System of own resources of the EU

2011/0183(CNS) - 12/02/2014 - Legislative proposal

PURPOSE: to lay down rules on the allocation of own resources of the Union in order to ensure the financing of the Union's annual budget.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: the own resources system of the Union must ensure adequate resources for the orderly development of the policies of the Union, subject to the need for strict budgetary discipline.

The European Council of 7 and 8 February 2013 concluded that the own resources arrangements should be guided by the overall objectives of simplicity, transparency and equity. Those arrangements should therefore ensure that no Member State sustain a budgetary burden which is excessive in relation to its relative prosperity. It is therefore appropriate to introduce provisions covering specific Member States.

The European Council also called upon the Council to continue working on the proposal of the Commission for a new own resource based on VAT. It concluded that the new VAT own resource could replace the existing own resource based on VAT.

It invited the participating Member States to examine if it could become the base for a new own resource for the EU budget. It concluded that this would not impact non-participating Member States and would not impact the calculation of the United Kingdom correction.

CONTENT: the draft decision lays down **rules on the allocation of own resources of the Union** in order to ensure the financing of the Union's annual budget.

Categories of own resources and specific methods for their calculation : revenue from the following shall constitute own resources entered in the budget of the Union:

(1) **traditional own resources** consisting of levies, premiums, additional or compensatory amounts, additional amounts or factors, Common Customs Tariff duties and other duties established or to be established by the institutions of the Union in respect of trade with third countries, customs duties on products under the expired Treaty establishing the European Coal and Steel Community, as well as contributions and other duties provided for within the framework of the common organisation of the markets in sugar.

- From 1 January 2014, Member States shall retain, by way of collection costs, **20 %** of these amounts.

(2) The application of a uniform rate valid for all Member States to the harmonised VAT assessment bases, determined in accordance with Union rules. For each Member State the assessment base to be taken into account for this purpose shall not exceed 50 % of gross national income (GNI) :

The uniform rate shall be fixed at **0.30 %.** For the period 2014-2020 only, the rate of call of the VAT-based own resource for Germany, the Netherlands and Sweden shall be fixed at 0.15 %.

(3) The application of a uniform rate, to be determined pursuant to the budgetary procedure in the light of the total of all other revenue, to the sum of GNI of all the Member States. The uniform rate shall apply to the GNI of each Member State.

- For the period 2014-2020 only, Denmark, the Netherlands and Sweden shall benefit from gross reductions in their annual GNI-based contribution of EUR 130 million, EUR 695 million and EUR 185 million respectively.

- Austria shall benefit from a gross reduction in its annual GNI-based contribution of EUR 30 million in 2014, EUR 20 million in 2015 and EUR 10 million in 2016.

Revenue deriving from any new charges introduced within the framework of a common policy shall also constitute own resources entered in the budget of the Union.

Own resources ceiling: the total amount of own resources allocated to the Union to cover annual appropriations for payments shall not exceed **1.23 %** of the sum of all the Member States' GNIs.

The total annual amount of appropriations for commitments entered in the Union's budget shall not exceed **1.29 %** of the sum of all the Member States' GNIs.

Correction mechanism in favour of the United Kingdom: the United Kingdom shall be granted a correction in respect of budgetary imbalances. The draft decision sets out the method by which this correction will be established and borned by the other Member States.

Entry into force: the decision should enter into force only once it has been approved by all Member States in accordance with their respective constitutional requirements, thus fully respecting national sovereignty.

In order to ensure transition to the revised system of own resources and to coincide with the financial year, this Decision should apply (retroactively) from 1 January 2014.