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:

i. Common External Tariff: on imports w non-member nations
ii. '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

iii. Reformed VAT: 1% of VAT paid in each nation
iv. GNP-based tax: ensures that EU doesn't go in deficit, completes gap

→ 2 largest, taxpayers ultimate

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 cuz they're poor have to compensate for UK
  → Changing it requires unanimity (ofc 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