

The EU Budget

The EU budget is organised through the so-called [Multiannual Financial Framework](#) (MFF), also known as the financial perspective. This is a seven-year framework that sets out the EU's annual budget. It is adopted unanimously via a Regulation of the European Council (of heads of state and government), with the consent of the European Parliament. The MFF usually follows tough negotiations between Member States, with some countries historically favouring more EU spending, and others being generally opposed to a bigger budget.

The United Kingdom (UK), for example, had normally tried to limit the EU budget while it was a Member State to about one percent of EU GDP. Moreover, in 1984 at the Fontainebleau summit, Margaret Thatcher managed to get some of "her money back", by obtaining a rebate to reduce the UK's net contribution. Rebates were later extended to other countries, and during the haggling (in June 2020) over the current MFF and the exceptional Covid stimulus package (see the separate sheet on [Next Generation EU](#) or NGEU) rebates were even increased for Germany and the [Frugal Four](#) (Austria, Denmark, the Netherlands and Sweden). In the event, and despite Britain's departure from the Union, a fairly large MFF was agreed upon for 2021-2027, with a total value of €1,074.3 billion (in 2018 prices). Significantly, this normal budget was supplemented by a joint stimulus package of €750 billion – the NGEU – to support countries in the wake of the pandemic, the resources coming from collective borrowing on capital markets by the European Commission. This provides an unprecedented €1.8 trillion in joint spending.

The financial framework sets the maximum amount of spendings in the EU budget each year for broad policy areas ("headings") and fixes an overall annual ceiling on payment and commitment appropriations.

Breakdown of expenditures (in € billion)

Spending area	% MFF	MFF	NGEU	Total area
1 Single market, innovation and digital(a)	14.7	132.78	10.60	143.38
2 Cohesion, resilience and values (b)	34.5	377.77	721.90	1099.67
3 Natural resources and the environment(c)	29.7	356.37	17.50	373.87
4 Migration and border control (d)	2.7	22.67		22.67
5 Security and defence	2.1	13.19		13.19
6 Neighbourhood and the world (e)	9.6	98.42		98.42
7 European public administration	6.7	73.10		73.10
Total expenditure	100.0	1074.30	750.00	1824.30

(a) includes spending on Euratom, ITER, European space.

(b) includes Cohesion Fund, Erasmus, European Social Fund.

(c) includes the Agriculture Fund and Just Transition.

(d) includes Frontex.

(e) includes diplomatic service of the EU.

EU Resources

The EU obtains its revenues from four main sources:

1. Traditional own resources, comprising customs duties on imports from outside the EU and sugar levies;
2. VAT-based resources, comprising a percentage (0.3% except Germany, Netherlands and Sweden that apply 0.15%) of Member State's standardised value added tax (VAT) base;
3. GNI-based resources, comprising a percentage (around 0.7%) of each member state's gross national income (GNI);
4. Other revenue, including taxes from EU staff salaries, bank interest, fines and contributions from third countries;
5. Own resources as levies collected by the EU.

