow:

The Commission, before presenting the draft budget, should propose which of the European taxes, within the limits allowed by the new own resources decision, to mobilize to finance the EU budget and which is the revenue expected. The GNI contribution of Member States should represent at least 30% of the total resources of the EU Budget.

The Council, at qualified majority, should either approve or amend the Commission proposal but without increasing the GNI contribution proposed by the Commission. Council amendment should not only suppress a tax proposed by the Commission but replace with another one. Failing the replacement the Commission proposal is deemed approved.

The European Parliament, at the majority of its components, should give its consent to the Council proposal of financing or to the Commission proposal should Council fail to decide. The Commission should present a new proposal if the European Parliament doesn't give its consent or the Council reject the proposal at unanimity.

The European Parliament, the Council and the Commission should apply to the own resources of the annual procedure all measures of loyal cooperation to facilitate its adoption.

The procedure described above, which requires a Treaty change, should guarantee more transparency on the implementing measures, within a framework decided by the unanimity of the Member States.

Once the own resources decision modified (and eventually art. 311, TFEU) the reform could be implemented progressively leaving it to the wisdom of the Commission and the decision of the majority of the Council, with the consent of the EP. The part financed by the GNI contribution will be then reduced gradually, in order to evaluate progressively the effects of a new fiscal policy. In absence of a revision of the Treaty, the special procedure with EP consent should apply.

Conclusions

This article aims to demonstrate that a reform of EU own resources can only be successful in a contest of deep reform of the EU methods and policies. EU policies should strictly comply with the basic principles of the European project: Subsidiarity and European added value. A reform of the expenditure to concentrate resources would also be part of a re-launch of the European project.

A reform of the own resources is a very complex exercise but it could be achieved on three main principles: a) maintaining a balance of power in the decision making process, Member States and Council should maintain a prevailing role on the framework decision; b) give a central role to the *community method* reinforcing the competences of the Commission but under the control of the two arms of the budgetary authority; c) engage in a reform process not limited to the own resources but re-launching the policies, the values, the ideals at the base of the European construction. The scenario outlined above, seems unrealistic to many, but only aiming at an ambitious target some progress can be achieved.

In the current atmosphere of mistrusts between the Member States, of nationalisms and generalised lack of confidence in the future, the muddling around to find small and punctual solutions is no more viable, business as usual is no longer an option. That's why the desirable scenario could become realistic only if European leaders feel the urgency of action and give new European objectives to the transnational challenges.

The State of the Union 2016[15] opens concrete avenues, the presentation of the Monti report to the Presidents of the three Institutions, expected in December 2016, will offer others elements for a step forward. The forthcoming elections in some key countries could also give the opportunity to true European leaders to present radical proposals to re-launch a European project, closer to citizens' expectations. The crisis and the dimension of the current challenges favour the momentum for a change. EU Fair Taxes are part as well of the big picture.

[15] See Speech by Jean-Claude Juncker at the European Parliament, 14/9/2016 @http://europa.eu/rapid/press-release_SPEECH-16-3043_en.htm