FUTURE FINANCING OF THE COMMUNITY (1)

The Commission's ideas on the Future Financing of the Community are being put forward now because we can already foresee exhaustion of the current system of Own Resources which has served us well for more than twelve years. The Community will need to be able to call on more own resources whether or not the expected accession of Spain and Portugal takes place. New Own Resources are necessary to maintain the current "acquis communautaire" and to enable new policies to be developed including those necessary for enlargement. In the 1984 provisional draft budget (2) the Commission is proposing to use 0.956%of available Own Resources.

Agriculture still takes up a major share of the budget (65% in the PDB). The Commission have made many proposals for limiting its impact on the budget but the Council have unfortunately consistently refused to take the necessary decisions, although in the latest round of price increases for 1983/84 the Council did accept the Commission's proposal for modest price increases.

The Commission have proposed the removal of the present 1% ceiling on VAT. Henceforth the Community's Budgetary Authority should be empowered to raise value added tax revenues in excess of 1.4% of the VAT base. This figure of 1.4% would be part of a decision replacing the 1970 decision on own resources. The Commission believe that, after the abolition of the 1% ceiling, a specific decision-making procedure would be appropriate for further tranches of VAT. They therefore propose that, for each step of 0.4% of the VAT base above 1.4.%, a special authorisation needs to be accorded by the Budgetary Authority, the Council acting unanimously and the European Parliament acting by a majority of its members and three-fifths of the votes cast on a proposal by the Commission.

In addition, the Commission believe that it would be desirable for the revenue system to make a contribution to the problem of budgetary imbalances and that a transitional diversification of the VAT system provides the most suitable and 'communautaire' way forward. The diversification of the VAT system would reflect, on the revenue side, the present predominance of agriculture on the expenditure side. As long as agriculture expenditure, which the Commission defined as EAGGF Guarantee expenditure minus expenditure for food aid restitutions and ACP sugar, exceeds 33% of the total budget, the difference between agricultural expenditure and 33% of the total budget would be financed by a modulated form of VAT. This would be levied from Member States on the basis of variable rates. The variable rates in question would be determined on the basis of three indicators: Member States' shares in final agricultural production of products with common market organisations, GDP per capita and Member States' shares in the net operating surplus of the Community.

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(1) COM (83) 270 final
(2) COM (83) 170 final

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The Commission emphasise the need for urgent decisions on the future financing of the Community and point out the requirement for ratification of the agreement by all 10 Parliaments in the Member States. The Commission also express their determination to put forward proposals following the general orientation of the Mandate report of June 1981 which, if adopted, would achieve the objective of a rate of growth in agricultural spending below the rate of growth in Own Resources. The Commission recall the commitment of all Community Institutions for the development of Community policies in other fields. Concrete proposals for research, energy innovation, transport and youth unemployment have now been put forward.

As regards the short term problem concerning the British budget contribution (substantial rebates for 1980, 81, 82 totalling 1 175 MioEcu, 1 410 MioEcu and 850 MioEcu with risk sharing additions were agreed by the Council), the European Council on March 22 asked the General Affairs Council to report in Stuttgart on the prospects for a subsequent solution. The Heads of State and Government agreed that this report would contain conclusions in accordance with the undertaking made by the Foreign Affairs Ministers on 25 May and 26 October 1982 regarding compensation to the United Kingdom. Consequential figures for 1983 will be incorporated in the Draft Community Budget for 1984. This Draft Budget will be established at the first reading of the Commission's Provisional Draft Budget by the Council in July, 1983.