DOI: 10.1007/s10272-019-0817-0

Margit Schratzenstaller and Alexander Krenek*

Tax-based Own Resources to Finance the EU Budget

In the current negotiations about the European Union's next medium-term Multiannual Financial Framework (MFF) for the period 2021 to 2027, the system of own resources financing EU expenditures plays a relatively important role. Currently, the EU budget primarily rests on contributions from Member States (VAT- and GNI-based own resources), whereas 'true' own resources have continuously lost importance. In 2017, VAT-based own resources accounted for 12.2% of overall EU revenues and GNI-based own resources for 56.6%, while traditional own resources contributed the rather small share of 14.7%.

The current own resource system provides steady, predictable and reliable revenues balancing the EU budget. It results (at least before the application of the various rebates and correction mechanisms) in a fair national distribution of the financial burden and it follows the subsidiarity principle, as Member States can decide autonomously about the sources financing national contributions. However, a number of critical points have long been raised: the system's complexity and lack of transparency, the missing direct link between EU revenues and citizens that weakens democratic accountability, the very limited financial autonomy of the EU and the net position thinking at the Member State level, which is furthered by the current system.[1]

One central objection brought forward in particular by the European Commission as well as by the High Level Group on Own Resources (or HLGOR – established to explore reform needs and options for the system of own resources) is the lacking contribution of the own resources system to the various EU strategies and policies designed and implemented to cope with the manifold long-term challenges confronting the EU such as enlarged and persistent regional disparities, demographic change, increasing income and wealth inequality and risk of poverty, (refugee) migration, (youth) unemployment, climate change and energy transition and technological change.[2] In all these areas, uncoordinated unilateral action at the Member State level will bring insufficient results, whereas addressing these challenges via common initiatives, inter alia using the EU budget, would create European added value.[3]

Against this background, the European Commission EU budget proposal for 2021-2027, the European Parliament and the HLGOR have called for the introduction of tax-based own resources to partially substitute national contributions to the EU budget.[4] The specific contribution of the FairTax project to this debate consists in the exploration of sustainability-oriented options for tax-based own resources able to support sustainable growth and development in the EU.

Sustainability-oriented taxation

Two central flaws that characterise Member States' tax systems and the EU system of own resources are the starting point of our research. First, based on a comprehensive concept of sustainability-oriented taxation encompassing economic, social, environmental and institutional/cultural sustainability,[5] Member States' tax systems show substantial 'sustainability gaps': the high tax burden on labour, which is harmful for growth and employment; the long-term trend of cutting taxes on high incomes and wealth, which has reduced tax systems' progressivity;

* The authors wish to thank Andrea Sutrich for careful research assistance and Danuše Nerudová, Ulrike Spangenberg, Stefan Lehner and Guntram Wolff for valuable suggestions. The research leading to these results has received funding from the European Union's Horizon 2020 research and innovation programme 2014-2020, grant agreement No. FairTax 649439. This paper is a considerably shortened version of M. Schratzenstaller, A. Krenek: Tax-based Own Resources to Finance the EU Budget: Potential Revenues, Summary Evaluation from a Sustainability Perspective, and Implementation Aspects, FairTax Working Paper No. 25, 2019.

1 For a detailed overview, see M. Schratzenstaller, A. Krenek, D. Nerudová, M. Dobranschi: EU Taxes as Genuine Own Resource to Finance the EU Budget – Pros, Cons and Sustainability-Oriented Criteria to Evaluate Potential Tax Candidates, in: FairTax Working Paper No. 3, 2016; and M. Schratzenstaller, A. Krenek, D. Nerudová, M. Dobranschi: EU Taxes for the EU Budget in the Light of Sustainability Orientation – a Survey, in: Journal of Economics and Statistics, Vol. 237, No. 3, 2017, pp. 163-189.

2 High Level Group on Own Resources (HLGOR): Future Financing of the EU, Brussels 2016, High Level Group on Own Resources.

3 See for the concept of European added value and the relevant areas HLGOR, op. cit.; and Bertelsmann Stiftung: How Europe can Deliver, Gütersloh 2017, Bertelsmann Stiftung.

4 European Commission: Proposal for a Council Decision on the System of Own Resources of the European Union, COM(2018) 325 final, Brussels 2018; European Commission: Proposal for a Council Decision on the System of Own Resources for the European Union, SWD(2018)172 final, Brussels 2018.

5 Developed by M. Schratzenstaller et al.: EU Taxes for the EU Budget . . . , op. cit.

Margit Schratzenstaller, Austrian Institute for Economic Research, Vienna, Austria.

Alexander Krenek, Austrian Institute for Economic Research, Vienna, Austria.

the growing difficulties of effectively taxing internationally mobile private wealth and corporate profits; and the decreasing weight of environmental taxes.

Secondly, the EU system of own resources financing EU expenditure does not contribute at all to central EU strategies and initiatives to support sustainable growth and development in the EU such as the Sustainable Development Goals and the 2030 Agenda for Sustainable Development, the Paris Climate Agreement, the EU Strategy for a Climate Neutral Europe by 2050, the EU Action Plan for a Circular Economy or the EU Action Plan for Fair and Sustainable Taxation.

Our work simultaneously addresses these two flaws of revenue systems at the Member State and EU levels by suggesting the introduction of sustainability-oriented tax-based own resources as an additional pillar of a reformed EU system of own resources. Substituting a part of national contributions for sustainability-oriented tax-based own resources would create space for Member States to cut more harmful taxes – particularly the high taxes on labour – and would thereby allow a fiscally neutral, sustainability-enhancing tax shift at both the Member State and EU levels.[6]

Based on the four sustainability dimensions mentioned above, we derive sustainability-oriented evaluation criteria for a summary assessment of the options for sustainability-oriented tax-based own resources explored in the FairTax project (see Table 1). Many of these criteria have been suggested in earlier studies on tax-based own resources for the EU.[7] Our specific contribution to the project is to link these criteria to our concept of sustainability-oriented taxation and to thus focus the evaluation of candidates for tax-based own resources on their contribution to sustainable growth and development.

The economic, social and environmental dimensions and the related evaluation criteria presented in Table 1 are rather general and self-explanatory and they can be applied to other areas of taxation without any further modifications. The criteria referring to institutional/cultural sustainability are more specifically focusing on own resources for the EU budget.

Table 1

Sustainability-oriented evaluation criteria for tax-based own resources

Dimension of sustainability	Evaluation criterion	Explanation
Economic sustainability	Growth friendliness	The tax does not (significantly) harm economic growth
	Sufficiency/fiscal sustainability	The revenues from the tax will be stable in the longer run
Social sustainability/ inclusiveness	Personal distribution of income and wealth	The tax mitigates the unequal personal distribution of income or wealth
Environmental sustainability	Environmental sustainability	The tax mitigates environmental problems
Institutional/ cultural sustainability	Revenue stability	The revenues from the tax are not subjected to short-term fluctuations
	Non-attributability	The revenues from the tax cannot be attributed to individual Member States
	Fair national distribution	The tax burden is not distributed too unevenly across Member States
	Fiscal integration	The tax contributes to fiscal integration in the EU
	Non-enforceability	The tax cannot be enforced at Member State level
	Non-interference	The tax does not interfere with Member States' tax systems
	Visibility	The tax is visible for a significant share of taxpayers/citizens

Source: Own representation.

Short-term stability of revenues is important as the EU is not allowed to incur deficits. Therefore a tax-based own resource should provide a continuous and reliable stream of revenues without major fluctuations.

Fair regional distribution of the tax burden requires that the burden from the tax is not distributed too unevenly across Member States.

Non-enforceability implies that the tax cannot be enforced effectively at the Member State level, either due to tax competition and tax avoidance when the taxed subject or activity is mobile across borders or because the taxed activity is associated with a cross-border externality so that Member States could set tax rates at suboptimal levels.

Related is the criterion of *fiscal integration*, which means that the tax supports the European integration process, e.g. by contributing to horizontal tax harmonisation.

6 In a similar vein, the HLGOR (2016) recommends discussion about the introduction of new own resources not as additional, but as alternative revenue sources replacing GNI-based contributions and thus maintaining budget neutrality.

7 For an overview of relevant work suggesting criteria to evaluate options for (tax-based) own resources for the EU and first deliberations on sustainability-oriented evaluation criteria for tax-based own resources see M. Schratzenstaller et al.: EU Taxes for the EU Budget . . . , op. cit.

Table 2

Options for tax-based own resources and potential tax revenues

Study	Potential tax-based own resource	Reference year	Member States involved	Details	Potential revenues, billion €	Potential revenues, % of EU revenues 2017
Krenek/Schratzenstaller (2017A)[1]	carbon-based flight ticket tax	2014	EU28	carbon price 25 € to 35 € per tonne CO_2 emissions	4 to 5	2.9 to 3.6
Krenek/Sommer/ Schratzenstaller (2018)[2]	border carbon adjustment for the EU Emission Trading System	2021	EU28	carbon price 54 € per tonne carbon emissions embodied in imports	27 to 84	19.4 to 60.4
Nerudová/Dobranschi/Solilová/ Schratzenstaller (2018)[3]	surcharge on national fuel tax	2014	EU28	0.03 € to 0.20 € per liter fuel	13 to 86	9.4 to 61.9
Dellinger/Schratzenstaller (2018)[4]	nuclear power tax	2014	EU14 (Member States producing nuclear power)	€ 0.01 per kWh electricity produced and tax on windfall profits for a carbon price of 25 € per tonne carbon emissions	8 to 19	5.8 to 13.7
Krenek/Schratzenstaller (2017B)[5]	net wealth tax	2014	EU20 (Member States for which HFCS data are available)	1% on household net wealth above € 1 million; 1.5% on household net wealth above € 1.5 million	156	112,2
Nerudová/Schratzenstaller/ Solilová (2017)[6]	financial transactions tax	2016	EU10 (“Coalition of the Willing”)	0.1% on equity; 0.01% on derivatives	4 to 33	2.9 to 23.7
Nerudová/Solilová (2019)[7]	CCCTB-based own resource	2014	EU28	1% of CCCTB	8	5,8

Notes: [1] A. Krenek, M. Schratzenstaller: Sustainability-oriented EU taxes: The Example of a European Carbon-based Flight Ticket Tax, in: Empirica, Vol. 44, No. 4, 2017, pp. 665-686; [2] A. Krenek, M. Sommer, M. Schratzenstaller: Sustainability-oriented Future EU Funding: A European Border Carbon Adjustment, FairTax Working Paper No. 15, 2018; [3] D. Nerudová, M. Dobranschi, V. Solilová, M. Schratzenstaller: Sustainability-oriented Future EU Funding: A Fuel Tax Surcharge, FairTax Working Paper No. 21, 2018; [4] F. Dellinger, M. Schratzenstaller: An EU-wide Nuclear Power Tax: Rationale and Possible Effects, in: International Journal of Energy Economics and Policy, Vol. 8, No. 6, 2018, pp. 346-353; [5] A. Krenek, M. Schratzenstaller: Sustainability-oriented Future EU Funding: A European Net Wealth Tax, FairTax Working Papers No. 15, 2017; [6] D. Nerudová, M. Schratzenstaller, V. Solilová: The Financial Transactions Tax as Tax-based Own Resource for the EU Budget, FairTax Policy Brief No. 2, 2017; [7] D. Nerudová, V. Solilová: The Impact of a CCCTB in the EU, in: Intereconomics, Vol. 54, No. 3, 2019.

Source: Slightly modified version of M. Schratzenstaller: Brexit and the EU Budget, in: U. Villani-Lubelli, L. Zamparini (eds.): Features and Challenges of the EU Budget, Cheltenham 2019, pp. 180-204, Edward Elgar.

The criterion of *non-interference* with Member States’ national tax systems is fulfilled if the tax is additional, i.e. if it does not exist already in any Member State. Thus vertical tax competition is avoided, as well as conflicts regarding the distribution of revenues at the Member States and the EU levels.

Visibility of the tax is given if a significant share of taxpayers/citizens pay and thus are aware of the tax, thereby strengthening transparency and accountability at the EU level.

Non-attributability of revenues to individual Member States means that revenues of a tax-based own resource cannot be attributed directly to individual Member States, as the taxed bases or activities contain a cross-border element, for example cross-border externalities. While the weight given to each of these criteria of course depends on political priorities, the criterion of non-attributability is of particular relevance in the context of own resources to finance the EU budget. In principle, the main argument for a complete or partial assignment of tax revenues to a supra-national budget (instead of national budgets) is that revenues cannot be clearly attributed to individual Member States because of cross-border externalities. Otherwise, taxes that cannot be enforced effectively on the Member State level could just be coordinated among Member States by harmonising or approximating tax bases and/or tax rates, with revenues still flowing into national budgets.

Options for sustainability-oriented tax-based own resources and revenue potential

In the first step, we estimated the revenue potential of our seven selected options for tax-based own resources. These options were chosen because we expect them to significantly contribute to central EU goals and strat-

Table 3
Summary evaluation of candidates for sustainability-oriented tax-based own resources

Potential tax-based own resource	Carbon-based flight ticket tax	Border carbon adjustment	Surcharge on national fuel tax	Net wealth tax	Financial transactions tax	CCCTB	Nuclear power tax
Growth friendliness	?	+	?	?	-	+	?
Sufficiency	?	?	?	+	+	?	-
Personal distribution of income and wealth	+	-	0	+	+	0	0
Environmental sustainability	+	+	+	0	0	0	+
Non-attributability	+	+	+	-	+	-	+
Short-term revenue stability	+	+	+	+	-	-	+
Fair national distribution	+	-	-	-	-	+	+
Non-enforceability	+	+	+	+	+	+	-
Fiscal integration	+	+	(+)	+	+	+	+
Non-interference	(+)	+	+	(+)	(+)	+	-
Visibility	+	-	+	+	-	-	-

Notes: + positive contribution; – negative contribution; 0 neutral; ? unclear/not known; (+) only somewhat positive.

Source: Own representation.

egies, particularly with regard to sustainable growth and development. As Table 2 shows, the revenue potential of our candidates varies widely – ranging from four billion euro to 156 billion euro per year. To illustrate their potential contribution to financing the EU budget, we relate potential revenues to overall EU revenues for 2017 (139 billion euro). A financial transaction tax based on conservative assumptions as well as a carbon-based flight ticket tax, a nuclear power tax and a share of one percent of a CCCTB would not be able to provide a substantial contribution to EU revenues. However, a financial transaction tax estimated under less conservative assumptions, a net wealth tax, a border carbon adjustment for the EU ETS, and a surcharge on national fuel tax rates could substitute significant shares of current own resources.

Summary evaluation of options for sustainability-oriented tax-based own resources

Table 3 gives an overview of the results of a summary evaluation of our seven selected options for tax-based own resources for the EU budget. Overall, based on our sustainability-oriented evaluation criteria, a carbon-based flight ticket tax and a net wealth tax are best suited among the potential options analysed here. Also a border carbon adjustment, a surcharge on national fuel taxes and a financial transaction tax appear well-suited; whereas a nuclear power tax and a share in a CCCTB score lower. The criterion of non-attributability of tax revenues, which we have pointed out as particularly important to assess whether revenues from a specific candidate should be used to finance the EU budget, is fulfilled by all options with the exception of a net wealth tax and a share in a CCCTB. All candidates would further European integration and most of them could not be implemented effectively at the national level.

Using the relation of potential revenues-to-GDP as a very simple measure, the country-specific tax burdens vary across the individual candidates for tax-based own resources (see Table 4). While the flight ticket tax, the nuclear power tax and a share of a CCCTB over-proportionately burden several ‘richer’ and ‘poorer’ countries, which implies a rather balanced national tax incidence, the countries over-proportionately burdened by a surcharge on national fuel taxes are mostly poorer countries. In contrast, the net wealth tax and the financial transactions tax result in an over-proportionate burden for richer countries.

Legal implementation aspects

First of all, any decision on new own resources has to comply with the own resource system in Article 311 (1) TFEU, which sets out the procedure for implementing and changing the current form of own resources. The decision about changes in the existing own resource system not only requires the unanimous support of the Council after consulting the European Parliament, but also the approval of national parliaments according to their constitutional requirements.

Moreover, tax-based own resources, based on the introduction or expansion of taxes across the EU, have to comply with the EU’s tax competences, addressed in Articles 113, 115, 192 and 194 TFEU. New own resources may be either based on the provisions relevant for the harmonisation or approximation of national taxation necessary for

Table 4

Revenue potential of candidates for tax-based own resources in EU Member States

EU Member States	Flight ticket tax[1]		Nuclear power tax[2]		Fuel tax[3]		Net wealth tax[4]		Financial transactions tax[5]		CCCTB[6]	
	bn. €	% of GDP	bn. €	% of GDP	bn. €	% of GDP	bn. €	% of GDP	bn. €	% of GDP	bn. €	% of GDP
Luxembourg	0,005	0.01	0		0,548	1.1	0,9	1.81	0		0,029	0.06
Ireland	0,081	0.04	0		1,091	0.56	2,6	1.33	0		0,061	0.03
Denmark	0,096	0.04	0		1,277	0.48			0		0,167	0.06
Sweden	0,097	0.02	1,399	0.32	2,031	0.47			2,406	0.52	0,296	0.07
Netherlands	0,385	0.06	0,087	0.01	2,983	0.44	8,7	1.3	0		0,605	0.09
Austria	0,084	0.03	0		2,205	0.66	4,9	1.47	1,346	0.38	0,102	0.03
Finland	0,076	0.04	0,51	0.25	1,358	0.66	1,5	0.73	0		0,071	0.03
Germany	0,916	0.03	2,066	0.07	17,514	0.6	47,5	1.62	10,008	0.32	0,799	0.03
Belgium	0,107	0.03	0,719	0.18	2,96	0.74	8,1	2.02	2,479	0.58	0,205	0.05
United Kingdom	1,242	0.05	1,303	0.06	10,596	0.46			0		3,197	0.14
France	0,772	0.04	9,357	0.44	12,894	0.6	31,5	1.47	13,134	0.59	1,063	0.05
Italy	0,395	0.02	0		8,971	0.55	28	1.73	2,793	0.17	0,471	0.03
Spain	0,63	0.06	1,237	0.12	7,962	0.77	15,2	1.46	0		0,406	0.04
Malta	0,011	0.13	0		0,107	1.26	0,1	1.18	0		0	0.01
Cyprus	0,029	0.16	0		0,245	1.39	0,7	3.98	0		0	0
Slovenia	0,003	0.01	0,136	0.36	0,499	1.33	0,3	0.8	0,029	0.07	0,003	0.01
Portugal	0,125	0.07	0		1,404	0.81	2	1.16	0,248	0.13	0,056	0.03
Czech Republic	0,037	0.02	0,644	0.41	1,451	0.93			0		0,099	0.06
Estonia	0,005	0.02	0		0,239	1.19	0,2	1	0		0,01	0.05
Greece	0,114	0.06	0		1,66	0.93	1,3	0.73	0,18	0.1	0,013	0.01
Slovakia	0,006	0.01	0,324	0.43	0,522	0.69	0,1	0.13	0,184	0.23	0,033	0.04
Lithuania	0,009	0.02	0		0,144	0.39			0		0,006	0.02
Latvia	0,011	0.05	0		0,276	1.17	0,2	0.85	0		0,009	0.04
Hungary	0,022	0.02	0,333	0.32	1,033	0.98	0,5	0.47	0		0,06	0.06
Poland	0,075	0.02	0,242	0.06	3,795	0.92	1,9	0.46	0		0,112	0.03
Croatia	0,013	0.03	0		0,534	1.23			0		0,026	0.06
Romania	0,026	0.02	0		1,404	0.93			0		0,075	0.05
Bulgaria	0,022	0.05	0,338	0.79	0,499	1.17			0		0,007	0.02
Total	5,392	0.04	18,694	0.13	86,202	0.61	156,2	1.47	32,807	0.35	7,98	0.06

Notes: Countries ranked according to GDP-per-capita in 2017. Highlighted cells show above average values. [1] High tax scenario (35 € per tonne carbon emissions), base year 2014. [2] Nuclear power tax base year: 2014. [3] Fuel tax rate 0.20 €/litre, base year: 2014. [4] Net wealth tax base year: 2014. [5] Financial transactions tax static scenario (0.01% derivatives, 0.1% equity, 0.01% OTC), base year: 2016. [6] 1% of CCCTB, base year: 2014.

Source: Own calculations.

the functioning of the internal market.[8] Or they may consist of fiscal measures introduced to pursue environmental and energy purposes.[9] The decision to use the revenues from harmonised or approximated taxes or from fiscal measures relevant for environmental or energy policy has to be based, in a second step, on an own resource decision according to Article 311 TFEU, as mentioned above.

All decisions to harmonise or to approximate national taxes or to introduce new taxes across the EU are subject to a special legislative procedure.[10] This special legislative procedure requires the unanimous agreement of the European Council, while the European Parliament as well as

8 Specificially Articles 113 and 115 TFEU.

9 Specifically Articles 192 (2) and 194 (3) TFEU.

10 U. Spangenberg, A. Mumford, S. Daly: Navigating Taxation Towards Sustainability, FairTax Working Paper No. 16, 2018; S. Weishaar: Carbon Taxes at EU Level. Introduction Issues and Barriers, WIFO Working Paper No. 556, 2018.

the European Economic and Social Committee have only consultation rights.

Legal basis of the own resources system of the EU

As mentioned above, the EU finances its budget exclusively with so-called "own resources", based on Articles 310 and 311 TFEU. This has two important implications.[11] First, the EU is not allowed to incur debt. Secondly, the EU does not have genuine taxation rights in the sense of legislative and revenue competences.[12] However, own resource decisions based on Article 311 TFEU allow for the introduction of new or different own resources and therefore tax-based own resources as well. Any decision to introduce tax-based own resources as new own resources would have to comply with the own resource decision in Article 311 (3) TFEU, as the provisions that allow for the harmonisation of existing taxes or the introduction of new taxes across the EU do not automatically include taxes for which the revenue competence lies with the EU.

Legal basis of tax-based own resources

As mentioned above, the legal provisions governing tax-based own resources include Articles 113 and 115 TFEU (referring to the harmonisation of direct and the approximation of indirect taxes) and Articles 191 and 192 TFEU (referring to the introduction of environmentally-motivated fiscal revenues).

Article 113 TFEU confers a direct mandate to the EU to harmonise indirect taxes insofar as such a harmonisation is necessary to guarantee the functioning of the internal market. This implies that the EU can adopt legislation which Member States are obliged to implement.[13] The harmonisation mandate only covers taxes already existing in EU Member States, which precludes the use of Article 113 TFEU as justification for the harmonised introduction of not yet existing new taxes in EU Member States.[14]

In contrast to indirect taxes, the EU does not have an explicit mandate to harmonise direct taxes. The preconditions for the EU to take the initiative with regard to harmonising direct taxes are imminent distortions of the internal market. In such cases, Article 115 TFEU permits the adoption of directives for the approximation of laws, regulations and administrative provisions of the Member States which directly affect the establishment or functioning of the international market, which includes directives about direct taxes. These directives are to be implemented by Member States and result in the harmonisation of national tax provisions across Member States.[15]

Articles 191, 192 and 194 TFEU constitute the legal basis for the EU to become active with regard to environmental and energy policy. Article 191 provides the EU with a mandate regarding initiatives aiming at "preserving, protecting and improving the quality of the environment". According to Article 192 (2) TFEU, such initiatives can also include fiscal measures under the premise that their primary purpose is not the generation of revenue but the achievement of environmental goals.[16] Article 194 (3) provides a similar specific competence that permits the adoption of fiscal measures with a view to the objectives concerning energy policies in Article 194 (1) TFEU. In contrast to Article 113 TFEU, Articles 192 (2) and 194 (3) TFEU would permit the introduction of new taxes for environmental purposes, thereby granting legislative competence with regard to environmental taxes to the EU.[17] According to Waldhoff, allocating the revenue from such environmentally-motivated fiscal measures to the EU budget should be possible if they do not constitute a primary revenue source.[18]

Institutional implementation aspects

In principle, there are various design options for tax-based own resources to finance the EU budget.[19]

Under a revenue-sharing system, both the EU and its Member States would share the revenues from a tax that would be fully harmonised across Member States. As the tax would be introduced by Member States who would receive the revenues and transfer these (partially) to the EU, this implementation model can also be referred to as a transfer system. Such a transfer system offers itself for tax-based own resources resting on taxes which do not yet exist in any EU Member State and would therefore be additional to the already existing national taxes. It can also be applied for already existing taxes levied in only a few Member States. In this case, however, Member States would have to agree to

11 C. Waldhoff: Legal Restrictions and Possibilities for Greater Revenue Autonomy of the EU, in: T. Büttner, M. Thöne (eds.): The Future of EU Finances, Köln 2016, FiFo Institute for Public Economics, pp. 147-157; U. Spangenberg et al., op. cit.

12 H. Kube: EU-Steuern: Zuständigkeit zur Regelung und Erhebung sowie Ausgestaltungsmöglichkeiten, Jahrestagung der Deutschen Steuerjuristischen Gesellschaft, Vol. 42, No. 18/19, Vienna 2017.

13 U. Spangenberg et al., op. cit.

14 A. Buser: Die Finanzierung der EU: Möglichkeiten und Grenzen einer EU-Steuer nach Europarecht und Grundgesetz, Berliner Online-Beiträge zum Europarecht, No. 91, 2013.

15 H. Kube, E. Reimer, C. Spengel: Tax Policy: Trends in the Allocation of Powers Between the Union and Its Member States, EC Tax Review 2016, Vol. 56, 2016, pp. 247-261.

16 U. Spangenberg et al., op. cit.

17 A. Buser, op. cit.

18 C. Waldhoff, op. cit.

19 See HLGOR, op. cit.; G. Raddatz, G. Schick: Wege zur europäischen Verfassung III: Braucht Europa eine Steuer? Zur Reform der EU-Finanzverfassung, Stiftung Marktwirtschaft, Argumente zu Marktwirtschaft und Politik, No. 77, 2003.

Table 5
Legal basis of candidates for sustainability-oriented tax-based own resources

Potential tax-based own resource	Carbon-based flight ticket tax	Border carbon adjustment for the EU Emission Trading System	Surcharge on national fuel tax	Nuclear power tax	Financial transactions tax	CCCTB-based own resource	Net wealth tax
Art. 113 TFEU	X	-	X	-	X	-	-
Art. 115 TFEU	-	-	-	-	-	X	-
Art. 192 (2) / 194 (3) TFEU	X	X	X	X	-	-	-
Implementation model	Transfer system	Transfer system	Surcharge system	Transfer system	Transfer system	Surcharge system	Transfer system

Source: own representation.

give up their claims to the revenues of the respective tax and, if necessary, adjust the tax rate and/or the tax base to the harmonised design of the tax agreed EU-wide.

The surcharge system would require the harmonisation of the tax base only. The EU would then levy a surcharge in addition to the existing national tax rates, which would not be harmonised, and would receive the revenues from this surcharge. This is the appropriate model for taxes that already exist in all EU Member States and are levied on an identical tax base.

The separation system would allow the EU to introduce a specific tax and to collect its revenues. In this case, the EU would have own legislative and revenue competencies.

Of these three models, both the transfer as well as the surcharge system would be compatible with the current EU Treaties. A separation system, which would require own legislative and revenue competencies of the EU, is not possible within the existing legal framework of the EU.[20]

Legal basis and institutional implementation of sustainability-oriented tax-based own resources

In principle, all of our candidates for tax-based own resources should be permitted based on Article 311. Besides an own resource decision, their introduction would be based on the relevant harmonisation or approximation rules anchored in the TFEU, which are outlined in Table 5.

The most obvious legal basis for an EU-wide *carbon-based flight ticket* tax is Article 191 and 192 (2) TFEU. A mandate for the introduction of a harmonised flight ticket tax in the EU could also be based on Article 113 TFEU.

The legal basis of the Emission Trading System (ETS) itself is Article 192 TFEU. This provision should also permit the introduction of a *border carbon adjustment for the EU ETS*.

20 C. Waldhoff, op. cit.

Article 113 TFEU is the legal basis for the EU Energy Tax Directive adopted in 2003, which also includes fuel taxes.[21] A *surcharge on national fuel taxes* should be permitted by Article 113 TFEU as well. Article 192 (2) TFEU may constitute an additional legal base for a uniform surcharge on national fuel tax rates to pursue environmental purposes.

The introduction of a *nuclear power tax* in the nuclear power producing EU Member States should be possible based on Articles 192 (2) and 194 (3) TFEU.

The *financial transactions tax* has been initiated by the European Commission (2011) based on Article 113 TFEU.

A *CCCTB-based own resource*, drawing on a harmonised corporate income tax base in the EU, would be based on Article 115 TFEU.[22]

An *EU-wide net wealth tax* is the only candidate analysed here that obviously does not have any legal basis in the EU Treaties.

Conclusions

The partial substitution of current own resources by sustainability-oriented tax-based own resources can constitute an effective contribution to sustainable growth and development in the EU. However, a central prerequisite for the implementation of tax-based own resources is a parallel far-reaching shift in the EU's spending priorities.[23] Otherwise, the introduction of tax-based own resources may rather reinforce Euroscepticism in the EU, as they are much more visible for citizens than the current revenue sources.

21 S. Weishaar, op. cit.
22 H. Kube, op. cit.
23 HLGOR, op. cit.; M. Schratzenstaller: The Next Multiannual Financial Framework (MFF), its Structure and the Own Resources, Study for the European Parliament, Brussels 2017, European Parliament.