YOUNG EUROPEAN FEDERALISTS

A7

Motion

Proposer: PC1 (decided on: 03/26/2026)

Title: **Regarding the Creation of a Fiscal Union**

Motion text

Resolution submitted by: JEF Political Commission 1 – Institutions and Governance

Adopted by the Federal Committee in London on 23 March 2019. Re-adopted and amended by the European Congress in Liège on 21 November 2021. Re-adopted and amended by the European Federal Committee in Tartu, Estonia on 14 April 2024. Re-adopted and amended by the European Federal Committee in Belgrade, Serbia on 19 April 2026

JEF Europe,

● Strongly convinced that for the EU to be able to act effectively, it must eliminate the principle of unanimity specifically for the introduction of new autonomous European taxes, while ensuring the harmonisation of tax systems; [annex 1]

● Stressing that a Fiscal Union and a centralised investment capacity could allow for economies of scale, thereby reducing the aggregate cost of public goods;

● Condemning the utter lack of transparency and democratic accountability in the EU budgetary process, whereby the European Parliament does not enjoy equal powers in determining the Multiannual Financial Framework or raising of revenues; [annex 2]

● Highlighting the leverage held by Member States within the Multiannual

Financial Framework (MFF), given that their national contributions constitute the primary source of the EU budget;

● Convinced that the EU budget should be financed entirely by European autonomous revenues rather than national contributions, to prevent Member States from using them as a tool for political leverage;

● Noting with concern that Eurozone Member States are still exposed to asymmetric economic or financial shocks, especially the Member States in which public debt levels are still high and where governments are not endowed with enough fiscal space to enact counter-cyclical policies;

● Convinced, therefore, of the need to strengthen the Eurozone through the creation of a real Fiscal Union;

● Highlighting that cross-border tax schemes and fraud allow multinational corporations to free-ride on the public infrastructure and services of multiple Member States while contributing only to one;

● Noting that while economic and taxation policies should follow the principle of subsidiarity, the Union must intervene when national frameworks fail to capture cross-border value creation, for example with an European Company Income Tax;

● Convinced that the fragmentation of national tax systems and the lack of a common tax base impose higher compliance costs on European companies, undermining their cross-border expansion and the integrity of the Single Market;

1 While the European Parliament acts as a joint authority for the annual budget, its influence is constrained by the MFF. The European Council and the Council retain primary control by setting the long-term political guidelines and spending ceilings. Consolidated version of the Treaty on the Functioning of the European Union, Part Six, Title II, Articles 312 and 314, EUR-Lex, Publications Office of the European Union, EUR-Lex - 12012E/TXT - EN - EUR-Lex, 26 October 2012.2 Tax harmonization refers to the partial alignment of national tax laws and the unification of tax bases.

● Stressing that the issuance of European debt should be coupled with a fiscal union, as borrowing without sovereign taxing power incurs higher costs and offers less favorable terms for most Member States than national debt;

● Underlining the necessity of tightening national fiscal rules, as the transition toward a European fiscal union and common debt could induce moral hazard among Member States, threatening the stability of the single currency;

● Believing that the mutualization of national debt into a single European instrument will gain political viability only once Member States achieve comparable debt-to-GDP ratios, thereby eliminating the risk of a free lunch and ensuring equitable risk-sharing;

JEF Europe, therefore, calls the European Council to create a Fiscal Union structured around:

1. Fiscal capacity, which is the power to raise taxes through an European Tax Authority, consisting only of autonomous revenues to ensure the Union possesses the independent resources necessary to fulfill its mandates without relying on national contributions;

2. Budgetary capacity providing macroeconomic stabilization and funding essential European public goods, such as common defense and energy infrastructure; 3. Permanent borrowing capacity to issue sovereign debt, providing a mechanism to manage economic shocks;

4. Tightened fiscal rules at the national level to ensure long-term sustainability and prevent moral hazard within the shared fiscal framework;

5. The democratic empowerment of the European Parliament, granting it the right to initiate and amend fiscal proposals, ensuring that new European taxes are subject to direct parliamentary oversight and approval;

6. Harmonization of national tax bases to reduce the administrative burdens and market distortions caused by divergent fiscal rules.