

INFORMATION**ECONOMY AND FINANCE****The European Communities' system of own resources****86/75**

From 1975 onwards, the Community budget will be entirely financed from the European Communities' own resources, which comprise all agricultural levies and customs duties, plus revenue accruing from the value added tax obtained by applying a rate not exceeding 1 % to an assessment basis determined in a uniform manner for all the Member States according to Community rules. This system is based on the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources, and, for the new Member States, on the financial arrangements included in the Act of Accession.

The establishment of the Community's own resources is of considerable political significance because it ensures the Community's financial independence. The resources will no longer be funnelled through the budgets of Member States as national receipts before being made available to the Community, although of course the States themselves will be responsible for the collection of own resources according to national rules.

The Decision of 21 April 1970 provides for two periods during which the financial contributions of Member States will be gradually replaced by own resources: the first runs from 1 January 1971 to 31 December 1974 and the second from 1 January 1975 onwards.

X/72/75-E

From 1 January 1971 to 31 December 1974

Agricultural levies and customs duties constituted own resources already entered in the Community budget as the financial contribution of the Member States, the revenue from agricultural levies being paid in full with part of the revenue from customs duties.

To determine the amount appropriated to the Community, each State added together the agricultural levies and the customs duties. The result was then multiplied by a fixed ratio that varied each year from 1971 to 1974, as follows:

| | | |
|------|--------|---|
| 1971 | : 50 | % |
| 1972 | : 62.5 | % |
| 1973 | : 75 | % |
| 1974 | : 87.5 | % |

To determine the amount of customs duties to be appropriated to the Communities' budget, the total revenue from agricultural levies was deducted from the reference amount (obtained by the above calculations).

The shortfall in Community financing was made up by financial contributions from Member States apportioned on the following scale: Belgium 6.8; Germany 32.9; France 32.6; Italy 20.2; Luxembourg 0.2; Netherlands 7.3.

But to prevent wide variations in the shares of each Member State in the Community budget, the Decision of 21 April 1970 provided that from one year to the next the relative share of each Member State in the aggregate of the amounts paid may not exceed 1 % upwards or 1.5 % downwards. 1970 is the reference year.

From 1 January 1975

The Community budget is to be entirely financed from the Communities' own resources, namely agricultural levies and revenue from the Common Customs Tariff, the balance of the budget being covered by revenue accruing from the value added tax obtained by applying a rate not exceeding 1 % to an assessment basis determined in a uniform manner for all the Member States according to Community rules.

However, since on 1 January 1975 the Community rules determining the uniform basis of assessment for VAT had not yet been approved by the Council, the balance of the Communities' budget is to be apportioned among the Member States according to the proportion of the gross national product of each country in the total of the gross national products of all the Member States. Council Regulation 2/71 of 2 January 1971 lays down the conditions and methods for financing the Community budget in this case: the gross national product at market prices is defined as the arithmetic average of the GNPs for the first three years of the five-year period preceding the financial year in respect of which the system is applied - for 1975, the average for 1970, 1971 and 1972. According to regulations at present in force, the values of the gross national products are compared at the IMF parities. From 1 January 1975 to 31 December 1977, the variation from year to year in the share of each Member State in relation to the preceding year may not exceed 2 % in either direction. Consequently, it will not be until the financial year 1978 that, for the original Member States, financing by own resources will be applied fully and without restriction.

The rules for the financing of Community expenditure applicable to the new Member States are set forth in the Act of Accession.

The general provisions mentioned above apply in full to the new Member States, but there are also some special provisions governing the contribution scale, the time-table for the handing over of agricultural levies and customs duties and the percentage of the financial contribution to be borne by the new Member States, corresponding to the contributions referred to in the Decision of 21 April 1970, are apportioned in accordance with a special scale, namely 2.46 % for Denmark, 0.61 % for Ireland and 19.32 % for the United Kingdom.

These rates are determined by these countries shares in the Community's gross national product for 1970.

These percentages are also taken as the theoretical basis for 1973, which serves as a reference for the adjustment, within the bracket + 1.5 % to - 1 %, of the participation of the acceding States to Community financing.

A gradual arrangement for the payment of all the financial contributions and own resources by the new Member States has been introduced. From 1 January 1973 to 31 December 1977, these payments will be made to the following extent only:

| | | |
|------|---|---------|
| 45 | % | in 1973 |
| 56 | % | in 1974 |
| 67.5 | % | in 1975 |
| 79.5 | % | in 1976 |
| 92 | % | in 1977 |

Consequently, only from 1 January 1978 onwards will the own resources be paid in full, but there are two remaining limitations: the increase in the financial participation of a new Member State between 1977 and 1978 must not exceed two fifths of the difference between the relative share due for 1977 and the share that that Member State would have owed if that share had been calculated in accordance with the arrangements laid down for the original Member States from 1978 onwards. The same two fifths limit applies to 1979 as against 1978.