5. Administration: cost of running EU Commission & institutions

- **Types of Expenditure:**
  - Commitment appropriations: wrt operations that can be carried out over long period
  - Payment appropriations: expenditure effectively incurred of past shit

III. REVENUE

Budget gotta be balanced every year
Each MS pays a bit less than 1% of their GDP
Pre-1970: annual MS contributions
1970: ‘Own Sources’ established by European Council:
  - **Common External Tariff:** on imports w non-member nations
  - ‘Agricultural levies’ aka tariffs on agricultural goods imported from non-members
    (distinct from i. cuz not taken account for in CET)
these 2 sources existed before, they are ‘traditional’, but their importance have fallen:
levels of CET lowered in WTO rounds
& EU enlargement, CAP reform, FTAs = large fraction of imports now duty free
  - **Reformed VAT:** 1% of VAT paid in each nation
  - **GNP-based tax:** ensures that EU doesn’t go in deficit, completes gap
Others: taxes paid by European institution employees (who do not pay national taxes), Financial Transaction & Common Corporate Income tax, Energy levy on CO2 emissions, fines & surpluses
  - **ex:** UK rebate - à l’époque v poor and small farms, so EU Budget didn’t concern them a lot
  - → discount on contribution, correction for UK redistributed to other MS (unfair)
These new ‘own sources’ would improve EU’s fiscal autonomy

IV. PROBLEMS

- **UK Rebate:** No longer prevails, corrections are dumb, not normal that the ones who receive compensation are the ones who have to compensate for UK
  → Changing it requires unanimity (i.e. UK won’t agree)
- **Regressive VAT:** poorest country bares relatively large share
- **20% of custom duty kept as collection fee, too much**
- **Countries with equivalent levels of prosperity have different levels of operating net balances to EU budget**
- **Accounting system is a zero-sum game, le malheur de l’un fait le bonheur de l’autre!**
  → this contradicts EU political project of positive sum game