



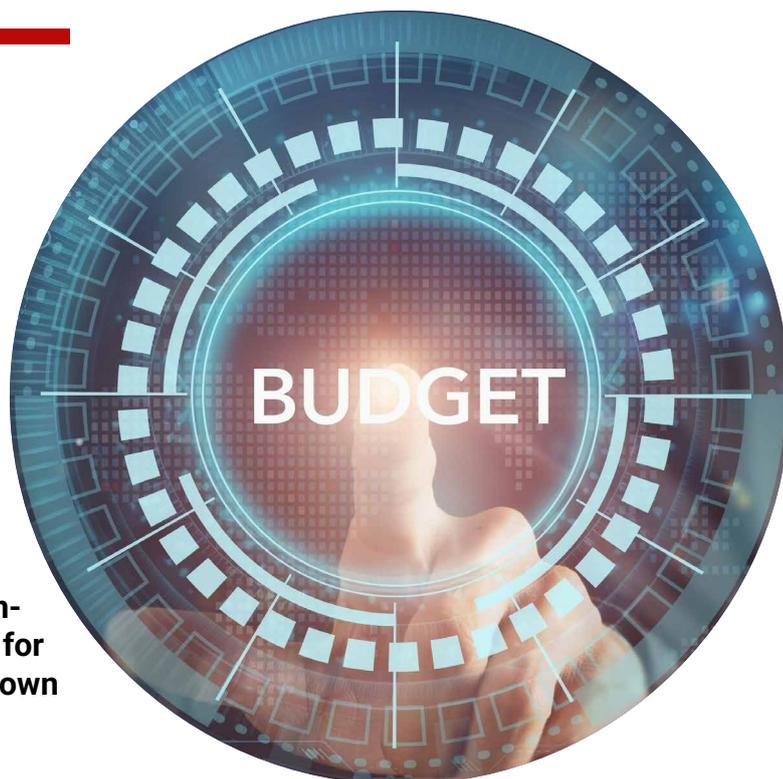
NEW OWN RESOURCES FOR THE EU BUDGET

ABSTRACT

As part of its proposals for the Multiannual Financial Framework (MFF) for 2028 to 2034 launched on 16 July 2025, the European Commission suggested five new own resources: new own resources based on revenue from the **EU Emission Trading System (ETS)**, the **Carbon Border Adjustment Mechanism (CBAM)** and **non-collected e-waste**; the **corporate resource for Europe (CORE)**; and a **tobacco excise duty own resource (TEDOR)**.

In the upcoming negotiations on the next MFF, the implementation of new own resources should be a priority. Their introduction could rest on a two-pronged strategy: with the MFF 2028-2034, the focus should be on the Commission proposals, which could be mobilised quickly. The proposed new own resources based on the EU ETS and the CBAM, as well as the CORE, would be more genuine than current own resources.

All Commission proposals would support important EU goals and strategies. Political acceptance should be highest for the CBAM-based own resource, while political feasibility could be lowest for TEDOR and the e-waste-based own resource, which would have to be paid out of member states' budgets. Further tax-based own resources, which could rest on aviation and shipping, cryptocurrencies and net wealth, should be prepared for the post-2034 MFF.



AUTHOR

MARGIT
SCHRATZENSTALLER
Senior Economist, WIFO

IN PARTNERSHIP WITH



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**FOUNDATION FOR EUROPEAN
PROGRESSIVE STUDIES (FEPS)**

Avenue des Arts 46
1000 Brussels (Belgium)
www.feps-europe.eu
@FEPS_Europe

IN PARTNERSHIP WITH

**Friedrich
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**FRIEDRICH-EBERT-STIFTUNG (FES)
EUROPEAN UNION & GLOBAL
DIALOGUE | BRUSSELS OFFICE**

Rue du Taciturne 38
1000 Brussels (Belgium)
<https://brussels.fes.de/>
@FES_Europa

WIFO

**AUSTRIAN INSTITUTE OF
ECONOMIC RESEARCH (WIFO)**

Arsenal, Objekt 20
1030, Vienna (Austria)
www.wifo.ac.at
@WIFOat



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1. Introduction

In recent years, the decade-old debate on the reform of the EU's system of own resources has intensified for various reasons.¹ Most recently, several new own resources have been suggested by the European Commission as part of its proposals for the new Multiannual Financial Framework (MFF) launched mid-July 2025: new own resources based on revenue from the EU Emission Trading System (ETS), the Carbon Border Adjustment Mechanism (CBAM) and non-collected e-waste; the corporate resource for Europe (CORE); and a tobacco excise duty own resource (TEDOR).

This policy brief explores options to implement new own resources to (partially) replace current own resources and to enhance the EU's revenue base. It starts with a brief description of the current EU financing system and its shortcomings. Then the Commission's latest new own resources proposals are briefly presented and assessed. Moreover, several innovative suggestions for new own resources suggested by the European Parliament are discussed briefly. Also further innovative own resource options are briefly assessed. The policy brief closes with some recommendations regarding the way forward.

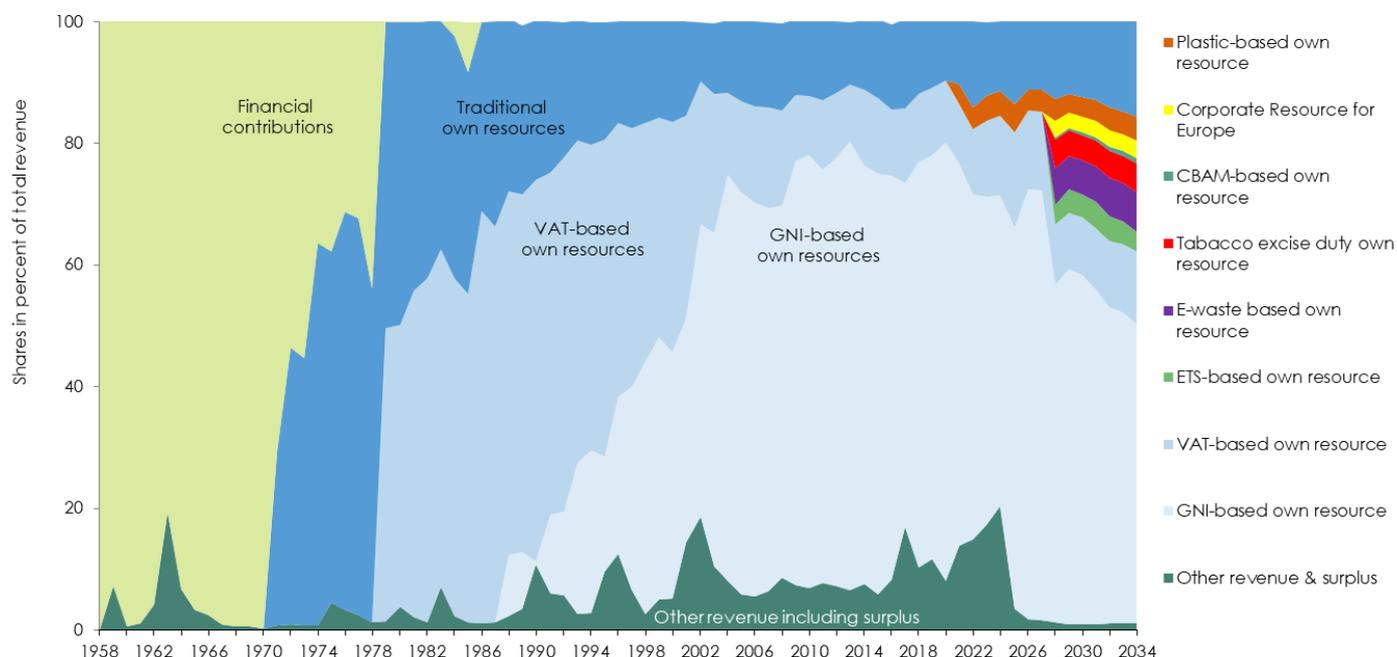
The assessments undertaken here consider the revenue potential of the various options, their contributions to EU policies, their fairness and distributional implications, and their political feasibility and the speed of their mobilisation. Moreover, they take into account several general

principles that make potential revenue sources particularly suitable own resource candidates.² In particular, potential new own resources should be genuine, that is, they should be linked to EU policies and mechanisms instead of being transferred as national contributions from member states' budgets to the EU budget.³ Genuine own resources enhance the EU's fiscal autonomy and they mitigate member states' net position thinking. Furthermore, own resources based on taxes and levies that are hard to enforce at the national levels, so that EU-wide coordination is necessary, are particularly suitable as own resources. Moreover, a modern EU revenue system should be based on a broad-based package of diverse new own resources that achieves a fair distribution of the total financial burden across member states and sectors and contributes to various EU objectives and policies.

2. The current EU revenue system and its shortcomings

Currently, the regular EU budget, the MFF, is financed mainly through own resources, the share of which in overall EU revenue amounted to 91.8% in 2020 (see Figure 1).⁴ The remaining EU revenue consists of other revenue, which stems from various rather heterogeneous revenue sources.⁵ The share of own resources in overall EU revenue amounted to 79.6% in 2024. According to the latest projections, the share of own resources in overall EU revenue can be expected to rise again to about 98% from 2026.

Figure 1. Composition of EU total revenue from a long-term perspective, 1958-2034.



Source: European Commission, author’s own representation. Excluding other revenue related to NextGenerationEU (NGEU).

Currently, four distinct own resources exist. In 2024, traditional own resources (custom duties), the weight of which has been declining over time, contribute 14.2% to overall own resources. The value added tax (VAT) based own resource yields 16.6%, and the plastic-based own resource yields 5.1% of overall own resources. The gross national income (GNI) based own resource, which is the residual revenue source adjusted annually to cover the EU’s financial obligations and achieve a balanced budget, makes up for 64.0% of total own resources. Over the last decades, custom duties and the VAT-based own resource have been losing weight, while the GNI-based own resource has become by far the largest revenue source.

The heavy reliance on the GNI-based own resource has several advantages.⁶ It achieves

a fair distribution of the financial burden across member states, is associated with a moderate administrative burden, generates a reliable and sufficient revenue stream, and is broadly accepted across member states. Notwithstanding these advantages, the EU’s system of own resources has been criticised for a long time.⁷ Firstly, with the exception of the plastic-based own resource, which aims to provide incentives to member states to reduce non-recyclable plastic waste, the current own resource system does not contribute to important EU policies. Only customs revenue is related to the tasks and competences of the EU. Moreover, the bulk of current own resources consists of national contributions to the EU paid by member states out of national budgets. This financing structure aggravates the *juste retour* thinking, prevailing among member states, that

aims to maximise the balance of returns from and national contributions to the EU budget (or at least minimising a negative balance in the case of net contributing member states). In addition, national contributions do not represent an independent revenue source for the EU, and thus, do not provide it with fiscal autonomy. Not least, national contributions are increasingly coming under pressure, as many member states are confronted with fiscal consolidation needs related to the recent multiple crises.

Against this background, the implementation of new own resources more recently has been high on the agenda of EU institutions to serve several aims. Firstly, new own resources are proposed to replace a part of existing own resources – and particularly the GNI-based own resource – to improve the structure of the own resource system. Secondly, they are suggested to generate additional revenue for NGEU debt service, which otherwise would eat into important MFF programmes, and to broaden the EU’s revenue base to be able to service potential future EU debt.⁸ Thirdly, new own resources could finance an enhanced EU budget fit to respond to pressing challenges, ranging from climate change and environmental sustainability to ramping-up spending for digital change, development cooperation, migration, security and defence, trans-European networks, and research on further enlargement rounds. To cover the existing funding gaps in these areas, the EU budget would need to be more than doubled from the current 1.1% of GNI to up to 2.5% of GNI, according to Thöne,⁹ or quadrupled, according to Felbermayr and Pekanov.¹⁰ Financing a higher EU budget through new own resources instead of higher national contributions could help to secure member states’ support for an increase of the EU budget.

3. The European Commission proposals for new own resources

3.1 Overview of the Commission proposals

In the recent past, the European Commission repeatedly pushed for the implementation of new own resources more closely linked to EU priorities to strengthen the EU’s fiscal autonomy. The Commission’s 2018 proposals for the MFF 2021-2027 included an own resource based on the auction revenue from the EU ETS, a plastic-based own resource and an own resource based on a common consolidated corporate income tax base including the digital sector. Of these suggestions, the plastic-based own resource was adopted to complement existing own resources as of 2021, while the EU’s Innovation Fund and Modernisation Fund, which are outside the MFF, are financed by ETS revenue.

Together with the adoption of the EU pandemic rescue programme NGEU, the introduction of several new own resources was agreed upon by member states in December 2020 (see Box 1 for details). The Commission was asked to put forward concrete proposals, on which, however, no agreement could be reached among member states.

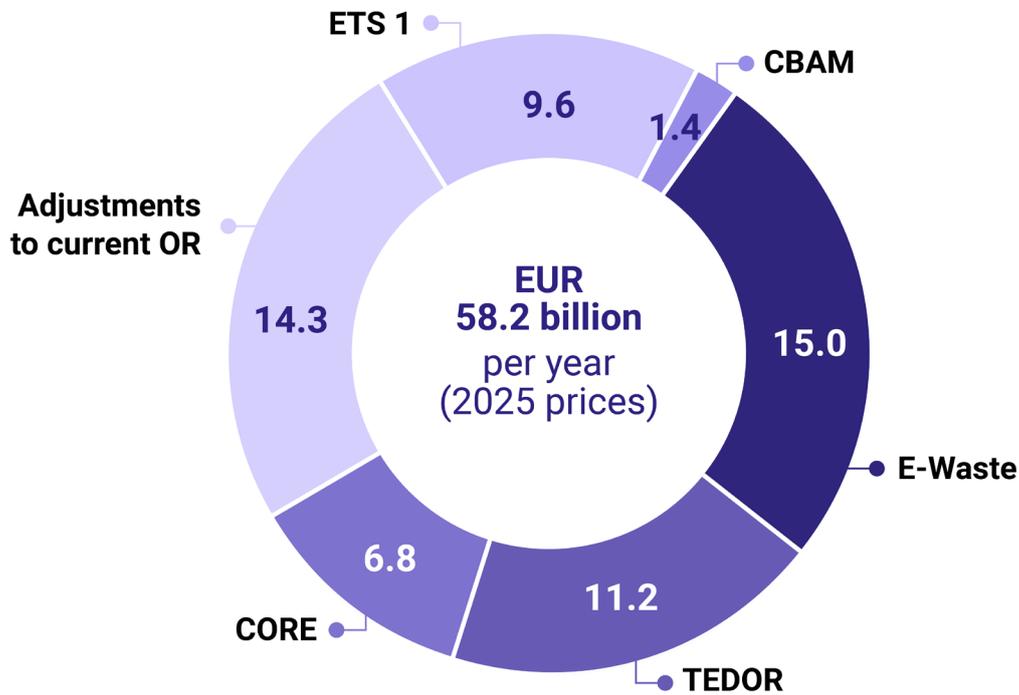
BOX 1. NGEU AND NEW OWN RESOURCES.

The Interinstitutional Agreement (IIA) accompanying NGEU adopted in December 2020 includes a legally binding agreement on the stepwise introduction of new own resources during the 2021 to 2027 MFF period. The first step consisted of the implementation of the plastic-based own resource in 2021. Moreover, the European Commission was asked to suggest concrete proposals for own resources based on a CBAM, as well as a revised EU ETS possibly extended to aviation and shipping, and for a digital levy by June 2021, which were supposed to repay debt incurred to finance NGEU. By June 2024, the European Commission was asked to put forward a proposal for further new own resources, which could be based on financial transactions, the corporate sector or a new harmonised corporate tax base. They should have been adopted by the Council by mid-2025, with a view to their introduction by the beginning of 2026. As no agreement could be reached on the first basket of new own resources, the European Commission proposed an adjusted basket of new own resources¹¹ as one element of the MFF mid-term review in June 2023. This adjusted package includes an ETS-based own resource, consisting of 30% of auction revenues from the ETS and yielding €7 billion per year as of 2024 and €19 billion per year as of 2028; a CBAM-based own resource, based on 75% of revenues from the CBAM, from which a yearly amount of €1.5 billion is expected as of 2028; and an own resource stemming from levying

0.5% on the gross operating profit of corporations, which should generate yearly revenues of €16 billion. Altogether, this adjusted first basket of new own resources was expected to yield €23 billion annually if it started in 2024 and up to €36.5 billion by 2028. No progress has been made regarding this adjusted package of new own resources either, which motivated the Commission to launch a slightly revised proposal for a package of new own resources together with the MFF proposals issued mid-July 2025.

As one element of their post-2027 MFF proposals issued in mid-July 2025, the Commission suggested five new own resources from which overall annual revenues of €44 billion are expected (Figure 2).¹² Together with several adjustments to current own resources yielding €14.3 billion in additional revenue, the Commission's own resource proposals would imply about €58 billion in revenue per year.

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



Source: European Commission, in 2025 prices.

The Commission's proposals comprise the following options for new own resources:

- EU ETS-based own resource: a share of 30% of the revenue from the first pillar of the EU ETS (ETS1) shall generate €9.6 billion per year.
- CBAM-based own resource: 75% of the revenue from the CBAM introduced in 2023, which is expected to yield €1.4 billion per year.
- Non-collected e-waste-based own resource: a contribution of €2 per kilogram of non-collected e-waste (to be adjusted to inflation annually) shall lead to revenues of €15 billion annually.

- TEDOR: 15% of revenue based on the member-state-specific minimum rate for manufactured tobacco and tobacco-related products shall contribute €11.2 billion per year.
- CORE: an annual lump-sum contribution of companies operating in the EU with an annual turnover above €100 billion is expected to generate €6.8 billion annually.

Some of the suggested options are based on earlier proposals (own resources based on revenue from the EU ETS and the CBAM; see Box 1), while CORE replaces earlier proposals for a contribution of the corporate sector; own resources based on non-collected e-waste and TEDOR are new proposals.

Several adjustments of current own resources are expected to yield another €14.3 billion per year (see Figure 2). In particular, the share of member states in revenue from customs to cover collection costs shall be reduced from 25% to 10%, the call rate of the plastic based own resource shall be inflation adjusted annually, and lump-sum reductions granted to various member states with regard to the GNI- and the plastic-based own resource shall be eliminated.

In summary, the Commission's own resource package shall yield estimated annual revenues of €58.2 billion.

3.2 Brief assessment of the Commission proposals

The revenue potential related to the Commission's own resource proposal should suffice to cover NGEU debt repayment; the expected revenue could be more than double the amount needed. Thus, cuts in MFF programmes and/or an increase of member states' GNI-based own resource payments that would be required otherwise for NGEU debt service could be avoided. The remainder of the yield from these new own resources could replace a part of member states' GNI-based own resource payments: according to Commission estimates, the share of GNI-based own resources in overall own resources could decrease from a share of 72% in 2026 and 2027 to 50% in 2034 (see Figure 2). Such a use of new own resource revenue at the same time implies that the potential of new own resources to finance a considerable extension of the MFF would not be exploited: the Commission proposals foresee an increase of the volume of the current MFF, which amounts to 1.12% of GNI, to 1.26% of GNI only. Hereby, the major share of the envisaged increase (0.11% of GNI) is dedicated to NGEU-related debt repayment so that non-debt service spending would be raised by a mere 0.03% of GNI.

The ETS- and CBAM-based own resources would represent – at least in a broader sense – **genuine own resources** insofar as they stem from EU mechanisms that are much more efficient if implemented at the EU level, as they include a cross-border element (i.e., carbon emissions). In a similar vein, CORE could be regarded as a genuine own resource, as it might be harder to implement at the member state level due to potential avoidance reactions. Moreover, CORE would be paid by corporations instead out of member states' budgets. TEDOR and the e-waste-based own resource, on the other hand, would constitute purely national contributions paid out of member states' budgets, which would therefore not enhance the EU's fiscal autonomy.

The proposed new own resources differ markedly regarding their **revenue potential**. At €15 billion per year, estimated revenue is highest for the non-collected e-waste-based own resource. TEDOR (€11.2 billion) and the ETS-based own resource (€9.6 billion) are expected to yield substantially lower revenue. Projected CORE revenue will lie even lower at €6.8 billion annually. Estimated revenues from the CBAM-based own resource are rather negligible, at €1.4 billion per year. While TEDOR revenues are expected to yield rather stable revenues and CORE revenues should grow over time, ETS-based own resource revenues will increase until 2031 to steadily decrease in the years after.¹³ In the longer term, own resources based on the EU ETS and the CBAM, as well as TEDOR, could decrease if the policies they are to support are effective.

The **link to EU policies** is strong for own resources based on the EU ETS, the CBAM and non-collected e-waste. These three own resource options are closely related to the EU's climate and environmental policy. TEDOR is linked to Europe's Beating Cancer Plan and

the increase in minimum tobacco tax rates the Commission has proposed simultaneously. In contrast, there is no obvious link between EU policies and CORE. The Commission obviously has proposed CORE as a substitute for earlier plans for a digital tax that have not been followed up further to not exacerbate tensions in US-EU relations, but also for other previous proposals for a contribution of the corporate sector. While CORE is intended as the corporate sector's contribution to EU revenue, its concrete design has several shortcomings. Specifically, it is designed as a tax on turnover and as such does not consider profit margins but has to be paid by loss-making firms as well, so that firms are burdened unevenly. In addition, as lump-sum payments increase step-wise in several brackets according to the level of firm turnover, large firms are favoured in comparison to smaller ones.¹⁴ Moreover, inflation will lead to bracket creep, because Commission plans do not foresee regular adjustment of the brackets to inflation.

Quantitative estimates for the **distribution** of the financial burden of the proposed new own resources **across member states** are not available. The rough assessment that is undertaken here is based on previous estimations and rough indicators. It can be expected that the regional distribution would differ across the individual own resource options. The ETS-based own resource would burden some emission-intensive Eastern European member states disproportionately.¹⁵ TEDOR would place a disproportionate burden on almost all "new" member states as well, whose shares in tobacco and cigarettes released for consumption are overproportionate compared to their shares in GNI. In contrast, in the face of comparatively high e-waste collection rates in many "new" member states, the e-waste based own resource could burden "old" member states overproportionately. The CBAM-based

own resource burdens third countries outside the EU, while member states' budgets are not affected directly. Of course, ETS and CBAM revenue could be fully assigned to member states as an alternative to transferring it to the EU, insofar as member states' budgets would be affected indirectly. No estimates are available for the CORE. While the individual own resource proposals would place differing financial burdens on member states and it can be expected that they would cancel out to a certain degree, more in-depth analysis is needed to determine whether, taken together, the new own resources proposed by the Commission would lead to a regionally balanced distribution of the financial burden. At the same time, however, it should be kept in mind that just comparing financial burdens imposed on member states by new own resources with the current situation and/or payments received out of the MFF is far too shortsighted, as member states' net benefits from the MFF go far beyond monetary flows.¹⁶

All five own resource options proposed by the Commission could be **mobilised** rather quickly, as their implementation would not require lengthy preparations.

Their **political feasibility**, however, could differ. It can be expected to be highest for the CBAM-based own resource, which burdens EU member states only indirectly: as revenues from CBAM could be assigned to member states' budgets, channelling them into the EU budget creates an opportunity cost for member states.¹⁷ This opportunity cost would be small, however, so that political opposition to using CBAM revenue as a new own resource can be expected to be low. Moreover, the political legitimacy of using CBAM revenues, as well as ETS revenues, to finance the EU budget is higher compared to the other revenue sources, as they are directly linked to EU competences. For own resources based on ETS revenue and CORE, political feasibility could

be lower overall compared to the CBAM-based own resource: making a share of ETS revenue available for the EU budget implies a rather significant reduction of ETS revenue flowing to member states. By proposing to allocate only a share of ETS1 revenue to the EU budget, to reserve ETS2 revenue for social compensation and redistribution, the Commission may mitigate member states' political resistance against using part of the ETS revenue to finance the EU budget. Also CORE might meet a medium degree of political feasibility: on one hand,

member states may object to additional taxes on multinational firms for fear of a deterioration of international competitiveness; on the other hand, the CORE does not burden member states' budgets directly. For TEDOR and the e-waste-based own resources, political feasibility could be lowest, as they would have to be paid out of member states' budgets.

Table 1 provides an overview of the brief assessment of the Commission proposals undertaken above.

Table 1. Recent Commission proposals for new own resources.

Proposed new own resource	Estimated annual revenue, in billion €	Regional distribution	Link to EU policies	Political feasibility/speed of mobilisation
ETS-based own resource	9.6	Disproportionate burden on some emission-intensive Eastern European member states	Strong	Medium/high
CBAM-based own resource	1.4	None	Strong	High/high
Non-collected e-waste-based own resource	15	Disproportionate burden on "old" member states	Strong	Low/high
TEDOR	11.2	Disproportionate burden on "new" member states	Strong	Low/high
CORE	6.8	n.a.	Weak	Medium/high

Source: author's own elaboration.

4. Proposals by the European Parliament

In its resolution “A new start for EU finances, a new start for Europe”, the European Parliament¹⁸ puts forward a number of own resource candidates. Several of the options mentioned in the parliament’s resolution were proposed and discussed earlier, particularly as part of the IIA adopted in 2020 (see Box 1): specifically, an own resource based on corporate taxation, namely, the “Business in Europe: Framework for income taxation (BEFIT)” proposal, that is, a share of an EU-wide consolidated and coordinated corporate tax base;¹⁹ the financial transaction tax; and taxes on the digital economy, that is, a digital levy or similar. In addition, the parliament suggests several new own resources: a tax on cryptocurrencies; an own resource based on a “fair border mechanism”; and several statistics-based own resources, such as a gender pay gap-based own resource and own resources linked to biowaste or food waste.

As concrete design features are missing for all own resource options mentioned by the parliament, their revenue potential cannot be assessed here. Statistical own resources, that is, own resources based on the gender pay gap, biowaste and food waste, could be mobilised rather quickly. In contrast, fast mobilisation appears difficult for own resources based on BEFIT; a fair border mechanism; and taxes on financial transactions, cryptocurrencies and the digital economy. For some of these options, the details and technicalities would require further discussion and elaboration (in particular, own resources based on a fair border mechanism or BEFIT or a tax on cryptocurrencies), others are politically contentious and may meet with some resistance from at least some member states (e.g., the financial transaction tax or taxes on the digital economy).

5. A two-pronged strategy for the introduction of new own resources

A strategy for the introduction of new own resources could rest on two pillars. The first pillar could consist of the implementation – with some modifications – of the recent Commission proposal with the upcoming MFF 2028-2034. The second pillar could be based on the implementation of further new own resources with the post-2034 MFF.

Generally, the EU should move towards “genuine” own resources based on common EU tax policies.²⁰ Statistical own resources paid out of member states’ budgets (like the existing plastic-based or proposed e-waste-based own resource) have the advantage that, in most cases, they can be mobilised quickly, and they may also have steering effects. However, as national contributions, they still further member states’ net-position thinking. The way forward therefore should strongly rest on tax-based own resources, that is, own resources based on taxes that cannot be enforced effectively at the national level due to leakages and cross-border effects (e.g., carbon emissions).²¹ In addition, a modern EU revenue system should rely on a diverse basket of new own resources to ensure a fair distribution of the overall financial burden across member states and different sectors and to offset net-balance concerns member states may have.

5.1 New own resources for the MFF 2028-2034

The upcoming negotiations on the MFF 2028-2034, in principle, should focus on the Commission proposals, whereby some modifications might be considered. Firstly, the ETS-based own resource could be extended to the ETS2 to be introduced in 2027, and the share of 30% currently envisaged to flow into the EU budget could be substantially increased

– it could be even considered, following Darvas et al.,²² that member states keep only a rather limited share covering collection costs only. Secondly, the share of 75% of CBAM revenue that, according to Commission plans, shall be directed to the EU budget could be increased to 90%, thus adjusting the share going to member states to cover collection costs to their future share of 10% in custom revenue suggested by the Commission. Moreover, the scope of the CBAM should be significantly widened in the future.²³ Increasing the scope of the ETS- and the CBAM-based own resources and raising the share of ETS- and CBAM-based own resources flowing to the EU would significantly expand EU revenues, and thus, contribute to an expansion of the overall volume of the EU budget.

Thirdly, an own resource from the corporate sector is justified to make the sector contribute to the financing of the EU budget. As mentioned above, the CORE proposed by the Commission is characterised by several shortcomings. This brings up the question of a well-designed contribution of the corporate sector.

The best solution would be a BEFIT-based own resource based on company profits. This own resource would be closely linked to an important EU policy; it would, to a certain extent, constitute a genuine own resource, and it would represent a dynamic revenue source in the longer term. BEFIT implementation is envisaged for 2028, so that revenue based on BEFIT would be available starting with the upcoming MFF 2028-2034. However, also considering the already decade-old, and finally failed, attempts to coordinate corporate tax bases across EU member states, the prospects for a timely agreement on BEFIT are questionable. Moreover, even with timely implementation in 2028, a transitional period is foreseen until 2035, which implies that revenue from a BEFIT-based own resource will only be available with considerable delay.

Proposals to implement an excess profit tax, which according to Dubinina et al. could yield \$6 billion at a rate of 10%,²⁴ could be interpreted as an alternative way to make the corporate sector contribute to EU revenue. However, excess profit taxes are characterised by various problematic design issues. They focus on specific sectors; this is associated with delineation issues, namely, the question of which specific sectors to subject to taxation. Another challenge is the definition and quantification of excess profits. Moreover, a differentiation between “justified” innovation rents and “unjustified” excess profits that should be subjected to an excess profit tax appears difficult. Excess profits taxes could also create uncertainty among firms and investors, and thus, deteriorate overall investment conditions. In addition, there is the risk that an excess profit tax induces profit shifting to no- or low-tax countries to avoid the tax. While all these issues may be surmountable through an adequate design and a restricted scope of the tax, it would not supply stable revenue, since revenue generation would be subject to specific events resulting in extra profits. Altogether, therefore, excess profit taxes appear unsuitable as a general contribution of the corporate sector to the EU budget.

A digital services tax has been propagated for some time as another alternative form of corporate sector contribution to the EU budget. According to (probably rather optimistic) estimations by Thomadakis,²⁵ a digital services tax of 5% could yield €37.5 billion annually. The tax would be more genuine than the current own resources. However, it would be associated with several drawbacks. A digital services tax would primarily burden US tech firms and it could be expected to intensify US-EU tensions. Moreover, it is based on turnover instead of profits, and it may at least partially be shifted to consumers. While a digital services tax could temporarily address tax avoidance by digital

platforms until other internationally coordinated solutions, which are currently on hold, have been implemented, it is not suitable as a general contribution of the corporate sector.

As part of its adjusted basket of new own resources launched in June 2023, the Commission had suggested a statistical own resource based on company profits (calculated by applying 0.5% to firms' gross operating surplus, GOP) as a temporary solution to be applied until the adoption of BEFIT. However, no consensus could be reached on its introduction. CORE can be seen as a renewed push by the Commission towards an administratively simple temporary contribution from the corporate sector. Compared to the proposal of a GOP-based own resource, which would have to be directly paid out of member states' budgets, CORE is more genuine, as it would have to be paid by corporations. Indeed, a drawback of CORE is that it would entail a marked additional burden for companies operating at low profit margins or making losses: Darvas et al. show that, while a 0.1% tax on turnover would equal a 0.5% profit tax for companies with a profit margin of 20%,²⁶ it would imply a 5% profit tax for companies with a 2% profit margin. However, considering the problems associated with alternative designs for a contribution from the corporate sector mentioned above, CORE might – as a temporary solution – not be an ideal solution, but rather the politically most feasible.

5.2 New own resources for the post-2034 MFF

The second pillar of reforms aimed at establishing a fiscally sustainable EU revenue system are further potential revenue sources on which the post-2034 MFF could rest. From a long-term perspective, the design of the EU revenue system needs to rely on further bases that grow dynamically in the longer term,

as own resources based on emissions will eventually lose importance with progress being made in decarbonisation. Several tax-based options could be considered and developed in more detail. All these options refer to taxes that cannot be effectively levied unilaterally, as they cause cross-border avoidance reactions. As such, they would be associated with no or only low opportunity costs for member states, as the respective tax bases cannot or can only insufficiently be exploited unilaterally.

The first option is own resources based on the taxation of cryptocurrencies. This option may be seen as a replacement for an EU-wide financial transaction tax, for which – after several unsuccessful initiatives at the EU level to implement the tax in all or a group of member states²⁷ – current prospects do not seem to be promising. The taxation of cryptocurrencies is a rather new subject in research,²⁸ and its aims and concrete design need to be specified in more detail. In principle, the taxation of cryptocurrencies could address three problems: the large emission intensity of the mining of cryptocurrencies;²⁹ the financial and security risks associated with cryptocurrencies;³⁰ and the substantial evasion of taxes on the profits made with cryptocurrencies. Empirical evidence and country experiences with cryptocurrency taxation are very limited. For Denmark, Boas and Baraké find that cryptocurrency owners change to non-taxed platforms abroad to avoid Danish taxation of gains from cryptocurrencies,³¹ which suggests an internationally or at least, in a first step, EU-wide coordinated approach.

An EU-wide coordinated net wealth tax could be a second option for tax-based own resources. Several proposals have been put forward during the last decade,³² which according to simulations could yield considerable revenues. In the EU, there is only one member state – Spain – that still levies a net-wealth tax. Besides other

issues related to the taxation of net wealth, the fear of legal and illegal capital flight, as well as tax avoidance and evasion, has motivated many governments to abandon the net-wealth tax. A coordinated EU-wide net-wealth tax may contribute to current efforts at the global level to ensure adequate taxation of high-net-wealth individuals.

As a third option, own resources based on aviation and shipping could be considered. Despite the extension of the ETS to aviation and shipping, structural undertaxation of the aviation and shipping sectors persists in the EU. Specifically regarding aviation taxes, effective enforcement at the member state level is difficult, and unilateral aviation taxes – which mostly take the form of flight ticket taxes – are constantly under pressure for fear of losing international competitiveness. An EU-wide coordinated implementation of flight ticket taxes could secure effective tax collection and yield substantial revenue.³³ As this option is the least-complex one and could be – based on member states’ experiences – mobilised rather quickly, it could be considered already for the upcoming MFF 2027-2034.

6. Conclusions

The implementation of new own resources should be a priority in the upcoming negotiations on the MFF for 2028 to 2034. New own resources could support important EU goals and strategies; mitigate member states’ net-position thinking; replace part of GNI-based own resources, and thus, allow member states to decrease distorting taxes within a supranational tax shift; generate additional revenue for NGEU debt service, thus avoiding cuts in other MFF spending; and help finance and make politically more acceptable the extension of the EU budget urgently required to finance European public goods needed to cope with the

long-term challenges the EU is facing. Not least, the implementation of new own resources has been stipulated in the legally binding IIA from 2020 to finance NGEU debt service. A failure to introduce them may undermine the EU’s creditworthiness, thus possibly increasing the cost of future EU borrowing. The introduction of new own resources could rest on a two-pronged strategy: with the MFF 2028-2034, the focus should be on Commission proposals, while further tax-based own resources, which could rest on aviation and shipping, cryptocurrencies, and net wealth, should be prepared for the post-2034 MFF.

ENDNOTES

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ABOUT THE AUTHOR



MARGIT SCHRATZENSTALLER

Margit Schratzenstaller is Senior Economist at WIFO and has been working in the Research Group “Macroeconomics and Public Finance” since 2003. She is member of the Austrian Fiscal Council. Her areas of expertise include (European) tax and budget policy, EU budget, greening of public finances, wealth taxation as well as family policy and gender budgeting.

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FOUNDATION FOR EUROPEAN
PROGRESSIVE STUDIES



Avenue des Arts 46
1000 Brussels, Belgium
info@fepe-europe.eu
www.fepe-europe.eu
@FEPS_Europe

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Rue du Taciturne 38
1000 Brussels (Belgium)
Brussels@fes.de
<https://brussels.fes.de/>
@FES_Europa

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Arsenal, Objekt 20
1030, Vienna (Austria)
Office@wifo.ac.at
www.wifo.ac.at
@WIFOat

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POLICY BRIEF
November 2025

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PUBLIC INVESTMENT IN THE PROPOSED 2028-2034 EU BUDGET

NEEDS, GAPS AND OPTIONS

ABSTRACT

While the political debate on the Multiannual Financial Framework (MFF) has until now concentrated on the architecture of agricultural and cohesion spending, we argue that the European Commission's proposal for the next EU MFF 2028-34 should also be assessed based on its ability to address the EU's current and future challenges. Does the EU budget provide sufficient public investment for digitalisation, just transition, green economic resilience and defence to prevent rising costs, threatening fiscal sustainability in the future? Based on an in-depth analysis of the Commission's proposal and comparing it with studies on investment needs across policy fields and the current budget, we draw the following conclusions:

Firstly, contrary to the European Commission's official statements, the MFF proposal is far from ambitious. While budget size increases to 1.7% of GDP (2023 prices) compared with the current MFF of 1.24% (2023 prices) – an increase relative to the size of the EU economy, it becomes clear that the proposal largely just offsets inflation and the requirement of Next Generation EU (NGEU) bonds. Member states would face some contribution increases in 2028, but these equally largely reflect lower-than-expected contributions today due to the inflation crisis, rather than financing a marked growth of the EU budget. The picture worsens when off-budget instruments are considered: in particular, NGEU significantly boosted the financial capacity of the current MFF period, a boost that is not fully compensated for even when including all off-budget and loan instruments, such as Gateway Europe, Security Action for Europe (SAFE) and the Crisis Response Mechanism.

Secondly, despite a stronger investment focus in the proposed MFF, the public investment gap remains substantial from 2028 onwards if the proposed were to pass as it stands, around 1.5% of gross national income at the EU level and over 2% at the national level in necessary additional investments remain each year. While public investment gaps in defence and resilience are likely to narrow, they remain considerably regarding decarbonisation.

To address these shortfalls without raising member state contributions, we propose and discuss three concrete reform avenues to strengthen public investment during the next EU budget period:

- 1) Reform the EU fiscal rules to be more friendly to national investment.
- 2) Expand EU own resources more ambitiously to fund new EU-level investment.
- 3) Use the national escape clause more comprehensively to fully unlock planned off-budget loan instruments.

AUTHORS

DR CÉDRIC KOCH
Independent Policy Analyst

DR DOMINIKA BIEGON
Head of Unit for European Economic Policy at the German Trade Union Confederation

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POLICY BRIEF
June 2025

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LESSONS LEARNED FROM THE RECOVERY AND RESILIENCE FACILITY FOR A FUTURE EUROPEAN FISCAL CAPACITY

ABSTRACT

The creation of the Recovery and Resilience Fund (RRF) as a response to the pandemic was an unprecedented step in the development of the European Monetary Union. It represents the creation of an important fiscal risk-sharing mechanism aimed at fostering economic recovery and enhancing long-term sustainability through public investments in the green and digital goals and structural reforms.

This policy brief identifies four main functions of the RRF and characterises how successful it was in delivering on them. To serve as a fiscal stimulus and financial market stress reduction tool to protect public investments; to facilitate the green and digital transition; to serve as an engine of structural reforms. Some challenges have crystallised, however, throughout the implementation of the RRF related to shortcomings in its design: The lack of flexibility to adjust National Recovery and Resilience Plans in light of multiple shocks related to inflation, geopolitical developments, new priorities in member states and government changes.

The performance-based approach and the bundling of multiple reforms and investments require rethinking and cannot be implemented in the same way in the next Multiannual Financial Framework. Joint issuance of debt, however, has been rather successful and needs to be considered further.

AUTHOR

ATANAS PEKANOV
Economic Assistant Institute of Economic Research (WIFO) and the Vienna University of Economics and Business

IN PARTNERSHIP WITH

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POLICY BRIEF
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MOVING BEYOND NEOLIBERALISM IN EU TRADE POLICY

ABSTRACT

European Union trade policy finds itself at a crossroads. After three decades of neoliberal dominance in the design of economic policy at large, and trade policy in particular, recent changes in the international system have led to a dramatic rupture of the liberal international order. Neoliberalism for the good old days of hyper-globalisation and the liberal international order is, however, neither warranted nor helpful. Progressive policymakers are well-advised to adapt to a new reality, in which political-economic competition between the great powers is likely to increase and trade policy is used for promoting national security objectives, including by extracting concessions from other countries.

Given such an environment and the EU's pronounced external dependencies, EU trade policy will have to be realigned and made to serve an economic policy strategy that is no longer focused on supporting export-led growth but is based on the concept of defensive regionalism. Such an economic model wants to leverage domestic sources of growth, in particular by stepping up investment in the green and digital transformation, and combine this with extending the European social model, while using trade policy to promote the security of the supply of critical goods, increase the EU's economic resilience and promote international cooperation. Six guiding principles, as proposed in this policy brief, aim to support such a new trade policy agenda.

With respect to international economic governance issues, the EU should spearhead a discussion about a new and more balanced global trade order. By deepening the sustainable trade agenda in cooperation with trade partners and helping trade partners to implement their own green transformation processes, the EU could regain international recognition and help to promote a more cooperative post-neoliberal international system.

AUTHORS

WERNER RAZA
Director, IZES

BERNHARD TRÖSTER
Senior Researcher, IZES

IN PARTNERSHIP WITH

DAS PROGRESSIVE ZENTRUM Friedrich Ebert Stiftung



POLICY STUDY
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TACKLING TAX AVOIDANCE REFORMING CAPITAL INCOME TAXATION IN THE EU

Lauri Finér & Niko Pankka

AUTHORS

Koblenz Foundation FEPS FOUNDATION FOR EUROPEAN PROGRESSIVE STUDIES

