European Communities

EUROPEAN PARLIAMENT

Working Documents

1983-1984

19 October 1983 DOCUMENT 1-856/83

Report

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the European Communities to the Council (Doc. 1-375/83 - COM(83) 270 final) for a decision on own resources in relation to the future financing of the Community

Rapporteur: Mr R. ARNDT

PE 86.178/fin.

English Edition

By letter of 26 May 1983 the President of the Council of the European Communities consulted the European Parliament on the proposal from the Commission of the European Communities for a decision on own resources in relation to the future financing of the Community.

On 6 June 1983 this proposal was forwarded to the Committee on Budgets as the committee responsible and to the Committee on Agriculture for an opinion.

The appointment of Mr Rudi ARNDT as rapporteur was confirmed by the Committee on Budgets.

At its meetings of 15/16 June, 21/22 September, 28/29 September and 11 October 1983 the Committee on Budgets considered the draft report and at the latter meeting adopted it by 10 votes to 2 with 10 abstentions. The results of the vote on the resolution have been taken into account in the form of amendments to the draft decision.

Present : Mr Lange, chairman; Mrs Barbarella and Mr Rossi, vice-chairmen; Mr Arndt, rapporteur; Mr Balfour, Mr Brok, Mr Croux, Lord Douro, Mr Helms (deputizing for Mr Konrad Schön), Mr Ed. Kellett-Bowman, Mr Lalumière, Mr Louwes, Mr Newton Dunn, Mr Kalliopi Nikolaou, Mr Pfennig, Mr Price, Mr Saby, Mrs Scrivener, Mr Simonnet, Mr Sutra (deputizing for Mr Balfe), Mrs Viehoff (deputizing for Mr Fich) and Mr von der Vring (deputizing for Mr Abens).

the explanatory statement will be presented orally.

The report was tabled on 13 October 1983.

C O N T E N T S

The Committee on Budgets hereby submits to the European Parliament the following amendments to the Commission proposal and the following motion for a resolution:

Proposal from the Commission for a Council decision on the Communities' system of own resources

Amendments tabled by the Committee on Budgets	Text proposed by the Commission
Preamble unchanged	
Recitals 1 to 4 unchanged	
Amendment No. 1	
Insert a fifth recital as follows:	
Whereas in order to allow for the differences in the economic strength of the Member States a nodulating factor should be applied to the uniform basis for assessing value added tax which takes into account the differences in per capita income and in the economic performance of the Member States.	
Amendment No. 2	
Amend the sixth recital as follows:	
Whereas for as long as guarantee expenditure in support of agricultural production exceeds a certain proportion of the budget of the Communities, variable rates of value added tax should apply, taking into account the Member States' share of the common agricultural markets in which structural surpluses exist.	Whereas, furthermore, for as long as guarantee expenditure in support of agricultural production exceeds a certain proportion of the budget of the Communities, variable rates of value added tax should apply, taking into account certain economic indicators;
Article 1 unchanged	
Article 2 unchanged	
Article 3 (1) unchanged	

Amendments tabled by the Committee on Budgets	Text proposed by the Commission
Amendment No. 3	
Amend Article 3(2) as follows:	
2. Revenue shall be obtained by the application of a uniform rate of value added tax with a nodulating factor calculated from the Member States' share of the net operating surplus of the Community and of its gross domestic product. This rate shall be fixed within the framework of the budgetary procedure, taking into account all other receipts.	2. Revenue shall be obtained by the application of a uniform rate of value added tax. Subject to paragraph 6, this rate shall be fixed within the framework of the budgetary procedure, taking into account all other receipts.
Amendment No. 4	
Amend Article 3(3) as follows:	
3. In addition, as long as expenditure under the European Agriculture Guarantee and Guidance Fund, Guarantee Section (less expenditure on food aid and expenditure under the sugar protocol with the ACP states) exceeds 33 per cent of total expenditure, variable rates of value added tax shall apply. Such rates shall be fixed taking into account Member States' shares in the final agricultural production of those products subject to common market organizations which are in structural surplus.	3. In addition, as long as expenditure under the European Agriculture Guarantee and Guidance Fund, Guarantee Section (less expenditure on food aid and expenditure under the sugar protocol with the ACP states) exceeds 33 per cent of total expendiutre, variable rates of value added tax shall apply. Such rates shall be fixed taking into account Member States' shares in the final agricultural production of products subject to common market organizations and in the net operating surplus of the Community, and their gross domestic product per capita defined by the average of indices calculated on the basis of market exchange rates and purchasing power parity.
The revenue accruing from these variable rates shall be equal to the difference between the expenditure referred to above and 33 per cent of total expenditure in the budget, with the current 1% value added tax ceiling being taken as a basis.	The revenue accruing from these variable rates shall be equal to the difference between the expenditure referred to above and 33 per cent of total expenditure in the budget.

Amendments tabled by the Committee on Budgets	Text proposed by the Commission
In the event of exceptional and unexpected developments in Community expenditure and upon the entry into force of a new value added tax ceiling, this threshold may be varied.	In the event of exceptional and unexpected developments in Community expenditure, this threshold may be varied by the procedure provided for in Article 3 (6).

Article 3(4) unchanged

Amendment No. 5

Amend Article 3(5) as follows:

5. An overall rate of value added tax of 1.4% shall be calculated from the sum of the uniform rate referred to in paragraph 2 after the application of the nodulating factor and the variable rates referred to in paragraph 3.	5. For the purposes of paragraph 6, an overall rate of value added tax shall be calculated from the sum of the uniform rate referred to in paragraph 2 and the weighted average of the variable rates referred to in paragraph 3.

Amendment No. 6

Delete Article 3(6)

6. deleted	6. A decision based on a proposal from the Commission shall be required before the overall rate of value added tax can exceed 1.4%. This decision shall be taken by the budgetary authority, the Council acting unanimously and Parliament acting by a majority of its members and three-fifths of the votes cast. Further decisions shall be required for subsequent increases, in fractions of 0.4%, in the authorized rate.

Article 4(1) unchanged

Amendment No. 7

Insert a new paragraph 1a as follows:

1a. The revenue accruing from an increase in the maximum rate of value added tax must be used as a priority for combating unemployment, the economic crisis and hunger in the world, for a common industrial and research policy, for a long-term structural policy which assists the poor regions of Europe and for the inclusion of Portugal and Spain.

Article 4(2) unchanged

Amendment No. 8

Amend Article 5 as follows:

Amendments tabled by the Committee on Budgets	Text proposed by the Commission
In order to cover expense incurred in collection, each Member State may be refunded up to 5% of the amounts of the own resources set out in Article 2. The rate applicable shall be fixed on a proposal from the Commission, by the budgetary authority, the Council acting unanimously and Parliament acting by a majority of its members and three-fifths of the votes cast.	In order to cover expense incurred in collection, each Member State may be refunded up to 10% of the amounts of the own resources set out in Article 2. The rate applicable shall be fixed on a proposal from the Commission, by the budgetary authority, the Council acting unanimously and Parliament acting by a majority of its members and three-fifths of the votes cast.

Article 6 unchanged

Article 7(1) unchanged

Amendment No. 9

Amend Article 7(2) as follows:

Amendments tabled by the Committee on Budgets	Text proposed by 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 which should be approved by the European Parliament, adopt provisions relating to the supervision of collection, the making available to the Commission, and the payment of the revenue referred to in Articles 2 and 3, and also the detailed rules for applying Article 3.	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 provisions relating to the supervision of collection, the making available to the Commission, and the payment of the revenue referred to in Articles 2 and 3, and also the detailed rules for applying Article 3.

Article 8 unchanged

The Committee on Budgets hereby submits to the European Parliament the following

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a decision on own resources in relation to the future financing of the Community

The European Parliament,

- having regard to the Communication from the Commission to the Council and to the European Parliament on the future financing of the Community (COM(83) 10 final),
- having regard to the Communication from the Commission to the Council of 6 May 1983 (COM(83) 270 final),
- having been consulted by the Council (Doc. 1-375/83),
- having regard to the decision of the European Council in Stuttgart of 19 June 1983,
- having regard to the report of the Committee on Budgets and the opinion of the Committee on Agriculture (Doc. 1-856/83),

A. having regard to its numerous resolutions listed in the footnote on the future financing of the Community, on convergence, on the Community's own resources, on the mandate of 30 May 1980 and on the budgets of the last four years, in which it calls under specific conditions, for an incease in own resources and for practical and detailed proposals to that end[1],

B. having regard to its resolution of 18 May 1983,

C. firmly convinced that the creation of new revenue must be based on a sound and healthy foundation, which can be established only if all Member States and Community institutions reconsider the overall structure of the Community's finances,

lays down the following bases for the future financing of the European Community:

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[1] for example:

OJ No. C 309 of 10.12.1979
OJ No. C 265 of 13.10.1980
OJ No. C 101 of 4. 5.1981
OJ No. C 172 of 13. 7.1981
OJ No. C 182 of 19. 7.1982
OJ No. C 302 of 3.12.1979
OJ No. C 313 of 1.12.1980
OJ No. C 311 of 30.11.1981
OJ No. C 304 of 22.11.1982

I. - CURRENT SITUATION

1. Notes that as a result of the second supplementary budget for 1983 and the 1984 draft budget the present ceiling of own resources has been reached; under the draft second supplementary budget for 1983 submitted by the Council the rate of value-added tax will exceed 0.99%;

2. Expressly draws attention to the fact that this situation has arisen because of the delay, for which the Council and the Commission are responsible, in implementing the guidelines of the Mandate of 30 May 1980;

3. Reiterates its view that the main cause of budgetary imbalance is the preponderance of price-support measures for various agricultural products in surplus, as a result of which since 1981 the share of agricultural expenditure in the overall Community budget has grown more rapidly than the budget itself.
The increase in agricultural expenditure from 1981 to 1982 was 11.3% compared to an increase of 19.4% in the general budget, 13.6% - excluding Supplementary Budget No. 2/83 - from 1982 to 1983 compared to 4% and 33.4% from 1982 to 1984 compared to 12.9%. This means that the trend in the share of agricultural expenditure has been as follows: 1981 = 59.4%, 1982 = 56.2%, 1983 = 61.4% and 1984 (Council draft) = 66.4%;

4. Notes that with the exhaustion of own resources the Community is in fact facing the collapse of its common agricultural policy;

5. Is concerned at the fact that the sharp increase in agricultural expenditure necessitates drastic cuts, particularly in the fields of social and regional policy;

6. Is obliged to note that, in the present circumstances, only limited resources remain available for the priorities laid down by Parliament, namely the fight against unemployment, the economic crisis and hunger in the world, and that there is no concerted policy for European industrial recovery;

7. Is unable, even after the Stuttgart Summit of June 1983, to discern on the part of the Council a clear strategy for resolving the main problems of the Community and for relieving the unacceptable situation for one Member State;

8. Considers that a Member State is in an unacceptable situation when its own economic performance compared to that of the other Member States is characterized by a blatant mismatch between the burdens and the discernible advantages to it of membership of the Community relative to the burdens and advantages of all the Member States; points out that this assessment must not be based on accounting aspects alone but must also take into consideration all the advantages of membership of the Community;

II. - DEVELOPMENT OF COMMUNITY POLICIES

9. Calls urgent attention to the fact that, failing drastic adjustments to the structure of the budget and revenue, the functioning of the European Community is at risk;

10. Points out that the problem of the exhaustion of own resources which faces the Community in the course of the 1984 budgetary procedure confirms the need for an early decision on the future financing of the Community;

11. Welcomes the stipulation by the European Council in Stuttgart in line with the standpoint of the European Parliament, that a lasting solution to the United Kingdom's problem can be reached only by a clear decision on the future financing of the Community on 6 December 1983 in Athens;

12. Strongly emphasizes once again that only the expenditure side of the budget can be considered for a redistribution in favour of the poorer regions, whereas allowance must be made for the differences in the economic strength of the Member States via the revenue side (see paragraphs 34 and 35);

13. Stresses that the discussion on increasing the share of value-added tax is inseparable from the question of which policies it would be appropriate to tackle and finance at Community level and of how the policies to be implemented by the European Community can be implemented more efficiently and economically;

14. Notes that, as a result of budgetary imbalance and the policy of the European Community which benefits the richer states in particular, since the entry into force of the Treaties of Rome the prosperity gap between the states has not narrowed but has significantly widened;

15. Reaffirms therefore the view expressed in the Pfennig report[1] that priority should be given to taking better account of the poorer regions of the Community by adjusting existing policies in their favour and that this will entail a restructuring of Community expenditure;

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[1] OJ No. C 172 of 13.7.1981, p.59 (paras. 20, 29)

16. Reiterates, therefore, its demand that priority should be given to expenditure aimed at securing economic recovery, particularly in the industrial, research and new technology sectors;

17. Upholds for that reason the objectives of its budget policy, which calls for more resources to combat unemployment, the economic crisis and hunger in the world, fo a common industrial and research policy, for a long-term structural policy which assists the poor regions of Europe and makes provision for the inclusion of Portugal and Spain and for drastic cuts in spending on the marketing, storage and destruction of increasing agricultural surpluses via a structural reform and a moı effective organization of the common agricultural policy;

III. - THE COMMISSION PROPOSALS

18. Maintains its fundamental view that the current method of calculating the 'net contribution' must be replaced by a method of calculation or assessment which prc vides a more objective and comprehensible picture of both the financial and econc advantages and the real burdens of membership of the European Community;

19. Believes that account must be taken of the new policies to be instituted when assessing the burdens and advantages of membership of the Community;

20. Calls once again for proposals from the Commission regarding the form such a meth of calculation or assessment might take;

21. Impresses on the Commission and the Council the need, when tackling new policies, to clearly define the terms of reference of the Community and the Member States respectively, to make a long-term assessment of costs and to quantify the savings involved for the Member States;

22. Believes that it is necessary to determine for every policy whether sole financin by the European Community or joint financing with the Member States is necessary and, where sole financing by the European Community is opted for, whether additional national financing is prohibited;

23. Notes that the agricultural production levy proposed in the Commission's 'green paper' has been abandoned following Parliament's negative opinion;

24. Considers it necessary, if balance is to be restored to the structure of the budget, for the increase in the percentage of value-added tax to be decided in conjunction with measures to reduce surplus production in agriculture due to structural factors, and takes the view that, in the absence of clear decisions designed to contain the growth in expenditure in the Guarantee Section and in particular to end structural agricultural surpluses, an increase in the percentage of value-added tax will not be feasible;

25. Calls, in the light of the trend in agricultural expenditure in 1982 and 1983, for the annual increase in agricultural expenditure to be held at a lower level than the growth in revenue on the basis of the current 1% value-added tax ceiling;

26. Considers it necessary, therefore, that all decisions of the Council of Ministers should be made subject to the strict constraints of the Financial Regulation and the budget and in the event of a departure from this principle the agreement of the budgetary authority must be sought;

27. Welcomes in principle the fact that the Commission has submitted proposals designed to control agricultural expenditure;

28. Regrets, however, that the Commission has couched its proposals not in the form of draft regulations but in the form of communications to the Council, with the result that there is no obligation for a decision;

29. Notes nevertheless even at this stage that the financial framework contained in the Commission proposal for reducing the proportion of expenditure on agriculture must be adhered to at all costs in order to put an end to the uneven distribution of appropriations between sectors;

IV. - INCREASING VALUE-ADDED TAX

30. Considers the Commission's proposals with regard to the rate of increase in the value-added tax percentage to be satisfactory;

31. Expects the Commission to submit a medium-term financial plan for 1986-1990 setting out clearly the purposes for which these additional appropriations are to be used;

32. Calls for an assurance that these additional appropriations will be allocated primarily to new policies;

33. Considers that a discussion at the present time on the procedure to be adopted for further increases in the value-added tax ceiling would be unnecessary and pointless;

V. - THE METHOD OF CALCULATING VALUE-ADDED TAX SCALE

34. Stands by its proposals designed to include the differences in per capita incomes and in the economic performance of the Member States in the value-added tax scale;

35. Appreciates that value-added tax is levied on consumption and not on gross domestic product; in consequence, proposes only a revision of the value-added tax scale on the basis of these parameters;

36. Fails to see any connection between gross domestic product and the portion of the budget calculated on the basis of agricultural expenditure criteria which is to be used as a basis for the revised scale; therefore rejects the proposal by the Commission to include gross domestic product and net operating surplus of the economy in the formula for calculating the variable rates of value-added tax;

37. Favours, on the other hand, the application of these criteria to value-added tax as a whole;

38. Considers that the Commission proposal that the amount of net agricultural expenditure in excess of 33% of the total budget should be made subject to a variable rate of value-added tax and its proposal to take the Member States' share of the agricultural products subject to common market organizations as a parameter provide a worthwhile basis for discussion;

39. Would consider it preferable, however, in order effectively to combat structural agricultural surpluses, to take as a parameter the Member States' share of the common agricultural markets in which there are structural surpluses;

40. Nevertheless considers special arrangements to be necessary for the Member States which have a below-average gross domestic product and in which agriculture accounts for an above-average share of gross domestic product;

VI. - MISCELLANEOUS PROPOSALS

41. Stresses that no solution should undermine the legal nature of the Community's own resources;

42. Has already called repeatedly for customs duties on ECSC products to be included in Community own resources;

43. Considers also the Commission proposal to reduce the rate of refund in respect of administrative expenditure incurred by the Member States in the collection of own resources to be correct;

44. Proposes for its part a rate of 5%;

45. Considers the refund of administrative expenditure as non-compulsory Community expenditure;

46. Instructs its President to forward to the Council and the Commission as Parliament's opinion the text of the Commission proposal as voted by Parliament together with the relevant resolution.

Opinion of the Committee on Agriculture

Draftsman: Mr I. FRÜH

On 16 March 1983 the Committee on Agriculture appointed Mr Früh draftsman of an opinion.

It considered the draft opinion at its meetings of 26/27 May, 12/13 July and 27/28 September 1983.

At the latter meeting it adopted the draft report by 16 votes to 4 with 6 abstentions.

The following took part in the vote:

Mr Curry, chairman; Mr Früh, vice-chairman and draftsman; Mr Adamou, Mr Barbagli (deputizing for Mr Diana), Mr Blaney, Mr Clinton, Mr Dalsass, Mr Eyraud, Mr Gatto, Mr Helms, Mrs Herklotz, Mr Hord, Mr Ligios, Mr McCartin (deputizing for Mr Bocklet), Mr Maher, Mr Mertens, Mr Mouchel, Mr Papapietro, Mr Pranchère, Mr Provan, Mr Stella (deputizing for Mr Colleselli), Mr Thareau, Mr Tolman, Mr Vgenopoulos, Mr Vitale and Mr Woltjer.

1. The communication from the Commission to the Council and the European Parliament of 4 February 1983 on the future financing of the Community (COM(83) 10 final) and the draft decision of 6 May 1983 submitted by the Commission to the Council on own resources (COM(83) 270 final) contain important ideas on the future development of the Community.

Fiscal questions have always been important, as history has often shown, examples being the progress of democracy in England[1] and the growth of nationalism in the United States[2]. History will show whether the same is true for the Community.

2. The first step was taken on 21 April 1970 with the Council decision replacing the Member States' financial contributions by the Community's own resources, which for the first time enshrined the principle of relative but real financial autonomy for the Community in relation to the Member States. This was not, however, achieved without the institutional crisis of 1965 (the 'empty chair' crisis), which led to the 1966 Luxembourg compromise, a development which drastically affected the early spirit in which the European Communities were set up.

3. The Community budget with its 22,895 m ECU[3] in 1983 represents about 0.80% of the Community's gross domestic product. With a sum like that the Community is hardly in a position to operate on the macro-economic level by using the instrument of budget policy, as opposed to the resources of monetarist policy, where Community powers are still more limited.

Willingness on the part of the Member States to achieve genuine economic integration and, to this end, implement authentic common policies in all areas of common interest will produce a considerable expansion of the Community budget thereby reducing the proportion represented by the CAP.

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[1] It was for the purpose of financing the war against Spain (1625) and France (1626-1627) that the King of England, Charles I, had to reach a compromise with the House of Commons and sign the 'Petition of Right' (1628) which confirmed the budgetary power of the House of Commons.

[2] The conflict which was to lead to the independence of the United States originated in the dispute with the United Kingdom over taxation, which began in 1764, the escalation of which led up to the famous Declaration of Independence of 4 July 1776.

[3] not including the 2096.4 m ECU entered in the draft supplementary and amending budget No. 2 for 1983.

4. Meanwhile the Community faces the more prosaic task of finding some new own resources, since existing own resources (customs duties, agricultural levies, levies on sugar and isoglucose, VAT up to a limit not exceeding 1%) will shortly be exhausted, so that it can pay for the new policies which it must implement if it does not want the European spirit to be put at risk, as well as for the tasks which will devolve upon it after Spain and Portugal (not to mention other third countries which might one day apply for membership) have joined.

5. In its communication of 4 February 1983 the Commission suggested a number of ways of raising fresh own resources. These are:

(a) raising the 1% ceiling on VAT;
(b) a progressive tax on the basis of GDP;
(c) revenue linked to agricultural indicators;
(d) revenue linked to specific policies (energy, research, industry);
(e) incidental revenue, for example a tax on cereal substitutes or a tax on oils and fats;
(f) further development of the role of borrowing and lending.

Moreover, these new forms of revenue should have the vital quality of being fair and applied in a way that reflects the relative wealth of the Member States.

6. The objectives of the draft Council Decision of 6 May 1983 are more modest, since they relate essentially to raising the VAT ceiling beyond 1%. On the other hand, if adopted by the Council and the Member States, it will constitute a very important step towards genuine Community financial independence, since the Community will be able to secure fresh financial resources on its own initiative. If the draft is adopted, it will replace the Decision of 21 April 1970.

7. The essential provisions of the draft Council Decision are the following:

(a) retaining present own resources, while including in the new system customs duties on products contained in the ECSC Treaty;

(b) raising the 1% ceiling on VAT, firstly by following the procedure laid down in Article 201 of the EEC Treaty up to a limit of 1.4% and by activating a purely Community-based mechanism for each subsequent increase of 0.4%;

(c) adaptation of VAT in accordance with a number of criteria;

(d) modification of the methods of reimbursing the collection of own resources by the Member States;

(e) possibility for the Community to keep the surplus of revenue over expenditure.

We must consider in greater detail the main questions arising in the agricultural sector.

8. Raising the 1% ceiling on VAT would allow new common policies to be introduced and would reduce to a more acceptable level the proportion of the budget constituted by the common agricultural policy, which, together with the common fisheries policy, is the only fully integrated Community policy. This would hopefully bring to an end a number of unjustified criticisms which have been directed at it.

9. The ceiling on VAT would be raised to 1.4% in accordance with the procedure laid down in Article 201 of the EEC Treaty, that is to say a unanimous decision taken by the Council after consulting the European Parliament and submitted to the national parliaments for adoption.
At the same time and following the same procedure, the Commission would submit to the Council for a unanimous decision and to the national parliaments a purely Community method for fixing new VAT ceilings above the initial 1.4% limit.

10. Thus a purely Community-based mechanism is to be used to effect the subsequent 0.4% increases in the VAT ceiling. This will involve a decision by the budgetary authority, with the Council acting unanimously and the European Parliament acting by a majority of its Members and three-fifths of the votes cast, which corresponds to the majority required in the second reading of the budget for the adoption of amendments to non-compulsory expenditure.

11. The Commission's proposal is thus very important for the constitutional future of the Community, since it establishes its independence from the Member States in increasing its financial resources, although ties with the latter continue to exist through the Council.

It is therefore possible to approve the proposal, all the more so since it confirms the legitimacy of the European Parliament following its election by direct universal suffrage.

12. VAT is to be calculated as follows:

If the expenditure of the EAGGF Guarantee Section (minus expenditure on food aid and expenditure on the 1.3 million tonnes of ACP sugar) exceeds total expenditure by 33%, variable rates of VAT shall be applied.

These are calculated on the basis of the Member States' share in

- the net agricultural output of products covered by the common organizations of the market,

- the Community's net operating surplus,

and their per capita gross domestic product.

13. This method of calculation calls for the following comments:

(a) the Commission takes the view that a market support policy should not represent more than 33% of the Community budget. In fact, it accounts for 66% in gross terms and 49.7% if expenditure on food aid, agri-monetary expenditure, and expenditure resulting from derogations from the Community preference are deducted, and if account is taken of the revenue raised by the common agricultural policy;

(b) in proposing the deduction of expenditure on food aid and expenditure arising from imports of ACP sugar, the Commission has taken account of the reservations expressed on several occasions by the Committee on Agriculture concerning the method of calculating the costs of the CAP.

Nevertheless, more specific information would be desirable concerning the criteria to be applied in adjusting the VAT calculations for the various Member States, since it would not be acceptable for the less wealthy Community Member States to be penalized by the agricultural criterion since, in these states, for example Greece, Italy and Ireland, the economy is often largely based on agriculture.

14. The Commission's proposal provides that any surplus of revenue over expenditure during a financial year can be kept by the Community. It would be desirable if savings achieved during one year in the farming sector were carried over to the following year as a contingency reserve to cover any short-term economic developments such as exceptional harvests arising from favourable climatic conditions.

15. The Committee on Agriculture notes that in its decision of 6 May 1983 the Commission did not retain the idea of additional resources such as a tax on cereal substitutes (estimated cost to the Community budget: 1000 m ECU in 1984) or on oils and fats, which it put forward in its Communication of 4 February 1983. The Commission has come back to this latter idea in that in its new proposals for the common agricultural policy (COM(83) 500 final), it suggests introducing an internal non-discriminatory tax on the consumption of oils and fats other than butter, irrespective of their origin, in conformity with the Community's international commitments[1]. The revenue from this tax should amount to 660 m ECU. The Committee on Agriculture would welcome the introduction of this tax, which has been approved on several occasions by the European Parliament, most recently as part of a report by Mr Vgenopoulos (Doc. 1-964/82) (opinion of the European Parliament of 12 January 1983 - OJ No C 42 of 14 February 1983).

16. Finally, the Committee on Agriculture welcomes the fact that the Commission has not proposed the inclusion of the co-responsibility levy in the dairy sector within the Community's own resources. The committee has already expressed its disapproval of the system and considers that it should be abolished when balance has been restored to the dairy market. The committee is, in any event, opposed to the extension of this system to other sectors.

17. In conclusion, the Committee on Agriculture considers that the draft decision submitted by the Commission to the Council is, despite its imperfections, an extremely significant document and hopes that it will be adopted by the Council and the Member States.

[1] COM(83) 500 final - paragraph 4.51

The Committee on Agriculture therefore submits the following recommendations to the Committee on Budgets:

The Committee on Agriculture:

1. Stresses the importance of increasing the Community's financial resources both to implement new common policies, without calling into question the fundamental principles of the common agricultural policy, and to meet the additional expenditure arising from the imminent accession of Spain and Portugal to the Community;

2. Approves therefore the increase in the Community's financial resources as proposed by the Commission in its draft decision on own resources;

3. Considers, moreover, that this draft constitutes an extremely important step towards genuine financial autonomy for the Community;

4. Welcomes the creation of a purely Community mechanism for raising the VAT ceiling by successive amounts of 0.4% above the 1.4% envisaged for the initial increase in Community own resources;

5. Approves the provisions concerning the adjustment of VAT on the basis of agricultural criteria but considers at the same time that their implementation should not penalize the less wealthy Member States of the Community such as Greece, Italy and Ireland, whose economy is largely dependent on the farming sector;

6. Calls for a clear definition in the budget of expenditure under the common agricultural policy and that deriving from the Community's general policy;

7. Welcomes the fact that the Commission has retained the idea of a tax on oils and fats, subject to the GATT rules; points out that a tax of this kind has already been approved several times by the European Parliament;

8. Approves the draft decision on own resources subject to the reservations expressed above;

9. Hopes that the Council and the Member States will take action on it soon, so that neither the common agricultural policy nor the other Community policies or measures are penalized by a lack of financial resources;

10. Requests, for the same reason, that the Community authorities take the necessary transitional measures if a Council decision and/or ratification by the national parliaments takes longer than foreseen and existing own resources are exhausted.