

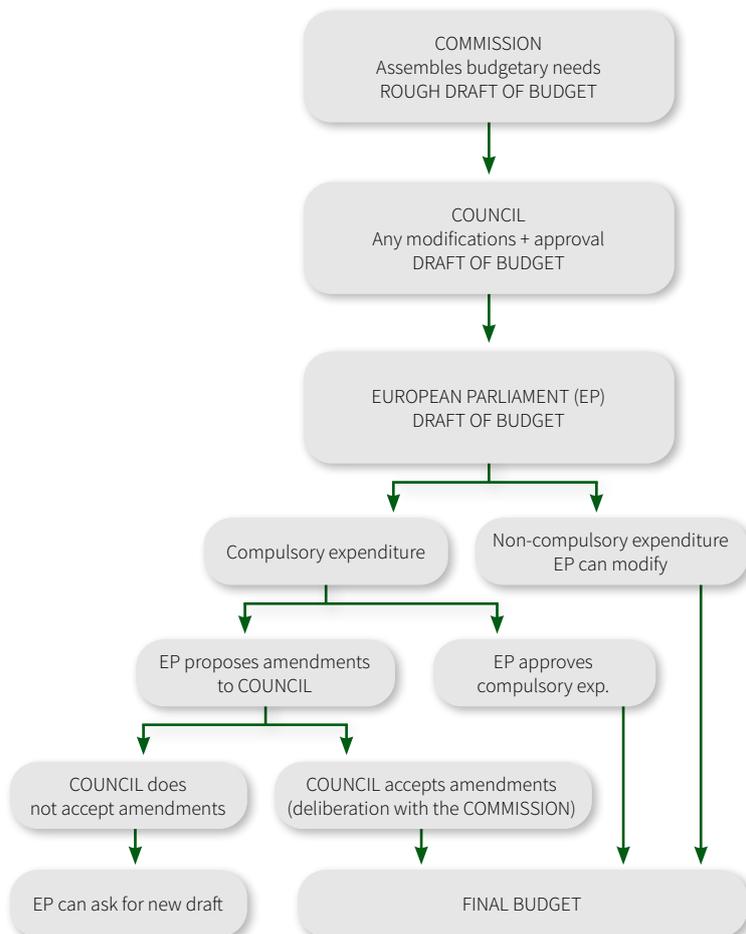
The European Union Financing

The European Union - financing

For the execution of its tasks, the European Union has a budget that amounts to 199,44 billion Euros for 2025. That is equal to the budget of a small member state.

How is the budget created?

The European Parliament and the Council share budgetary responsibility. They are the “budget authority” of the Union. They set the guidelines for the budget in a seven-year framework (currently running from 2021 to 2027). These guidelines are used to set the annual budget.



Expenditure checks

The European Parliament verifies if the money of the Community is used in a correct way. For these permanent checks, the Budget Control commission was created.

The European Court of Auditors assists the Parliament and the Council in this controlling task. They verify if the means have been used as was determined in the budget. The Court of Auditors publishes its findings in an annual report.

What is the income of the European Union?

There has been great debate about the income of the EU due to the fact that the Union does not have any direct income. The EU does not levy taxes. Will European citizens have to pay direct taxes to the Union as well? That would give the Union more independence and responsibility. But not all member states or political parties are willing to yield more power to the EU (see information sheet 34.01). Currently, the Union only has the means that are recovered and paid for by the member states. These are the “own resources” because they belong to the EU, and are derived from the operation of the Union (the common market).

The most important resources are

Customs duties on the importation of goods from non-EU countries, including levies on the import of agricultural products.

- Part of the VAT paid by citizens and companies.
- Contributions by the member states (depending on their wealth – Gross National Income).

There is a ceiling on what each member state pays to the EU: 1.23% of its gross national income. Yet, this percentage is heavily debated. The net payers (member states that pay more to the EU than they receive from the EU) feel this percentage should not be higher than 1%.

What is the budget used for?

It is important to note that the EU does only intervene for matters under its competency. It does not intervene when member states judge their management more efficient. That is what we call the “subsidiarity principle”.

The EU’s long-term budget for the period 2021-2027, called the Multiannual Financial Framework, amounts to €1800 billion, the highest amount yet. This amount includes the NextGenerationEU recovery fund, a temporary instrument to support the Member States affected by the COVID-19 pandemic.

In addition to the economic recovery, the focus is on the transition to a greener, more digitally efficient Europe. Several programmes and funds will receive more resources, such as Erasmus+. Member States that do not respect the rule of law risk sanctions under certain conditions.

The long-term budget rests on seven pillars

