

COMMISSION OF THE EUROPEAN COMMUNITIES

COM (88) 137 final

Brussels, 16 March 1988

Proposal for a
COUNCIL DECISION
on the system of the Communities' own resources
(...../EEC, Euratom, ECSC)

(submitted by the Commission)

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Proposal for a Council Decision on the system of the Communities' own resources (EEC, Euratom, ECSC)

COM(88) 137 final

(Submitted by the Commission to the Council on 17 March 1988)

(88/C 102/07)

(This proposal amends and replaces COM(87) 420 final of 31 July 1987, sent to the Council on 4 August 1987)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 201 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 173 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas Article 199 of the Treaty establishing the European Economic Community requires that all estimated items of revenue and expenditure be included in the budget; whereas the budget shall be in balance;

Whereas the Council Decision of 7 May 1985 on the Communities' system of own resources⁽¹⁾, hereinafter referred to as 'the Decision of 7 May 1985', raised to 1,4 % the limit on the rate applied to the uniform value added tax base previously set at 1 % by the Council Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources⁽²⁾ hereinafter referred to as 'the Decision of 21 April 1970',

Whereas the resources available within the limit of 1,4 % are no longer sufficient to cover the estimates of Community expenditure;

Whereas the Community must be provided with stable and guaranteed financial means to be able to operate the common policies, improve the present situation and ensure a sufficiently lengthy period of budgetary security;

Whereas the Single European Act opens up new possibilities to the Community; whereas Article 8a of the Treaty establishing the European Economic Community provides for the completion of the internal market by 31 December 1992;

Whereas the European Council meeting in Brussels on 11, 12 and 13 February 1988 reached certain conclusions;

Whereas, in accordance with these conclusions, the Community will, for each year between now and 1992, be assigned a maximum amount of own resources corresponding to 1,2 % of the total of the Member States' gross national product for the year at market prices, hereinafter referred to as 'GNP';

Whereas observance of this ceiling is based on maintenance of a strict relationship between commitment appropriations and payment appropriations, implying an overall volume of commitment appropriations corresponding in 1992 to 1,3 % of Member States' GNP;

Whereas these ceilings should remain applicable until this Decision is amended;

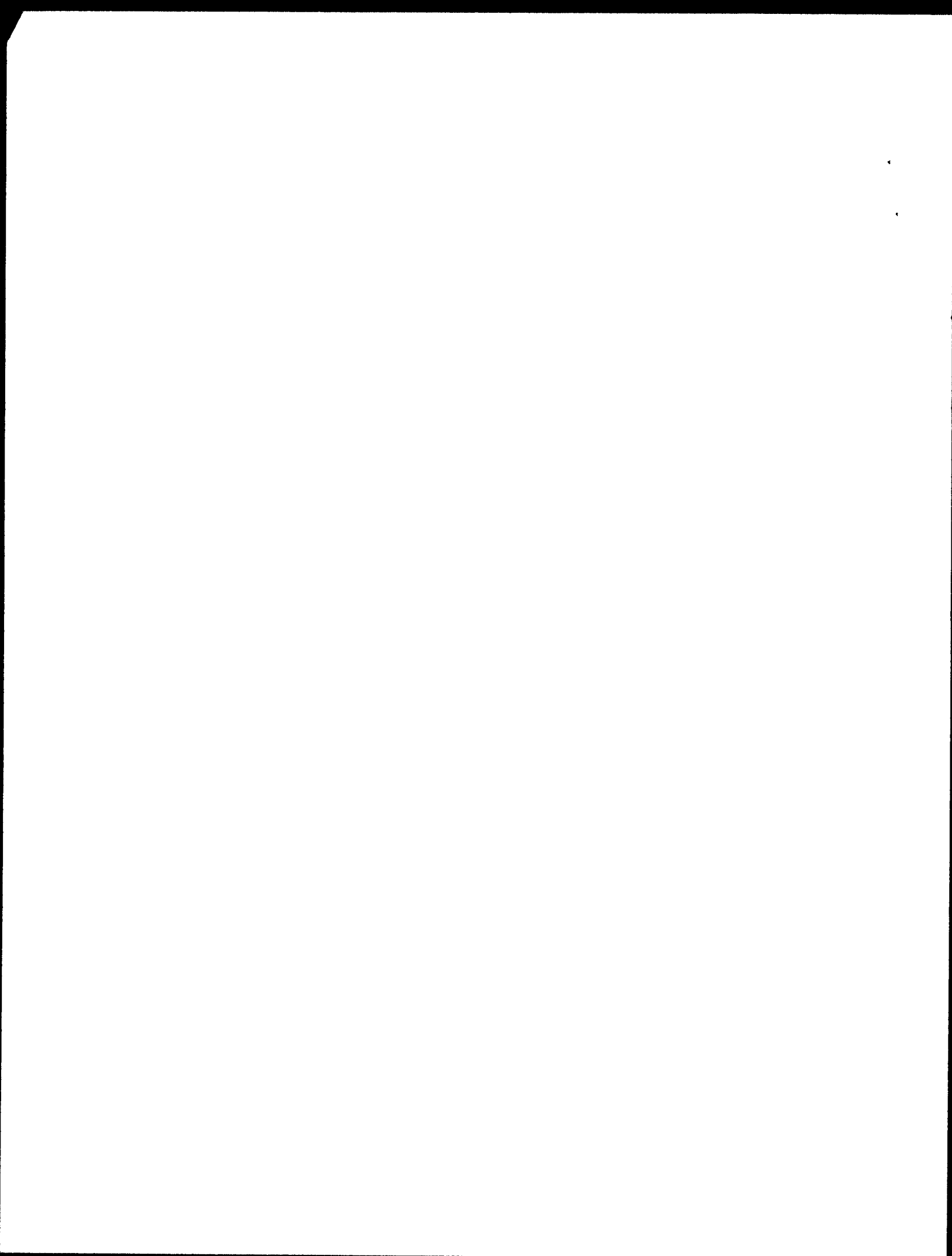
Whereas, with a view to matching the resources paid by each Member State more closely with its ability to contribute, the composition of Community own resources must be amended and enlarged; whereas it is necessary for this purpose:

- to fix at 1,4 % the maximum rate to be applied to each Member State's uniform base for value added tax, hereinafter referred to as VAT, limited where appropriate to 55 % of its GNP,
- to introduce an additional type of resource to balance budget revenue and expenditure, based on the sum of Member States' GNP; for this purpose, the Commission will introduce a directive on the application of the rules governing the establishment of GNP,
- to provide for the possibility of new resources connected with economic and tax harmonization in the Community;

Whereas the customs duties on products coming under the Treaty establishing the European Coal and Steel Community should be included in Community own resources;

(¹) OJ No L 128, 14. 5. 1985, p. 15.

(²) OJ No L 94, 28. 4. 1970, p. 19.



Whereas an agreement has been reached by the Parliament, the Council and the Commission (budgetary discipline);

Whereas the conclusions of the European Council of 25 and 26 June 1984 on the correction of budgetary imbalances will have to be adjusted to take account of the capping of the VAT base and the introduction of an additional resource; whereas this adjustment should ensure that the VAT share of the United Kingdom will be replaced by its share of payments under the third and fourth resources and that the effect on the United Kingdom in respect of a given year of the introduction of the fourth resource which is not compensated by this change will be offset by an adjustment to the compensation in respect of that year; whereas the contributions of Spain and Portugal to the financing of the correction should be reduced in accordance with the rebates provided for in Articles 187 and 374 of the Act concerning the conditions of accession of the Kingdom of Spain and the Portuguese Republic and the adjustments to the Treaties⁽¹⁾;

Whereas when the Community budget contains a monetary reserve, hereinafter referred to as the 'EAGGF monetary reserve', to offset the impact of significant and unforeseen fluctuations in the ECU/dollar parity on the expenditure under the Guarantee Section of the European Agricultural Guidance and Guarantee Fund, this Decision must provide for it to be covered by special provisions;

Whereas provisions must be laid down to cover the changeover from the system introduced by the Decision of 7 May 1985 to that arising from this Decision;

Whereas the European Council of 11, 12 and 13 February 1988 provided that this Decision should take effect on 1 January 1988,

HAS LAID DOWN THESE PROVISIONS, WHICH IT RECOMMENDS TO THE MEMBER STATES FOR ADOPTION:

Article 1

The Communities shall be allocated resources of their own in accordance with the following Articles in order to ensure that their budget is in balance.

The budget of the Communities shall, irrespective of other revenue, be financed entirely from the Communities' own resources.

⁽¹⁾ OJ No L 302, 15. 11. 1985, p. 23.

Article 2

1. Revenue from the following shall constitute own resources entered in the budget of the Communities:

- (a) levies, premiums, additional or compensatory amounts, additional amounts or factors and other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries within the framework of the common agricultural policy, and also contributions and other duties provided for within the framework of the common organization of the markets in sugar;
- (b) Common Customs Tariff duties and other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries and customs duties on products coming under the Treaty establishing the European Coal and Steel Community;
- (c) the application of a uniform rate valid for all Member States to the assessment base for value added tax which is determined in a uniform manner for Member States according to Community rules; however the assessment base for any Member State to be taken into account for the purposes of this Decision shall not exceed 55 % of its GNP;
- (d) the application of a rate — to be determined under the budgetary procedure in the light of the total of all other revenue — to the sum of all the Member States' GNP.

Revenue deriving from any new charges introduced within the framework of a common policy, in accordance with the Treaty establishing the European Economic Community or the Treaty establishing the European Atomic Energy Community, provided the procedure laid down in Article 201 of the Treaty establishing the European Economic Community or in Article 173 of the Treaty establishing the European Atomic Energy Community has been followed, shall constitute own resources entered in the budget of the Communities.

2. The sum of the VAT payments under paragraph 1 (c) and Article 5 (2) must reach for at least one Member State but shall not exceed for any Member State an amount corresponding to 1,4 % of its base.

3. The Member States shall retain, by way of collection costs, 10 % of the amounts paid under paragraphs 1 (a) and 1 (b).

4. The rate fixed under paragraph 1 (d) shall apply to the GNP of each Member State.

5. If, at the beginning of the financial year, the budget has not been adopted, the previous uniform VAT rate and rate applicable to Member States' GNP, without prejudice to whatever provisions may be adopted in accordance with Article 8 (2) by reason of the entry of an EAGGF monetary reserve in the budget, shall remain applicable until the entry into force of the new rates.

6. By way of derogation from paragraph 1 (c) if, on 1 January of the financial year in question, the rules for determining the uniform basis for assessing VAT are not yet applied in all the Member States, the financial contribution to the budget of the Communities to be made by a Member State not yet applying this uniform basis shall be determined according to the proportion of its gross national product at market prices to the sum total of the gross national product of the Member States at market prices in the first three years of the five-year period preceding the year in question. This derogation shall cease to have effect as soon as the rules for determining the uniform basis for assessing valued added tax are applied in all Member States.

Article 3

1. The total amount of own resources assigned to the Communities may not exceed 1,20 % of the total GNP of the Community.

2. The commitment appropriations entered in the general budget of the Communities may not exceed 1,30 % of the total GNP of the Community.

Article 4

The United Kingdom shall be granted a correction in respect of budgetary imbalances. This correction shall consist of a basic amount and an adjustment. The adjustment shall correct the basic amount to a reference compensation amount.

1. The basic amount shall be established by:

- (a) calculating the difference, in the preceding financial year, between
 - the percentage share of the United Kingdom in the sum total of the payments referred to in Article 2 (1) (c) and (d) made during the financial year, including adjustments at the uniform rate in respect of earlier financial years,
 - and
 - the percentage share of the United Kingdom in total allocated expenditure;

(b) applying the difference thus obtained to total allocated expenditure;

(c) multiplying the result by 0,66.

2. The reference compensation is the correction resulting from application of (a), (b) and (c) below, corrected by the benefits accruing to the United Kingdom from the changeover to capped VAT and the payments referred to in Article 2 (1) (d).

It shall be established by:

(a) calculating the difference, in the preceding financial year, between

- the percentage share of the United Kingdom in the sum total of VAT payments which would have been made during that financial year, including adjustments in respect of earlier financial years, for the amounts financed by the resources referred to in Article 2 (1) (c) and (d) if the uniform VAT rate had been applied to non-capped bases, and
- the percentage share of the United Kingdom in total allocated expenditure;

(b) applying the difference thus obtained to total allocated expenditure;

(c) multiplying the result by 0,66;

(d) taking the difference between the payments by the United Kingdom taken into account in the first indent of paragraph 2 (a) and the first indent of paragraph 1 (a);

(e) subtracting the amount calculated at (d) from the amount calculated at (c).

3. The basic amount is adjusted in such a way as to correspond to the reference compensation amount.

Article 5

1. The cost of the correction shall be borne by the other Member States in accordance with the following arrangements:

the distribution of the cost shall first be calculated by reference to each Member State's share of the payments referred to in Article (2) (1) (d), the United Kingdom being excluded; it shall then be adjusted in such a way as to restrict the share of the Federal Republic of Germany to two thirds of the share resulting from this calculation.

2. The correction shall be granted to the United Kingdom by a reduction in its VAT payments.

The costs borne by the other Member States shall be added to their VAT payments.

3. The Commission shall perform the calculations required for the application of Article 4 and the present Article.

4. If, at the beginning of the financial year, the budget has not been adopted, the correction granted to the United Kingdom and the costs borne by the other Member States as entered in the last budget finally adopted shall remain applicable.

Article 6

The revenue referred to in Article 2 shall be used without distinction to finance all expenditure entered in the budget of the Communities without prejudice to whatever provisions may be adopted in accordance with Article 8 (2) by reason of the entry of an EAGGF monetary reserve in the budget.

This provision shall be without prejudice to the treatment of contributions by certain Member States to supplementary programmes provided for in Article 130 L of the EEC Treaty.

Article 7

Any surplus of the Communities' own resources over the actual expenditure during a financial year shall be carried over to the following financial year.

Article 8

1. The Community own resources referred to in Article 2 shall be established and collected by the Member States in accordance with national provisions imposed by law, regulation of administration action, which shall, where necessary, be adapted to meet the requirements of Community rules. Member States shall make these resources available to the Commission.

2. Without prejudice to the auditing of accounts provided for in Article 206a of the Treaty establishing the European Economic Community, or to the inspection arrangements made pursuant to Article 209 (c) of that Treaty, the Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, adopt the provisions necessary to apply this Decision and to make possible the inspection of the collection, making available to the Commission and payment of the revenue referred to in Article 2 and in Article 5.

Article 9

The mechanism for the graduated refund of own resources accruing from value added tax or GNP-based financial contributions introduced for the Kingdom of Spain and the Portuguese Republic up to 1991 by Articles 187 and 374 of the Act concerning the conditions of accession of the Kingdom of Spain and the Portuguese Republic and the adjustments to the Treaties shall apply to the own resources accruing from VAT and the GNP-based resource referred to in Article 2 (1) (c) and (d) of this Decision. It shall also apply to payments by these two Member States in accordance with Article 5 (2) of this Decision.

Article 10

The Commission shall submit by the end of 1991 a report on the operation of the system, including a re-examination of the correction of budgetary imbalances granted to the United Kingdom, established by this Decision.

Article 11

1. Member States shall be notified of this Decision by the Secretary-General of the Council of the European Communities; it shall be published in the *Official Journal of the European Communities*.

Member States shall notify the Secretary-General of the Council of the European Communities without delay of the completion of the procedures for the adoption of this Decision in accordance with their respective constitutional requirements.

This Decision shall enter into force on the first day of the month following receipt of the last of the notifications referred to in the second subparagraph. It shall take effect on 1 January 1988.

2. (a) Subject to points (b) and (c) above, the Decision of 7 May 1985 shall be repealed on 1 January 1988. To the extent necessary, any references to the Decision of 21 April 1970 or to the Decision of 7 May 1985 shall be construed as references to this Decision

- (b) Article 3 of the Decision of 7 May 1985 shall continue to apply to the calculation and adjustment of revenue accruing from the application of rates to the uncapped uniform assessment basis for value added tax in 1987 and earlier years.

For 1988 the deduction in favour of the United Kingdom in respect of previous financial years shall be calculated in accordance with points (b) (i), (ii) and (iii) of Article 3 (3) of the Decision of 7 May 1985. The distribution of the cost of financing it shall be calculated in accordance with Article 5 (1) of this Decision. The amounts corre-

sponding to the deduction and the distribution of the cost of financing it shall be assigned to the VAT payments in accordance with Article 5 (2) of this Decision. When Article 2 (6) has to be applied, the value added tax payments shall be replaced by financial contributions in the calculations referred to above for any Member State concerned. This system shall also apply to the

payments of adjustments of corrections for earlier years.

- (c) Article 4 (2) of the Decision of 7 May 1985 shall continue to apply to the financial contributions needed to finance the completion of the supplementary programme for the operation of the HFR reactor of 1984 to 1987.
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