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# Motion

Y-FED 2024

**Proposer:** The European Government (decided on: 2024-01-07)

**Title:** **Government's proposal for Regulation 2024/XX  
laying down the Federal Budget**

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**2024-06-25, 21:08**

The European Government's proposal for

**REGULATION 2024/XX/EF OF THE HOUSE OF EUROPEAN CITIZEN AND OF THE SENATE**

of xxx July 2024

**laying down the Federal Budget**

1 THE HOUSE OF EUROPEAN CITIZENS AND THE EUROPEAN SENATE,

2 *Remembering* the continuum of the European integration project, created on the  
3 premise of economic cooperation between peaceful nations as a step towards de  
4 facto solidarity and federation among European nations,

5 *Having regard to* the European Youth Convention, and in particular Articles 47 to  
6 52 thereof,

7 *Having regard to* the OECD/G20 Base Erosion and Profit Shifting Project group's  
8 [Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from](#)

9 [the Digitalisation of the Economy](#), by which Member-States of the former European  
10 Union agreed upon the implementation of a minimum Tax base for mutli-national  
11 corporations,

12 *Having regard to* the proposal from the European Government,

13 Acting in accordance with the procedure laid down in Article 20 of the  
14 Convention and Rule 6.1 of the Rules of procedure,

15 Whereas:

- 16 1. The European Federation is built on the assumption that economic  
17 cooperation leads to interdependencies and ultimately to de facto  
18 solidarity among nations. It acts as a descendant body of the former  
19 European Union, adopting all the previous legal acts and treaties from the  
20 Union, unless contradicted by future legislation.
  
- 21 2. In order to guarantee macroeconomic and financial stability and solidarity  
22 among Member-States, the Federation must pursue and further develop the  
23 mechanisms adopted through the Next Generation EU recovery package, the  
24 first step towards a genuine Federal Budget, autonomous from national  
25 contributions.
  
- 26 3. In order to fulfill the Federation's commitment to achieving climate  
27 neutrality by 2050, it is essential to allocate the proper resources and  
28 support mechanisms. To that end, the resources mentioned in Article X of  
29 the present Regulation shall be specifically allocated to meet the  
30 environmental requirements of the Federation.
  
- 31 4. In order to meet those two challenges, the European Federation needs to be  
32 fitted with the proper fiscal resources. As a the predecessor of the  
33 former European Union, it inherits the contributions from Member-States,  
34 the collection of part of the Value Added Tax (VAT) as well as customs.  
35 Those resources constitute a necessary base, but do not support as it  
36 stands all of these objectives. New resources need to be added to the  
37 Federal budget.
  
- 38 5. Member-States of the former European Union committed to implement the OECD

39 agreement on a corporate tax harmonization, setting a minimum tax rate of  
40 15% of a company's profit. This must constitute a permanent new resource  
41 for the Federal budget, along with the creation of an Internal Carbon Tax.

- 42 6. In order to macro-economic stability, it is absolutely imperative to  
43 maintain a sound level of public finances. For that purpose, the  
44 Federation must maintain the rule of keeping the annual deficit below 3%  
45 of GDP and the level of debt below 60% of GDP. Even if this rule is not  
46 explicitly mentioned, an extensive interpretation of Article 52 of the  
47 European Youth Convention must be made in this sense. To achieve this, the  
48 Federation must absorb national debts so that they can be repaid in the  
49 long term.

50 HAVE ADOPTED THE FOLLOWING REGULATION:

## 51 **CHAPTER 1 : GENERAL PROVISIONS**

### 52 **Article 1: Object**

53 The present Regulation lays down the Budget through which the Federation can  
54 collect and make use of financial resources to meet its financial commitments.

### 55 **Article 2: Definitions**

56 For the purposes of this Regulation:

- 57 1. Budget - Refers to the set of elements by virtue of which the Federation  
58 anticipate its revenues and financial commitments for the following year;
- 59 2. Deficit - Refers to the situation in which a Government's expenditures are  
60 higher than its receipts on a yearly basis. The difference between  
61 expenditures and receipts is corrected by contracting debts.
- 62 3. Debt - Refers to the total of the Federation's financial commitments. It  
63 results from the cumulative financing needs of the Federation over time.

64 4. Tax - Refers to a compulsory, unrequited payment to public authorities.

65 **CHAPTER 2: ON THE FINANCIAL RESOURCES OF THE**  
66 **FEDERATION**

67 **Article 3: Minimum Corporate Tax**

68 To ensure a fair and equitable economic environment and to prevent the erosion  
69 of the Federal tax base, the Federal European Government hereby establishes a  
70 Minimum Corporate Tax Rate.

71 The Minimum Corporate Tax Rate shall be applicable to all corporate entities  
72 operating within the Member-States of the Federation.

73 **Article 3a.**

74 1. The Minimum Corporate Tax Rate shall be set at 15%.

75 2. This rate shall apply to the profits of corporate entities as defined by  
76 the Federal Tax Code.

77 **Article 3b.**

78 1. Member-States shall implement the Minimum Corporate Tax Rate through their  
79 respective national legislation.

80 2. Member-States shall ensure that their national tax laws are in compliance  
81 with the Minimum Corporate Tax Rate provisions of this Article.

82 **Article 4: Carbon Domestic Adjustment Mechanism**

83 1. In an effort to combat climate change and incentivize the reduction of  
84 greenhouse gas emissions, the Federal European Government hereby  
85 establishes a Carbon Domestic Adjustment Mechanism applicable to all

86 member states of the Federation.

87 2. For the purpose of the present Regulation this mechanism shall:

- 88 ◦ Comprise a tax rate (Art. 4a);
- Be allocated to environmental programs (Art. 4b);
- 89 ◦ Include punitive measures against faulty administrations (Art. 4c).

90 3. The Carbon Domestic Adjustment Mechanism shall be levied on the carbon  
91 dioxide equivalent emissions of fossil fuels, including but not limited to  
92 coal, natural gas, and oil, at the point of production or importation into  
93 the Federation.  
94

95 **Article 4a.**

96 The initial tax rate shall be set at €30 per metric ton of carbon dioxide  
97 equivalent emissions.

98 The tax rate shall be subject to an annual increase of 5% plus the rate of  
99 inflation, to ensure the continued effectiveness of the Carbon Domestic  
100 Adjustment Mechanism in reducing emissions.

101 **Article 4b.**

102 Revenues generated from the Carbon Domestic Adjustment Mechanism shall be  
103 allocated to the Federal Budget and used for the following purposes:

104 1. Investment in renewable energy and energy efficiency projects.

105 2. Support for innovation in low-carbon technologies.

106 3. Assistance to industries and communities transitioning away from fossil  
107 fuels.

108 4. Mitigation of the impact on low-income households through rebates or tax  
109 credits.

110 Article 4c.

111 1. Entities subject to the Carbon Domestic Adjustment Mechanism must report  
112 their emissions annually to the designated national Authority.

113 2. Failure to comply with reporting requirements or payment of the Carbon  
114 Domestic Adjustment Mechanism shall result in penalties, including fines  
115 and legal action.

## 116 **Article 5: Uniform VAT Rate**

117 In the interest of economic harmonization and fairness, the Federal European  
118 Government hereby establishes a Uniform Value Added Tax (VAT) Rate.

119 The Uniform VAT Rate shall be applicable to all goods and services sold within  
120 the member states of the Federation.

121 The Uniform VAT Rate shall be set at 20% of the commodity's Value added, a  
122 quarter of which is due to the Federation's budget.

123 This rate shall apply to the final consumption of goods and services, excluding  
124 those exempted by the Federal Tax Code.

## 125 **CHAPTER 3: ON THE FINANCIAL INSTRUMENTS OF THE** 126 **FEDERATION**

### 127 **Article 6: Issuance of debt**

128 In accordance with Article 52 of the European Youth Convention, the Federation  
129 may raise temporary debt to face situations that put the Federal Treasury at a  
130 risk of structural imbalance.

131 Those situations include and are limited to:

132 1. economic and financial crisis, putting the Federal budget at risk;

- 133        2. pandemics;
- 134        3. natural disasters occurring within the Federation;
- 135        4. events that pose a direct threat to national or Federal security.

136        The issuance of debt shall be granted solely to the Federal Treasury Agency,  
137        under the approval by an absolute majority of the House of European Citizens and  
138        the Senate.

139        When a risk of imbalance occurs, the Federal Treasury Agency may issue debt with  
140        a maturity exceeding no longer than 40 years.

#### 141        **Article 7: National contribution to the budget**

142        Member-States shall contribute to the Federal budget by paying at least 2% of  
143        their gross national income through the taxes they collect in the name of the  
144        Federation, including but not limited to the Minimum Corporate Tax, the Domestic  
145        Carbon Adjustment Mechanism, Customs and VAT.

146        Member-States remain the sole accountables for collecting taxes.

147        Member-States may apply a national Corporate Tax Rate higher than 15%, but are  
148        entitled to pay for the amount which is due to the Federation.

149        Member-States may apply a Value Added Tax rate higher than 20%, but are entitled  
150        to pay for the amount which is due to the Federation.

151        From 1 January 2032, Member-States shall cease to generate debt on their own  
152        initiative and capacity.

153        If the resources levied to meet the Federation fiscal commitments do not meet  
154        the financial objectives of the Federation, the Government may, following the  
155        extraordinary legislative procedure, present measures to increase the  
156        aforementioned taxes or create new resources destined to the Federal Budget.

#### 157        **CHAPTER 4: ON THE FINANCIAL GOVERNANCE OF THE**

158 **FEDERATION**

159 **Article 8 : The Federal Treasury Agency**

160 A Federal Treasury Agency shall be created and placed under the responsibility  
161 of the Ministry of Finances and Budget. It is:

- 162 1. Responsible for meeting the Federal Government's liquidity commitments so  
163 that it can honor all of its financial commitments at all times and under  
164 all circumstances.
- 165 2. Tasked with managing and reimbursing on time the debt accumulated by the  
166 Federal Government and Member-States

167 Under no circumstances is the Federal Treasury Agency allowed to generate debts  
168 on its own initiative and profits from the bonds already issued.

169 Member-States shall have until December 31th 2031 to reimburse all the bonds  
170 contracted before the adoption of the present Regulation. The FTA shall ensure  
171 that the Member-States have the necessary funds to fulfill this commitment  
172 appropriation.

173 **Article 9: Budget planning**

174 In order to pursue its objectives and financial commitments, the Federation  
175 shall adopt, under the ordinary legislative procedure, an annual budget.

176 The additional resources laid down by the present Regulation shall be allocated  
177 in priority to the reimbursement of:

- 178 1. The borrowing of financial capital through the former EU Next Generation  
179 EU recovery package.
- 180 2. The potential deficit generated by the Federal Pension Regime mentioned in  
181 Directive 2024/XX laying down fair and decent social standards across the  
182 Federation.

183 **Article 10: Budgetary monitoring**

184 The European Parliament shall monitor the appropriate implementation of the  
185 budget. The European Parliament is entitled to sanction a Member State, or the  
186 Federal Government, via a procedure for a lack of contribution to the Federal  
187 budget if they do not meet their financial commitments.

188 **CHAPTER 5: IMPLEMENTATION**

189 **Article 11: Entry into force and application**

190 1. The present Regulation shall enter into force immediately following its  
191 publication in the Official Journal of the European Federation.

192 2. The Government shall be allowed to adopt any decree or implementing act  
193 related to the implementation of the technical aspects of the present  
194 Regulation.

195 3. It shall apply from [Day][Month][Year]

196 The present Regulation shall be binding in its entirety and directly applicable  
197 to the European Government and in all Member States.

198 For the European Parliament

199 The President

200 For the European Senate

201 The President

**Reason**

In 2020, the former European Union adopted the Next Generation EU recovery package. Member-States of the EU allowed for the first time the former EU to borrow credits on financial markets and therefore to generate debt. The package consisted of an allocation made of a subsidy portion and loan portion. Member-

States set the reimbursement deadline to 2028, giving 8 years for the former EU to find the proper resources to reimburse its debt.

On May 9th 2023, Member-States ratified the European Youth Convention, leading to the emergence of the European federation as we know it, on the assumption that it would allow the achievement of European economic integration and solidarity.

However, the recent unfolding of events have shown quite the contrary. The level of national debts have skyrocketed over the last years. More importantly, the Federation currently does not have the proper resources to face its new competences but also to reimburse the debt generated by the former European Union through the Next Generation EU package.

The stated objective of this proposal is therefore to give the Federation the necessary revenues to efficiently carry out its new competencies and reimburse its debt.