



THE EU BUDGET

WHERE DOES THE MONEY COME FROM?

2010 is the European Year for combating Poverty and Social Exclusion. The European Union provides 60 per cent of total global development aid and assistance to third states. This in no way detracts from the Community's financial commitment towards its own citizens.

Previous budgetary planning trends highlighted the Common Agricultural Policy (**CAP**) as the net beneficiary of EU funds, taking up the lion's share of the EU budget. However, enlargement of the Union over the last two decades has gradually pointed to a scenario where Structural and Cohesion policy is growing in stature. With funding opportunities abounding for both countries and citizens alike, one cannot help but wonder - where does the EU get its money from?

Budgetary funds stem from a combination of revenue and own-resources (75 per cent of levies and tariffs), through the following components:

TRADITIONAL OWN RESOURCES (15%)

Agricultural Levies

The CAP framework is a two-way mechanism, with revenue generated by levies imposed on imports of agricultural products from non-EU countries.

Customs Duties

Duties and tariffs imposed on imports from non-EU States go back to the very beginnings of the European Economic Community in which the six founding states agreed to create a customs union.

VAT (15%)

Viewed as a direct contribution by the Member States, a uniform percentage rate is applied throughout the EU to each Member State's harmonised VAT revenue.

GNI-Based own resource (69%)

A uniform percentage rate (0.73 per cent) is applied to the Gross National Income of each Member State. GNI takes into account the total value of production wielded by an economy's resources.

Although this source is meant to compensate for the discrepancy in the total revenues and the projected budgetary expenditure for a given year, it has become the largest source of revenue.

Other revenue (1%)

Includes taxes paid by EU staff on their salaries, contributions from non-EU countries to certain EU programmes and fines on companies that breach competition or other laws.

Budgetary Principle of Equilibrium

The EU budget structure is guided by a number of principles enshrined within the treaties. The budget, in itself, is characterised by a degree of *equilibrium* and therefore expenditure must equal contributions and revenues. ©



**Malta-EU Steering
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