Briefing
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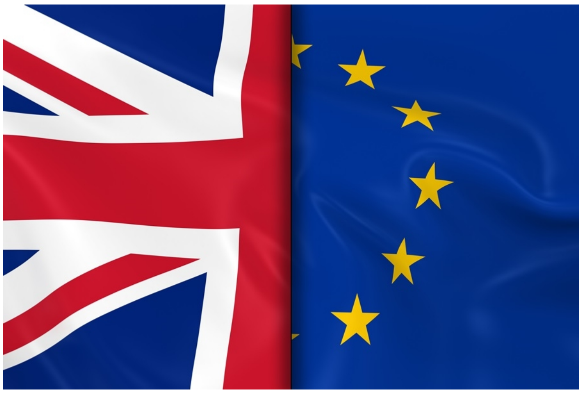
The UK 'rebate' on the EU budget
An explanation of the abatement and other correction mechanisms

SUMMARY

The UK 'abatement', 'rebate' or 'correction' is the ad hoc mechanism that is applied to lower the UK's contribution to the EU budget, by reimbursing 66% of the country's budgetary imbalance (the difference between payments and receipts). In 2014, the rebate amounted to almost €6.1 billion, reducing the UK's national contribution by 35% – to €11.34 billion – leaving it the fourth largest national contribution. All Member States but the UK cover the costs of the rebate. Introduced in 1985, it has remained unchanged in its basic concept, and is best understood with reference to some features of the UK economy and of the common budget at that time. Each year, the amount of the rebate is determined by a complex calculation, linked to several variables and which has evolved over time to take into account developments in the EU and its financing system. Included in the Own Resources Decision, modification of which requires unanimity of the Member States, the rebate is *de facto* a permanent mechanism.

Following the creation of the rebate, other Member States argued that their EU budgetary burden was excessive, asking for reductions in their contributions, including to their financing of the UK rebate itself. This has led to a complex system of *ad hoc* permanent and temporary corrections. For 2014-2020, Member States other than the UK benefiting from explicit corrections on the revenue side of the EU budget are: Austria, Denmark, Germany, the Netherlands and Sweden. Correction mechanisms have attracted a number of criticisms, not least that they make the finances of the EU more complex, less transparent, less fair and harder to reform. Past proposals to replace the existing ad hoc mechanisms with a single new one, open to any Member State meeting defined conditions in terms of budgetary imbalances, have not been successful.



In this briefing:

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Definition and scale

Introduced in 1985, the UK 'rebate', or 'correction', is the mechanism applied to lower the United Kingdom's national contribution[1] to the EU budget. This reduction amounts to roughly 66% of the difference between the UK's contributions to, and receipts from, the EU budget. The basic concept of the rebate has remained the same since its creation, but its method of calculation has evolved over time to take account of a number of factors, including some developments in the system of financing of the EU budget,[2] and the successive enlargements of the European Union that have taken place since 30 April 2004 (to include 11 Member States from central and eastern Europe, as well as Cyprus and Malta).

The amount of the UK rebate changes every year, since it depends on many different variables, including statistical aggregates such as gross national income (GNI) and the harmonised value added tax (VAT) base in EU Member States. In 2014, the reimbursement paid to the UK amounted to almost €6.1 billion, reducing the country's national contribution by 35% to some €11.34 billion,[3] and making it the fourth largest national contributor after Germany (€25.81 billion), France (€19.57 billion) and Italy (€14.36 billion). Table 1 shows the reimbursements paid to the United Kingdom under the rebate mechanism since 1985.

Table 1 – UK's gross and final national contributions to the EU budget, and impact of the rebate on the reduction of the UK's gross national contributions (%): 1985-2014 (in ECU million until 1998 and € million from 1999)[4]

Year	Gross National Contribution (A)	UK rebate	Rebate as % of (A)	Final National Contribution		Year	Gross National Contribution (A)	UK rebate	Rebate as % of (A)	Final National Contribution
1985	4 188.1	981.4	23%	3 206.6		2000	14 103.4	3 420.8	24%	10 682.6
1986	4 472.3	1 871.1	42%	2 601.2		2001	11 977.0	7 342.5	61%	4 634.4
1987	4 857.5	1 631.0	34%	3 226.4		2002	13 019.2	4 933.5	38%	8 085.7
1988	5 230.6	2 407.3	46%	2 823.3		2003	13 056.7	5 184.9	40%	7 872.1
1989	5 570.2	1 723.4	31%	3 846.9		2004	14 650.9	5 272.1	36%	9 378.9
1990	6 543.0	2 375.3	36%	4 167.6		2005	14 815.9	5 185.8	35%	9 630.2
1991	5 831.2	3 562.6	61%	2 268.6		2006	15 052.3	5 221.4	35%	9 830.2
1992	6 874.3	2 580.2	38%	4 294.1		2007	15 963.2	5 188.9	33%	10 771.9
1993	8 289.2	3 155.8	38%	5 133.4		2008	13 870.9	6 252.0	45%	7 613.8
1994	6 135.1	2 294.9	37%	3 840.2		2009	12 922.4	5 657.7	44%	7 879.6
1995	8 022.1	1 449.3	18%	6 572.8		2010	15 626.8	3 562.7	23%	12 145.8
1996	8 440.7	2 913.8	35%	5 518.3		2011	14 780.3	3 595.9	24%	11 273.4
1997	8 315.6	2 431.3	29%	5 884.2		2012	17 185.8	3 803.6	22%	13 461.1
1998	12 799.1	3 153.5	25%	9 645.5		2013	18 757.3	4 329.5	23%	14 509.5
1999	11 881.7	3 576.6	30%	8 305.2		2014	17 457.5	6 066.3	35%	11 341.6

Source: EPRS based on European Commission data (2008-2014 Financial Reports).

Objective, origin and legal basis

The objective of the rebate is to reduce and correct, in favour of the United Kingdom, the negative budgetary balance the country has when comparing its contribution to the EU budget with the share of EU spending that it receives in return.

The question of the UK's budgetary imbalances has been a source of debate and friction since the country joined the then-European Economic Community (EEC) in 1973. It was also one of the main topics under the spotlight during the June 1975 referendum, when UK voters supported continued EEC membership. The historical context helps to understand the issue, which relates to a number of features of the UK economy and the EEC's finances in the 1970s and 1980s. On the one hand, the UK had a small agricultural sector, whereas most Community spending went on agriculture (some 70% in 1984-1985). On the other hand, the system of financing of the Community budget, which was then being implemented progressively, had as its main source of revenue an own resource related to Member States' VAT bases, alongside customs duties. In the UK, the VAT base in comparison with gross national product (GNP) was proportionally higher than in other Member States. In addition, the UK was more open than other Member States to trade with non-EEC countries. The combined effect of all these factors was a structurally negative budgetary balance for the UK, which at the time was among the less well-off Member States, with a per capita income lower than the EEC average.

Following two temporary correction mechanisms agreed at European Council meetings in 1975 and 1979, the UK rebate was based on a new agreement reached by Member States at a European Council meeting held at Fontainebleau, France, in June 1984. Member State governments declared that 'expenditure policy is ultimately the essential means of resolving the question of budgetary imbalances', but they also established a principle, whereby any country 'sustaining a budgetary burden which is excessive in relation to its relative prosperity may benefit from a correction at the appropriate time'.

The financial provisions of the Treaty on the Functioning of the European Union (Part Six, Title II) make no reference to correction mechanisms, which therefore rest on the conclusions of the European Council meeting of June 1984. The 'Fontainebleau principles' do not define the concepts of excessive budgetary burden and relative prosperity, leaving them open to interpretation.

In 1985, the UK rebate was included in the Own Resources Decision that governs the financing of the common budget. The UK rebate has thus become *de facto* permanent, since unanimity of the Member States is required to change this Decision.

Council Decision (EC, Euratom) 2007/436 is the legal basis currently in force for the system of own resources of the EU, pending ratification of Council Decision (EU, Euratom) 2014/335, which will apply retroactively from 1 January 2014 once in force. In both the 2007 and 2014 Own Resources Decisions, the provisions on the UK correction are found in Articles 4 (calculation) and 5 (financing).

Calculation and financing of the rebate

On the basis of the agreed Own Resources Decision, the European Commission details the method used to calculate and finance the UK correction in a working document, with a view to reflecting and implementing the decision made at European Council level. The Member States unanimously endorse the method set out in that working document, alongside the formal adoption of the Own Resources Decision.[5]

While the basic concept of the rebate has remained unchanged since its creation, its calculation has grown in complexity. According to the UK House of Commons Treasury Committee, the UK rebate is complex, but the detailed published explanation of its method of calculation reduces ambiguity and uncertainty.[6]

Variables and adjustments

Many variables play a role in the calculation of the UK rebate. The main variables, which are directly linked to the Fontainebleau conclusions of 1984, are: the total EU uncapped VAT bases and the UK share thereof (the VAT-based own resource being one major source of revenue for the Community in 1984-85); and the total EU expenditure allocated to Member States and the UK share thereof.

Over time, adjustments to the result obtained from the main variables have been introduced progressively, to take additional elements into account (such as the creation of an own resource based on GNP,[7] the capping of the VAT bases for the related own resource and the increase in the collection costs retained by Member States from the amounts of customs duties they collect). The objective of the adjustments agreed by all Member States and included in the calculation is mainly to neutralise the effects on the UK rebate of developments in the own resources system and in the EU that are independent of the rebate itself. In other words, the idea is that the result of the calculation should be similar to what it would have been had the overall state of play not changed since 1985.

An example of one such adjustment concerns the enlargements of the EU that have taken place since 30 April 2004. From 2009 onwards, EU expenditure[8] allocated to the Member States that joined the Union after the reference date is deducted from total allocated EU expenditure in the calculation of the rebate.[9] This adjustment, which was agreed in the context of the 2007 Own Resources Decision, is meant to ensure that the UK helps to finance the costs of enlargements (except certain categories of agricultural spending).[10] Had such an adjustment not been introduced, the mechanism of the rebate would have resulted in the other pre-2004 Member States bearing the costs of enlargements and the UK contributing little to cover these costs, despite being a major advocate of enlargement. While the 2014 Own Resources Decision has left the calculation method substantially unchanged in comparison with the previous Decision, yet another adjustment had to be made, since reforms to EU agricultural spending meant that the breakdown of rural development expenditure used in the calculation until 2013 effectively no longer existed.[11]

Calculation and budgeting

The initial calculation of the UK rebate for a given year is budgeted and paid the following year, on the basis of the provisional values of the variables that play a role in the calculation and financing of the mechanism. The definitive amount of the rebate is known (and any difference with the provisional amount is accordingly budgeted and paid) four years after the year in question, on the basis of the final values of the relevant variables. For example, this means that the 2007 UK rebate was budgeted in the 2008 EU budget in terms of a provisional amount, while the definitive amount for 2007 was calculated and budgeted only in 2011. In 2011, an amending budget addressed the difference between the provisional and definitive amounts of the 2007 UK rebate. In addition, between 2008 and 2011, the provisional amount was regularly monitored in order to budget any significant change in the estimate of the rebate.[12]

Financing

All Member States apart from the UK finance its rebate. The distribution key for financing is based on each country's share of the EU's GNI (see Table 2 for an example based on the GNI forecast used in Draft Amending Budget 6/2013). However, some Member States benefit from a reduction in the financing of the rebate. For 1985-2001, Germany paid two thirds of the share determined for it by the distribution key. Since 2002, Austria, Germany, the Netherlands and Sweden have benefited from a permanent reduction in their contribution to the rebate, paying 25% of their respective share.

Table 2 - Financing scale of the UK rebate

Member State	Percentage share in EU's GNI	Shares without the UK	75% reduction for DE, NL, AT and SE	Financing of the 75% reduction for DE, NL, AT and SE	Financing scale
	(1)	(2)	(3)	(4)	(5)=(2)+(3)+(4)
Belgium	2.95	3.47		1.51	4.98
Bulgaria	0.30	0.36		0.16	0.51
Czech Republic	1.08	1.27		0.56	1.83
Denmark	1.95	2.29		1.00	3.29
Germany	20.93	24.59	-18.44	0.00	6.15
Estonia	0.13	0.15		0.07	0.22
Ireland	1.02	1.20		0.52	1.72
Greece	1.39	1.63		0.71	2.34
Spain	7.86	9.24		4.03	13.27
France	15.97	18.76		8.19	26.95
Croatia	0.16	0.19		0.08	0.28
Italy	11.87	13.94		6.09	20.03
Cyprus	0.12	0.14		0.06	0.20
Latvia	0.18	0.21		0.09	0.30
Lithuania	0.25	0.30		0.13	0.43
Luxembourg	0.25	0.29		0.13	0.42
Hungary	0.72	0.85		0.37	1.22
Malta	0.05	0.06		0.03	0.08
Netherlands	4.65	5.46	-4.10	0.00	1.37
Austria	2.42	2.85	-2.13	0.00	0.71
Poland	2.93	3.45		1.51	4.95
Portugal	1.21	1.43		0.62	2.05
Romania	1.05	1.24		0.54	1.78
Slovenia	0.26	0.31		0.14	0.44
Slovak Republic	0.55	0.65		0.28	0.93
Finland	1.52	1.79		0.78	2.56
Sweden	3.31	3.89	-2.92	0.00	0.97
United Kingdom	14.89	0.00		0.00	0.00
Total	100.00	100.00	-27.59	27.59	100.00

Data source: European Commission (example based on the GNI forecast used in Draft Amending Budget 6/2013).

In turn, these reductions in the financing of the rebate are paid by the remaining (at present 23) Member States. In practice, this means that three Member States (France, Italy and Spain) currently finance some 60% of the UK rebate.

Other correction mechanisms

Since the creation of the UK rebate, other Member States have argued that their EU budgetary burden is excessive, requesting different forms of reduction in their contribution. One such example related to the introduction of the UK rebate itself is the one-third reduction in the financing of the rebate that was granted to Germany back in 1985. Over time, these requests have resulted in a growing number of ad hoc agreements and correction mechanisms on the revenue side of the EU budget,[13] enshrined in the Own Resources Decisions that require the unanimous endorsement of the Member States. Like the UK rebate, the current 75% reduction in its financing for **Austria, Germany, the Netherlands** and **Sweden** is *de facto* a **permanent mechanism**.

Other correction mechanisms are **temporary**, since they are agreed only for a limited period of time, which usually coincides with the years covered by a given Multiannual Financial Framework (MFF) of the EU.

For **2007-2013**, **Austria, Germany, the Netherlands** and **Sweden** benefited from temporary corrections in the form of reduced call rates for the VAT-based resource (ranging between 0.1% and 0.225% instead of the standard 0.3% rate applied to all other Member States). In addition, over the same period, lump-sum reductions were granted to **the Netherlands** and **Sweden** to their GNI-based contributions (respectively, €605 million and €150 million a year in constant 2004 prices).

Temporary correction mechanisms agreed for **2014-2020**, which will apply retroactively once the latest Own Resources Decision is ratified by all Member States, include a reduced VAT call rate for **Germany, the Netherlands** and **Sweden** (0.15% instead of 0.3%) and annual lump-sum reductions (in constant 2011 prices) to GNI-based contributions for **the Netherlands** (€695 million), **Sweden** (€185 million) and **Denmark** (€130 million). In addition, a decreasing annual lump-sum reduction is granted to **Austria** during the first three years of the new MFF (€30 million in 2014, €20 million in 2015 and €10 million in 2016). The lump-sum reductions have no impact on the UK rebate, since they are granted after the calculation and financing of the rebate. Unlike the UK rebate, the lump-sum reductions are financed by all Member States, including those benefiting from the reductions.

In addition, another feature of the financing system of the EU budget can be seen as a **hidden correction mechanism**.[14] Customs duties are traditional own resources of the EU, but Member States are responsible for their collection and retain a share of the relevant amounts as 'collection costs'. In 2000, the share retained by Member States was increased from 10% to 25%, a decision proportionally more beneficial to countries such as **Belgium** and **the Netherlands** that are significant entry points for imports into the EU's internal market. Once the new Own Resources Decision is ratified by all Member States, the retention rate on traditional own resources will be lowered from 25% to 20%, with retroactive application from 2014 onwards.

Stakeholders' and analysts' views

The **European Parliament** (EP), which is only consulted on the design of the own resources system, has long pushed for reforms, stressing that the objective of reform would not be to increase the level of EU spending, but to improve the way it is financed.

One major criticism concerns the complexity and lack of transparency of the financing system. In its resolutions, the EP has repeatedly mentioned the UK rebate and the other **correction mechanisms as sources of complexity and opacity** for the financing system of the EU.[15] Linked to a widespread perception of EU own resources as national contributions to be minimised, the various rebates are said to encourage budgetary negotiations between the Member States focused on net budgetary balances (see box below) and a logic of *juste retour* (fair return), rather than on the Union's policy objectives. In 2012, the EP called for the elimination of all existing correction mechanisms, including the UK rebate, adding that any new compensation schemes should be temporary in nature and based on objective economic criteria.[16]

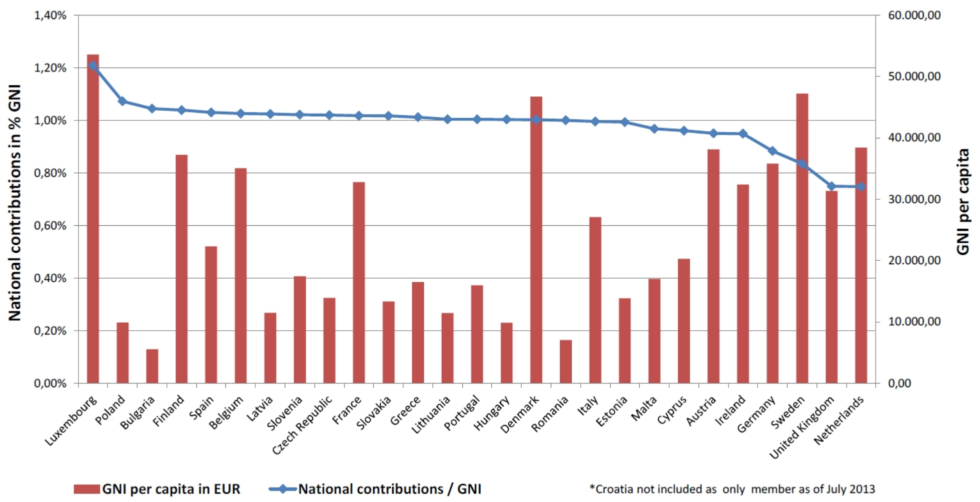
According to the **European Court of Auditors** (ECA), the existence of any correction mechanism compromises the simplicity and transparency of the financing system of the EU. In particular, when commenting on the proposed 2007 Own Resources Decision reflecting the results of the relevant European Council agreement, the ECA identified the following shortcomings: the **absence of defined criteria** to assess objectively whether a budgetary burden is excessive and when a Member State qualifies for a correction; and the **lack of a monitoring mechanism** to establish whether a Member State benefiting from a correction still qualifies for it, or, vice versa, whether other Member States that do not receive a correction now qualify.[17]

In its reports on the operation of the own resources system, the **European Commission** has also highlighted a number of issues related to the UK rebate and the other correction mechanisms.[18] In 2011, for example, the Commission said that the financing system was perceived as unfair by many stakeholders, with correction mechanisms playing a significant role in this perception. The Commission added that, while the UK rebate was perfectly justifiable when it was created in the 1980s (see section above on objective, origin and legal basis), the conditions underpinning it have since changed significantly (including a reduction in the share of the EU budget spent on agriculture; a smaller share of EU revenue originating from the VAT-based resource; and an increase in the relative prosperity of the UK in terms of GNI per capita). In addition, the report noted that all corrections on the revenue side partly offset the redistributive objectives of some EU spending policies addressed to poorer regions and Member States,[19] since those same Member States help finance the correction mechanisms now benefiting better-off Member States.

UK governments of different political orientations have maintained that the reasons for the arrangements introduced in 1985 remain valid. The rebate and any proposed modification to it are a politically sensitive topic in the country, as illustrated by the most recent changes in its calculation. In 2005, the UK agreed to exclude from the calculation most enlargement-related expenditure (with a progressive phasing-in of the change from 2009 onwards), so as to contribute to the financing of the enlargements that the country itself had strongly supported. The objective was to address what was widely perceived as an unfair effect of the rebate, since the mechanism would have resulted in the UK contributing little to the costs of enlargement. Some ten years later, that decision to modify the calculation is still cast in a negative light by press articles in the UK, which underline that the government at the time agreed to a 7% cut in the rebate but seldom provide details on the broader context of the agreement.[20] The 2014 Own Resources Decision provides another example of how politically sensitive the issue can be: the European Council meeting of June 2013 is reported to have devoted much time to offsetting the rather modest change in the size of the rebate that some aspects of the reform of agriculture spending could have triggered.[21]

An inter-institutional **High-Level Group (HLG) on own resources**, chaired by Mario Monti, is currently tasked with a review of the EU's financing system. In its first report,[22] while observing that some stakeholders do not see any major reasons to change the current way of financing the EU budget, the HLG set out the main weaknesses of the system as perceived by others. The wide range of correction mechanisms (together with the configuration of the current VAT-based resource) is again mentioned as one major cause of **complexity** and **lack of transparency**. In addition, another section of the report points to the fact that stakeholders may take into account more than just net budgetary balances when assessing the equity of the financing system. In particular, when national contributions are expressed as percentages of national GNI (see Figure 1), one effect of the current correction mechanisms is that the financing system can be seen as **regressive** overall, meaning that less affluent Member States do not contribute proportionally less to the EU budget. This possible consequence of the mechanisms may be seen to contradict the Fontainebleau principles themselves, which linked the concept of excessive budgetary burden to that of a country's relative prosperity.

Figure 1 – GNI per capita vs national contributions in % GNI, 2013



Data source: HLG on own resources, 2014.

Some analysts[23] consider the UK rebate a stumbling block to reform of the revenue side of the EU budget. For example, the VAT-based resource is often seen as a source of administrative burden with a weak link to actual VAT proceeds and no real added value for the financing system of the EU. However, proposals to eliminate the current VAT-based resource have not been successful so far, and the fact that it is an essential element in the calculation of the UK rebate is seen as an obstacle to reform in this direction.

Other commentators say that the UK rebate could hinder reform not only of the revenue but also of the expenditure side of the EU budget, despite the fact that its existence is thought to create pressure for reform of EU spending. According to one such analysis,[24] budgetary negotiations are overly focused on reducing net balances and protecting the rebate, rather than on defining the Union's spending priorities. To promote thorough reform of the EU budget, the author called for a generalised correction mechanism that treats all Member States equally, rather than singling out the UK position as unique.

Budgetary balances, a controversial concept

Budgetary balances measure the difference between contributions to, and receipts from, the EU budget for each Member State. Apparently simple, the concept is highly controversial. Estimates of Member States' budgetary balances are necessarily based on assumptions, including of which items should be considered when calculating revenues and payments. According to the Commission, 'combining only the two or three most important assumptions ... produces no fewer than 30 to 40 perfectly defensible definitions of budgetary balances',[25] each of them giving different results – sometimes significantly so for smaller Member States. In many cases, it is difficult to identify which Member State is the final beneficiary of given funds. One example is cohesion policy, where spending is allocated to a given Member State, but contracts implementing related projects are also awarded to companies from other Member States, which thus benefit indirectly from the same expenditure. Some analyses[26] add that the concept is questionable from an economic standpoint. As a pure accounting exercise, it results in a 'zero-sum game' in which one participant's gains are balanced by another participant's losses. This cannot reflect positive spill-over effects of EU policies. On the contrary, they say, European integration would be better seen as a 'positive-sum game' from which all participants benefit thanks to achievements such as the internal market. While the Commission publishes operating budgetary balances (see annex), it emphasises that this is an accounting allocation which does not provide an exhaustive picture. Nonetheless, on the basis of these balances, Member States are often classified in the context of budgetary negotiations as net contributors and net recipients.

Past reform proposals

In 2004 and again in 2011, the European Commission tabled proposals for reform of the own resources system.[27] Both proposals included a significant overhaul of corrections, by eliminating all existing ad hoc mechanisms and introducing new provisions, to correct excessive negative budgetary balances, more in line with the **principle of equal treatment**. The aim was to address the above-mentioned concerns about complexity, opacity and lack of fairness that surround the existing correction mechanisms.

The scheme proposed in **2004** focused on a generalised correction mechanism accessible to any Member State. An excessive budgetary balance was defined as a net contribution exceeding 0.35% of a Member State's GNI. Any Member State with a net contribution over this threshold would have received a reimbursement equal to 66% of the amount over the threshold. All Member States, including those benefiting from corrections, would have financed the mechanism. The total annual amount of the generalised correction mechanism would have been capped at €7.5 billion. According to the Commission's calculations, the UK would have been by far the largest beneficiary of the generalised correction mechanism.

The **2011** proposal set out a simpler system of lump-sum reductions to the GNI-based contributions, which would have been agreed and granted ex ante to Member States confronted with an excessive budgetary burden for the 2014-2020 period. According to the Commission, four Member States would have been entitled to annual lump-sum reductions: Germany (€2.5 billion), the Netherlands (€1.05 billion), Sweden (€0.35 billion) and the United Kingdom (€3.6 billion). The total annual amount of the corrections would have been €7.5 billion, as in the 2004 proposal. The Commission also proposed that the 'hidden correction' in respect of collection costs on traditional own resources (see above) be eliminated and the relevant share returned to 10% from 25%.

In both cases, the Member States – whose unanimity is required to change the financing system of the EU – could agree only on limited changes to the system, including its existing correction mechanisms. In particular, as regards the latter, the 2004 proposal eventually resulted in an agreement on a new method for calculating the UK rebate, designed to ensure the UK contributed its share in financing the enlargements that it had strongly advocated (see above). The 2011 proposal has resulted in a forthcoming reduction of the collection costs on traditional own resources from 25% to 20%.

Annex

Operating budgetary balances, 2009-14
(i.e. excluding administrative expenditure and traditional own resources, and including UK correction)

	2009		2010		2011		2012		2013		2014	
	€ million	%GNI	€ million	%GNI	€ million	%GNI	€ million	%GNI	€ million	%GNI	€ million	%GNI
BE	-1 663.9	-0.48%	-1 466.4	-0.39%	-1 369.6	-0.36%	-1 493.7	-0.38%	-1 541.1	-0.39%	-1 478.1	-0.37%
BG	624.2	1.77%	895.5	2.50%	725.4	1.88%	1 329.7	3.32%	1 529.0	3.80%	1 824.3	4.45%
CZ	1 702.5	1.23%	2 079.3	1.44%	1 455.2	0.96%	3 045.2	2.02%	3 401.1	2.33%	3 004.2	2.08%
DK	-969.5	-0.42%	-615.3	-0.25%	-836.6	-0.33%	-1 126.0	-0.44%	-1 277.1	-0.49%	-836.0	-0.32%
DE	-6 357.5	-0.25%	-9 223.6	-0.35%	-9 002.5	-0.33%	-11 953.8	-0.42%	-13 824.8	-0.48%	-15 501.6	-0.52%
EE	573.0	4.18%	672.7	4.82%	350.4	2.25%	785.3	4.64%	771.4	4.22%	473.8	2.49%
IE	-47.5	-0.03%	803.9	0.58%	383.8	0.27%	670.6	0.47%	279.1	0.19%	38.8	0.02%
EL	3 121.0	1.35%	3 597.4	1.62%	4 622.6	2.29%	4 544.9	2.33%	5 340.7	2.93%	5 162.6	2.89%
ES	1 181.7	0.11%	4 100.9	0.38%	2 995.0	0.28%	3 999.0	0.38%	3 058.3	0.29%	1 090.6	0.10%
FR	-5 872.7	-0.30%	-5 534.8	-0.27%	-6 405.8	-0.30%	-8 297.5	-0.39%	-8 445.7	-0.39%	-7 164.5	-0.33%
HR	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	49.6	0.12%	173.4	0.42%
IT	-5 058.5	-0.32%	-4 534.0	-0.28%	-5 933.0	-0.36%	-5 058.1	-0.31%	-3 789.9	-0.24%	-4 467.0	-0.28%
CY	-2.3	-0.01%	10.6	0.06%	6.9	0.03%	-25.2	-0.13%	40.4	0.23%	114.8	0.69%
LV	501.5	2.49%	674.2	3.70%	731.3	3.62%	955.9	4.33%	801.2	3.46%	799.8	3.35%
LT	1 493.3	5.44%	1 358.4	4.94%	1 368.0	4.55%	1 514.0	4.69%	1 514.5	4.45%	1 543.2	4.38%
LU	-100.2	-0.42%	-41.9	-0.16%	-75.0	-0.27%	-79.5	-0.28%	-69.4	-0.24%	80.1	0.27%
HU	2 719.4	3.05%	2 748.4	2.95%	4 418.3	4.62%	3 280.4	3.47%	4 954.5	5.08%	5 681.6	5.64%
MT	8.6	0.15%	52.9	0.84%	67.0	1.00%	71.4	1.03%	88.0	1.21%	179.4	2.35%
NL	117.7	0.02%	-1 833.1	-0.29%	-2 214.0	-0.34%	-2 364.5	-0.36%	-2 675.1	-0.42%	-4 711.0	-0.71%
AT	-402.1	-0.14%	-677.0	-0.23%	-805.1	-0.26%	-1 073.3	-0.34%	-1 251.7	-0.39%	-1 240.6	-0.38%
PL	6 337.1	2.09%	8 427.5	2.43%	10 975.1	3.03%	11 997.2	3.24%	12 237.1	3.22%	13 748.1	3.47%
PT	2 150.7	1.27%	2 622.6	1.51%	2 983.7	1.73%	5 027.2	3.06%	4 416.7	2.63%	3 211.3	1.88%
RO	1 692.5	1.42%	1 245.2	0.99%	1 451.5	1.10%	2 031.6	1.55%	4 142.8	2.94%	4 519.9	3.09%
SI	241.9	0.68%	424.1	1.18%	490.1	1.34%	572.2	1.60%	429.2	1.20%	794.4	2.17%
SK	542.1	0.85%	1 349.6	2.06%	1 160.6	1.69%	1 597.0	2.26%	1 287.4	1.78%	1 010.1	1.37%
FI	-544.2	-0.30%	-300.2	-0.16%	-652.1	-0.33%	-658.8	-0.33%	-604.0	-0.30%	-809.0	-0.40%
SE	-85.6	-0.03%	-1 211.4	-0.32%	-1 325.4	-0.32%	-1 925.1	-0.44%	-2 220.7	-0.49%	-2 312.7	-0.52%
UK	-1 903.3	-0.11%	-5 625.9	-0.31%	-5 565.6	-0.30%	-7 366.1	-0.36%	-8 641.7	-0.43%	-4 929.8	-0.23%

Notes

* 'Operating budgetary balances' are calculated, for a given Member State, as the difference between allocated operating expenditure (i.e. excluding administration) and own resources payments (excluding traditional own resources).
* These payments are adjusted to sum up to total allocated operating expenditure (as for calculating the UK correction), so that operating budgetary balances add up to zero.
* Series as a percentage of GNI are calculated on the basis of GNI data, as published by DG ECFIN in its spring 2015 economic forecasts (GNI/ESA 2010).
* In 2009, the balances include the adjustments related to the implementation of the 2007 Own Resources Decision.
* In 2014, the balances are distorted by the fact that the 2014 Own Resources Decision has not yet entered into force.

Data source: European Commission (2014 Financial Report).

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Endnotes

[1] In the context of the Own Resources System financing the EU budget, the European Commission defines national contributions as the revenue stemming from two own resources of the EU, one based on countries' gross national income (GNI), the other based on value added tax (VAT).

[2] For an overview of the system, see 'How the EU budget is financed: The 'own resources' system and the debate on its reform', A. D'Alfonso, European Parliament, EPRS, 2014.

[3] The final figure for the UK national contribution also includes the impact of other adjustments, such as a much smaller reduction (€49.6 million in 2014) for Member States that do not take part in some EU activities in the area of justice and home affairs (for example, the UK does not participate in and does not finance the Internal Security Fund).

[4] Elements other than the UK rebate can have an impact (on a much smaller scale) on the difference between the UK's gross and final national contribution. The gross national contribution is calculated as follows: 1) for 1985, VAT-based own resource + reimbursable and non-reimbursable advances; 2) for 1986-1987, VAT-based own resource; 3) for 1988-2000, VAT-based own resource + GNP-based own resource; and 4) from 2001 onwards, VAT-based own resource + GNI based own resource.

[5] For the 2007 Own Resources Decision, see Council documents 9851/07 ADD 1 REV 1 and 9851/07 ADD 2. For the 2014 Decision, see COM(2014) 271, as endorsed by the Council (documents 9858/14 and 10243/14 ADD 1).

[6] 'The UK's EU Budget Contributions', report by the House of Commons Treasury Committee, HC 891, February 2015.

[7] Currently based on gross national income (GNI), this resource is now by far the main source of revenue for the EU, accounting for 68.7% of the total in 2014.

[8] With the exception of some categories of agriculture spending.

[9] This adjustment has been progressively phased in, with 20% of relevant expenditure in new Member States deducted in 2009, 70% in 2010 and 100% as of 2011. Furthermore, the total additional UK contribution resulting from this adjustment was capped at €10.5 billion (in 2004 prices) for 2007-2013.

[10] For the purpose of calculating the UK rebate, agricultural direct payments and market-related expenditure, as well as that part of rural development expenditure originating from the guarantee section of the European Agricultural Guidance and Guarantee Fund (EAGGF), are the only categories of expenditure in new Member States that are taken into account as part of total EU expenditure.

[11] To offset the change in the size of the rebate that would have been triggered by the disappearance of that spending category, Member States had to agree on shares of the European Agricultural Fund for Rural Development (EAFRD) theoretically originating from the EAGGF guarantee (see also endnote No 10). The only use of these notional percentages is the calculation of the rebate.

[12] Calculation and financing of the definitive amount of the correction of budgetary imbalances in favour of the United Kingdom for the year 2007 (2007 UK correction), Working document of the services of the European Commission, Ares(2011)1314374 of 6 December 2011.

[13] In addition, some Member States may enjoy some forms of compensation on the expenditure side of the budget.

[14] For example, see the European Commission's amended proposal for a Council Decision on the system of own resources of the European Union – COM(2011)739 – of 9 November 2011.

[15] EP resolution of 29 March 2007 on the future of the European Union's own resources (P6_TA(2007)0098) and EP legislative resolution of 16 April 2014 on the draft Council decision on the system of own resources of the European Union (P7_TA(2014)0432).

[16] EP resolution of 23 October 2012 in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 (P7_TA(2012)0360).

[17] ECA opinions No 4/2005, No 2/2006 and No 2/2012.

[18] 'Financing the European Union – Report on the operation of the own resources system', European Commission, 2004, and 'Financing the EU budget - Report on the operation of the own resources system', European Commission, 2011.

[19] The years following the creation of the UK rebate saw a significant increase in the resources assigned to cohesion policies with redistributive objectives clearly linked to relative prosperity. This was aimed at counterbalancing the impact of the completion of the single market on less developed Member States and regions, but can also be seen partly as an attempt to implement the first Fontainebleau principle (expenditure policy as the main tool to address budgetary imbalances), by reducing the share of the budget devoted to agriculture expenditure.

[20] See for example: 'Tony Blair helped to double Britain's EU payments', P. Dominiczak, *The Telegraph*, 30 October 2014.

[21] See 'EU Subsidies Lost: Cameron Hijacks Summit with Rebate Spat', C. Volkery, *Spiegel* Online, 28 June 2013, as well as endnote no 11.

[22] First assessment report, High-level Group on own resources, 2014.

[23] See for example: 'Britain outside Europe? Fewer EU concessions to UK post-Brexit', F. Zuleeg, European Policy Centre, 2014.

[24] 'A fair deal demands that Britain rethink the rebate', Q. Peel, *Financial Times*, 8 December 2005.

[25] 'Financing the European Union - Commission report on the operation of the own resources system', 1998.

[26] 'European Budget: the poisonous budget rebate debate', J. Le Cacheux, Notre Europe, 2005.

[27] See endnote no 18.

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