

The EU presses for higher and more EU taxes

I was pleased to see in the latest Commission Paper on the future of EU Finances the EU has set out a number of options to pay for a more ambitious Union government. As they say, the level of political ambition must be aligned with the financial means to act. They look at both increasing the contributions from member states, and seeking new direct sources of tax revenue. If they just decide to carry on around the current level of commitment and integration they identify the need for more sources of revenue and the end to rebates. It is in line with many continental wishes for a full Union, and with what some of us predicted prior to the referendum. It is good the UK will not now be trying to stop them and will not be in line for paying.

They also state that “The withdrawal of the UK will signify the loss of an important partner and contributor to the financing of EU policies and programmes. However, it also presents an opportunity for a vital discussion about the modernisation of the EU budget” – as the UK of course stood in the way of getting rid of rebates to own resource contributions.

They look forward to cancelling all rebates on contributions. They float the idea of directly acting common environmental and energy taxes. They look at taking a percentage of each country’s Corporation Tax and at a Financial Transactions Tax.

They consider auctions under the Emissions Trading System, emission premia for cars, and entry fees for travellers. They could tax electricity and motor fuel. They also expect to make more from seignorage on the Euro.

It will be interesting to see which of the five scenarios the EU signs up, ranging from doing less to doing much more together. It appears from the statements of Mrs Merkel and Mr Macron that the move will be towards doing more and towards greater political union. This will obviously entail accepting higher payments under the current system, allied to new sources of Union revenue from the list above.

Reflection Paper on the future of EU finances EU Commission June 28th 2017