Analyses OSW

CENTRE FOR EASTERN STUDIES 20.04.2011 www.osw.waw.pl

German parties divided over the issue of financing the EU budget

On 12 April the EU Budget and Financial Programming Commissioner Janusz Lewandowski in the interview he gave to the German press suggested a change in financing the EU budget. Under his proposal the EU budget would be in one third financed through a new EU tax that would replace part of the contributions made from national budgets. In Germany this proposal was negatively received by the ruling coalition of CDU-CSU/FDP, whereas it provoked the interest of the opposition party the SPD and the Green party.

Janusz Lewandowski proposed a change in the structure of the revenues of the EU by securing contributions from the tax on air transport, VAT or the tax on financial transactions. Thanks to this solution contributions from national budgets would be diminished. The spokesman for the German Finance Ministry expressed his opposition to the proposal as according to the German government the present system based on the contribution from national budgets is simpler. The German federal government is consistent in opting to keep the current level of contributions to the EU budget which amounts to 1% of GNI. Moreover, Germany wants the funds obtained from the tax on financial transactions to fuel the German budget for the time being. The coalition partner the CSU sees Commissioner Lewandowski's proposal as a threat to stability and budgetary discipline in the EU. Also the FDP rejects this solution as the one that will not increase the budget's transparency. Janusz Lewandowski's concept was well received by the Green party which agrees particularly on the introduction of the financial transaction tax. The Greens argue that putting more of the burden on financial institutions would be more just. Furthermore, according to the Greens, it would eliminate disputes over contributions and payments into the EU budgets that accompany all negotiations. The SPD also backed the idea of introducing the financial transaction tax, however, according to the party, the new revenues of the EU have to trigger decreased contributions from national budgets.

The German government fears that this tax in reality will lead to increased contributions from Germany. Additionally, in case of underestimating revenues to the EU budget, there is a risk of the EU having liabilities. <pop>