

Amending budget 7/2020: update of revenue (own resources)

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PURPOSE: presentation of Draft Amending Budget No 7/2020 in order to revise forecasts and update revenue (own resources).

CONTENT: the purpose of Draft Amending Budget (DAB) No 7 for the year 2020 is to update the revenue side of the budget to take account of the latest developments:

- to revise the forecast of Traditional Own Resources (i.e. customs duties), value-added tax (VAT) and gross national income (GNI) bases, and to budget the relevant UK corrections and their financing, which all affect - the distribution of own resources contributions from Member States to the EU budget;
- to update other revenue such as fines and exchange rate differences.

Revision of the forecast of TOR, VAT and GNI bases

According to established practice, the Commission proposes to revise the financing of the budget on the basis of more recent economic forecasts. The revision concerns the forecast of TOR to be paid to the budget in 2020 as well as the forecast of the 2020 VAT and GNI bases. The use of an updated forecast of own resources improves the accuracy of the revenue forecasts and hence of the payments that Member States are asked to make to the EU budget during the budgetary year.

The projections of VAT and GNI bases made by the Advisory Committee on Own Resources (ACOR) are usually determined as a compromise between the Commission's forecast and the Member State's forecasts. However, this year all Member States accepted the Commission's proposal to use its own forecasts for the VAT and GNI bases for 2020 to ensure equal treatment across Member States.

Changes brought about by the COVID-19 outbreak

The Commission spring 2020 economic forecast provides a horizontally consistent approach, based on a consistent set of data, methodology and assumptions for all Member States, which appears particularly important in the exceptional situation of the Covid-19 pandemic. It expects the EU economy to contract by a record 7.5 % this year, followed by a rebound of 6.1 % in 2021. At the end of the forecast horizon, the EU economy would be about 3 % lower than the output level projected by the autumn forecast 2019. The pandemic will affect all demand components except government consumption and public investment, which play a stabilising role.

Fall in international trade

In addition, international trade is expected to collapse unprecedentedly and the rebound next year to remain limited due to disruptions in global value chains. The worsening economic situation is reflected in the own resources forecast for 2020. Therefore, as compared to the forecast agreed in May 2019, the forecast for 2020 has been revised as follows: total 2020 net customs duties are now forecast at EUR 18 507.3 million (after deduction of 20 % collection costs), which represents a decrease of 16.47 % relative to the forecast of EUR 22 156.9 million included in the Budget 2020.

The Commission compared the results of the traditional ACOR forecasting method (based on the Commission Spring 2020 economic forecast) with the results of the extrapolation method based on the latest outturn data for collected customs duties (January – April 2020). As in the past years, it was agreed to apply a conservative approach ensuring sound budget management in a context of high economic uncertainties and potential disruptions in trade patterns. The traditional forecast method, which takes into account possible effects of the pandemic on trade, provides the lowest TOR revenue.

Therefore, it was agreed to use it for the revision of the 2020 TOR forecast:

- the total 2020 EU uncapped VAT base is now forecast at EUR 6 764 185.3 million, which represents a decrease of 8.30 % compared to the May 2019 forecast of EUR 7 376 556.2 million;

- the total 2020 EU capped VAT base is forecast at EUR 6 727 739.2 million, which represents a decrease of 8.43 % compared to the May 2019 forecast of EUR 7 347 133.9 million;

- the total 2020 EU GNI base is forecast at EUR 15 480 146.9 million, which is a decrease of 8.88 % compared to the May 2019 forecast of EUR 16 988 025.0 million.

Fines and penalty payments

Taking into account the amounts that have been cashed, it is proposed to increase the initial forecasts introduced in the budget 2020 (EUR 100 million) by EUR 118 million. This will reduce accordingly the own resources contributions from Member States to the EU budget.

Exchange rates

The exchange rates of 31 December 2019 have been used for converting the forecast VAT and GNI bases in national currency into euro (for the nine Member States that are not members of the euro area). This avoids distortions, since this rate is used to convert budgeted own resources payments from euro into national currency when the amounts are called in.

2015, 2016, 2017, 2018 and 2019 UK correction

In the present DAB, the calculation and financing of the 1st update of the 2019 UK correction, 2nd update of the 2018 UK correction, 3rd update of the 2017 UK correction and the definitive amounts of the 2015 and 2016 UK corrections are entered.

The update of the corrections for 2015, 2016, 2017, 2018 and 2019 stems mainly from the update of the VAT and GNI bases as communicated by Member States in autumn 2019. In addition the update of the correction for 2018 and 2019 also takes into account the allocated expenditure of 2018 and 2019 respectively.