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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**on the overall annual costs incurred for the fulfilment of the Commission's tasks
pursuant to Regulation (EU) 2022/2065 in the period from 16 November 2022 until 31
December 2023 and the total amount of the annual supervisory fees charged pursuant to
Article 6(4) of Commission Delegated Regulation (EU) 2023/1127 in 2023**

1. Introduction

- (1) This report is addressed to the European Parliament and the Council in the context of the enforcement of Regulation (EU) 2022/2065¹ – the Digital Services Act (DSA). The DSA lays down harmonised rules applicable to intermediary service providers to ensure a safe, predictable, and trusted online environment in the internal market. It sets out basic obligations applicable to all providers of intermediary services, as well as additional obligations for providers of hosting services and, more specifically, providers of online platforms, very large online platforms (VLOPs) and very large online search engines (VLOSEs). It also establishes a system of supervision and enforcement of these rules by the Commission and Member States.
- (2) The DSA entrusts the Commission with exclusive competence to designate and supervise VLOPs and VLOSEs, so as to enforce the DSA obligations with respect to these designated services. The Commission is also mandated to coordinate and develop expertise and capabilities at Union level regarding the supervision of systemic and emerging issues in relation to VLOPs and VLOSEs. Moreover, there are additional tasks assigned to the Commission that relate to the size and intrinsic cross-border and/or pan-EU reach of such designated services.
- (3) To ensure the necessary resources for the Commission to effectively carry out the supervisory tasks - in terms of staffing, expertise, and financial means - Article 43 of the DSA requires the Commission to charge an annual supervisory fee to each provider of VLOPs or VLOSEs, subject to the conditions provided for in that Article.
- (4) Article 43(7) DSA provides for the annual publication by the Commission of a report addressed to the European Parliament and the Council, as a way to provide accountability and transparency to those institutions in respect of the actions of the Commission under the DSA. In particular, that report shall provide information on the total amount of the supervisory fees charged to the providers of VLOPs and VLOSEs in the preceding year and on the overall amount of the costs incurred by the Commission for the fulfilment of its tasks under that Regulation, as established in Article 8 of Commission Delegated Regulation (EU) 2023/1127.²
- (5) Due to the staggered commencement of the application of the DSA from 16 November 2022, as per its Article 93(2), and to the supervisory fee collection system – detailed in Commission Delegated Regulation (EU) 2023/1127 – through which the supervisory fees determined and collected in a given year serve to cover the Commission's costs of the following year, the costs of the period running from 16 November 2022 to 31 December 2023 were financed by the Union budget, and not by a supervisory fee. Therefore, during the reporting period the Commission used the resources that were allocated to DSA enforcement by the European Parliament and the Council through the Union budget.
- (6) In light of the above, the present report provides an overview of the costs covered with the Union budget appropriations allocated for the period from 16 November 2022 to 31 December 2023, and the

¹ Regulation (EU) 2022/2065 of the European Parliament and of the Council of 19 October 2022 on a Single Market for Digital Services and amending Directive 2000/31/EC (Digital Services Act) (OJ L 277, 27.10.2022, p. 1, ELI: <http://data.europa.eu/eli/reg/2022/2065/oj>).

² Commission Delegated Regulation (EU) 2023/1127 of 2 March 2023 supplementing Regulation (EU) 2022/2065 of the European Parliament and of the Council with the detailed methodologies and procedures regarding the supervisory fees charged by the Commission on providers of very large online platforms and very large online search engines (OJ L 149, 9.6.2023, p. 16, ELI: http://data.europa.eu/eli/reg_del/2023/1127/oj).

total amount of the individual annual supervisory fees charged in 2023 to cover the costs incurred by the Commission for the fulfilment of its tasks pursuant to the DSA in 2024, in line with Article 9(2) of Commission Delegated Regulation (EU) 2023/1127.

- (7) The publication of this report occurs after the end of the period of expenditure that it covers – this is from 16 November 2022 to 31 December 2023 pursuant to Article 9(2) of Commission Delegated Regulation (EU) 2023/1127, although its adoption comes after the deadline of 31 March 2024 established in that Article due to the setting up of the novel budgetary processes and internal decision-making procedures for DSA enforcement.

2. Costs incurred by the Commission for the fulfilment of its tasks pursuant to Regulation (EU) 2022/2065 for the period running from 16 November 2022 until 31 December 2023

- (8) The reporting period covered by this report goes from the start of the partial application of the DSA on 16 November 2022 to the end of the first financial year on 31 December 2023, i.e. before the availability of the first DSA supervisory fee.
- (9) This period can be considered as the starting phase of DSA enforcement. This includes the designation of the first 19 VLOPs and VLOSEs in April 2023, the start of application of their obligations 4 months later, and the designation of additional 3 VLOPs in December 2023. It also includes the first enforcement actions on disinformation and the protection of minors, with several requests for information sent to providers of VLOPs and the first opening of formal proceedings against one such provider.
- (10) During that period, the Commission set up the necessary internal structures and allocated the appropriate human, operational and administrative resources for an effective enforcement of the DSA and the fulfilment of its tasks. This includes recruiting staff and seconded national experts specialised in all areas of work covered by the DSA; developing the necessary IT systems; conducting studies for knowledge gathering; and establishing cooperation agreements with relevant bodies for capacity building.
- (11) As regards human resources, the Commission's department within the Directorate-General for Communications Networks, Content and Technology (DG CNECT) in charge of the implementation and enforcement of the DSA underwent a restructuring, which was completed in June 2023. The existing and newly created functions and tasks were redistributed across one directorate (Directorate F). Within this Directorate, there are three units responsible for the enforcement of the DSA: one is in charge of supervisory tasks in relation to providers of VLOPs and VLOSEs; another unit ensures coordination, regulatory compliance and the relations with Member States, and supports the European Board for Digital Services; a third unit provides technological and economic expertise.
- (12) The costs incurred by the Commission for the fulfilment of its tasks pursuant to the DSA during the reporting period were financed by initial appropriations voted by the European Parliament and the Council for the general budget of the Union for 2023³.

³ Before the first DSA supervisory fees were collected, some operational expenditures were covered by the Digital Europe Programme according to the work programme. Statutory staff costs were covered by Heading 7 of the General Budget of the EU.

2.1 Total costs

- (13) The overall costs incurred by the Commission for all DSA enforcement tasks, including the tasks referred to in Article 43(2) DSA⁴ and other tasks fulfilled pursuant to other articles of the DSA during the reporting period, by cost categories, are the following⁵:

Total incurred costs	EUR 26,87 million
Human resources expenditure	EUR 8,06 million
Operational and administrative expenditure	EUR 18,80 million

2.2 Costs incurred for tasks related to Article 43(2) DSA

- (14) Within the overall amount of costs, the specific expenditure incurred by the Commission for the fulfilment of the tasks referred to in Article 43(2) DSA in the reporting period are as follows:

Costs incurred for tasks relating to Article 43(2) DSA	EUR 26,14 million
Human resources expenditure	EUR 7,38 million
Operational and administrative expenditure <i>Institutional administrative agreements</i> <i>IT expenditure (including experts)</i> <i>Studies and events</i>	EUR 18,76 million <i>EUR 15,03 million</i> <i>EUR 3,33 million</i> <i>EUR 0,39 million</i>

- (15) The differences in the costs for all DSA enforcement tasks and for only the tasks referred to in Article 43(2) DSA are explained by the following:
- The variation in human resources expenditure of EUR 0,68 million is due to the fulfilment of tasks such as monitoring of national structures, general policy guidance, and other regulatory tasks.
 - The variation in administrative and operational expenditure of EUR 0,03 million is due to the organisation of meetings of the Commission's expert group on the DSA and a study on transparency reporting.

2.3 Elements used for the calculation of the costs related to Article 43(2) DSA

- (16) As regards **human resources**, the restructuring and recruitment processes referred to in paragraph 11 above resulted in an increase of approximately 137% of the staff fully dedicated to DSA enforcement⁶ in 2023. In March 2023, the DSA enforcement team was formed by 29 staff members, which were

⁴ Article 43(2) DSA refers to costs related to the designation pursuant to Article 33, to the set-up, maintenance and operation of the database pursuant to Article 24(5) and to the information sharing system pursuant to Article 85, to referrals pursuant to Article 59, to supporting the Board pursuant to Article 62 and to the supervisory tasks pursuant to Article 56 and Section 4 of Chapter IV.

⁵ The figures presented across this document are reported in EUR million with two decimals, without any rounding technique applied. For this reason, some totals may not correspond with the sum of the separate figures presented in the report.

⁶ This reference to staff fully dedicated to DSA enforcement does not take into consideration Commission services, other than DG CNECT, that provide support on specific areas of DSA enforcement, but only those staff members whose role consists in the enforcement of specific parts of the DSA.

increased up to 58 by September 2023 when the obligations imposed on the providers of the first batch of designated VLOPs and VLOSEs started to apply. By December 2023, the DSA enforcement team had 69 staff members.

March 2023	29
September 2023	58
December 2023	69

- (17) For the purpose of this report, the yearly calculation of human resources expenditure has been performed on the basis of average annual costs per full-time equivalent ('FTE') employees, including pro-rata average operating expenditure and applicable social contributions related to these human resources, in line with Article 2(2)(a) of Commission Delegated Regulation (EU) 2023/1127⁷. The staggered recruitment process described in paragraph 16 resulted in a yearly lower average amount of FTEs amounting to approximately 36 (including 25 officials, 8 contract agents and 3 seconded national experts) for an overall amount of **EUR 7,38 million**⁸. The difference between 36 FTEs accounted for in the reporting period and the total number of 69 staff members at the end of 2023 is due to the fact that only the effective time worked on supervisory tasks referred to in Article 43(2) DSA per staff has been taken into account for the calculation of the costs, and that a significant number of staff members joined CNECT in the second half of 2023.
- (18) As regards the **operational and administrative expenditure**, the calculation takes into account the operational and administrative costs as described in Article 2(2)(b) of Commission Delegated Regulation (EU) 2023/1127 and the non-exhaustive list of items of Annex I to that Delegated Regulation, in the period from 16 November 2022 to 31 December 2023, which are necessary for the fulfilment of the tasks referred to in Article 43(2) DSA. These costs include, among others, studies, cooperation agreements and IT expenditure. The total operational and administrative costs in the reporting period amount to **EUR 18,76 million**.
- (19) The intra-institutional agreements (EUR 15,03 million) include a service level agreement and an administrative agreement between DG CNECT and the Joint Research Centre regarding risk assessment and algorithmic expertise, which are essential for the Commission's supervisory tasks referred to in Article 43(2) DSA.
- (20) The IT expenditure (EUR 3,33 million) concerns primarily the development of the IT support system, essential for the information exchange, in line with Article 85 DSA. Expenses were further dedicated to the acquisition of specialised software licenses for implementation and enforcement elements of the

⁷ The applicable average costs per FTE are annually calculated by the Directorate-General for Budget ('DG BUDG') in the context of the preparation of the Legislative Financial Statements and charge backs. Such average costs for the year 2023 amounted to EUR 171.000€ for officials, EUR 91.000€ for Contract Agents and EUR 93.000€ for Seconded National Experts, while for year 2022 they amounted to EUR 157.000€ for officials, EUR 85.000€ for Contract Agents and EUR 88.000€ for Seconded National Experts. Such figures have been increased by the applicable provision for social contributions (25,4%) and include pro-capita average operating expenditure (such as buildings and IT costs).

⁸ The human resources costs reported would have been significantly higher if the 69 staff members employed in December 2023 had been employed during the entire year 2023. The total human resources costs would have amounted to approximately EUR 10,4 million. However, for the calculation of the reported FTEs, the Commission took into account only the percentage of time worked per staff member in proportion to the number of days employed in the year, amounting to EUR 7,38 million.

DSA. Accompanying investments have been made in operational contracts for IT experts, IT development and technological equipment, targeting an upgrade in the operational capabilities related to DSA supervisory tasks.

- (21) Lastly, additional resources (EUR 0,39 million) have been devoted to studies and events, in particular a DSA stakeholder event, experts training sessions for staff in view of developing expertise on supervision and a study related to adult content.

2.4 Surplus or deficit

- (22) Pursuant to Article 9(2) of Commission Delegated Regulation (EU) 2023/1127, the costs paid out of the initial appropriations voted by the European Parliament and the Council for the general budget of the Union for 2023 shall not be taken into account for the purpose of the balance referred to in Article 8(4) of Commission Delegated Regulation (EU) 2023/1127 (surplus or deficit). Given that all costs incurred in the period from 16 November 2022 to 31 December 2023 have been financed by the initial appropriations voted by the European Parliament and the Council for the general budget of the Union for 2023, there is no surplus or deficit pursuant to Article 8(4) of Commission Delegated Regulation (EU) 2023/1127.

3. Overall amount of supervisory fees charged in 2023

- (23) Article 2 of Commission Delegated Regulation (EU) 2023/1127 provides that the costs to be estimated for the supervisory fees charged in year n should be determined by taking into account all human resources to be employed by the Commission, as well as other operational and administrative expenditures related to the fulfilment of the tasks referred to in Article 43(2) of DSA in the year n+1.
- (24) Article 43(6) DSA provides that the individual annual supervisory fees charged to each provider of VLOP or VLOSE pursuant to Article 43(1) DSA shall constitute external assigned revenue in accordance with Article 21(5) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council.⁹
- (25) The estimated total external assigned revenues deriving from the supervisory fees to be levied at the end of 2023 for the 2024 exercise, was included in the Working document, part V, accompanying the Draft General Budget of the Union for Financial Year 2024¹⁰ pursuant to Article 41(8) of Regulation (EU, Euratom) 2018/1046. The overview of elements accounted for the estimation of the amount of external assigned revenues stemming from the supervisory fee, based on the forecasts of expenditure for 2024, was published on 30 June 2023, and detailed the elements to be considered for the estimation of the charges levied during 2023¹¹. In this regard, it has to be noted that this estimation did not include

⁹ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1, ELI: <http://data.europa.eu/eli/reg/2018/1046/oj>).

¹⁰ COM(2023)300, p. 86 (single item of the budget lines group '1.02OTH' Other Actions).

¹¹ Commission Staff Working Document, 'Overview of elements accounted for the estimation of the amount of external assigned revenues stemming from the supervisory fee pursuant to Article 6(1) of Commission Delegated Regulation (EU) 2023/1127', 30.6.2023 SWD(2023)242 final (<https://digital-strategy.ec.europa.eu/en/library/dsa-overview-elements-accounted-estimation-amount-external-assigned-revenues-stemming-supervisory>).

any cost already incurred or planned for the period between 16 November 2022 (starting date of the reporting period) until 31 December 2023, as all costs for that period were already covered by the initial appropriations voted by the European Parliament and the Council for the general budget of the Union for 2023, as specified in Article 9(1) of Commission Delegated Regulation (EU) 2023/1127. The amount of the supervisory fees charged in 2023 therefore did not cover any expenditure incurred by the Commission to effectively carry out its supervisory tasks in the Union in the period running from 16 November 2022 to 31 December 2023.

- (26) Pursuant to Article 8(3) of Commission Delegated Regulation (EU) 2023/1127, the Commission shall indicate in the present report the overall amount of supervisory fees charged per provider of designated service(s), including the date of respective payments, any missing or late payment, on-going court proceedings related to the implementing decisions referred to in Article 6(4) and recovery procedures referred to in Article 7(2) related to the supervisory fees charged, at the date of finalisation of the report.
- (27) The overall amount of supervisory fees charged at the end of 2023 to cover costs of the Commission in 2024 was EUR 45 243 000. All providers required to pay the fee paid between 13 December 2023 and 2 January 2024. There are no missing or overdue payments to report as regards the supervisory fees charged on providers of designated service(s) in 2023.
- (28) At the date of finalisation of this report, there are two ongoing court proceedings related to the implementing decisions referred to in Article 6(4) of Commission Delegated Regulation (EU) 2023/1127 addressed to the provider of the designated services Facebook and Instagram (Case T-55/24) and to the provider of TikTok (Case T-58/24), respectively.
- (29) There are no ongoing recovery procedures referred to in Article 7(2) of that Commission Delegated Regulation related to the supervisory fees charged.