

# The Impact of the EU's Own Resources System on Fiscal Sovereignty

Niko Pankka

LL.M., MSc in Economics

Doctoral researcher, University of Helsinki

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# Why this research?

- EU fiscal reform is imminent
  - EU green deal and other investment needs, support for Ukraine, possible new MS' etc.
- EU Own Resources (OR) system likely expands with tax-like instruments
  - E.g., FTT or BEFIT
- → Where's the line between national and EU tax powers?
- Fiscal sovereignty is increasingly tested legally and politically
- Personal interest in the topic
  - The tension between law and politics in fiscal integration
  - How abstract constitutional principles collide with fiscal needs?
  - The creativity (and fragility) of EU financing in times of crisis
  - How law both enables and resists new revenue powers?

# What do we know?

- EU financing still rests on national contributions
  - Over 90 % of the EU's annual budget comes from the OR
  - E.g., GNI, VAT, customs...
- Several studies on OR system from economic & political angles
  - There is a need for an analysis of how the legal and budget provisions within the EU's OR system impact Member States' fiscal sovereignty
- National constitutional courts have interfered
  - Especially in Germany via e.g., Bundesverfassungsgericht
- We know de jure structures, but de facto sovereignty effects remain unclear

# Research question(s)

- Main question
  - How does the EU's Own Resources system shape the fiscal autonomy of Member States, particularly Finland, Germany and France, and to what extent do its legal and budgetary constraints act as limitations or safeguards for national sovereignty?
- Sub-questions
  - What legal mechanisms structure fiscal sovereignty at national or EU level?
  - How do different OR proposals constrain or preserve fiscal autonomy?
  - Why do similar legal frameworks lead to different national responses?

# Why the chosen countries?

- Germany
  - Powerful EU budget player
  - BVerfG as a constitutional gatekeeper
    - Skeptical of EU budgetary overreach
      - E.g. Bundesverfassungsgericht: 2 BvR 859/15
- Finland
  - Small economy and integrationist
  - Consensus-oriented legal culture, but tensions rising post-COVID?
    - E.g., constitutional law committee
- France (?)
  - Large economy, strong tax traditions and centralizing constitutional model
  - Tradition of central fiscal authority

Recent geopolitical crises push towards more aggressive EU fiscal tools

# Theoretical approach

- Fiscal sovereignty
  - In EU legal discourse, sovereignty is often linked to national constitutions, parliamentary control of taxation, and limitations imposed by EU legal obligations
  - Theory defines the autonomy that Member States are understood to possess and provides the criteria for assessing constraints imposed by the EU OR system
- Integration theory
  - Theory explains how fiscal authority is shared across multiple levels (MS's and EU)
  - Allows for analysis of the EU's unique fiscal structure
- Comparative law theory
  - Examines how legal systems conceptualize and protect fiscal sovereignty (e.g. via legal structures & courts)
  - Is used to capture the legal differences between countries in interpreting and responding to EU fiscal obligations
- Fuzzy-set Qualitative Comparative Analysis (fsQCA)
  - Method based on set theory and complexity science
  - Assumes that multiple interacting conditions together explain outcomes
  - Is used to analyze how various legal and fiscal factors constrain fiscal sovereignty in different OR mechanisms

# Methodological approach

- Legal doctrine
  - Facilitates the identification of specific legal mechanisms and constraints influencing fiscal autonomy
  - Sheds light on the legal framework's implications for MS' fiscal policymaking discretion
  - Confirms hypotheses by providing evidence of the influence of legal constraints on fiscal sovereignty
- Comparative legal analysis
  - Includes a comparison of the legal and budgetary frameworks within the EU's OR system
  - Highlights variations in the impact of legal and budgetary constraints on MS' fiscal policymaking
  - Confirms hypotheses by validating claims on the significance of jurisdictional differences in fiscal autonomy
- Fuzzy-set Qualitative Comparative Analysis (fsQCA)
  - Involves an analysis of possible causal relationships between OR's legal and budgetary constraints and their impact on MS' fiscal autonomy
  - Confirms hypotheses by establishing possible causal relationships between OR's legal and budgetary constraints and fiscal autonomy

# Key concepts & conditions in the analysis

- Goal is to identify patterns
  - Which combinations of conditions lead to higher fiscal constraints?
  - E.g., Does high budgetary burden always correlate with strong EU control?
- **Fiscal Sovereignty**, which is operationalized through e.g.:
  - National discretion in tax implementation
  - EU legal control over revenue source
  - Budgetary burden on Member States
  - Legal contestability
    - Likelihood of a challenge
  - Revenue elasticity
    - Volatility in fiscal planning



## Sample fsQCA table (example/simplified)

OR mechanism	National discretion	EU control	Budgetary burden	Legal contestability	Outcome (fiscal/legal constraint)
CO2 Levy	0.7 (moderate)	0.8 (high)	0.5 (moderate)	0.6 (moderate)	0.75 (high)
BEFIT	0.2 (low)	0.9 (very high)	0.7 (high)	1.0 (very high)	0.95 (severe)
FTT	0.4 (low)	0.8 (high)	0.6 (moderate)	0.9 (high)	0.85 (high)
CBAM	0.9 (high)	0.2 (low)	0.2 (low)	0.3 (low)	0.3 (low)



OR mechanism	Germany	Finland	France
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# What the research aims to show?

- EU fiscal tools affect countries differently based on legal-fiscal filters
- Sovereignty is shaped by both law and how it is practiced
- Some OR instruments may be more sovereignty-friendly than others
- The future of EU fiscal power may depend on these fine distinctions

# Open questions

- Should OR reforms consider constitutional diversity?
- Is legal contestability a design flaw or a sovereignty safeguard?
- Can tax law research guide better fiscal integration policy?
- Are we sliding towards true EU-level taxation and how should law react?
- Quantifying legal concepts is difficult
  - E.g., What value should you give to FTT on national discretion and on what grounds?
- One possibility is to use only verbal criteria on the constraints
  - High/Medium/Low OR just Yes/No
- Number of countries included in the research
  - Workload increases with each country

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# SAK

## Thank you!

## Q&A

+358 50 307 0180

[niko.pankka@helsinki.fi](mailto:niko.pankka@helsinki.fi)