



BRIEFING PAPER

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The UK's contribution to the EU Budget

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2. The UK's rebate
3. UK payments to the EU on and after Brexit



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Summary

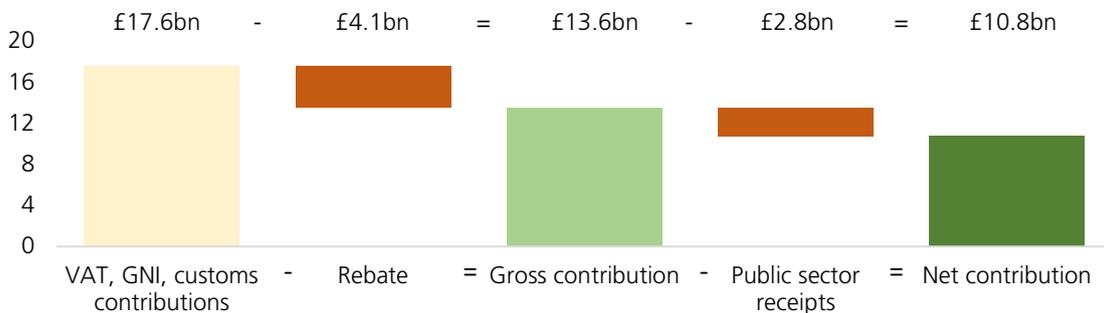
The UK's contribution to the EU budget

As a member of the European Union the UK makes payments, or contributions, to the EU budget. The UK also receives funding, or receipts, from the EU. The EU provides funding for various agricultural, social, economic development and competitiveness programmes.

The UK receives a rebate from the EU which is deducted from its contribution. The rebate aims to correct the issue of the UK making relatively large net contributions to the EU.

In 2015/16 the UK made an estimated gross contribution (after the rebate) of £13.6 billion. The UK received £2.8 billion of public sector receipts from the EU, so the UK's net public sector contribution to the EU was an estimated £10.8 billion.

UK's contribution to the EU budget, 2015/16, £ billion



There are different measures of the funds the UK receives from the EU. The above figure of £2.8 billion includes only funding allocated directly to the UK government to manage. However, the European Commission also provides other funding directly to UK organisations, often following a competitive process. In recent years these funds have been worth around £1 billion - £1.5 billion to the UK. Accounting for these receipts results in the UK making an average net contribution of £7.1 billion between 2010 and 2014.

Brexit and the UK's contribution

The UK will remain a member of the EU until its departure has been negotiated and will continue to contribute to the EU budget until it formally leaves.

Once the UK has left the EU it may still make financial contributions to the EU. The Prime Minister has said that the UK may pay to participate in some EU programmes once it has left. This might, for instance, see the UK paying to remain in [Horizon 2020](#), the EU's research and innovation programme, or any successor programme. The cost of participating in EU programmes will form part of the UK's exit negotiations.

In exchange for preferential access to the EU's single market, some non-EU countries contribute grants to poorer EU Member States. Mrs May has said that the UK will leave the EU's single market, so it seems unlikely that the UK will contribute similar grants.

Negotiations are likely over the extent to which the UK will make a payment to cover its share of outstanding EU spending commitments and liabilities. Such a payment has been described as a 'divorce bill' or 'exit bill' in the media. The Financial Times estimate that a payment of between €20 billion and €60 billion could potentially be made, but ultimately the extent of any payment will be decided in exit negotiations.

Our briefing [A guide to the EU budget](#) provides further detail about the EU's revenue raising and spending.

1. The UK and the EU budget

1.1 Introduction

As a Member State the UK makes payments, or contributions, to the EU budget. The EU also spends money in the UK, by providing funding for various programmes. The EU's spending programmes include funds that support agriculture, develop regional economies and improve competitiveness.

The majority of the EU's spending in the UK is for agriculture and economic development.

Like all Member States, the UK contributes to the EU budget through three sources:

- it collects customs tariffs and levies on behalf of the EU, and contributes these to the EU budget. 20% of the tariffs collected are kept by Member States to cover the cost of collection.
- it contributes a percentage of its adjusted, or harmonised, VAT-base.
- it contributes a percentage of its Gross National Income (GNI).

The UK receives a rebate on its net contribution. The rebate was introduced in 1985 to correct the issue of the UK making relatively large contributions to the EU budget while receiving relatively little receipts from it. The rebate is deducted from the UK's contributions before it makes its payments to the EU budget.

The UK contributes to the EU budget in the same way as other Member States, but receives a rebate on its contribution.

There is more on EU spending, revenue raising and budget processes in our briefing [A guide to the EU budget](#).

Box 1: Brexit and the UK's contributions to the EU budget

On 23 June 2016 the UK voted to leave the EU. The UK will remain a member of the EU until its departure has been negotiated and will continue to contribute to the EU budget until it formally leaves. Once the UK has left the EU it may still make financial contributions to the EU. Exit negotiations will determine whether the UK makes any payments to the EU on leaving or after it has left. [Section 3](#) of this briefing discusses the issue in further detail.

A payment on leaving?

The UK may be required to make a payment to the EU when it leaves – this has been referred to in the media as a 'divorce bill' or 'exit bill'. Commentators suggest that the UK may make a payment to cover its share of EU liabilities including spending commitments for the 2014 – 2020 budget period. The size of any potential payment is very difficult to estimate and will ultimately depend on exit negotiations. Which liabilities, and assets, are to be shared, and how they are shared, will form part of negotiations.

Contributions after leaving?

Following a negotiated departure, the UK may continue to make contributions to the EU budget. Any future contributions will depend on the formal relationship the UK has with the EU once it has left. It is possible, for instance, that the UK may continue to participate in some of the EU's programmes, and would make financial contributions to do so. Indeed, the Prime Minister – in a speech setting out the UK's objectives for exiting the EU – said that the UK may wish to continue to participate in some EU programmes.¹

Again it is difficult to estimate any future payments. It is fair to say that the greater the UK's access to EU programmes and the single market, the larger its ongoing payments will be.

¹ 10 Downing Street, [The government's negotiating objectives for exiting the EU: PM speech](#), 17 January 2017

1.2 UK contributions and receipts

Different approaches are used for measuring the UK's net contribution to the EU budget. In the main this briefing concentrates on HM Treasury's approach, but figures from the European Commission are also provided in Box 4.

Gross contribution

HM Treasury estimate that in 2015/16 the UK made a gross contribution of £13.6 billion to the EU budget, once the rebate was taken into account. The EU do not pay the rebate to the UK in a separate transaction, it is deducted from the contributions the UK makes to the EU.²

The UK's estimated gross contribution (after the rebate) was £13.6bn in 2015/16.

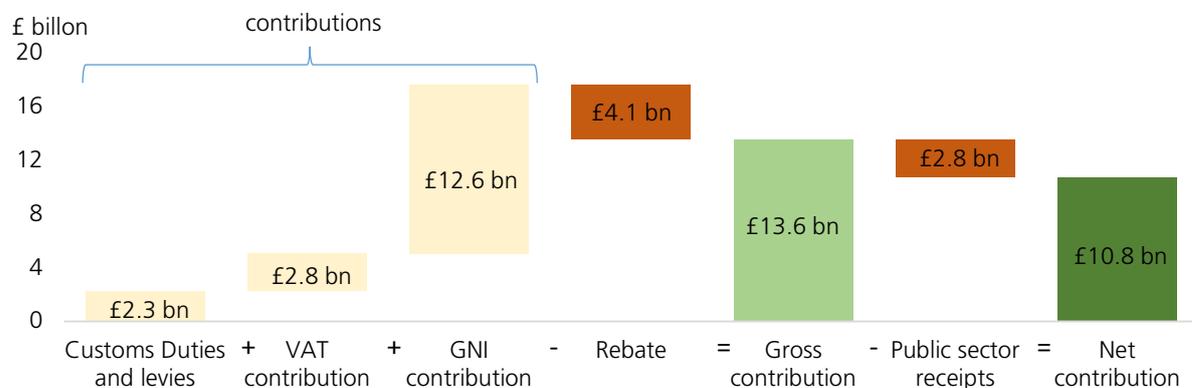
In keeping with all Member States, the vast majority of the UK's contribution came from its Gross National Income (GNI)-based contribution. The EU must run a balanced budget; that is, the EU's revenues must covers its spending. GNI contributions are used to balance the EU's budget, they make up the difference between the EU's spending and its other revenues.

The UK's public sector received an estimated £2.8bn of funding from the EU in 2015/16. The UK's net contribution, therefore, was £10.8bn.

Net contribution and EU receipts

The UK received an estimated £2.8 billion of public sector receipts from the EU. Therefore, the UK's net contribution to the EU budget was £10.8 billion.

Chart 1. UK contributions to, and receipts from, the EU budget
£ billion, 2015/16



As the Library briefing [Brexit: UK Funding from the EU](#) discusses, the majority of the receipts received by the UK are for agriculture. The European Agricultural Guarantee Fund (EAGF) – which pays subsidies to farmers – is the largest fund.

Much of the rest of the UK's EU receipts came from the European Structural Funds. The Structural Funds – largely made of the [European](#)

The majority of the UK's receipts from the EU are for agriculture.

² The rebate is paid a year in arrears. So the rebate applied in 2014 was calculated on the UK's net contribution in 2013.

[Regional Development Fund](#) and [European Social Fund](#) – are used to support economic development, skills, employment and training.

HM Treasury's measure of EU receipts does not include all the funding that UK organisations receive from the EU. HM Treasury include only funds allocated directly to the UK government to manage. Funds allocated directly by the European Commission to UK organisations are not included by HM Treasury.

Box 2: Who administers funding?

EU funding coming to the UK takes two forms:

- **Funds allocated to the UK government to manage** – this covers the majority of the EU's funding and is managed by national and regional authorities. In the UK, this is largely done through the structural and agricultural funds.
- **Funds allocated directly by the European Commission to UK organisations** – these funds are not allocated to Member States. In general, organisations apply directly to the Commission for funding from these streams, often on a competitive basis following calls for applications.

Table 1. UK Contributions to, and public sector receipts, from the EU budget, £ million

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<i>UK contributions to the EU</i>						
Customs duties and levies	2,234	2,205	2,171	2,200	2,263	2,314
VAT contributions	2,266	2,276	2,398	2,163	2,316	2,751
GNI contribution	11,092	11,218	12,303	13,845	14,154	12,570
Contributions	15,592	15,699	16,872	18,208	18,733	17,635
<i>UK rebate</i>	<i>-2,678</i>	<i>-3,516</i>	<i>-3,172</i>	<i>-4,130</i>	<i>-4,811</i>	<i>-4,068</i>
Gross contributions	12,915	12,184	13,699	14,079	13,921	13,567
Total Public Sector Receipts	3,998	4,771	4,022	3,856	4,690	2,811
Net Contribution	8,917	7,413	9,678	10,223	9,231	10,756

Source: HM Treasury, *Public expenditure statistical analyses 2016*, Table C.1, and previous editions

As table 1 shows, the UK's net contribution to the EU budget is fairly volatile from year to year. Aside from exchange rate volatility, there are reasons for this in terms of both receipts and contributions.

On the contributions side the UK's GNI-contribution fluctuates most noticeably. Member States' GNI contributions are used to ensure the EU's budget balances – that is, they cover the gap between the EU's spending and its non-GNI revenues. This means the GNI contribution is susceptible to changes in the EU's spending from one year to the next and changes in the EU's other sources of revenue, including any surplus from the previous year.

On the receipts side the flow of funding from the EU is not consistent from one year to the next.

As the rebate is calculated on the UK's net contribution, it shouldn't be surprising, given the volatility in both contributions and receipts, that the UK's rebate also fluctuates.

Funds allocated directly by the European Commission

Funds managed directly by the European Commission are generally aimed at improving competitiveness across the EU. They include funding for research and innovation ([Horizon 2020](#)), infrastructure ([Connecting Europe Facility](#)), education, training, youth and sport ([Erasmus+](#)), cultural and creative industries ([Creative Europe](#)) and support for small businesses to access finance and markets ([COSME](#)).

UK organisations receive around £1bn - £1.5bn a year directly from the European Commission.

Data on the receipts received from these programmes are less timely, however in recent years they have been around £1 billion - £1.5 billion a year. If these are taken into account, the Treasury estimates that the UK's average net contribution to the EU budget was £7.1 billion between 2010 and 2014.³

Box 3: The European Commission's calculation of the UK's budget contribution⁴

The European Commission publish data on the EU's spending in Member States and Member States' contributions. The Commission's approach is different to that of HM Treasury and, therefore, gives different figures:

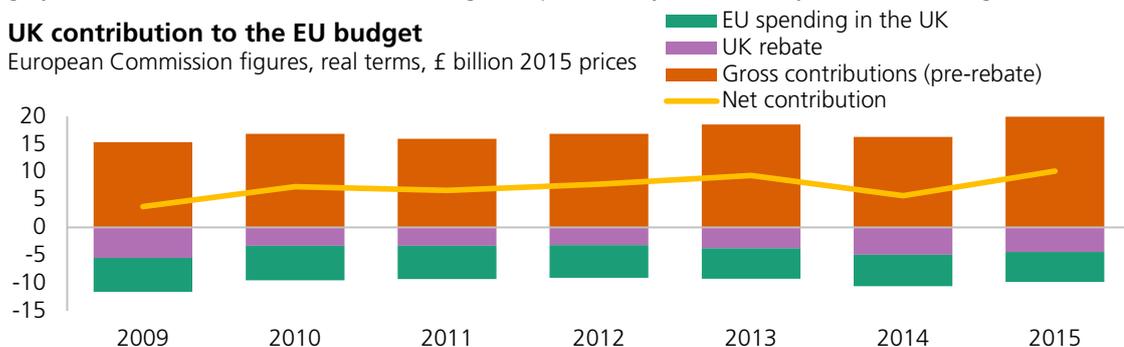
- the Commission includes all receipts going to the UK, including those the Commission directly allocates. These are not included in HM Treasury's figures (see section 1.2)
- the Commission attempt to match transaction to a particular EU budget year. HM Treasury's figures are based on cash flow within the year.

In addition, in terms of the figures presented in this briefing HM Treasury's figures are for financial years. The Treasury does publish figures for calendar years but these lag behind – only [estimates are available](#) for 2015.

The chart below provides the Commission's data on the UK's net contributions. The Commission generally reports lower net contributions compared with HM Treasury. The lower net contributions are largely a result of the Commission including receipts directly allocated by them to UK organisations.

UK contribution to the EU budget

European Commission figures, real terms, £ billion 2015 prices



Member State comparisons

Member States' net contributions can be compared using the Commission's data. In 2015 the UK made the second largest net contribution to the EU budget in absolute terms, and the third largest net contribution per head of population.

Generally speaking, the richer Member States are net contributors to the EU budget – they contribute more to the EU budget than they receive from it. Poorer states are generally net recipients – they receive more from the EU budget than they pay in. The 14 states with the lowest GNI per head of population are all net recipients from the EU budget. Section 3 of our briefing [A guide to the EU budget](#) provides further details.

³ HM Treasury the long-term economic impact of EU membership and the alternative, [Table 1.B](#))

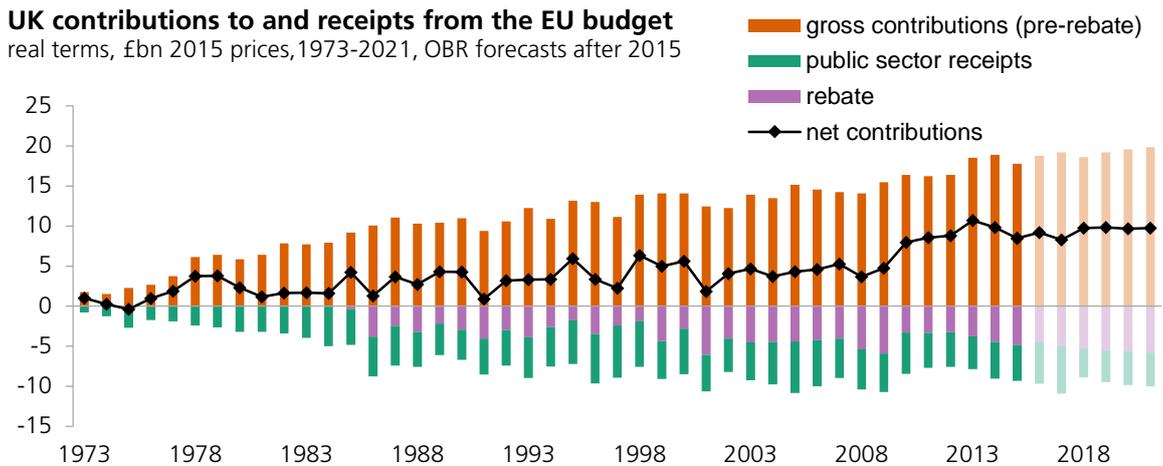
⁴ EC's [EU expenditure and revenue 2014-2020](#), converted to £s using [BoE's data](#)

UK's net contribution and forecast net contribution: 1973 - 2021

The chart below and tables 2 and 3 show the UK's contributions and receipts from the EU since 1973, using HM Treasury figures for calendar years. HM Treasury's figure for 2015 is an estimate as their outturn figure hasn't yet been published.

The data include forecasts from the Office for Budget Responsibility (OBR) – the UK's public finances watchdog – for the years after 2015. The forecasts assume that the UK remains in the EU and contributes to its budget in the normal way. The forecasts are not an estimate of any payments the UK might make to the EU once it h. The OBR took this approach as, when they made the forecast, they didn't have enough information about what the government wants from its future relationship with the EU, and what its chances of getting it are:

As we do not have sufficient detail about the Government's negotiation preferences, or the chances of achieving them, we are not able to forecast how spending will be affected after the UK leaves the EU. We therefore make the fiscally neutral assumption that any reduction in transfers to the EU would be recycled into extra domestic spending.⁵



⁵ OBR. Economic and fiscal outlook – November 2016, [table 4.17 footnote 2](#)

9 The UK's contribution to the EU Budget

Table 2. UK net contributions to the EU/EC Budget 1973-2021. Forecasts after 2015.

£ million, cash

	Gross contribution before rebate	Negotiated refunds	Rebate	Gross contribution (after rebate and refunds)	Public sector receipts	Net Contribution <i>(Gross contribution - rebate & refunds - public sector receipts)</i>
1973	181			181	79	102
1974	181			181	150	31
1975	342			342	398	-56
1976	463			463	296	167
1977	737			737	368	369
1978	1,348			1,348	526	822
1979	1,606			1,606	659	947
1980	1,767	98		1,669	963	706
1981	2,174	693		1,481	1,084	397
1982	2,863	1,019		1,844	1,238	606
1983	2,976	807		2,169	1,522	647
1984	3,204	528		2,676	2,020	656
1985	3,940	61	166	3,713	1,905	1,808
1986	4,493		1,701	2,792	2,220	572
1987	5,202		1,153	4,049	2,328	1,721
1988	5,138		1,594	3,544	2,182	1,362
1989	5,585		1,154	4,431	2,116	2,315
1990	6,355		1,697	4,658	2,183	2,475
1991	5,807		2,497	3,309	2,765	544
1992	6,738		1,881	4,857	2,827	2,030
1993	7,985		2,539	5,446	3,291	2,155
1994	7,189		1,726	5,463	3,253	2,211
1995	8,889		1,207	7,682	3,665	4,017
1996	9,133		2,412	6,721	4,373	2,348
1997	7,991		1,733	6,258	4,661	1,597
1998	10,090		1,378	8,712	4,115	4,597
1999	10,287		3,171	7,117	3,479	3,638
2000	10,517		2,085	8,433	4,241	4,192
2001	9,379		4,560	4,819	3,430	1,389
2002	9,439		3,099	6,340	3,201	3,139
2003	10,966		3,559	7,407	3,728	3,679
2004	10,895		3,593	7,302	4,294	3,008
2005	12,567		3,656	8,911	5,329	3,582
2006	12,426		3,569	8,857	4,948	3,909
2007	12,456		3,523	8,933	4,332	4,601
2008	12,653		4,862	7,791	4,497	3,294
2009	14,129		5,392	8,737	4,401	4,336
2010	15,197		3,047	12,150	4,768	7,382
2011	15,357		3,143	12,214	4,132	8,082
2012	15,746		3,110	12,636	4,169	8,467
2013	18,135		3,674	14,461	3,996	10,465
2014	18,777		4,416	14,361	4,576	9,785
2015 ^e	17,779		4,861	12,918	4,445	8,473
2016 ^f	19,000		5,300	13,800	4,500	9,300
2017 ^f	19,700		6,100	13,600	5,100	8,500
2018 ^f	19,500		3,800	15,800	5,500	10,200
2019 ^f	20,500		4,200	16,400	5,900	10,500
2020 ^f	21,300		4,600	16,700	6,100	10,500
2021	22,000		4,700	17,200	6,400	10,800

Note:

^e2015 are estimates, ^f figures for 2016 - 2020 are forecasts rounded to the nearest £100 million

Sources:

HM Treasury, *European Union Finances*, latest edition published December 2015, Cm 9167

HM Treasury, *European Union Finances*, previous editions

OBR, Economic and fiscal outlook - November 2016, supplementary fiscal table 2.27

OBR, Economic and fiscal outlook supplementary fiscal tables: receipts and other - November 2016, table 2.27

Table 3. UK net contributions to the EU/EC Budget 1973-2021. Forecasts after 2015.*£ million, real (2015) prices*

	Gross contribution	Negotiated refunds	Rebate	Total contribution (after rebate and refunds)	Public sector receipts	Net Contribution <i>(Gross contribution - rebate & refunds - public sector receipts)</i>
1973	1,774			1,774	774	1,000
1974	1,529			1,529	1,267	262
1975	2,291			2,291	2,666	-375
1976	2,687			2,687	1,718	969
1977	3,757			3,757	1,876	1,881
1978	6,150			6,150	2,400	3,750
1979	6,401			6,401	2,626	3,774
1980	5,857	325		5,532	3,192	2,340
1981	6,423	2,047		4,375	3,202	1,173
1982	7,842	2,791		5,051	3,391	1,660
1983	7,726	2,095		5,631	3,951	1,680
1984	7,910	1,304		6,607	4,987	1,620
1985	9,211	143	388	8,680	4,454	4,227
1986	10,056		3,807	6,249	4,969	1,280
1987	11,058		2,451	8,607	4,949	3,659
1988	10,317		3,201	7,116	4,381	2,735
1989	10,412		2,151	8,260	3,945	4,316
1990	10,969		2,929	8,040	3,768	4,272
1991	9,412		4,048	5,364	4,482	882
1992	10,606		2,961	7,645	4,450	3,195
1993	12,256		3,897	8,359	5,051	3,307
1994	10,907		2,618	8,288	4,934	3,354
1995	13,171		1,788	11,383	5,431	5,952
1996	13,002		3,434	9,568	6,225	3,343
1997	11,158		2,420	8,738	6,508	2,230
1998	13,923		1,901	12,022	5,678	6,344
1999	14,074		4,338	9,736	4,760	4,977
2000	14,104		2,796	11,308	5,687	5,621
2001	12,462		6,059	6,403	4,558	1,845
2002	12,273		4,029	8,244	4,163	4,081
2003	13,924		4,519	9,404	4,734	4,671
2004	13,505		4,454	9,051	5,323	3,728
2005	15,174		4,414	10,759	6,434	4,325
2006	14,573		4,186	10,387	5,803	4,584
2007	14,246		4,029	10,216	4,954	5,262
2008	14,071		5,407	8,664	5,001	3,663
2009	15,478		5,907	9,571	4,821	4,750
2010	16,395		3,287	13,108	5,144	7,964
2011	16,241		3,324	12,917	4,370	8,547
2012	16,400		3,239	13,161	4,342	8,819
2013	18,535		3,755	14,780	4,084	10,696
2014	18,881		4,440	14,440	4,601	9,839
2015 ^e	17,779		4,861	12,918	4,445	8,473
2016 ^f	18,800		5,200	13,600	4,400	9,200
2017 ^f	19,200		5,900	13,300	5,000	8,300
2018 ^f	18,600		3,600	15,100	5,300	9,700
2019 ^f	19,200		3,900	15,400	5,500	9,800
2020 ^f	19,600		4,200	15,400	5,600	9,700
2021 ^f	19,800		4,200	15,500	5,800	9,700

Note:

^e2015 are estimates, ^f figures for 2016 - 2020 are forecasts rounded to the nearest £100 million

figures may not sum due to rounding

Sources:

HM Treasury, *European Union Finances*, latest edition published December 2015, Cm 9167HM Treasury, *European Union Finances*, previous editions

OBR, Economic and fiscal outlook - November 2016, supplementary fiscal table 2.27

OBR, Economic and fiscal outlook supplementary fiscal tables: receipts and other - November 2016, table 2.27

ONS. GDP deflator December 2016

2. The UK's rebate

As discussed previously the UK receives a rebate on its net contribution to the EU budget. The rebate was introduced to address the issue of the UK making relatively larger net contributions than other Member States. When the rebate was introduced, in 1985, the UK received relatively little from the EU budget: it had a small agricultural sector, but most EU spending went on agriculture.⁶ At the same time the UK made relatively large contributions to the budget, despite being among the less well-off Member States at the time.

As the rebate is included in the EU's regulation that determines Member States' contributions it is essentially permanent: the regulation can only be changed if all Member States, including the UK, agree.

How does the rebate work?

Broadly speaking the formula used means that the UK's net contribution is reduced by 66% relative to what it would be without rebate.⁷ However, certain parts of the EU's spending are excluded from the deduction, including EU overseas aid, and non-agricultural spending in new Member States that joined the EU after April 2004. This final exclusion, which was agreed by the UK, was phased in from 2009 to ensure that the UK contributed to the costs of enlarging the EU. The UK was, according to the then Prime Minister Tony Blair, "the strongest supporter of enlargement among all member states".⁸

The basic concept of the rebate has remained the same since its inception, but changes to its calculation have been made over time as the EU and its methods for raising revenues have changed. The changes aim to keep the calculation similar to what it would have been had the overall system not changed since 1985.

The European Commission calculates the rebate on the basis of its estimates of the likely outturn for payments from the budget in-year and its estimates of Member States' contributions to the budget. These are then corrected in light of actual outturn figures. Corrections may be made up to three years after the year to which the rebate relates, after which a final reckoning is made in the fourth year. The rebate is deducted from the UK's contribution a year in arrears.

Who pays for the rebate?

The other Member States cover the cost of the UK's rebate. The cost of the rebate is based on each states' share of EU GNI, but Germany, the Netherlands, Austria and Sweden only pay one quarter of their amount due. The reductions are paid for by the remaining Member States.

The rebate can only be changed if all Member States, including the UK, agree.

The rebate is deducted from the UK's contribution a year in arrears.

⁶ Or European Economic Community as it was then known

⁷ The rebate is calculated by taking the difference between the UK's percentage share of contributions to the EU and the UK's percentage share of EU receipts, multiplying this figure by 0.66 and then multiplying it by total spending.

⁸ [HC Deb 19 December 2005 c1563-5](#)

The European Parliament Research Service's briefing [The UK 'rebate' on the EU budget](#) discusses the rebate further.

3. UK payments to the EU on and after Brexit

The UK voted to leave the EU on 23 June 2016. The UK will remain a member of the EU until its departure has been negotiated and will continue to contribute to the EU budget until it formally leaves.

Once the UK has left the EU it may still make contributions to the EU. According to the Prime Minister, the UK may pay to participate in some EU programmes. However, the PM expects the UK to leave the EU's single market and not make contributions to poorer Member States in exchange for such preferential access:

And because we will no longer be members of the single market, we will not be required to contribute huge sums to the EU budget. There may be some specific European programmes in which we might want to participate. If so, and this will be for us to decide, it is reasonable that we should make an appropriate contribution. But the principle is clear: the days of Britain making vast contributions to the European Union every year will end.⁹

Some commentators and officials have suggested that the UK may make a payment on leaving the EU to cover its share of the EU's liabilities less any share of the EU's assets.¹⁰ This would be in addition to any ongoing costs for participating in EU programmes.

Exit negotiations will determine the extent of any payments made by the UK.

3.1 Paying for EU liabilities: a payment on leaving the EU

Often described as a 'divorce bill' or 'exit bill' some commentators and officials have suggested that the UK may, after exit negotiations have been completed, make a payment to the EU for outstanding budget commitments and other liabilities.

The Financial Times estimate that the UK's payment may be between €20 billion and €60 billion,¹¹ but ultimately any payment will be determined in exit negotiations. Which liabilities, and assets, are to be shared, and how they are shared, will form part of negotiations.

EU budget outstanding commitments

The EU's annual budgets include commitments to spend money in future years. Currently the EU has over €200 billion of such outstanding

The UK may still pay to participate in some EU programmes after it has left the EU.

There will be negotiations over the extent to which the UK makes a payment to cover its share of outstanding EU spending commitments and liabilities

⁹ 10 Downing Street, [The government's negotiating objectives for exiting the EU: PM speech](#), 17 January 2017

¹⁰ ["UK faces Brexit bill of up to €60bn as Brussels toughens stand"](#), FT, 15 November 2016

¹¹ ["UK faces Brexit bill of up to €60bn as Brussels toughens stand"](#), FT, 15 November 2016; ["UK faces Brexit divorce bill of up to €20bn"](#), FT, 12 October 2016

commitments.¹² Negotiations will determine the extent to which the UK contributes to the EU's outstanding commitments.

EU budget 2014 to 2020

As we discuss in our briefing [A guide to the EU budget](#), the EU's spending has been planned for the years 2014 to 2020. It isn't yet clear whether the UK will remain liable for contributing to spending over the entire period, even if the UK exits before its end.

Some commentators have suggested that it would make sense for the UK to participate in the EU budget until the spending period has ended.¹³ They argue that the result would be a more orderly exit from this element of the EU. It would also mean that the UK could continue to receive EU funding agriculture and economic development, which would give the UK more time to replace the funding schemes with its own funding.

Other liabilities and assets

Exit negotiations may include the division of other EU liabilities – besides that of budget contributions – and assets.

Although the EU does have other liabilities – including those related to financial instruments – staff pension liabilities are the most prevalent in discussions of the UK's 'divorce bill'. The EU has pension liabilities of €64 billion:¹⁴ whether, and how, these might be shared with the UK isn't clear. As with everything discussed in this section the detail will be worked out in exit negotiations.

If the UK is required to contribute to the EU's liabilities, the UK government may expect to benefit from a share of the EU's assets. The EU's assets include buildings, equipment and financial investments. Again, whether the UK should receive a share of any of these assets is a matter for negotiations.

The EU has larger liabilities than assets, so if these are shared it is probable that the UK would make a payment to the EU rather than receive one from the EU.¹⁵ Although, this depends on precisely what is shared.

The rebate

It is worth re-iterating that the rebate is taken off the UK's contribution a year in arrears. This means that when the UK makes its final

¹² House of Lords EU Financial Affairs Sub-Committee, [uncorrected oral evidence](#), 14 December 2017, pages 8 – 9

¹³ Jacques Delors Institut, [Brexit and the EU Budget: Threat or Opportunity?](#), 16 January 2017; CEPS, [The Impact of Brexit on the EU Budget: A non-catastrophic event](#), 7 September 2016, [page 6](#); House of Lords EU Financial Affairs Sub-Committee, [uncorrected oral evidence](#), 14 December 2017 and 11 January 2017.

¹⁴ European Commission, [Consolidated accounts of the European Union, Financial Year 2015](#), 11 July 2016, [page 32](#)

¹⁵ European Court of Auditors, [Annual Reports concerning the financial year 2015](#), 13 October 2016, [para 1.5](#)

contribution as a Member State it should expect a rebate payment the following year. The rebate may be used to reduce any 'divorce bill'.

3.2 Future contributions: access to programmes and the single market

After exit, the UK may still contribute to the EU to access its programmes and for preferential access to the single market. The Prime Minister expects contributions, after exit, to be somewhat lower than current budget contributions; Mrs May has said that:

- the UK may continue to take part in some EU programmes, and would contribute to the EU for doing so.
- the UK will leave the single market, so will not have to make contributions for membership.¹⁶

Participating in EU programmes

The UK may continue to participate in some of the funding programmes directly managed by the European Commission. The UK would have to pay to participate in the programmes.

Non-EU countries, who have some relationship with the EU, already take part in some of the Commission's funding programmes. Turkey – a candidate country for EU membership – [participates](#) in programmes including [Horizon 2020](#), [Erasmus+](#), [Creative Europe](#), [COSME](#), [EaSI](#).¹⁷ Norway – a member of the European Economic Area – participates in [at least 12 EU programmes](#).¹⁸

Non-EU countries contribute to programmes they participate in on the basis of the relative size of their national income.

Non-EU countries do not take part in the EU's main economic development funds including the European Regional Development Fund and the European Social Fund, nor the agricultural funds.

Preferential access to the EU's single market

The Prime Minister has stated that the UK will not seek membership of the single market. However, with negotiations yet to begin, and significant uncertainty surrounding them, it is worth considering the contributions non-EU countries make in exchange for preferential access to the single market.

Non-EU EEA members¹⁹ have significant access to the single market with some exceptions in agriculture and fisheries. The non-EU EEA members – Norway, Iceland and Liechtenstein – contribute grants to the poorer EU Member States in exchange for preferential access to the

Some non-EU countries already take part in European Commission funding programmes.

Some non-EU countries contribute grants to the poorer EU Member States in exchange for preferential access to the single market.

¹⁶ 10 Downing Street, [The government's negotiating objectives for exiting the EU: PM speech](#), 17 January 2017

¹⁷ Turkey – European Union Association, [EU Programmes and Agencies to which Turkey Participates](#)

¹⁸ Norway mission to the EU, [Norway's participation in EU programmes and agencies](#), 10 August 2016

¹⁹ The European Economic Area (EEA) is made up of the EU Member States plus three other countries: Norway, Iceland and Liechtenstein

single market.²⁰ Norway – by far the biggest of the non-EU EEA countries – also has an agreement with the EU to provide separate grants, which are commonly known as Norway Grants. Norway will provide €1.3 billion through Norway grants between May 2014 and April 2021 and around €1.5 billion through the EEA grants.²¹

Switzerland has limited access to the single market. It has tariff- and quota-free access to the EU's markets for manufactured goods and has negotiated access for particular service sectors. Switzerland provides grants to countries that have joined the EU since 2004.²² Approximately £900 million of grants over five years have been committed.²³

3.3 Further information

- The House of Lords EU Financial Affairs Sub-Committee is carrying out [an inquiry](#) on the implications of Brexit for the UK's contributions to and receipts from the EU budget.
- Institute for Fiscal Studies, *Brexit and the UK's Public Finances*, May 2016, [section 2.2](#)
- House of Commons Library, [Brexit: UK Funding from the EU](#), 29 December 2016, section 6 and section 7

²⁰ European Commission, [protocol 38C on the EEA Financial Mechanism \(2014-2021\)](#), February 201

²¹ European Commission, Agreement between the Kingdom of Norway and the European Union on a Norwegian financial mechanism for the period 2014-2021, [Annex](#), February 2016

²² Confederation Suisse, [The Swiss contribution in brief](#) [accessed on 23 January 2017]

²³ IFS. *Brexit and the UK's Public Finances*, May 2016, [pages 15-16](#)

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