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Executive summary

English version:

The debate on the future financing of the European Union (EU) has gained urgency against the background of rising expenditure needs related to the green and digital transitions, defence, and competitiveness. To help finance an expanded EU budget for the 2028-2034 period – including the servicing of debt incurred under the Covid-19 recovery fund – the European Commission has proposed a new package of own resources. This study argues that the discussion on EU revenues should not be treated merely as a technical budgetary issue, but as a broader political and economic question linked to the future of European integration. An even stronger reliance on national contributions to the EU budget – which draw heavily on wage income and consumption taxes – risks undermining public support and reinforcing narrow debates on 'who pays and receives how much' from the EU budget (national net balances), thereby limiting the EU's capacity for collective action.

We evaluate both the Commission's proposed own resources and a range of alternative options using criteria related to their European dimension, distributional implications, the ability to address negative externalities, and revenue potential. The analysis shows that several alternative instruments – including financial transaction taxes, European-level digital or corporate taxation, bank levies, aviation-related taxes, and taxes on ultra-high-net-worth individuals (UHNWIs) – could generate revenues while simultaneously addressing various challenges, such as tax avoidance, financial instability, climate change, and rising inequality. Taxes on highly mobile tax bases appear especially suitable for EU-level implementation, as national approaches are often less effective due to tax competition and cross-border mobility. From a fiscal and political perspective, a key question is not only whether a given tax already exists (partly) at the national level in some EU member states, but whether European coordination could increase the effectiveness and stability of taxation relative to fragmented national approaches. Even where certain taxes already exist nationally, EU-level coordination could strengthen overall revenue capacity by reducing tax competition, regulatory fragmentation, and opportunities for cross-border tax avoidance. At the same time, the design of additional EU own resources matters for political feasibility, as it should strengthen the EU's fiscal capacity without markedly weakening national revenue potential in a context of elevated fiscal consolidation pressures in many member states. Some proposals – such as taxes on UHNWIs or crypto asset transactions – may be particularly attractive from a fiscal perspective because they currently do not exist at the national level and could therefore strengthen EU revenues without directly reducing national tax revenues. Relying on a broader mix of own resources could help distribute the financing burden more evenly across member states and economic sectors, which could help facilitate political compromise.

Agreement on additional own resources will be essential if the proposed expansion of the EU budget is to remain financially and politically sustainable. Ultimately, decisions on EU own resources are closely linked to broader questions concerning the distribution of the financing burden across households, sectors, and corporations as well as to the future direction of European integration. In this context, the experience of NextGenerationEU has also reopened debates about the possible future role of common EU borrowing as

a mechanism for financing European public goods and strategic investment. A stronger and more autonomous system of EU revenues, complemented by common EU borrowing for strategic investment purposes, could support the financing of European public goods and further strengthen the EU's fiscal capacity as well as its ability to act in an increasingly difficult geopolitical and economic environment.

Deutsche Version:

Die Debatte über die künftige Finanzierung der Europäischen Union hat vor dem Hintergrund steigender öffentlicher Ausgabenanforderungen im Zusammenhang mit Herausforderungen rund um Klimaschutz, Digitalisierung, öffentliche Sicherheit und Wettbewerbsfähigkeit an Dringlichkeit gewonnen. Um einen erweiterten EU-Haushalt für den Zeitraum 2028–2034 zu finanzieren – einschließlich der Bedienung der im Rahmen des Covid-19-Aufbaufonds aufgenommenen Schulden – hat die Europäische Kommission ein neues Paket an Eigenmitteln vorgeschlagen. In dieser Studie argumentieren wir, dass die Debatte über die EU-Einnahmenseite nicht lediglich als technische Haushaltsfrage betrachtet werden sollte, sondern als eine umfassendere politische und wirtschaftliche Frage, die auch mit der Zukunft der europäischen Integration verbunden ist. Eine noch stärkere Abhängigkeit von nationalen Beiträgen, die sich stark auf Steuern und Abgaben auf Arbeitseinkommen und Konsum stützen, droht die Zustimmung in der Bevölkerung zu untergraben. Zudem birgt sie die Gefahr, dass sich die Debatte auf die Frage „Welcher Mitgliedstaat zahlt wie viel in den EU-Haushalt ein und wer erhält wie viel zurück?" verengt, was die Fähigkeit der EU zum kollektiven Handeln einschränken würde.

Wir bewerten sowohl die von der Kommission vorgeschlagenen Eigenmittel als auch eine Reihe alternativer Optionen anhand von Kriterien, die sich auf ihre europäische Dimension, ihre Verteilungsauswirkungen, ihre Eignung zur Bewältigung negativer externer Effekte und ihr Einnahmenpotenzial beziehen. Die Analyse zeigt, dass verschiedene alternative Instrumente – darunter Finanztransaktionssteuern, eine auf europäischer Ebene erhobene Digital- oder Unternehmenssteuer, Bankenabgaben, Steuern im Luftverkehrsbereich sowie Steuern für sehr vermögende Privatpersonen – Einnahmen generieren und gleichzeitig Herausforderungen wie Steuervermeidung, finanzielle Instabilität, Klimawandel und zunehmende Ungleichheit adressieren könnten. Steuern auf besonders mobile Steuerbemessungsgrundlagen scheinen sich besonders für eine Umsetzung auf EU-Ebene zu eignen, da nationale Ansätze aufgrund von Steuerwettbewerb und grenzüberschreitender Mobilität oft weniger wirksam sind. Aus fiskalischer und politischer Perspektive ist eine zentrale Frage daher nicht nur, ob eine bestimmte Steuer bereits (teilweise) auf nationaler Ebene in einigen EU-Mitgliedstaaten existiert, sondern ob europäische Koordinierung die Effektivität und Stabilität der Besteuerung im Vergleich zu fragmentierten nationalen Ansätzen erhöht. Selbst dort, wo bestimmte Steuern bereits auf nationaler Ebene bestehen, kann eine Umsetzung auf EU-Ebene die gesamte Einnahmekapazität stärken, indem sie Steuerwettbewerb, regulatorische Fragmentierung und Möglichkeiten grenzüberschreitender Steuervermeidung verringert. Gleichzeitig dürfte die Ausgestaltung zusätzlicher EU-Eigenmittel für ihre politische Umsetzbarkeit von Bedeutung sein, da sie die fiskalische Kapazität der EU stärken sollte, ohne das nationale Einnahmenpotenzial in einem Umfeld erhöhten Budgetkonsolidierungsdrucks in vielen Mitgliedstaaten deutlich zu schwächen. Einige Vorschläge – etwa Steuern auf ultra-hohe Vermögen oder Transaktionen von Krypto-Assets – könnten aus fiskalischer Perspektive besonders attraktiv sein, da sie derzeit auf nationaler Ebene nicht existieren und daher die EU-Einnahmen stärken könnten, ohne bestehende nationale Steuereinnahmen direkt zu verringern. Der

Rückgriff auf einen breiteren Mix an Eigenmitteln könnte dazu beitragen, die Finanzierungslast gleichmäßiger auf die Mitgliedstaaten und Wirtschaftssektoren zu verteilen, was politische Kompromisse erleichtern könnte.

Eine Einigung über zusätzliche Eigenmittel ist unerlässlich, wenn die vorgeschlagene Aufstockung des EU-Haushalts finanziell und politisch tragfähig sein soll. Letztendlich hängen Entscheidungen über die Eigenmittel der EU eng mit weiterreichenden Fragen zusammen, die die Verteilung der Finanzierungslast zwischen Haushalten und Unternehmen sowie die künftige Ausrichtung der europäischen Integration betreffen. In diesem Zusammenhang hat die Erfahrung mit NextGenerationEU auch die Debatte über die mögliche künftige Rolle gemeinsamer EU-Anleihen als Mechanismus zur Finanzierung europäischer öffentlicher Güter und strategischer Investitionen neu entfacht. Ein stärkeres und autonomeres System der EU-Einnahmen, ergänzt durch gemeinsame EU-Anleihen für strategische Investitionszwecke, könnte die Finanzierung europäischer öffentlicher Güter unterstützen und die fiskalische Kapazität der EU sowie ihre Handlungsfähigkeit in einem zunehmend schwierigen geopolitischen und wirtschaftlichen Umfeld weiter stärken.

Keywords: EU budget, own resources, financing, Multiannual Financial Framework.

JEL classification: H20, H23, H60

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The future financing of the European Union: An analysis of options for new own resources in the EU budget 2028-2034

1. INTRODUCTION

The debate on the future financing of the European Union (EU) is at a critical juncture. As repayments and interest obligations stemming from the NextGenerationEU programme – established to support recovery from the COVID-19 crisis – come due, alongside rising expenditure needs in areas such as industrial competitiveness, European security, and the green and digital transitions, the EU budget – known as the Multiannual Financial Framework (MFF)[1] – is coming under increasing strain. Reflecting these pressures, the European Commission has proposed a substantially larger MFF for the 2028-2034 period, amounting to almost EUR 2 trillion, or around 1.26% of EU gross national income (GNI), compared with roughly 1.1% under the current framework. To help finance this expanded budget – including the servicing of NextGenerationEU debt – the Commission estimates that new and adjusted EU own resources should generate EUR 58.2 billion annually (EC 2025c). To date, however, the EU budget has mainly relied on contributions from member states based on GNI, supplemented by resources based on value-added tax (VAT) as well as customs duties (where the latter is part of the so-called traditional own resources; see Figure 1). This structure has long been criticised for reinforcing a narrow focus on national net balances, reducing political debate to the question of 'who pays and receives how much' and thereby constraining the scope for collective European decision making (Bachtrögler-Unger et al., 2020). A stronger system of genuine EU own resources could help reorient this debate, shifting attention away from national contributions towards the financing of European public goods and common policy priorities.

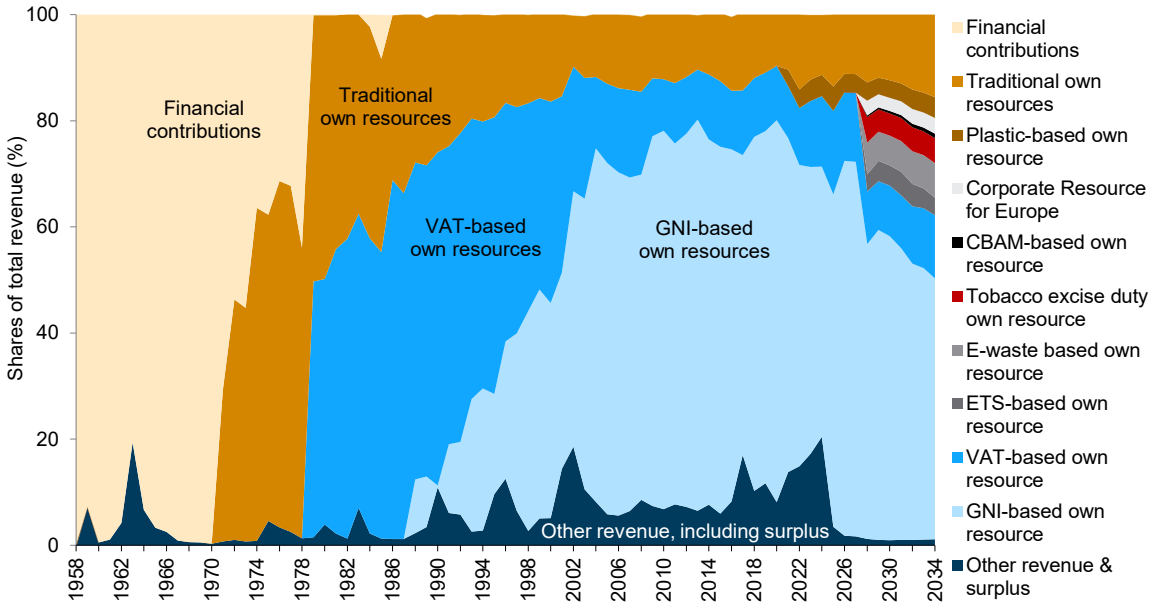
Despite these potential benefits, public and political discussions around the next EU budget have so far focused predominantly on the expenditure side, particularly on proposed shifts towards increased spending on defence, competitiveness, innovation, and migration management, alongside a relative deprioritisation of traditional areas, such as cohesion policy and agriculture. The revenue side has received comparatively limited attention in the public debate, not least because it raises sensitive questions about the future of the EU and its financing.

The European Commission has put forward a new package of own resources to help finance the 2028-2034 MFF, with a projected volume of EUR 1.98 trillion (around 1.26% of EU GNI). The proposal (EC 2025a, 2025b) includes revenues from the Emissions Trading System (ETS), revenues from the Carbon Border Adjustment Mechanism (CBAM), a levy on non-collected electronic waste, a European tobacco tax (TEDOR), and a new corporate-based contribution known as the Corporate Resource for Europe (CORE). In combination with adjustments to existing resources – such as lowering the share of customs duties retained by member states (from 25% to 10%) and increasing the plastic levy (from EUR 0.8 to EUR 1.0 per kilogram, followed by annual inflation adjustments) – these measures are expected to yield

[1] In this study, we will use the terms 'EU budget' and 'MFF' interchangeably.

EUR 58.2 billion per year (EC 2025c). While this package marks a step towards a more diversified and autonomous EU revenue base, it has also triggered political resistance.

Figure 1 / Financing of the EU budget



Note: Traditional own resources include customs duties and sugar levies. Financial contributions during the establishment of the European Community were paid by member states according to fixed shares. Revenue shares of the proposed new own resources for the 2028-2034 period are projections based on European Commission estimates.
Source: Schratzenstaller (2026).[2]

Building on these developments, this study calls for a broader paradigm shift on the revenue side of the EU budget, accompanied by a more substantive and forward-looking debate on its design and objectives. Rather than treating own resources as a purely technical instrument of budgetary financing, the issue should be reframed as a fundamentally political and economic question – one that touches upon efficiency, distribution, and the future of European integration. The current system, with its overly strong reliance on national contributions from member states, tends to obscure underlying distributional imbalances. In practice, labour income often bears a disproportionate share of the burden – primarily because the EU budget is largely financed through GNI- and VAT-based contributions, both of which draw heavily on wage income and consumption, while corporate taxation remains predominantly national and more easily subject to avoidance (e.g. Johannson et al., 2017; Schratzenstaller, 2026). In particular, taxes on labour accounted for 52% of total tax revenue in the EU in 2024 (EC, 2026c), whereas taxes on capital and property accounted for only 5% and 2%, respectively (EC, 2026e, 2026f). Taxes on consumption account for another 27% (EC, 2026d), of which the majority is paid out of labour income given that the share of labour income in GDP in the EU was 57% in 2024 (ILO, 2026) and the propensity to consume out of wage income is higher than the propensity to consume out of profit

[2] Unpublished data provided by Schratzenstaller and Sutrich based on Schratzenstaller (2026).

income.[3] [4] Certain economic players – most notably large multinational corporations (MNCs) and some subsidy-receiving industries – tend to benefit disproportionately from the current system. Addressing existing imbalances will require policy innovation and a willingness to forge political compromises in pursuit of a stronger and more cohesive EU.

A major obstacle to such reform is the persistent claim that EU-level taxes are administratively burdensome and economically distortive. Yet this critique frequently neglects a key point, namely, that many of the own resources currently proposed or discussed target tax bases that are inherently cross-border or difficult to capture at the national level. As such, they are particularly well suited for EU-level implementation. This applies not only to carbon pricing instruments (e.g. the ETS and CBAM), but also to taxation in the digital and financial sectors, where fragmented national approaches have proven rather ineffective. The failure to establish a comprehensive digital services tax (DST) reflects less a lack of viable policy design than persistent political constraints. In particular, unanimity requirements in EU tax policy have enabled a small number of EU member states – often those benefiting from existing tax models or hosting large digital firms – to block agreement. At the same time, concerns about potential trade retaliation – especially from the United States, where many major digital companies are headquartered – have further reduced the willingness to proceed at the EU level. Together, these factors underscore the limits of unilateral or fragmented approaches and highlight the need for more coordinated European solutions, not least to strengthen the EU's negotiation position vis-à-vis global partners and competitors.

Beyond the Commission's current proposals, a range of alternative or complementary own resources deserves consideration. A financial transaction tax (FTT), for instance, could both generate substantial revenues and curb destabilising speculative trading. Similarly, a kerosene or aviation emissions tax would address both environmental externalities and distributional concerns in a sector that remains relatively undertaxed. A coordinated European bank levy could capture rents arising from implicit public guarantees and help recoup the fiscal costs associated with financial crises. In addition, proposals to tax ultra-high-net-worth individuals (UHNWIs) highlight the potential of EU-coordinated instruments to address rising wealth inequality, curb tax avoidance, and generate substantial revenues for the EU budget.

Ultimately, the introduction of new EU own resources is not merely a technical response to growing budgetary pressures. Rather, it constitutes an opportunity to rethink the foundations of future EU financing in line with principles of economic efficiency, distributional fairness, and European coordination. By shifting the focus from national contributions to (new) own revenue sources, the EU may move beyond zero-sum logics and strengthen its capacity for collective action. This study seeks to contribute to this debate by assessing both the European Commission's proposals and a set of alternative reform options, with particular attention being given to their economic rationale, distributional effects, and EU integration implications.

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[3] The average propensity to consume in the EU in the bottom four income quintiles (in ascending order) were estimated to be 130% (individuals spending more than their income), 90%, 80%, and 71% for 2020, respectively, while it was only 56% in the top income quintile (Eurostat, 2026).

[4] In Austria, taxes on labour accounted for 56% of total tax revenue in 2024 and taxes on consumption for 26%, while taxes on capital and property contributed 2% and less than 1%, respectively (EC, 2026c, 2026d, 2026e, 2026f). With a labour income share of 62% in 2024 (ILO, 2026), the average propensities to consume from the bottom to the top income quintile were estimated at 130%, 98%, 85%, 76%, and 59%, respectively, for 2020 (Eurostat, 2026).

2. EUROPEAN COMMISSION PROPOSALS ON OWN RESOURCES

An important element in the MFF proposed by the European Commission for the 2028-2034 period is the repayment of NextGenerationEU debt, which totals EUR 168 billion over the entire period (8% of the total budget), corresponding to EUR 24 billion per year (EC, 2025h). A major proposed change compared to the current EU budget is that resources for defence- and space-related activities in the European Competitiveness Fund (ECF) are supposed to be raised by a factor of five to a total of EUR 131 billion (corresponding to EUR 19 billion annually; EC, 2025g). Furthermore, the new budget includes more funds for competitiveness and migration management.

To finance these additional expenditures, the European Commission has come up with a proposal for adjustments to current and new own resources estimated to provide EUR 58.2 billion annually. In what follows, we provide a discussion of the proposed new own resources.

2.1. Emissions Trading System (ETS)

The Commission proposes to redirect 30% of the revenues from the proceeds of sales in the ETS, which are currently going into national budgets, into the EU budget (EC, 2025a). This measure can be justified on the grounds that it is a system that originates and is coordinated at the European level; accordingly, the proceedings constitute a genuine European matter. As such, it may even be justified to raise this rate in the future.

The European Commission expects revenues of EUR 9.6 billion per year (EC, 2025c). In 2023 and 2024, total ETS revenues were EUR 33 billion and EUR 24.4 billion, respectively, of which a share of 30% would have corresponded to EUR 9.9 billion and EUR 7.3 billion, respectively (EEA, 2025). The sharp decline in member states' revenues in 2024, after being on an increasing trend the years before, was due to an 18% decline in the average price of allowances in 2024 (EUR 64.8/tCO_2e) and a larger share of revenues redirected to EU funds (EEA, 2025). Hence, for the additional revenues to reach the estimated EUR 9.6 billion, a recovery of ETS prices would be required.

2.2. Carbon Border Adjustment Mechanism (CBAM)

The second proposal the Commission put forward is to direct 75% of CBAM revenues into the EU budget (EC, 2025a). Under CBAM, foreign firms that export certain carbon-intensive goods (e.g. iron/steel, cement, aluminium, fertilisers, hydrogen, and electricity) into the EU have to pay a price for these embedded emissions in order to avoid giving a competitive advantage to firms from countries with less stringent regulation. The price that has to be paid is equal to the EU carbon price net of the carbon price that was already paid in the country of origin. The European Commission estimates that this own resource would create a yearly inflow of EUR 1.4 billion (EC, 2025c). These estimates are derived using the Commission's JRC-GEM-E3 model, which is a computable general equilibrium (CGE) model. In contrast, using an input-output model, Dechezleprêtre et al. (2025) estimate a much larger total CBAM revenue of EUR 14.7 billion. One of the reasons for this higher estimate is that their calculation assumes that total trade flows remain the same under CBAM. However, given the European Commission's better access to information and their more conservative modelling assumptions, its estimate is arguably a more realistic indicator of the revenue potential.

2.3. Levy on uncollected electronic waste

As a third new income source, the Commission suggests a levy on uncollected electronic waste of EUR 2 per kilogram (EC, 2025a), which it estimates to yield EUR 15 billion per year (EC, 2025c). According to the European Parliament (2026), the total amount of electrical and electronic equipment entering the EU market was 13.5 million tonnes in 2021 (from only 7.6 million tonnes in 2012). Total collected equipment in that year amounted to 4.9 million tonnes (from 3.0 million tonnes). Taking the gap between those two numbers (8.6 million tonnes) as a proxy for uncollected waste and applying the proposed levy provides an estimated revenue of EUR 17.2 billion, which is roughly in line with the Commission's estimate.

2.4. Tobacco Excise Duty Own Resource (TEDOR)

As a fourth proposal, the Commission put forward a European tobacco tax – known as the Tobacco Excise Duty Own Resource (TEDOR) – in the form of a 15% call rate on tobacco products (EC, 2025a), which is estimated to raise EUR 11.2 billion per year (EC, 2025d).[5] These contributions would reduce available national budgets unless countries decide to raise national taxes accordingly.

2.5. Corporate Resource for Europe (CORE)

Finally, the Commission proposes a one-time annual contribution – known as the Corporate Resource for Europe (CORE) – from companies operating and selling in the EU with a net annual turnover exceeding EUR 100 million. Using Moody's ORBIS corporate data (EC, 2025e), the contribution is estimated to yield EUR 6.8 billion in revenue per year.

The advantage of taxing turnovers instead of profits is that turnover is less volatile (which makes the tax revenue more predictable) and cannot be shifted as easily as profits (Darvas et al., 2025a). However, two aspects of the proposal are subject to criticism (Darvas et al., 2025a). The first objection concerns the fact that it will also have to be paid by firms that are making losses because it is based on turnover rather than profits. While this is certainly true, one can use the counterargument that this is also the case for many other well-established taxes (e.g. environmental taxes, property taxes, employer contributions). Hence, if one challenges the proposal on these grounds, one would also have to rethink a whole set of other taxes, levies, and contributions already in place.

The second objection concerns the fact that firms in the same broad turnover bracket pay the same lump sum amount.[6] This means that firms with larger turnovers within the same bracket pay a lower effective tax rate on their turnover (Darvas et al., 2025a). Hence, this constitutes a regressive element, although it naturally also includes a progressive element in the sense that firms with a turnover lower than EUR 100 million are exempt from the tax. However, more firms will become subject to the tax over time, as no plan for inflation adjustment of the tax brackets has been included (Schratzenstaller, 2026).

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5 The Austrian revenue contribution is estimated at EUR 318.9 million per year (in 2025 prices; EC, 2025d).

6 The proposed annual contributions are EUR 100,000 for firms with net annual turnover of between EUR 100 million and EUR 249 million, EUR 250,000 for those with net annual turnover of between EUR 250 million and EUR 499 million, EUR 500,000 for those with net annual turnover of between EUR 500 million and EUR 749 million, and EUR 750,000 for those with net annual turnover of EUR 750 million or more.

3. ALTERNATIVE OPTIONS FOR OWN RESOURCES

The proposals put forward by the European Commission have sparked political debate at both the European and national levels. However, at the time of writing, no consensus on new EU own resources appears to be in sight. To broaden the debate, we therefore discuss alternative options for own resources.

3.1. Financial transactions tax (FTT)

A financial transactions tax was already proposed by John Maynard Keynes (1936) to reduce speculative behaviour in the financial market and by James Tobin (1978) to reduce excessive swings in the foreign exchange market. The actual empirical evidence on whether such a tax reduces volatility in financial markets is mixed; while some studies find that it reduces volatility, others find that it has an increasing or zero effect (for a discussion, see Pekanov & Schratzenstaller, 2025).

One of the main arguments in favour of an FTT is that it reduces high frequency trading and the destabilising effect that comes with it. Coelho (2016) finds that the introduction of such taxes in France and Italy actually did reduce high frequency trading significantly. Since financial sector volatility caused by speculative behaviour can have feedback effects on the real economy, an FTT can also be viewed as a Pigouvian tax, as it prices the external effects linked to speculative behaviour (Pekanov & Schratzenstaller, 2018). Another argument in its favour is that it can compensate for the under-taxation of the financial sector, which is exempted from VAT (Cannas et al., 2014).

In the aftermath of the global financial crisis of 2008/2009, the European Commission (EC, 2011) proposed a European FTT including a 0.1% tax on bond and stock transactions and a 0.01% tax on exchange derivatives (i.e. options and futures on stocks and bonds), with the revenue to be used as an own resource. The revenue was estimated to be EUR 57 billion annually, corresponding to 0.44% of EU GDP.[7] Note that, at the time, this estimate included the UK (which was still a member state), but not Croatia (which only joined the EU in 2013). After an agreement could not be reached, the Commission (EC, 2013) put forward a revised proposal to be implemented under enhanced cooperation within only a subset of 11 member countries (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia, and Spain), which was estimated to yield between EUR 30 billion and EUR 35 billion annually. This was equivalent to between 0.34% and 0.4% of the GDP of these member states.

After negotiations failed to reach an agreement, Estonia decided to leave the coalition at the end of 2015 (Pekanov & Schratzenstaller, 2019). Since then, two studies have estimated the revenues for an FTT introduced in the remaining 10 countries. Nerudová et al (2017) come up with an estimate of EUR 4.1 billion to EUR 15.1 billion (0.04% to 0.16% of the GDP of these countries),[8] while Pekanov and Schratzenstaller (2018) arrived at an estimate of between EUR 7.7 billion and EUR 14.5 billion (0.08% to 0.15% of the GDP of these countries). The fact that these estimates are significantly lower than the

[7] Ratio based on nominal GDP (in EUR) of current EU member states in 2010, plus the GDP of the United Kingdom (member at the time) and minus the GDP of Croatia (not a member at the time) (Source: Eurostat).

[8] They also report the results of a static scenario, which leaves out all considerations related to tax evasion and demand elasticities, resulting in a revenue of EUR 32.8 billion. We do not include this scenario because it clearly overestimates potential revenues.

previous Commission estimates is due to a lower number of member countries involved as well as to several exceptions added during the negotiation process (see Pekanov & Schratzenstaller, 2018).[9]

In 2019, the German finance minister started another initiative, which was also based on enhanced cooperation between a subset of member states and included only a 0.02% tax on transactions involving listed shares of companies with a market capitalisation exceeding EUR 1 billion (Schratzenstaller et al., 2022). An EU-wide FTT was also among the options discussed for new own resources in 2020 (European Parliament, 2020).

Currently, several EU member and non-member states have some kind of tax on financial transactions, ranging from taxes on purchasing securities to taxes on some high-frequency trading activities (for an overview, see Pekanov & Schratzenstaller, 2025, Table 1).

3.2. Digital service tax (DST)

Firms providing digital services make a lot of their money by analysing user data and employing their knowledge about user preferences for targeted advertising. However, since they can provide services to their users with very little or no physical presence in the respective country (unlike traditional businesses), the contribution of the users to the companies' profits are not taxed in the originating country.

To tackle this issue, the European Commission came forward with two proposals (EC, 2018a). The first proposal was meant to present a permanent solution to tax the profits of digital companies. It suggested giving member countries the right to tax the profit of a company that is generated in their territory if one of the following three conditions is met: (1) revenues from digital services in that member state exceed EUR 7 million; (2) the company has more than 100,000 users in that member state who access its digital services in a taxable year; or (3) over 3,000 business contracts for digital services between the company and business users are created in that member state in a taxable year.

The second proposal (EC, 2018b) consisted of a preliminary solution for taxing digital companies that was supposed to create tax revenues immediately until an agreement on a permanent solution was reached (EC, 2018a). This was supposed to be accomplished with a DST of 3% on the revenues of companies with total annual revenues of EUR 750 million or more and EU revenues of EUR 50 million or more (EC, 2018b).

However, the initiative was put on hold while countries were trying to reach an international agreement under the OECD Pillar One framework (Thomadakis, 2025). In July 2020, it was agreed that if the OECD negotiations failed, the EU would introduce its own tax on digital companies as own resource. An agreement at the OECD level was finally reached in 2021, and the Commission proposed that 15% of the revenue from the Pillar One framework would constitute an EU own resource (Saint-Amans, 2024). However, Pillar One was never implemented because the US opted not to ratify it, which left the EU

[9] For the estimated revenues of a global FTT, see Pekanov and Schratzenstaller (2019). An earlier study on a global tax can also be found in Schulmeister et al. (2008). In a study for the US, Burman et al. (2016) find that an FTT of 0.34% would raise revenue equal to 0.4% of US GDP. They also conclude that 75% of the tax would be borne by the highest income quintile and 40% by the top 1%, making it a highly progressive tax. For a discussion of how to implement an FTT, see Brondolo (2011).

without a measure to tax profits arising from the provision of digital services by foreign (mostly US) companies.

Under Pillar One of the OECD framework, companies whose revenue exceeds EUR 20 billion and whose profitability exceeds 10% would have to reallocate 25% of the profit exceeding these 10% to other eligible tax jurisdictions. A jurisdiction would be eligible if the annual revenue generated there exceeds EUR 1 million (or EUR 250,000 if its GDP is below EUR 40 billion; see OECD, 2021a).

However, despite initial intentions, a European DST tax has yet to materialise. Instead, four EU countries have currently introduced some kind of national DST. These include Austria (5% on online advertising services), France (3% for suppliers of a digital interface and advertising services based on users' data as well as 1.2% on streaming music services), Italy (3% on online advertising services as well as suppliers of multisided digital interfaces and digital transmission services), and Spain (3% on online advertising services, online intermediary services, and data transmission services). Revenues amount to 0.02% of GDP across these countries. Moreover, several countries (i.e. Denmark, Poland, and Portugal) have introduced some kind of tax on audiovisual media services (see Thomadakis, 2025).

The European Commission estimated that its preferred option of a 3% DST would yield EUR 3.3 billion annually (EC, 2018c), which was equivalent to 0.02% of EU GDP.[10] Note that this preferred option did not include cloud services and digital media, which were said to be out of the scope of the Commission's proposal. A 5% tax rate would have resulted in an estimated EUR 5.5 billion annually (EC, 2018c), or 0.04% of GDP.[11] Thomadakis (2025) also provides estimates of the revenues of a DST, leaving out cloud services and digital media for the reason noted above. Their projections of a 3% tax sum up to EUR 16.3 billion for 2026 (0.08% of GDP), while a 5% tax is estimated to yield EUR 27.1 billion (0.14% of GDP).[12]

Most recently, the Commission has come up with another estimation of a 3% tax based on an extrapolation of the revenues of national taxes in France, and Italy, and Spain, coming up with a revenue estimate of EUR 5 billion annually (EC, 2026g). In contrast, the adaptation of Pillar One of the OECD framework (implying the removal of any other DSTs) would only yield EUR 2.3 billion per year (0.01% of GDP) for EU countries, according to Barake and Le Pouhaër (2025). Introducing a DST would help level the playing field between the digital service industries and traditional industries. According to the EC (2018c), the former faces an effective tax rate of only 9.5% compared to the 23.2% of traditional businesses.[13]

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[10] The original estimate is EUR 4.7 billion. However, at the time the UK was still an EU member state. The Commission states that '[w]ithout the UK all estimates would decrease by about 30%, but this high figure might be related to the underlying data being allocated to jurisdictions according to either where the company providing the service is located or where the revenue payment originates from' (EC, 2018c: 70). Reducing the estimate by 30% yields a revenue of EUR 3.3 billion.

[11] See the previous footnote. The originally reported estimate is EUR 7.8 billion.

[12] Note that nominal GDP for 2026 was projected by using European Commission forecasts (Spring 2025) for real GDP growth (1.5%) and inflation (2%; see EC, 2025f).

[13] Saint-Amans (2024) is critical of a European DST as a substitute for the OECD Pillar One framework because it taxes revenue instead of profits. He argues that taxing revenues would create issues of double taxation, that it would partly be borne by consumers, and that it would burden EU-US trade relations.

Realising a DST could be difficult in the current EU-US political climate, as a large proportion of the tax would be borne by US firms (Schratzenstaller, 2026; Darvas et al., 2025b). On the other hand, from a strategic point of view, such a tax could also be a valuable bargaining chip in negotiations with the US government. As a potential drawback, Schratzenstaller (2026) mentions that the tax could at least be partially passed on to consumers because it is levied on turnover.

Darvas et al. (2025b) argue that, due to the mentioned international political tensions, the required unanimous vote for the introduction of such a tax would be hard to reach. Hence, they propose as an alternative to put a tariff on digital services, as introducing new tariffs does not require a unanimous vote and would still create substantial revenues.[14]

3.3. Carbon-based flight ticket tax (CBFTT)

Compared to other industries, the aviation industry is quite undertaxed (Ghiran-Merveille & Schwarcz, 2026). This includes exemption from VAT and a limitation of the coverage of the ETS to flights within the European Economic Area (EEA).[15] The result is a market distortion, as other less emission-intensive transport industries (e.g. railroad transport) do not enjoy the same tax privileges (Keen et al., 2013). As a result, some EU countries have introduced taxes on airline tickets. However, these have very often proved controversial (and have, in some cases, been abolished) because consumers can avoid them by switching to airports in neighbouring countries (Krenek & Schratzenstaller, 2017).[16]

There are various possibilities to tax aviation activity, including a tax on flight bills, a tax on kerosine, and a tax on associated CO_2 emissions. The European Commission (2021) estimates that taxing kerosine at EUR 0.33 per litre would create revenues amounting to EUR 6.7 billion per year until 2050. However, a tax on flight bills does not include an incentive to the airline to reduce emissions per flight. A tax on kerosine would do that, but it could be avoided by refuelling in third countries. This means that one would have to rely on consumption-based estimates, which are insufficiently reliable, according to Krenek and Schratzenstaller (2017). This leaves a tax linked to CO_2 emissions as the preferred option. Krenek and Schratzenstaller (2017) estimate that levying a tax in the range of EUR 25 to EUR 35 (an estimate of the social costs of CO_2 emissions in 2014 prices) on each tonne of CO_2 emissions would increase the price of intra-EU flight tickets by between 3.5% and 4.9% and of intercontinental tickets by between 1.7% and 2.4%, resulting in an estimated revenue between EUR 3 billion and EUR 4.2 billion (or 0.03% to 0.04% of GDP, respectively, which already takes into account an associated dampening effect on ticket demand).[17]

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[14] However, Martens (2025) argues that imposing such a tariff would require detailed information on the location or nationalities of all interacting agents, which is difficult when the location would be determined based on an internet address that can be changed quickly.

[15] For a discussion see, Krenek and Schratzenstaller (2017). Flights outside the EU are currently covered by the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which requires airlines to buy carbon offsets once their emissions exceed a certain baseline. The effectiveness of this scheme is, however, contested (see Yan et al., 2025; Aydin, 2026). In July 2026, the Commission will decide whether it will undertake further action on this matter (EC, 2026a).

[16] For an overview of national aviation taxes, see also Bernardo et al. (2024). Countries with ticket taxes include Austria, Denmark, France, Germany, the Netherlands, and Portugal.

[17] Their originally reported estimate is EUR 3.9 billion to EUR 5.4 billion, but this estimate includes revenues for the UK (then an EU member state) of between EUR 0.9 billion and EUR 1.2 billion.

Since emissions resulting from international flights cannot be attributed to a single country, a CBFTT is a prime example of a tax that should be collected at the international level (Stehrer et al., 2020). Darvas et al. (2025b) also see aviation taxes as a politically feasible alternative own resource, as national precedents already exist.

3.4. Bank levy

One of the justifications for a bank levy or a tax on bank profits or revenues is that, similar to the financial transaction tax, banks are not subject to VAT, which makes them undertaxed relative to other industries. Another justification is that banks can impose great costs on governments when they have to be bailed out or otherwise assisted in times of economic distress.[18]

It was for this reason that, in the wake of the financial crisis of 2008/2009, many countries across the EU introduced bank levies designed to serve as financial stability contributions. These bank levies differed in terms of tax rates. In most cases, the tax base consists of the liability side of the balance sheet net of equity, with certain positions (e.g. insured deposits) usually excluded from the tax base or the tax including special rates for certain items. In some cases, the tax base could also consist of assets or minimum capital requirements. Revenues were mostly allocated to the central government budget, although they went into a financial stabilisation fund in some cases.[19]

Countries that established such financial stability contributions (with revenue numbers expressed as a percentage of 2020 GDP) included Austria (0.09%), Belgium (0.06%), Cyprus (0.24%), France (0.13%), Germany (0.07%), Greece (0.32%), Hungary (0.12%), the Netherlands (0.05%), Portugal (0.1%), Slovakia (0.16%), Slovenia (0.07%), Spain (0.04%), and Sweden (0.07%).[20] Note that, in some of these countries (i.e. Germany, Latvia, Slovakia, and Slovenia), national schemes were eventually abolished with the transition to the EU Single Resolution Mechanism (SRM), while a national levy still exists in parallel in other countries.

Furthermore, beginning in 2023, many countries introduced taxes on banks' revenues, profits, or excess profits – though very often only on a temporary basis – in an effort to strengthen national budgets (Maneely & Ratnovski, 2024; Pekanov & Schratzenstaller, 2025). Temporary taxes on profits have been introduced in Czechia (60% profit tax for three years; revenue: 0.19% of GDP), Estonia (20-22% for two years; revenue: 0.16% of GDP), Latvia (20% for one year; revenue: 0.36% of GDP), and Slovakia (30% for three years[21]; revenue: 0.28% of GDP). A temporary tax on net revenue has also been set up in Hungary (10%[22] for two to three years; revenue: 0.33% of GDP). Romania (2%[23]; revenue: 0.05% of GDP) has done so, as well, but this tax, unlike the others, is designed to be permanent.[24]

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18 Picek (2025), for example, reports that cumulative revenues of the bank levy introduced in Austria in 2011 still accounted for less than half the public expenditures for saving banks during the 2008/09 financial crisis (EUR 10.8 billion).

19 For a detailed discussion, see Pekanov and Schratzenstaller (2025). For more details on the specific bank levies, see Karpowicz et al (2022, table 2).

20 See Karpowicz et al. (2022) and own calculations based on Eurostat (2026).

21 Declining by 5 percentage points each year.

22 Declining to 8% in 2024. Thereafter, it turns into a progressive tax with a 30% top marginal rate.

23 Declining to 1% in 2026 and staying at that level.

24 See Maneely and Ratnovski (2024) as well as Pekanov and Schratzenstaller (2025).

Other countries have changed or amended their bank levies. In Belgium, the tax was raised to 0.17% on liabilities to customers, which was estimated to yield EUR 150 million annually. The Netherlands increased the rate to 0.06% on short-term bank liabilities and to 0.03% on long-term bank liabilities, with deposits and equities being excluded. Additional annual revenues were expected to be EUR 150 million. Slovenia established a 0.2% tax on bank assets, capped at 30% of pre-tax bank profits, which is expected to yield EUR 100 million per year (Maneely & Ratnovski, 2024). Austria raised its bank levy in 2025 as part of its multi-year fiscal consolidation strategy, including higher rates under the stability levy, which was expected to generate an extra EUR 300 million per year in 2025 and 2026 (BMF 2025).

The problem with taxes on excess profits is that it is difficult to define what constitutes excess profits. In addition, the revenue that is generated by them is much less stable compared to a levy on bank liabilities.[25] Both issues make them not an optimal candidate for an EU own resource. Among the bank levies, Karpowicz et al. (2022) report that those that take liabilities (adjusted for equity and, at times, ensured deposits) as a tax base have a lower revenue volatility compared to those using assets or risk-weighted assets, indicating that using liabilities as a tax base is probably the most favourable option.

Austria introduced a bank levy on total liabilities net of equity and insured deposits in 2011 (Pekanov & Schratzenstaller, 2025), with rates of 0.09% on the part of the tax base that exceeds EUR 1 billion and 0.11% on the amount exceeding EUR 20 billion (Budgetdienst, 2015). Initial revenues in 2011 amounted to EUR 510 billion (0.17% of GDP). The tax has been adjusted (i.e. reduced) over the years. In 2025, it was decided to apply a 0.033% rate on that part of the tax base exceeding EUR 300 million and a 0.041% rate on that part above EUR 20 billion as well as to temporarily increase these rates for 2025 and 2026, to 0.083% and 0.102%, respectively (Deloitte, 2026). Expected revenues for 2025 and 2026 are about EUR 500 million annually (0.1% of GDP) as well as EUR 200 million once the temporary increase expires (Budgetdienst, 2025).

Other countries that have introduced bank levies on bank liabilities include Belgium, Germany, the Netherlands, Portugal, Slovakia, and Sweden (for further details, see Karpowicz et al., 2022, Table 2). Average revenues during the 2012-2020 period ranged between 0.04% and 0.18% of GDP.

These national differences in tax rates and tax burdens create a lot of operational complexity and administrative burden, which poses an obstacle to further European market integration. A common European framework would represent an important integration step (Pekanov & Schratzenstaller, 2025).

3.5. Alternative corporate taxation models

Countries can take measures against tax evasion by imposing taxes on outbound payments. In the EU, countries can do so for external borders, but not for internal borders. This has led MNCs to avoid taxes by shifting their earnings to low-tax countries that have loosened or abandoned their external tax borders, from where the earnings can then be sent to external no-tax jurisdictions (Saint-Amans, 2024).

The adoption of Pillar Two of the OECD global minimum tax framework is likely to reduce these opportunities. The aim of Pillar Two is to make sure that MNCs pay a minimum tax rate of 15% on the

[25] See also Maneely and Ratnovski (2024), who argue that taxing bank stocks (e.g. liabilities) provides a more stable revenue than taxing flows (e.g. profits).

profits they earn in each jurisdiction they are operating in. When taxation in one jurisdiction is below 15%, the residual tax rate has to be paid as a top-up tax, which is to be claimed by the jurisdiction in which the parent company is located. Rules are only applied to corporations with consolidated revenues of EUR 750 million or more (OECD, 2021b).

This initial framework was amended in January 2026 after facing resistance from the US. The amendment introduces a 'side-by-side' system, which allows US companies to be subject to the US minimum tax. The key difference between the US and the OECD minimum tax is that the minimum tax rate is only 14% in the former and that MNCs only have to pay a top-up tax when their average tax rate across international jurisdictions is below 14% (whereas the OECD framework considers each jurisdiction individually). Hence, companies can avoid top-up taxes by averaging profits earned in low-tax countries with taxes paid in high-tax countries (Saint-Amans, 2026). Furthermore, it introduces a new substance-based tax incentive safe harbour (SBTI SH). While the minimum tax framework was designed to make tax breaks less attractive, a SBTI SH exempts non-refundable tax incentives that are strongly connected to economic substance from top-up taxation. This means that non-refundable tax breaks can be used to induce certain kinds of behaviour (e.g. investment) without resulting in top-up taxation for the company as long as its purpose qualifies under the agreement. The total amount that can be claimed under this category is limited to 5.5% of payroll costs or depreciation of tangible assets, or 1% of tangible assets (Dom, 2026).

Schratzenstaller (2026) argues in favour of an additional tax on corporate profits based on the initially proposed 'Business in Europe: Framework for Income Taxation' (BEFIT). BEFIT proposes common rules for computing corporate profits across member states (EC, 2023). Consolidated earnings of MNCs operating in the EU could then be subjected to a tax based on this framework. An alternative could be to put a surcharge on the taxes collected under Pillar Two of the OECD framework.

Darvas et al. (2025b) suggest imposing external tax borders to ensure that MNCs can no longer avoid income taxes by shifting their profits to low-tax countries (e.g. Ireland and Luxembourg), from where they can be transferred to third countries with no or minimal taxation.

3.6. Tax on centimillionaires (TOC)

Ultra-high-net-worth individuals (UHNWIs) pay lower taxes relative to their income compared to members of other social groups (Zucman, 2024). To compensate for this shortcoming, Zucman (2024) proposes imposing a tax on the net-wealth of these individuals. He argues that taxing their net wealth is easier than taxing their income because about one half of the wealth of global billionaires is held in publicly listed shares, for which market values are observable.

The tax is supposed to ensure that UHNWIs annually pay at least 2% of their net wealth in taxes. Hence, UHNWIs whose payments of income and wealth taxes already exceed that amount would not be taxed. However, those whose effective taxation is less than 2% of their net wealth would have to pay the missing amount (Zucman, 2024).

Currently, Spain is the only EU country that imposes a tax on net wealth. Apart from that, it also exists in the two European non-member states (i.e. Norway and Switzerland). Member countries that abolished it include Austria, Denmark, Finland, France, Germany, the Netherlands, and Sweden (EC, 2026b).

Zucman (2024) proposes imposing this tax on a global level to eliminate tax avoidance. However, such a tax could also be introduced at the EU level. Jacobsen et al. (2026) find significant evidence for tax-induced migration for various tax reforms in Sweden and Norway, as do Advani et al. (2023) for the UK, but both report that these effects are only modest.[26] These effects should be even smaller for a tax introduced in all EU countries.

Only taxing UHNWIs addresses the issue of liquidity that arises when people have high net wealth, but the rate of return on their assets is low (e.g. with people who have inherited a large estate). In contrast, the rate of return on wealth for UHNWIs is large (since e.g. a large proportion is held in shares) and they have easy access to liquidity. Since the tax is designed to be a minimum tax, it also avoids the issue of double taxation.

Such a tax could help avoid a race to the bottom among member states to attract wealthy individuals in addition to providing an incentive for member countries to impose their own taxes to ensure that the richest parts of society pay their proportionate share. Zucman (2024) suggests starting taxation at a threshold of USD 100 million.

Other arguments in favour of such a tax are that European countries have a history of financing a rise in defence spending (which is currently high on the European political agenda) through a mixture of taxes on UHNWIs and debt, and that that such taxes are popular among voters (Parrinello et al., 2025).

In order to get an idea of the revenue-raising capacity of taxing UHNWIs, we simulate a tax scenario similar to the one suggested by Zucman. In particular, we assume that all net wealth exceeding EUR 100 million is subject to an annual 2% minimum tax rate. Wealth estimates are taken from the Global Wealth Tax Simulator provided by the World Inequality Database.[27] Following Zucman (2024), we assume an effective tax rate of 1.2% for individuals with a net wealth of between EUR 100 million and EUR 1 billion and a rate of 1.7% for individuals with a net wealth above EUR 1 billion. We assume 20% tax evasion, which is the upper bound used by Zucman (2024).[28] According to the results displayed in Table 1, such a tax would result in annual revenues of EUR 39.5 billion.[29] Parrinello et al. (2025) also calculate the revenue of such a tax for the EU, but they arrive at a much more optimistic revenue estimate of EUR 67.2 billion.[30]

[26] Jacobsen et al. (2026) find that a 1 percentage point increase in wealth taxation leads to a 2% decline in the number of wealthy taxpayers. Advani et al. (2023) find an elasticity of 0.26 for the number of rich individuals within the country and the net-of-average tax rate.

[27] See https://wid.world/world-wealth-tax-simulator/.

[28] This is higher than the 15% usually assumed (see e.g. Saez & Zucman, 2019).

[29] In particular, we take total net wealth of people located in the ‘EUR 100 million to EUR 1 billion’ and ‘above EUR 1 billion’ brackets, reduce it by the assumed tax evasion rate, and apply the relative effective tax rates.

[30] The higher estimate can be partly explained by their assumption that UHNWIs pay an effective tax rate of 0.2%, resulting in an effective net-wealth tax rate of 1.8%. It also does not take tax evasion into account.

Table 1 / Revenues from a 2% minimum wealth tax levied on individuals with net wealth above EUR 100 m

	Total wealth (EUR bn)	Number of individuals	Revenues (EUR bn)
Austria	116	229	1.4
Belgium	59	71	0.7
Czechia	70	65	0.8
Germany	1,024	3,068	11.6
Denmark	69	167	0.8
Spain	281	407	3.2
Finland	27	43	0.3
France	1,007	940	12.8
Greece	28	66	0.3
Hungary	35	95	0.4
Ireland	23	30	0.3
Italy	312	372	3.6
Netherlands	75	140	0.8
Poland	81	271	0.8
Portugal	17	78	0.2
Romania	19	67	0.2
Sweden	94	79	1.2
Total			**39.5**

Source: Own calculations based on the Global Wealth Tax Simulator.

3.7. Sugar-sweetened beverage tax (SSBT)

According to the WHO (2022: 1), consuming SSBs is associated with increased risk of being overweight or obese, hypertension, cardiovascular events, and diabetes. Taxes on added sugar have been found to reduce consumption as well as to encourage producers to reduce the sugar content in their beverages. Hence, the World Bank (2024: 1) recommends taxes on SSBs because they would 'raise tax revenue and improve health by reducing demand, as well as reduce health expenditures by alleviating the burden on the health system.' It is a Pigouvian tax in the sense that it prices external effects (i.e. effects on individual health as well as the public health system) that are otherwise not considered (World Bank, 2024).

SSBs usually include 'non-alcoholic beverages sweetened with added free sugars (for example, including fructose, glucose, high fructose corn syrup, honey and/or sucrose)' (World Bank, 2024: 1). The EU countries that have introduced such a tax are Belgium, Finland, France, Hungary, Ireland, Latvia, Poland, and Portugal, and the associate countries Norway and the UK have also done so (WHO, 2022).[31]

The expectation for such a tax is to raise prices, as Andreyeva et al. (2022) report an 82% average pass-through rate across studies. The same study also finds an average decline in demand of 15% across studies and tax policies. In another study, Teng et al. (2019) find a 10% decline in consumption for the equivalent of a 10% tax.

[31] For an overview of the specific tax designs, see WHO (2022, Table 1).

A simple ad valorem tax (similar to VAT) has the disadvantage that it does not directly address the root of the external effect (e.g. a cheaper SSB with the same sugar content is just as harmful but comes along with a lower absolute tax). In contrast, this can be explicitly addressed by linking the tax to the amount of contained sugar. It also provides a clearer incentive for the producer to reduce the amount of contained sugar (World Bank, 2024). Scarborough et al. (2020) report for the UK tax – which is charged based on volume, with a low levy category for drinks with at least 5 grams per 100 millilitres and a high levy category for drinks containing at least 8 grams per 100 millilitres – that it led to a significant reduction in the number of drinks in the low-levy category. Public Health England (2018) reports an 11% decline in the sugar levels of the drinks subjected to the tax within the first two years.

According to the World Bank (2024), tax revenue in countries that introduced an SSBT averaged 0.07% of GDP (with a maximum of 0.19%). Revenues in the UK for the fiscal year 2024 were 0.08% of GDP (GBP 327 million; HM Revenue & Customs, 2026). According to the World Bank (2024), this is less than the contributions of taxes on tobacco and alcohol, which it considers to be due to four reasons: (1) tax rates are relatively low; (2) very often only a subsample of SSBs is subjected to the tax; (3) the elasticity of demand is greater; and (4) tax schemes are such that they provide a greater incentive for producers to change the sugar composition of their beverages in order to reduce the tax burden.

Regarding the latter point, Scarborough et al. (2020) report that much of the decline in sugar content in the UK already happened between the announcement of the tax and its implementation. A common European solution would have the advantage of addressing the problem of cross-border shopping (see Thow et al., 2022) in addition to having a greater impact in terms of reformulation of products since the tax would apply to a larger market.

3.8. Crypto assets

An additional proposal that has recently gained prominence in the political debate is a tax on crypto assets. The European Commission (EC, 2026g) mentions two possible options: a tax on transactions and a tax on capital gains.[32] For both cases, one should keep in mind that the potential revenue stream could turn out to be volatile due to strong fluctuations in the tax base. There is also the risk that some crypto-related activities could be shifted to non-EU jurisdictions. The European Commission estimates that a 0.1% tax on crypto-asset transactions would yield EUR 3 billion to EUR 4 billion annually, while potential revenues of a capital gains tax are estimated at between EUR 1 billion and EUR 2.4 billion (EC, 2026g).

A tax on crypto-asset transactions is currently not imposed by any EU member state. A tax on capital gains would have to replace or be added on top of national capital gains taxes. This comes with the difficulty that the treatment of crypto assets is not harmonised across member states, as it falls within different asset classes in different member states. Hence, a harmonised tax base would have to be created to tax capital gains (EC, 2026g).

[32] The tax would only be applied to crypto assets that are not ‘stablecoins’ (i.e. those that get their value by referencing a particular official currency or a basket of assets), as some may be used as a means of payment (EC, 2026g).

3.9. Online gambling taxes

A tax on online gambling and betting has also been added to the debate recently. The European Commission estimates that a 3% tax on net turnover would result in annual revenues of EUR 1.9 billion. However, it is also noted that unregulated firms capture a substantial share of the market, with the estimates ranging between 28% (EGBA 2025, as cited in EC 2026g) and 71% (ECA 2025). This means that some of the tax could be evaded by shifting activities even more towards unregulated firms or outside the EU (EC, 2026g). Online gambling and betting are currently taxed in different ways across member states. While some states tax players' winnings, others tax the gambling operators' revenue, and only a few states have a specific framework for online gambling (EC, 2026g).

4. DISCUSSION OF OWN RESOURCE PROPOSALS

Different criteria can be used to assess existing and alternative own resource proposals. One criterion often mentioned in the discourse is that the underlying subject should be a genuine **European issue**, meaning that it can be more efficiently dealt with at the European level than at the national level. This can relate to simple economies of scale (see e.g. Stehrer et al., 2020) or when taking measures against tax evasion is important. In addition, this is the case when the respective tax can help to create a level playing field between firms from different countries or different industries that would otherwise be affected by different regulatory standards or tax rates. Along with that, such measures also help to curb a regulatory race to the bottom among nation states.

Another criterion is whether a measure is progressive or regressive from a **distributional perspective**. Progressive measures place a relatively larger burden on financially better-off groups or provide greater benefits to less well-off households, thereby tending to reduce inequality. Regressive measures, by contrast, impose a relatively larger burden on less well-off groups, potentially increasing inequality. Income inequality and wealth concentration have steadily increased in recent decades, leading to growing inequality of political influence and declining social cohesion (e.g. Piketty, 2014; Savage et al., 2024). Hence, measures that work against this trend are preferable.

A further criterion is whether a given measure addresses **negative externalities**, meaning costs imposed on society that are not reflected in market prices. These external effects can include damage to human health, environmental degradation, or contributions to climate change. Measures targeting such externalities aim not only to raise revenue, but also to change behaviour by discouraging harmful activities and better aligning private incentives with broader social costs.

Finally, our last criterion is **potential revenue**, which not only refers to how much the respective own-resource option can realistically contribute to the budget, but also whether these are genuinely new revenues or whether they merely subtract from national budgets. Table 2 summarises the potential revenues, which come from studies, own calculations, or past experience from national implementations (see the discussion in the previous sections). Table 3 provides an overview of the criteria and how the different own-resource options score along them.

Table 2 / Estimated revenues for the new own resources (ORs) proposed by the Commission and alternative options

Proposed new OR (EUR 58.2 bn):

	% of EU GDP	% of new OR	EUR bn (2025)	Source
ETS	0.05%	16%	9.6	EC (2025c)
CBAM	0.01%	2%	1.4	EC (2025c)
E-waste	0.08%	26%	15.0	EC (2025c)
TEDOR	0.06%	19%	11.2	EC (2025c)
CORE	0.04%	12%	6.8	EC (2025c)
Adjustments of current OR	0.08%	25%	14.3	EC (2025c)
Total	**0.31%**	**100%**	**58.2**	

Alternative proposals:

	% of EU GDP	% of new OR	EUR bn (2025)	Source
FTT	0.04% – 0.16%	14% – 52%	8.1 – 30.0	Nerudová et al. (2017)
	0.08% – 0.15%	25% – 48%	14.7 – 27.7	Pekanov & Schratzenstaller (2018)
Digital services (3%)	0.02%	7%	4.0	EC (2018b)
	0.08%	27%	15.7	Thomadakis (2025)
	0.03%	9%	5.0	EC (2026g)
Digital services (5%)	0.04%	12%	7.3	EC (2018b)
	0.14%	45%	26.2	Thomadakis (2025);
Flights	0.03% – 0.04%	8% – 11%	4.8 – 6.7	Krenek & Schratzenstaller (2017)
Banks	0.02% – 0.27%	14% – 57%	8.3 – 33.3	National revenues according to Karpowicz et al. (2022)
Centimillionaires	0.22%	71%	41.2	Own calculations based on Global Wealth Tax Simulator
	0.37%	121%	70.1	Parrinello et al. (2025)
SSBs	0.07%	23%	13.2	National revenues according to World Bank (2024)
Crypto transactions	0.02%	5% – 7%	3.0 – 4.0	EC (2026g)
Online gambling	0.01%	3%	1.9	EC (2026g)

Note: 'OR' stands for own resources. Proposed sum of new OR follows the European Commission's proposal (EC, 2025c). Absolute revenue numbers have been calculated by multiplying the shares of EU GDP with nominal EU GDP in 2025. That means that in those cases where we draw on national revenue estimates, these numbers are effectively scaled up to the EU level. Notably, estimates for alternative corporate taxation schemes are missing due to a lack of data.
Source: Own illustration.

Table 3 / A comparison of the new own resources proposed by the Commission and alternative options

Proposed new OR

	European issue	Distribution	External effects	Revenue
ETS	+	o	o	medium
CBAM	+	o	o	low
E-waste	+	o	+	medium
TEDOR	o	o/−	+/o	medium
CORE	+	+	o	medium

Alternative proposals:

	European issue	Distribution	External effects	Revenue
FTT	+	+	+	medium/high
Digital services	+	+	o	medium
Flights	+	o	+	medium
Banks	+	+	o	medium/high
Corporations	+	+	o	
Centimillionaires	+	+	+	high
SSB	o	−	+	medium
Crypto transactions	+	+	+	medium/low
Online gambling	o	−	+	low

Note: Symbols stand for positive (+), neutral (o), and negative (−).
Source: Own illustration.

Looking at the Commission proposals, the ETS is a genuinely European issue, since conducting it at the supranational level is more efficient than introducing national schemes. Hence, from this perspective, allocating 30% of the associated revenues into the EU budget seems justifiable. However, since revenues are currently flowing into national budgets, governments would have to give up a significant amount of earnings, which weighs on feasibility (see also Schratzenstaller, 2026). Projected revenues are moderate, but they have the disadvantage of no longer being available for national budgets. Darvas et al. (2025b) have argued that these revenues will gradually disappear in the long run as the EU tries to reach its net-zero target by 2050.

CBAM falls into the same category, as it also represents a European issue. In contrast to the ETS, these revenues have not been part of national budgets in the past, although they will be in the future if consensus is not reached. However, projected revenues are rather small compared to other measures and may decrease in the future, as trading partners could introduce their own carbon tax schemes to collect the tax themselves (see Darvas et al., 2025b).

The levy on uncollected electronic waste is similar to the already existing levy on non-recycled plastic packaging waste. Hence, from this perspective, reaching a consensus should be feasible. In addition, it can be regarded as a European issue, as its introduction provides an incentive for countries to increase collection efforts. In doing so, it also addresses an external effect, as it saves important resources. Projected revenues are the largest among the Commission proposals, but they have the disadvantage that they will have to come out of national budgets (which may influence the probability of finding consensus). At the same time, countries could naturally decide to finance it via additional national taxes or fees (as has been the case in some countries with the levy on non-recycled plastic packaging waste; see WTS Global, 2025).

As for the tobacco tax (TEDOR), the implications depend a lot on whether countries choose to pass it on to consumers to compensate for lost fiscal revenues. If they are passed on, they address a health issue, but they are also regressive from a distributional point of view given that lower-income households generally spend a larger share of their income on consumption goods, including tobacco. If not, these dimensions are not affected and it will reduce national budgets, which weighs on the probability of finding consensus.

The proposal to introduce a size-related lump-sum tax on corporations (CORE) addresses a distinctly European challenge, as effective corporate taxation is often difficult to achieve at the national level given the ability of MNCs to shift profits and circumvent national tax regimes. By seeking to include corporations more directly in the financing of EU priorities, the measure also introduces a progressive element from a distributional perspective, as it places a larger share of the burden on economically powerful firms rather than on households. Its design (i.e. the size of the lump-sum tax depending on the turnover bracket) may seem a bit unorthodox, but its link to company turnover instead of profits should provide for a stable flow of revenues. However, its implementation will face heavy resistance from representatives of business interests, which weighs on the likelihood of realisation.

The alternative proposals all have some aspects of a European agenda, meaning that dealing with them on a European level comes with advantages. Specifically, since transactions of financial and crypto assets stretch across borders and can be avoided by switching locations, effective taxation requires an international setting. This is also the case with the carbon-based flight ticket tax, and centimillionaires and billionaires can avoid taxation by relocating across national EU borders. A European-level tax could therefore strengthen tax collection and help prevent tax competition and a race to the bottom among member states.

With the European banking union, the regulation of banks and the resolution of non-viable banks has already been moved to the European level. Nevertheless, there are still numerous different national solutions to compensate for the under-taxation of banks. In this respect, a European bank levy could impose standardisation, help create a level playing field, and facilitate the further integration of the European market.

As with SSBs, a common tax across countries could also facilitate the unification of the European market. Particularly with respect to international brands, a common tax across countries could provide a greater incentive to reduce the sugar content in beverages (as well as avoid cross-border shopping).

In terms of social impact, two measures stick out positively. The first is the FTT, which would address an external effect (i.e. destabilising speculative behaviour) and be progressive in the sense that it would be paid by the wealthier parts of society. The latter is also true for the tax on centimillionaires. Besides being borne by the economic elite of society, the tax would also address negative external effects tied to the increasing concentration of wealth, including unequal political influence and declining social cohesion (e.g. Piketty, 2014; Savage et al., 2024). Moreover, both measures would also create sizeable revenues, which in the case of the tax on centimillionaires is particularly interesting, as such a tax does not exist in any of the member countries and hence would represent a considerable relief for national budgets. An alternative European corporate tax would also target the upper income deciles and therefore help counter rising wealth concentration. A tax on crypto-asset transactions falls into the same category, though its revenue potential is considerably smaller.

The carbon-based flight ticket tax also addresses an external effect (i.e. global warming). The use of air travel is distributed more broadly across the income deciles, but there is a clear trend that high income individuals tend to travel more and are responsible for a much larger share of CO_2 emissions (e.g. Büchs & Mattioli, 2024).[33] Similarly, taxing crypto-asset transactions addresses an external effect given the high consumption of electricity involved in mining them.

From a distributional point of view, a bank levy, a digital services tax, and alternative corporate taxation schemes would also be progressive taxes. However, two of these alternative options are clearly not progressive: the SSB tax and the online gambling tax. Although an SSB tax also addresses a negative external effect (e.g. cardiovascular diseases due to the consumption of SSBs), it has a strong regressive character given that low-income households spend a larger proportion of their income on SSBs (Fuchs & Pierola, 2022). Similarly for the online gambling tax, which addresses an external effect (e.g. mental health problems, financial distress, or relationship breakdown as a consequence of gambling at harmful levels[34]), but it is very regressive given that lower-income individuals spend a larger share of income on gambling (Gandullia & Leporatti, 2019).

Finally, the feasibility of these different alternative options is difficult to gauge. Attempts to introduce a European FTT have been made before, but they ultimately failed because not enough member states were willing to participate. A DST was also on the agenda but failed in large part due to political pressure from the current US administration. Although this is not likely to change in the short term, different national initiatives have been implemented in the meantime. Taxes on corporations, centimillionaires, or banks will likely face resistance by representatives of the business and financial sectors, which will make finding a consensus more difficult.

Bank levies and taxes on flight tickets, SSBs, and gambling already exist in different member states. In the case of flight tickets and SSBs, an argument can be made that taxing them on the European level is superior to taxing them on the national level given that it prevents tax evasion through shopping across the border or using airports in neighbouring countries. The fact that these taxes already exist nationally also illustrates that political consensus is possible in principle. However, introducing them at the European level may spark some resistance from those countries that would have to give up part of their national tax revenues.

We have shown that some alternative own-resource options already exist in some form at the national level in several member states. This raises the question of to what extent such instruments would constitute genuinely additional EU revenue sources rather than representing a reallocation of existing national tax revenues. Shifting part of the national revenue base to the EU level could reduce national revenues unless member states compensate for these losses with adjustments to their own tax systems.

However, this does not imply that such instruments lack added value as EU own resources. First, taxation at the European level may substantially increase the effective and stable revenue potential for highly mobile tax bases by reducing tax competition, regulatory fragmentation, and opportunities for cross-border tax avoidance. This particularly applies to (digital) MNCs, financial market activities, aviation-related emissions, and cross-border corporate profit-shifting, where fragmented national

[33] In their study on the UK, Büchs and Mattioli (2024) report that the top 5% and the top 10% of earners cause 13.6% and 23.8% of the emissions, respectively, while the bottom 50% are only responsible for 26.2%.

[34] See WHO (2024).

approaches are often less effective. Second, a common EU own-resource framework may help create a more level playing field within the single market by reducing distortions arising from different national tax regimes and lowering incentives for downward tax competition among member states. Third, alternative new own resources may also change the distributional structure of EU financing by shifting part of the financing burden away from labour income and consumption taxes towards MNCs, mobile capital, financial market activities, pollution-intensive activities, and UHNWIs.

From a fiscal perspective, the relevant question is therefore not only whether a given tax already exists nationally, but whether European coordination would increase the effectiveness, stability, and fairness of taxation relative to fragmented national approaches. In practice, a stronger EU own-resources system can coexist with national taxation, with the net fiscal effect for national budgets depending on institutional design and possible adjustments in national tax systems. This issue is important in the current European context of elevated fiscal consolidation pressures in many member states (e.g. Heimberger, 2025). Against this background, the political feasibility of expanding EU own resources is likely to depend in part on designing a revenue mix that does not markedly weaken national revenue potential while still strengthening the EU's ability to finance common European priorities.

5. THE ROLE OF COMMON EU BORROWING IN EU FINANCING

The experience of NextGenerationEU has demonstrated the potential of common EU borrowing as a mechanism for financing large-scale European investment programmes (Schratzenstaller et al., 2025). As a temporary recovery instrument established in response to the COVID-19 crisis, NextGenerationEU marked a significant departure from the traditional structure of EU financing by allowing the European Commission to issue bonds on behalf of the EU (Heimberger & Lichtenberger, 2023). This borrowing is backed by the EU budget and linked to the MFF, thereby connecting temporary debt issuance with the EU's long-term budget architecture.

As shown in this study, the EU budget itself is primarily financed through 'own resources'. However, it also includes 'other revenue', with the latter encompassing a broad range of income sources arising from the EU's activities, including fines and penalties, contributions from third countries participating in EU programmes, and revenues associated with borrowing and lending operations (Schratzenstaller et al., 2025). Although other revenue has traditionally played a secondary role in the EU budget, the creation of NextGenerationEU substantially increased its importance, as EU borrowing became a major source of financing for temporary investment and recovery measures (see Figure 1).

In this sense, NextGenerationEU and its central instrument, the Recovery and Resilience Facility (RRF), represent an important precedent for future EU-level fiscal capacity. Since the RRF is only scheduled to operate until the end of 2026, there are ongoing political debates about whether it should remain a one-off crisis instrument or evolve into a more permanent mechanism for financing European public goods through common debt issuance. Several scholars and policy makers have argued that the NextGenerationEU framework provides a blueprint for future EU investment programmes financed through EU bonds (e.g. Heimberger & Lichtenberger, 2023; Grund & Steinbach, 2023). At the same time, growing policy challenges related to climate change, energy security, digital transformation, and geopolitical instability are expected to require substantial additional public investment at the European level (Draghi, 2024).

Investments financed through a permanent EU investment fund could focus on genuinely European public goods, particularly in the transformation of energy and transport systems and the development of digital infrastructure, thereby generating clear EU added value (Beetsma & Buti, 2024). For example, investment in a European high-speed rail network could contribute to reducing long-term CO_2 emissions from the transport sector while strengthening cross-border connectivity within the single market. In the field of energy and decarbonisation, priority projects could include the establishment of an integrated European electricity grid capable of transmitting fully renewable energy across member states, combined with investments in battery storage capacity and green hydrogen infrastructure.

Similarly, in the digital domain, EU-wide investment initiatives could target projects with significant cross-border benefits that strengthen digital integration and support the EU's digital strategy. Such projects could include ultra-fast broadband networks connecting all EU regions, a common EU-wide 5G infrastructure, shared European cloud services, interoperable digital identification systems, cross-border digital health infrastructure, and high-capacity data transport networks linking member states (Heimberger, 2026).

The increasing reliance on borrowing-related 'other revenue' under NextGenerationEU has also highlighted the flexibility of the EU instruments in responding to crises and financing large-scale initiatives beyond the constraints of the regular MFF framework. Compared with traditional own resources, borrowing-backed revenue allows the EU to rapidly mobilise substantial funding in response to exceptional circumstances. This flexibility has also been visible in other recent instruments, such as the Ukraine Facility, which similarly relies in part on EU borrowing operations and a reorganisation of the existing spending structure (Schratzenstaller et al., 2025).

In principle, there are two broad options for the future. The first would preserve the current NextGenerationEU model for future investment funds, whereby common EU borrowing remains temporary and is fully repaid through additional own resources introduced at the EU level. The second option would allow (parts of) future EU borrowing for investment purposes to be continuously refinanced, gradually creating a permanent EU debt stock and a more centralised European fiscal capacity (e.g. Heimberger & Lichtenberger, 2023). The latter would mark a significant step towards deeper fiscal integration within the European Union.

6. CONCLUSIONS

In light of the EU's growing expenditure needs and the repayment obligations linked to NextGenerationEU, reaching agreement on adjustments to current and new own resources will be essential if the larger Multiannual Financial Framework proposed by the European Commission for the 2028-2034 period is to remain financially and politically sustainable. An even stronger reliance on national GNI-based contributions, which draw heavily on wage income and consumption taxes, may undermine public support, place growing pressure on national budgets, and ultimately prove politically difficult to sustain. It would also reinforce the narrow logic of 'who pays and receives how much' in terms of national net balances, which has long constrained debates on the future financing of the EU. A more diversified system of genuine EU own resources could strengthen the Union's fiscal capacity while supporting the financing of common European public goods and strategic priorities.

This study has shown that a wide range of potential own resources exists beyond the European Commission's current proposals. Some options – including financial transaction taxes, European-level digital (corporate) taxation, bank levies, aviation-related taxes, and taxes on ultra-high-net-worth individuals – could generate substantial revenues while simultaneously addressing broader European challenges, such as tax avoidance, financial instability, climate change, and rising inequality. In particular, measures targeting very high levels of wealth could generate especially large revenues even as a single instrument. Furthermore, they hold the advantage that they would be a genuine relief for national budgets as they – in contrast to other proposals – do not yet exist in any of the EU member states, which underlines their potential relevance in the debate on future EU financing. At the same time, even where certain taxes already exist nationally, EU-level coordination may still strengthen overall revenue-raising capacity by reducing tax competition, regulatory fragmentation, and opportunities for cross-border tax avoidance. This is particularly relevant for highly mobile tax bases that can easily be shifted across jurisdictions. Against the background of elevated fiscal consolidation pressures in many member states, the design of new own resources matters for political feasibility, as strengthening the EU's fiscal capacity should not come at the cost of markedly weakening national revenue potential. Finally, relying on a broader mix of own resources rather than a single dominant instrument could help distribute the financing burden more evenly across sectors and countries, thereby potentially facilitating political negotiations and increasing the chances of reaching agreement among member states.

Beyond reforms of the own-resources system itself, the debate on the future financing of the EU also concerns the role of common EU borrowing. The experience of NextGenerationEU has demonstrated that joint debt issuance can provide the EU with options to finance large-scale European public goods and respond to major common challenges. Future discussions may focus not only on the introduction of new own resources to repay existing debt, but also on how common borrowing could remain an important feature of EU fiscal governance, especially for financing European public goods.

Ultimately, the discussion regarding EU own resources cannot be reduced to purely technical financing questions. Instead, decisions about how the EU raises revenue are closely linked to broader questions concerning the future direction of European integration and distributional issues, including how the burden of financing the EU budget is shared across households, income groups, sectors, and corporations. The design of the EU own-resources system influences who contributes to financing the EU and its main objectives as well as how collective European action is perceived politically. A stronger and more autonomous system of own resources represents an opportunity to deepen European coordination and enhance the EU's capacity to act in an increasingly difficult geopolitical and economic environment.

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IMPRESSUM

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Offenlegung nach § 25 Mediengesetz: Medieninhaber (Verleger): Verein "Wiener Institut für Internationale Wirtschaftsvergleiche", A 1060 Wien, Rahlgasse 3. Vereinszweck: Analyse der wirtschaftlichen Entwicklung der zentral- und osteuropäischen Länder sowie anderer Transformationswirtschaften sowohl mittels empirischer als auch theoretischer Studien und ihre Veröffentlichung; Erbringung von Beratungsleistungen für Regierungs- und Verwaltungsstellen, Firmen und Institutionen.

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