



BRIEFING PAPER

Number CBP 7886, 23 November 2018

The UK's contribution to the EU Budget

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Inside:

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



Contents

Summary	3
1. The UK and the EU budget	4
1.1 Introduction	4
1.2 UK contributions and receipts	5
Gross contribution	5
EU receipts and the net contribution	5
Direct funding from the European Commission	7
The UK's net contribution and forecast net contribution: 1973 – 2022/23	8
2. The UK's rebate	11
How does the rebate work?	11
Who pays for the rebate?	11
3. UK payments to the EU on and after Brexit	12
3.1 The financial settlement	13
Underlying principles	13
Commitments arising from the EU Budget	14
Areas outside of the EU Budget	17
What's the cost of the settlement?	18
The OBR's estimate	Error! Bookmark not defined.
3.2 Future payments: access to programmes and the single market	21
Participating in programmes directly managed by the European Commission	21
Preferential access to the EU's single market	23

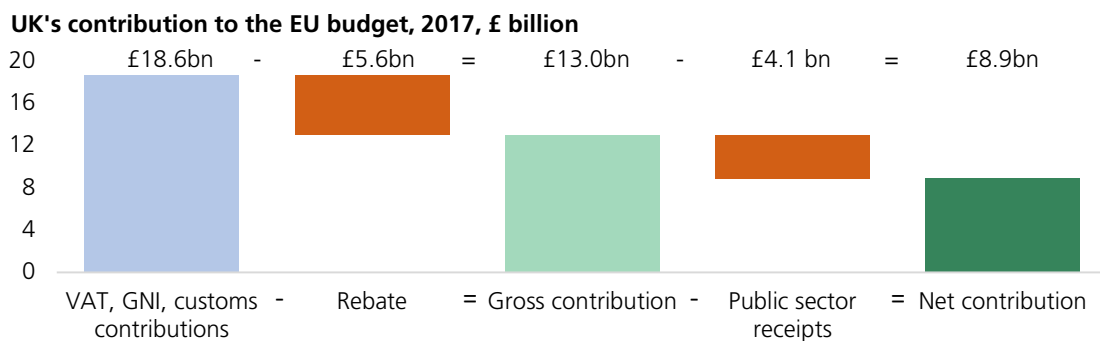
Summary

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 reduces its contribution. The rebate aims to correct the issue of the UK making relatively large net contributions to the EU.

In 2017 the UK made an estimated gross contribution (after the rebate) of £13.0 billion. The UK received £4.1 billion of public sector receipts from the EU, so the UK's net public sector contribution to the EU was an estimated £8.9 billion.



There are different ways to measure the funds the UK receives from the EU. The above figure of £4.1 billion includes only funding allocated to UK government to manage. However, the European Commission also allocates 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 £8.5 billion between 2011 and 2015.

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.

A financial settlement for the UK's withdrawal

The UK and EU have reached agreement on a financial settlement for the UK's withdrawal. Often described by the media as the 'divorce bill', the agreed approach for calculating the settlement is based on the principles that:

- the UK pays for its share of the commitments taken on during its EU Membership
- no remaining Member State is made financially worse off by the UK's withdrawal
- the UK should neither pay more nor earlier than if it had remained a Member State

The UK Government costs the settlement at around £35 billion-£39 billion. However, the true cost will not be known until all the future payments have been made.

Payments after leaving?

The UK Government says that it may pay to participate in some EU programmes after Brexit. For instance, the UK might contribute to remain in [Horizon 2020](#), the EU's research and innovation programme. Exit negotiations will determine the extent of the UK's future participation in EU programmes and any cost.

This briefing focuses on the UK's involvement with the EU budget. The Library briefing [A guide to the EU budget](#) discusses how the EU raises and spends money.

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, through various funding programmes. The EU's programmes include funds that support agriculture, develop regional economies and improve competitiveness.

In common with all Member States, the UK contributes to the EU budget through three sources:

- it collects customs tariffs and levies on behalf of the EU. 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 its payments are made to the EU budget.

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

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

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

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 it is likely that it will still make payments to the EU. [Section 3](#) of this briefing discusses the issue in further detail.

Settling the UK and EU's financial commitments to each other

In December 2017, the UK and EU reached [a political agreement](#) on a financial settlement as part of the UK's withdrawal. Often described by the media as the 'divorce bill', the agreed approach for calculating the settlement is based on the principles that:

- the UK pays for its share of the commitments taken on during its EU Membership
- no remaining Member State is made financially worse off by the UK's withdrawal
- the UK should neither pay more nor earlier than if it had remained a Member State

See [section 3](#) of the Library briefing [Brexit: the exit bill](#) for more on this.

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 that the UK may continue to participate in some of the EU's programmes, and would make financial contributions to do so. Prime Minister Theresa May – in speeches setting out the UK's objectives for exiting the EU – says that the UK may continue to participate in some EU programmes.¹ 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 ; [PM's Florence speech: a new era of cooperation and partnership between the UK and the EU](#), 22 September 2017

1.2 UK contributions and receipts

Different approaches are used for measuring the UK's net contribution to the EU budget. This briefing largely discusses HM Treasury's approach, but figures from the European Commission are provided in Box 3. The key difference between the sources is that HM Treasury include only EU receipts allocated to UK government to manage, described as public sector receipts. Funds allocated directly to UK organisations by the Commission are not included by HM Treasury.

Gross contribution

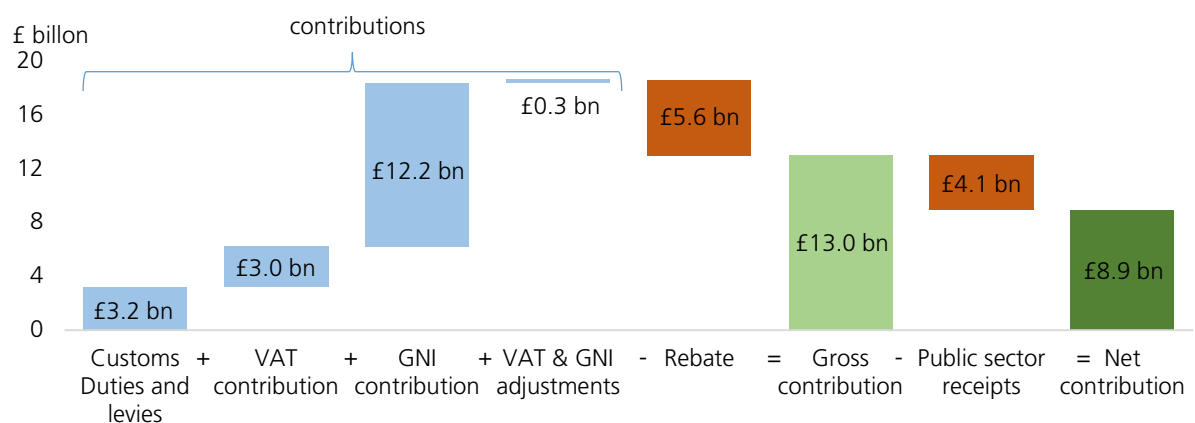
HM Treasury estimate that in 2017 the UK made a gross contribution of £13.0 billion to the EU budget, with the rebate taken into account. The EU do not pay the rebate to the UK in a separate transaction, it is deducted from the contributions the UK makes to the EU.²

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 and therefore make up the difference between the EU's spending and its other revenues.

EU receipts and the net contribution

The UK received an estimated £4.1 billion of public sector receipts from the EU in 2017. This means the UK's net contribution to the EU budget was £8.9 billion.

Chart 1. UK contributions to, and receipts from, the EU budget
£ billion, 2017



The UK's estimated gross contribution (after the rebate) was £13.0bn in 2017.

The UK's public sector received an estimated £4.1bn of funding from the EU in 2017. The UK's net contribution, therefore, was £8.9bn.

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 up of the

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.

[European Regional Development Fund](#) and [European Social Fund](#) – 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 to the UK government to manage. Funds allocated directly to UK organisations by the European Commission, such as through [Horizon 2020](#), 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

	2012	2013	2014	2015	2016	2017
<i>UK contributions to the EU</i>						
Customs duties and levies	2,202	2,180	2,238	2,325	2,463	3,172
VAT contributions	2,279	2,344	2,388	2,661	2,677	3,040
GNI contribution	11,362	13,497	12,521	14,003	11,856	12,154
VAT & GNI adjustments	-98	114	1,631	571	-	258
Contributions	15,745	18,135	18,778	19,560	16,996	18,624
<i>UK rebate</i>	<i>-3,110</i>	<i>-3,674</i>	<i>-4,416</i>	<i>-4,914</i>	<i>-3,878</i>	<i>-5,633</i>
Gross contributions (after rebate)	12,636	14,461	14,362	14,646	13,118	12,993
Total Public Sector Receipts	4,169	3,996	4,583	3,883	3,492	4,084
Net Contribution	8,467	10,465	9,779	10,763	9,626	8,909

Source: HM Treasury, *European Union Finances 2017*, Table C.3

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 carried over 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.

Direct funding from 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 UK's average net contribution to the EU budget was £8.5 billion between 2011 and 2015.³

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 to the EU budget. The Commission's approach is different to that of HM Treasury and, therefore, gives different figures:

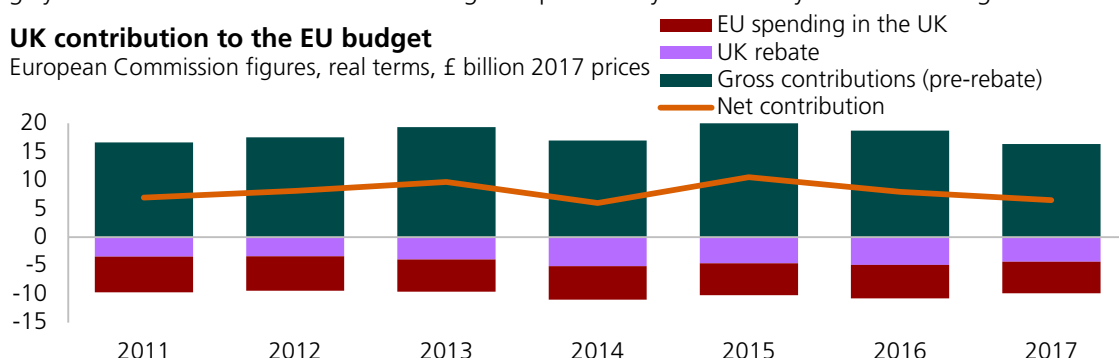
- the Commission includes all receipts going to the UK, including those the Commission directly allocates. These are not included in HM Treasury's figures (see [section 1.2](#))
- the Commission attempt to match transactions to a particular EU budget year. HM Treasury's figures are based on cash flow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

In addition, the figures presented in this briefing from HM Treasury are for financial years.

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 2017 prices



Member State comparisons

Member States' net contributions can be compared using the Commission's data. In 2016 the UK made the third largest net contribution to the EU budget in absolute terms, and the sixth largest net contribution per head of population.

Generally speaking, 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 16 states with the lowest GNI per head of population are all net recipients from the EU budget. Section 3 of the Library briefing [A guide to the EU budget](#) provides further details.

³ HM Treasury. [European Union Finances 2017](#), Annex B and Table C.3, and previous editions

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

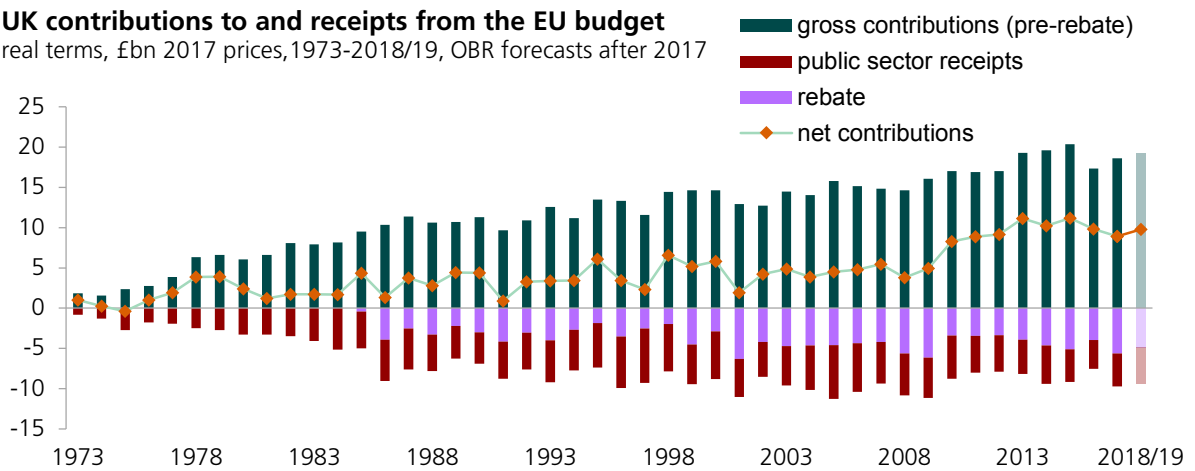
The UK's net contribution and forecast net contribution

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. As these are the Treasury's figures they do not include funding allocated directly by the Commission to UK organisations.

The data include forecasts from the Office for Budget Responsibility (OBR) – the UK's public finances watchdog – for the years after 2017. The OBR's forecasts are for financial years.

UK contributions to and receipts from the EU budget

real terms, £bn 2017 prices, 1973-2018/19, OBR forecasts after 2017



9 The UK's contribution to the EU Budget

Table 2. UK net contributions to the EU/EC Budget 1973-2018/19. Forecasts after 2017

£ 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	15,196		3,047	12,150	4,768	7,382
2011	15,356		3,143	12,213	4,132	8,082
2012	15,745		3,110	12,635	4,169	8,467
2013	18,135		3,674	14,461	3,996	10,465
2014	18,778		4,416	14,362	4,583	9,779
2015	19,560		4,914	14,646	3,883	10,763
2016	16,996		3,878	13,118	3,492	9,626
2017	18,624		5,633	12,991	4,084	8,909
2018/19 ^f	19,618		4,588	15,030	5,025	10,006

Note:

^f figures for 2018/19 - 2019/20 are forecasts

Sources:

HM Treasury, *European Union Finances*, latest edition published March 2018, Cm 9576

HM Treasury, *European Union Finances*, previous editions

OBR, Economic and fiscal outlook - March 2018, supplementary fiscal table 2.26

Table 3. UK net contributions to the EU/EC Budget 1973-2018/19. Forecasts after 2017.*£ million, real (2017) 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	1,828			1,828	798	1,030
1974	1,578			1,578	1,308	270
1975	2,357			2,357	2,743	-386
1976	2,778			2,778	1,776	1,002
1977	3,875			3,875	1,935	1,940
1978	6,336			6,336	2,472	3,864
1979	6,605			6,605	2,710	3,895
1980	6,048	335		5,713	3,296	2,417
1981	6,619	2,110		4,509	3,301	1,209
1982	8,067	2,871		5,196	3,488	1,708
1983	7,946	2,155		5,792	4,064	1,728
1984	8,150	1,343		6,807	5,138	1,669
1985	9,501	147	400	8,953	4,594	4,360
1986	10,368		3,925	6,443	5,123	1,320
1987	11,386		2,524	8,863	5,096	3,767
1988	10,630		3,298	7,332	4,514	2,818
1989	10,728		2,217	8,512	4,065	4,447
1990	11,293		3,016	8,277	3,879	4,398
1991	9,678		4,162	5,516	4,609	907
1992	10,910		3,046	7,864	4,578	3,286
1993	12,589		4,003	8,586	5,189	3,397
1994	11,178		2,683	8,495	5,057	3,438
1995	13,492		1,831	11,661	5,563	6,098
1996	13,327		3,520	9,807	6,381	3,427
1997	11,578		2,512	9,067	6,753	2,314
1998	14,454		1,973	12,481	5,895	6,586
1999	14,635		4,511	10,124	4,949	5,175
2000	14,635		2,901	11,734	5,901	5,833
2001	12,945		6,294	6,651	4,735	1,917
2002	12,752		4,186	8,566	4,325	4,241
2003	14,470		4,696	9,773	4,919	4,854
2004	14,031		4,627	9,404	5,530	3,874
2005	15,786		4,593	11,194	6,694	4,500
2006	15,161		4,355	10,806	6,037	4,769
2007	14,825		4,193	10,632	5,156	5,476
2008	14,633		5,623	9,010	5,201	3,809
2009	16,084		6,138	9,946	5,010	4,936
2010	17,033		3,415	13,619	5,344	8,274
2011	16,897		3,458	13,438	4,547	8,893
2012	17,049		3,368	13,681	4,514	9,168
2013	19,289		3,908	15,381	4,250	11,131
2014	19,625		4,615	15,009	4,790	10,220
2015	20,358		5,115	15,244	4,041	11,202
2016	17,336		3,956	13,380	3,562	9,819
2017	18,624		5,633	12,991	4,084	8,909
2018/19 ^f	19,173		4,484	14,690	4,911	9,779

Note:

^f figures for 2018/19 - 2019/20 are forecasts

figures may not sum due to rounding

Sources:

HM Treasury, *European Union Finances*, latest edition published March 2018, Cm 9576HM Treasury, *European Union Finances*, previous editionsOBR, *Economic and fiscal outlook - October 2018*, supplementary fiscal table 2.25

ONS. Series YBGB

ONS. GDP deflator Budget 2018

House of Commons Library calculations

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 EU⁵ spending went on agriculture. 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.⁶ However, certain parts of the EU's spending are excluded from the deduction including EU overseas aid, and non-agricultural spending in 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".⁷

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.

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

⁵ Or European Economic Community as it was then known

⁶ 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.

⁷ [HC Deb 19 December 2005 c1563-5](#)

3. UK payments to the EU on and after Brexit

The UK is expected to formally leave the EU on 29 March 2019. Until it formally leaves, the UK will remain a Member State and continue to contribute to the EU budget as normal.

Once it has formally left, it is highly likely that the UK will still make some payments to the EU.

The financial settlement between the UK and EU

The UK and EU have reached an agreement on how to settle their outstanding financial commitments to each other after Brexit. The media have labelled this as an 'exit bill' or 'divorce bill', the EU see it as a matter of 'settling the accounts'. The issue was discussed in the first phase of Brexit negotiations under the title of the 'single financial settlement' (the settlement).

On 8 December 2017, following the first phase of withdrawal negotiations, a political agreement was reached on the financial settlement.⁸ The agreement reached provides a methodology for calculating the settlement rather than detailing the amounts that will be paid. The settlement has been turned into legal text in the [Withdrawal Agreement](#), which sets out the terms for the UK's departure from the EU.

The UK Government estimates that the settlement will cost around £35 billion-£39 billion, although the true cost will not be known until all the future payments have been made. Payments arising from some of the items included in the settlement will be made over many years.

Payments after the UK has left the EU

Once the UK has left the EU it may make payments to the EU to participate in some EU programmes. Theresa May has stated as much in speeches on the UK's relationship with the EU:

And as we move forwards, we will also want to continue working together in ways that promote the long-term economic development of our continent.

This includes continuing to take part in those specific policies and programmes which are greatly to the UK and the EU's joint advantage, such as those that promote science, education and culture – and those that promote our mutual security.

And as I set out in my speech at Lancaster House, in doing so, we would want to make an ongoing contribution to cover our fair share of the costs involved.⁹

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

⁸ [Joint report from the negotiators of the European Union and the United Kingdom Government on progress during phase 1 of negotiations under Article 50 TEU on the United Kingdom's orderly withdrawal from the European Union](#), 8 December 2017

⁹ [PM's Florence speech: a new era of cooperation and partnership between the UK and the EU](#), 22 September 2017

In November 2018, the UK and EU set out their vision for their future relationship in a [draft political declaration](#), which sets out a framework for negotiations. The UK and EU will work together to set out the terms for the UK's participation in EU programmes as a 'third country'. The political declaration envisages that the UK may participate in areas such as science and innovation, youth, culture and education, overseas development and external action, defence capabilities, civil protection and space. As with other third countries, the UK will contribute financially to the programmes it participates in and its participation will be subject to the conditions set out in the EU's rules for each of its programmes.

However, the Government has been clear the UK is going to leave the EU's single market and therefore wouldn't be expected to make payments related to such preferential market access:

As we will no longer be members of the Single Market, we will not be required to make vast contributions to the EU budget. There may be European programmes in which we might want to participate. If so, it is reasonable that we should make an appropriate contribution. But this will be a decision for the UK as we negotiate the new arrangements.¹⁰

3.1 The financial settlement

The agreement reached between the UK and EU on the financial settlement (the settlement) sets out the financial commitments that will be covered, the methodology for calculating the UK's share and the payment schedule. This is a political agreement and will not be legally binding until it is included in a Withdrawal Agreement that has been ratified by the UK Parliament and European Parliament.

The Library briefing [Brexit: the exit bill](#) discusses settlement negotiations, the positions of the EU and UK, the final agreement reached and progress on the Withdrawal Agreement.

Underlying principles

A methodology for calculating the financial settlement was agreed in the first phase of withdrawal negotiations. The underlying principles of the methodology are that:

- no EU Member State should pay more or receive less because of the UK's withdrawal from the EU;
- the UK should pay its share of the commitments taken during its membership; and
- the UK should neither pay more nor earlier than if it had remained a Member State. This implies in particular that the UK should pay based on the actual outcome of the budget

¹⁰ HM Government, *The United Kingdom's exit from and new partnership with the European Union*, Cm9417, February 2017, [para 8.51](#)

The final point means that the UK will not be required to make any payments earlier than would have been the case if it had remained a Member State, unless agreed by both sides.

For instance, as discussed below, the UK will contribute towards the pensions of EU employees. The payments to EU employees are made annually in the EU's budgets and the UK will make annual contributions towards these costs. The UK will make a stream of EU pension related payments, which the Office for Budget Responsibility (OBR) – the UK's public finances watchdog – expect to last into the 2060s.¹¹

The commitments arise from the UK's participation in the EU Budget and broader aspects of the UK's EU membership. Below we set out the main commitments of the settlement.

Commitments arising from the EU Budget

UK participation in Union annual budgets to 2020

The UK will continue to contribute to, and participate in, the EU Budget in 2019 and 2020. Any changes made to the Budget or its financing after the withdrawal date (March 2019) will not apply to the UK.

In October 2018, the Office for Budget Responsibility (OBR) – the UK's public finances watchdog – forecast that the UK would make gross contributions – after the rebate – of €17.5 billion in 2019 and €18.5 billion in 2020.¹² As the UK is set to leave the EU on 29 March 2019, in 2019 there will be one quarter in which the UK will make a contribution as a Member States, and three quarters when the contributions are made under the settlement.

The UK's rebate (see [Section 2](#)) will continue to apply in 2019 and 2020.

UK participation in programmes

The UK will continue to participate in EU programmes funded from the current Budget plan (the Multiannual Financial Framework 2014 – 2020)¹³ until they close. The UK Government and UK beneficiaries will be required to respect all relevant EU legal provisions including co-financing.

EU programmes take two forms – funding is either provided to the UK Government to manage, or funding is allocated directly to beneficiaries by the Commission.

The UK Government-managed funds include the European Structural and Investment funds and direct payments to farmers. The OBR forecasts that the UK will receive around €6 billion from these programmes in both 2019 and 2020.¹⁴ In 2019, there will be three quarters when funding will be received under the settlement.

¹¹ OBR. Economic and fiscal outlook – March 2018, [Annex B](#)

¹² OBR. Economic and fiscal outlook – October 2018, [supplementary fiscal table 2.26](#)

¹³ The Library briefing [A guide to the EU budget](#) has more on the multiannual financial framework

¹⁴ OBR. Economic and fiscal outlook – October 2018, [supplementary fiscal table 2.26](#)

15 The UK's contribution to the EU Budget

The funding allocated directly by the Commission is largely through the Horizon 2020 – the EU's research and innovation programme. The OBR forecasts that the UK will receive around €2 billion from such funds in both 2019 and 2020.¹⁵ In 2019, there will be three quarters when funding will be received under the settlement.

The Library briefing [Brexit: UK Funding from the EU](#) has more on EU funding programmes.

EU Budget outstanding commitments (reste à liquider)

In their annual budgets the EU commit to some future spending without making payments to recipients at the time. The commitments will become payments in the future. The EU refer to outstanding commitments as *reste à liquider* (RAL). The UK will contribute towards the financing of the RAL outstanding at 31 December 2020.

The total applicable RAL will be adjusted to account for the actual amount that will be implemented. An adjustment will be made for decommitments – commitments that are cancelled as they are not going to be converted into payments – and assigned revenues, which are largely revenues from non-EU countries to EU programmes.

At the end of 2016, the EU's total accumulated RAL is €239 billion.¹⁶ The extent to which this will be adjusted for decommitments and assigned revenues won't be known until they happen. Some of the RAL will be receipts that the UK is due to receive.

In October 2018, the OBR estimated that the UK's net RAL payment will be around €21 billion.¹⁷ The net payment is the difference between the UK's gross share of the RAL and the amount of receipts the UK will receive from the RAL.

Liabilities

The UK will share the financing of the EU's liabilities incurred before 31 December 2020. Liabilities with corresponding assets will be excluded as will assets and liabilities related to the spending and financing of the EU Budget.¹⁸

The pensions and other benefits of EU employees are the most significant liabilities included in the settlement. Like the UK civil service pension scheme, the EU's pension scheme is unfunded and operates on a 'pay-as-you-go basis', which sees costs being covered by the EU Budget as they arise. Unless it requests to pay earlier, the UK will contribute towards these pensions over many years – as discussed

¹⁵ *ibid*

¹⁶ European Commission, [Consolidated accounts of the European Union and Financial Statement Discussion and Analysis](#), June 2017, [Table 4.5](#)

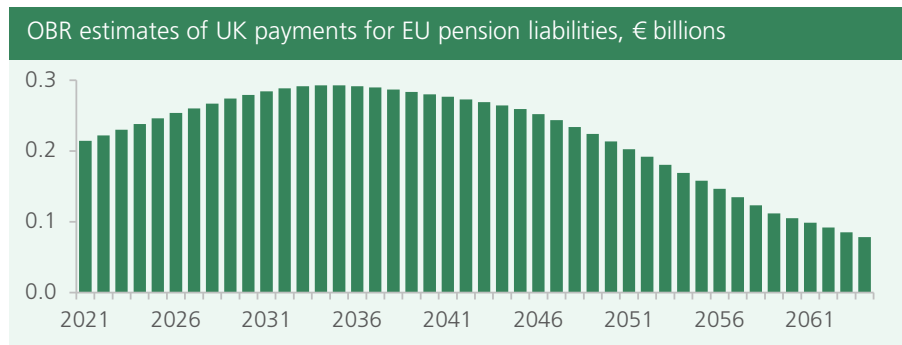
¹⁷ *op cit*, [Table 2.39](#)

¹⁸ See footnote 6 and 7 of the [Joint report from the negotiators of the European Union and the United Kingdom Government on progress during phase 1 of negotiations under Article 50 TEU on the United Kingdom's orderly withdrawal from the European Union](#).

above, the UK will not have to pay for anything earlier than they would have if they had remained in the EU.

At the end of 2016, the EU's liabilities for pensions and other employee benefits stood at €67 billion.¹⁹ This figure is an estimate of what these future payments are worth now – it is based on discounting the future payments by a rate that adjusts for the time value of money. Therefore at this time it isn't possible to say precisely how much the UK will have contributed once all the annual payments for EU pensions have been made.

Noting the uncertainty, the OBR estimated that the UK's share of pension liabilities is in the region of €9 billion to €10 billion with relatively small payments stretching out to the 2060s.²⁰ The OBR forecasts that the UK's payments for EU will be less than €100 million a year after 2060.



Contingent liabilities

The UK will remain liable for its share of the EU's contingent liabilities as established at the date of withdrawal. These liabilities include those related to financial operations – for instance for financial guarantees given on loans and financial assistance programmes – and legal cases. Box 4 defines contingent liabilities and provides an example.

Box 4: Contingent liabilities

Contingent liabilities are potential liabilities that may occur depending on the outcome of an uncertain event in the future. They relate mainly to financial guarantees given (on loans and financial assistance programmes) and to legal risks.

An example contingent liability: the European Financial Stabilisation Mechanism

The European Financial Stabilisation Mechanism (EFSM) was created in 2010 as a temporary fund to provide loans to EU Member States in financial difficulty. The EFSM used the EU Budget as a guarantee to borrow money on financial markets, which it then subsequently lent to countries which require the funding. The EFSM is no longer used to fund new loans, but the outstanding loans still exist.

If the countries which receive EFSM loans fail to repay them, then the EU Budget bears the cost. If, as a result of this, additional money is required to fund the EU Budget, further contributions from EU Members may be required. This is where the UK currently has a contingent liability.

¹⁹ European Commission, [Consolidated accounts of the European Union and Financial Statement Discussion and Analysis](#), June 2017, [page 18](#)

²⁰ OBR. Economic and fiscal outlook – March 2018, [B.27](#)

17 The UK's contribution to the EU Budget

For those contingent liabilities related to financial operations, the UK's liability will only be affected by decisions adopted before the date of withdrawal.

For contingent liabilities related to legal cases as a result of participation in the budget, programmes and policies, the cut-off date will be 31 December 2020.

If any contingent liabilities are triggered, the UK will receive any subsequent recoveries from meeting those liabilities. The UK will also receive its share of paid-in guarantees when the financial operations associated with some contingent liabilities decline.²¹

The UK's share

Some of the financial commitments discussed above are accounted for on an EU-wide basis. The UK's share of these commitments will be based on the UK's percentage share of total contributions to the EU Budget over 2014 – 2020. The exception is the UK's continued participation in Budget 2019 and 2020 – here there is no need to calculate a UK share.

The OBR estimates that the UK's share over 2014 – 2020 may be 12.2%.²²

The currency of payments

The settlement will be drawn up and paid in euro. This means that the UK's actual contribution in pounds will be contingent on the future exchange rate.

Areas outside of the EU Budget

European Investment Bank

EU Member States are members of the European Investment Bank (EIB). As an EIB member the UK agrees to provide €39 billion of the EIB's capital, which is known as unpaid, or callable, capital. The UK also has €3.5 billion of paid-in capital with the EIB.

On withdrawal from the EU the UK will no longer be a member of the EIB. The UK's €3.5 billion of paid-in capital will be repaid to the UK in twelve annual instalments starting at the end of 2019.²³

The UK will provide a guarantee to the EIB equal to its callable capital – an amount the UK currently agrees to provide if required. This guarantee will decrease as EIB loans associated with it decrease.

²¹ The UK will also receive a share of the net asset of the European Coal and Steel Community in liquidation and of the European Investment Fund decided before the withdrawal date, as the financial operations supported by these mature.

²² OBR. Economic and fiscal outlook – October 2018, supplementary fiscal tables [Table 2.36](#)

²³ The first eleven payments will be €300 million and the final one will be €196 million.

European Central Bank

At January 2015 the UK had €0.06 billion (€56 million) of paid-in capital in the ECB.²⁴ The paid-in capital will be returned to the Bank of England after the UK's withdrawal.

European Development Fund (EDF)

The EDF is the EU's main instrument for providing development aid overseas. The EDF is broken down over time into 'EDF funds'. The EDF is outside the EU Budget and the UK contributes to the fund.

The UK will remain part of the EDF until the close of the 11th EDF fund, which runs between 2014 and 2020. The UK will honour its share of the total commitments made under this EDF and the payments related to its share of the outstanding commitments made under previous EDFs. The practicalities of making payments will remain as they currently are, unless otherwise agreed in the second phase of negotiations.

The UK has a share of the EDF's Investment Facility. This funding will be returned to the UK as the investments end.

For further information on the EDF see the European Parliament Research Service's briefing [European Development Fund](#).

Facility for Refugees in Turkey and EU Trust funds

The UK will continue to honour the commitments it has made on the Facility for Refugees in Turkey and the European Union Emergency Trust Fund. The practicalities of the UK's participation in these schemes will continue on the current basis after withdrawal, unless changes are agreed in the second phase of negotiations.

The [Facility for Refugees in Turkey](#) was established as part of a wider framework to address the migration crisis which started in 2015. The Facility focuses on humanitarian assistance, education, migration management, health, infrastructure, and socio-economic support.

EU Trust Funds are development tools which pool resources from different donors in order to enable an EU response to an emergency or post-emergency situation. The European Parliament Research Service's briefing [EU Trust Funds for external action: First uses of a new tool](#) has more on the EU's trust funds.

What's the cost of the settlement?

The Government's estimate

The Treasury estimates the settlement at around £35 billion-£39 billion.²⁵ However, it is very difficult to put definitive figures to the settlement, as has been explained by a Treasury official:

...it is impossible to put a definitive number on the settlement.

When we agreed the financial settlement in December, one of the important principles we secured was that we will only pay for

²⁴ ECB, [Capital subscription](#)

²⁵ [HC Deb 11 Dec 2017:c25](#)

19 The UK's contribution to the EU Budget

things if they are based on out-turns. So we will meet commitments made during the period of our membership, but in Europe, as in other budgetary systems, not all commitments turn into spending. So we will only pay for things based on out-turn data, and we will not know that out-turn data until well into the future.

So it is impossible to put a definitive number on the settlement, but we have set out that we think £35 billion to £39 billion is a reasonable estimate.²⁶

HM Treasury's estimate of the settlement and its components			
	Payment period	Amount € billion	£ billion
UK participation in EU annual budgets to 2020	2019-2020	17-18	15-16
Reste à liquider	2021-2026	21-23	19-20
Other net liabilities	2021-2064	2-4	2-4
Total	2019-2064	40-45	35-39

source: NAO. Exiting the EU: The financial settlement, Figure 1

The National Audit Office examined the reasonableness of the Treasury's estimate of the settlement's cost. The NAO found the estimate to be reasonable based on the parameters set by the Treasury, but that the actual value was uncertain because it depends on future events, including:²⁷

- the UK's economic performance relative to EU Member States, which will determine the UK's contribution to the EU Budget in 2019 and 2020;
- the extent to which UK receives EU receipts at the same rate as in recent years. The NAO said that "it is quite possible that the UK's revenues from the EU may change in the context of EU withdrawal."
- the impact of future events on the EU's pension liabilities. The current estimate of EU pension liabilities is based on assumptions about future events such as mortality rates, salary increases and discount rates. If any of these turn out to be different from assumed, then actual payments for EU pensions will be different from the Treasury's estimate;
- the settlement is being calculated and paid in euros, so the UK's actual contribution in pounds will be contingent on the future exchange rate.

The NAO made some further points about the Treasury's estimate:²⁸

²⁶ European Scrutiny Committee, Oral evidence: EU withdrawal, HC 763, [Q185](#)

²⁷ NAO. Exiting the EU: The financial settlement, [paras 11-22](#)

²⁸ *ibid*

- it includes receipts that go directly from the Commission to the private sector. This means that the Treasury's estimate is not the same as the payments and receipts that will be recorded in the public sector finances;
- it does not include the £2.9 billion that the UK is expected to contribute to the European Development Fund after the UK leaves the EU. The Treasury excluded this cost as the EDF is not part of EU Treaties and sits outside of the EU budget;
- it does not include contingent liabilities. The Treasury and the Commission believe these liabilities to be remote, so they don't expect them to lead to future payments.

The Public Accounts Committee (PAC) also considered the settlement,²⁹ following the NAO's report. The PAC's views largely echoed those of the NAO, with the headline finding that the final cost of the settlement is uncertain.

The PAC reported that the UK's financing share – described as the [UK's share](#) above – is the main area of uncertainty according to the Treasury. The financing share depends on a range of factors such as the UK's relative economic performance and a final figure will not be known until 2020 audited EU accounts are published in 2022.

The PAC said that the Treasury has not conveyed the uncertainty attached to the settlement's value to Parliament or the taxpayer. They also made the wider point that the financial settlement only includes the cost of meeting the obligations set out in the settlement. There may be other costs associated with The UK withdrawing from the EU and its future relationship with the EU.

The Treasury explained to the PAC why it hadn't included payments to the EDF in its estimate of the settlement. The commitments are part of the UK's legal obligation to spend 0.7% of Gross National Income on overseas aid and if this budget was not spent through the EDF, the Government would be required to spend it through another route.

The OBR's estimate

Since March 2018, the Office for Budget Responsibility (OBR) – the UK's public finances watchdog – has produced an estimate of the settlement as agreed in the joint report. The OBR's estimate has been very similar to the Treasury's and showed a payment profile that stretches out to the 2060s. The OBR expect around 73% of payments to have been made by 2022 and that net payments after 2031 will average around €170 million a year.

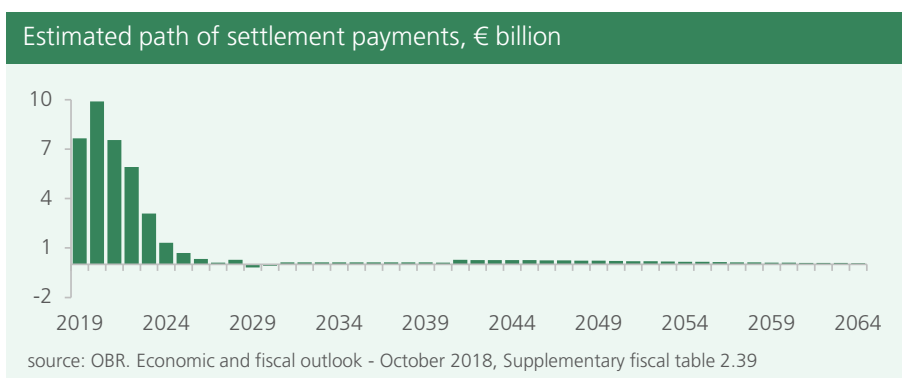
[Annex B](#) of the OBR's March 2018 forecast discusses the settlement in detail. The OBR updated its estimate in its October 2018 forecast, but the March 2018 document has the best explanation of their approach.

²⁹ House of Commons Committee of Public Accounts, Exiting the EU: The financial settlement, HC 973, 27 June 2018

Appendix 1 of this briefing includes a breakdown of the OBR's estimates.

OBR's estimate of the settlement and its components			
	Payment period	Amount	
		€ billion	£ billion
UK participation in EU annual budgets to 2020	2019-2020	18.1	16.3
Reste à liquider	2021-2028	21.3	19.8
Other net liabilities	2019-2064	2.8	2.6
Total	2019-2064	42.2	38.7

source: OBR. Economic and fiscal outlook - October 2018, Box 4.1



3.2 Future payments: access to programmes and the single market

Prime Minister Theresa May expects financial contributions to the EU, 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.³⁰

Participating in programmes directly managed by the European Commission

The UK may continue to participate in some of the funding programmes directly managed by the European Commission. The UK would make a financial contribution to the programmes it participates in.

Non-EU countries, who have some relationship with the EU, already take part in some of the Commission's funding programmes. For instance, Turkey – a candidate country for EU membership – [participates](#) in programmes including [Horizon 2020](#), [Erasmus+](#), [Creative Europe](#),

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

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

[COSME](#), [EaSI](#).³¹ Norway – a member of the European Economic Area (EEA) – participates in [at least 12 EU programmes](#).³²

Non-EU countries often contribute to European Commission programmes they participate in on the basis of the relative size of their national income. Beyond financial contributions, the Commission may have other requirements for some programmes, such as an agreement on free movement of people. For instance, Switzerland’s participation in Horizon 2020 – the EU research and innovation programme – covered only part of the programme until it met the EU’s requirements on free movement of people.³³ However, non-EU countries membership of Horizon 2020 does not follow one single model.

The UK’s future participation in any European Commission programmes will be negotiated. The UK and EU have set out their vision for their future relationship in a [draft political declaration](#), which sets out a framework for negotiations. The UK and EU will work together to set out the terms for the UK’s participation in EU programmes as a ‘third country’. The political declaration envisages that the UK may participate in areas such as science and innovation, youth, culture and education, overseas development and external action, defence capabilities, civil protection and space. As with other third countries, the UK will contribute financially to the programmes it participates in and its participation will be subject to the conditions set out in the EU’s rules for each of its programmes.

Box 5: EU economic development and agricultural funds

Currently, the majority of the funding the UK receives from the EU is allocated directly to the UK to manage. This funding does not come from the European Commission’s directly managed programmes, which are discussed above.

The UK directly manages funding for economic development including the European Regional Development Fund³⁴ and the European Social Fund and the agricultural funds.

It is unlikely that the UK will take part in these funds after exit, or after any transition period has ended. Non-EU countries do not take part in the economic development funds nor the agricultural funds.

Box 6: The European Economic Area

The European Economic Area (EEA) is made up of all EU Member States plus Norway, Iceland and Liechtenstein, who are often referred to as the non-EU EEA countries.

The EEA Agreement extends the EU single market and free movement of goods, services, people and capital, together with laws in areas such as competition policy, state aid, consumer protection and environmental policy to include Norway, Iceland and Liechtenstein.

Non-EU EEA countries are outside of the common customs union so can set their own trade policies with countries outside the EEA. The Library briefing [Brexit: trade aspects](#) discusses the EEA further.

³¹ Turkey – European Union Association, [EU Programmes and Agencies to which Turkey Participates](#)

³² Norway mission to the EU, [Norway’s participation in EU programmes and agencies](#)

³³ For more see page 32 of the Library briefing [UK Funding from the EU](#).

³⁴ Some can benefit from INTERREG funding, which is funded from the European Regional Development Fund. They can do so through bordering countries, but only if the bordering countries apply for the funding.

Preferential access to the EU's single market

The Prime Minister has stated that the UK will not seek membership of the single market. The [political declaration](#) on the future UK-EU relationship also envisages a UK-EU free trade area, rather than membership of the single market. However, with uncertainty surrounding the negotiations, it is worth considering the contributions non-EU countries make in exchange for preferential access to the single market.

Non-EU EEA members (see Box 6) 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 single market.³⁵ 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.³⁶

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 2004.³⁷ Approximately £900 million of grants over five years have been committed.³⁸

The Lords European Union Committee considered whether the UK might pay for greater access to the single market. They concluded that the extent of any payment will be a matter for negotiation and will involve a series of trade-offs:

The question of whether the UK will be required to make a payment in return for market access will be a matter for negotiation, and is likely to involve trade-offs between the level of access sought, the structure and level of other payments and more general political considerations. If the UK refuses to accept free movement of persons or the jurisdiction of the CJEU [Court of Justice of the European Union], the price that it is asked to pay could be proportionately higher than that demanded of Norway [who do accept free movement and the CJEU]. The Government will have to consider any proposals in the round, weighing any payment included in a wider trade deal against the economic benefits the UK stands to gain from continued market access.³⁹

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

³⁵ European Commission, [protocol 38C on the EEA Financial Mechanism \(2014-2021\)](#), February 2011

³⁶ 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

³⁷ Confederation Suisse, [The Swiss contribution in brief](#) [accessed on 23 January 2017]

³⁸ IFS, Brexit and the UK's Public Finances, May 2016, [pages 15-16](#)

³⁹ House of Lords European Union Committee, *Brexit and the EU budget*, 4 March 2017, HL Paper 125, [para 187](#)

Appendix 1

OBR estimates of UK payments to the EU arising from the financial settlement, € billion													
	of which:										Participation in EU budget 2019 and 2020 (net)	Outstanding commitments (net)	Total net payment
	Total net liabilities	Pension liabilities	Fines & recoverables	European Investment Bank	European fund for strategic investments	Guarantee fund for external actions	Financial instruments	European Central Bank	2020 surplus				
2019	-0.30	-	-	-0.30	-	-	-	-	-	-	7.95	-	7.65
2020	-0.30	-	-	-0.30	-	-	-	-	-	-	10.19	-	9.89
2021	-0.46	0.21	-0.06	-0.30	-0.06	-0.01	-0.04	-0.06	-0.15	-	-	8.00	7.55
2022	-0.24	0.22	-0.06	-0.30	-0.06	-0.01	-0.04	-	-	-	-	6.15	5.91
2023	-0.23	0.23	-0.06	-0.30	-0.06	-0.01	-0.04	-	-	-	-	3.32	3.09
2024	-0.23	0.24	-0.06	-0.30	-0.06	-0.01	-0.04	-	-	-	-	1.55	1.32
2025	-0.22	0.25	-0.06	-0.30	-0.06	-0.01	-0.04	-	-	-	-	0.92	0.70
2026	-0.21	0.25	-0.06	-0.30	-0.06	-0.01	-0.04	-	-	-	-	0.54	0.33
2027	-0.20	0.26	-0.06	-0.30	-0.06	-0.01	-0.04	-	-	-	-	0.32	0.12
2028	-0.20	0.27	-0.06	-0.30	-0.06	-0.01	-0.04	-	-	-	-	0.48	0.29
2029	-0.19	0.27	-0.06	-0.30	-0.06	-0.01	-0.04	-	-	-	-	-	-0.19
2030	-0.08	0.28	-0.06	-0.20	-0.06	-0.01	-0.04	-	-	-	-	-	-0.08
2031	0.12	0.28	-0.06	-	-0.06	-0.01	-0.04	-	-	-	-	-	0.12
2032	0.13	0.29	-0.06	-	-0.06	-0.01	-0.04	-	-	-	-	-	0.13
2033	0.13	0.29	-0.06	-	-0.06	-0.01	-0.04	-	-	-	-	-	0.13
2034	0.13	0.29	-0.06	-	-0.06	-0.01	-0.04	-	-	-	-	-	0.13
2035	0.13	0.29	-0.06	-	-0.06	-0.01	-0.04	-	-	-	-	-	0.13
2036	0.13	0.29	-0.06	-	-0.06	-0.01	-0.04	-	-	-	-	-	0.13
2037	0.13	0.29	-0.06	-	-0.06	-0.01	-0.04	-	-	-	-	-	0.13
2038	0.12	0.29	-0.06	-	-0.06	-0.01	-0.04	-	-	-	-	-	0.12
2039	0.12	0.28	-0.06	-	-0.06	-0.01	-0.04	-	-	-	-	-	0.12
2040	0.12	0.28	-0.06	-	-0.06	-0.01	-0.04	-	-	-	-	-	0.12
2041	0.28	0.28	0.00	-	-	-	-	-	-	-	-	-	0.28
2042	0.27	0.27	0.00	-	-	-	-	-	-	-	-	-	0.27
2043	0.27	0.27	0.00	-	-	-	-	-	-	-	-	-	0.27
2044	0.26	0.26	0.00	-	-	-	-	-	-	-	-	-	0.26
2045	0.26	0.26	0.00	-	-	-	-	-	-	-	-	-	0.26
2046	0.25	0.25	0.00	-	-	-	-	-	-	-	-	-	0.25
2047	0.24	0.24	0.00	-	-	-	-	-	-	-	-	-	0.24
2048	0.23	0.23	0.00	-	-	-	-	-	-	-	-	-	0.23
2049	0.22	0.22	0.00	-	-	-	-	-	-	-	-	-	0.22
2050	0.21	0.21	0.00	-	-	-	-	-	-	-	-	-	0.21
2051	0.20	0.20	0.00	-	-	-	-	-	-	-	-	-	0.20
2052	0.19	0.19	0.00	-	-	-	-	-	-	-	-	-	0.19
2053	0.18	0.18	0.00	-	-	-	-	-	-	-	-	-	0.18
2054	0.17	0.17	0.00	-	-	-	-	-	-	-	-	-	0.17
2055	0.16	0.16	0.00	-	-	-	-	-	-	-	-	-	0.16
2056	0.15	0.15	0.00	-	-	-	-	-	-	-	-	-	0.15
2057	0.13	0.13	0.00	-	-	-	-	-	-	-	-	-	0.13
2058	0.12	0.12	0.00	-	-	-	-	-	-	-	-	-	0.12
2059	0.11	0.11	0.00	-	-	-	-	-	-	-	-	-	0.11
2060	0.11	0.11	0.00	-	-	-	-	-	-	-	-	-	0.11
2061	0.10	0.10	0.00	-	-	-	-	-	-	-	-	-	0.10
2062	0.09	0.09	0.00	-	-	-	-	-	-	-	-	-	0.09
2063	0.09	0.09	0.00	-	-	-	-	-	-	-	-	-	0.09
2064	0.08	0.08	0.00	-	-	-	-	-	-	-	-	-	0.08

notes:

The OBR's estimates are based on the joint report on phase one of negotiations under Article 50.

Pension liabilities: the OBR based this estimate on the Eurostat study on the long-term budgetary implications of pension costs (July 2016)

Fines and recoverables: these assets include fines levied by the EU and corrections on EU funding (largely agriculture related)

European Fund for Strategic Investments: this fund provides a liquidity cushion against potential losses incurred by the EIB. Based on planned provisioning, and assuming no further profit or loss, € 1 billion will be returned to the UK

Guarantee Fund for External Actions: this fund covers any defaulting loans guaranteed by the EU Budget. The OBR expects €0.3 billion to be returned to the UK

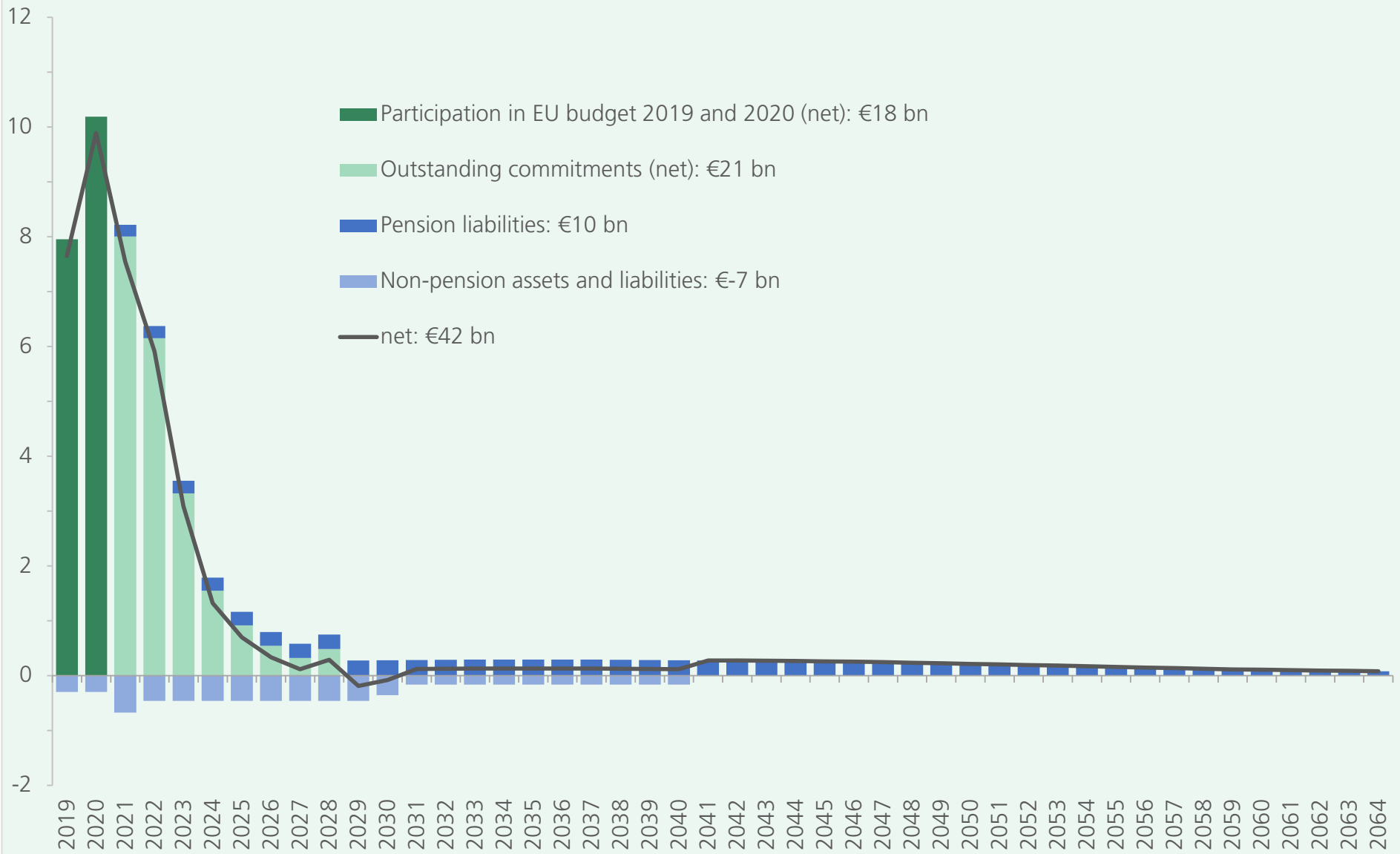
Financial instruments financed by the EU budget: includes instruments created to enhance access to finance for R&I and infrastructure projects. The OBR expects €0.7 billion to be returned

2020 surplus: this arises from the UK's participation in the EU budget surplus exercise with respect to 2020

source:

OBR. Economic and fiscal outlook - October 2018, supplementary fiscal tables 2.39 and 2.40

OBR estimates of UK payments to the EU arising from the financial settlement, € billion



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