European Communities' own resources: correction of budgetary imbalances

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On several occasions the Court has criticised the shortcomings of the system of own resources, which is very complex and presents numerous problems, in particular, regarding administration, consistency and lack of transparency.

The most important issues identified by the Court in its regard are as follows:

- In 2003, the traditional own resources amounted to 10 857,2 million euro after deduction of a flat-rate amount of 25 %, which was retained by the Member States to cover collection costs. The Court has already stated in its Opinion No 8/99 that collection costs actually constitute an item of expenditure and should be treated as such in the Community accounts and when calculating net balances.

- The capping of the VAT assessment base as a percentage of GNI has reduced the significance of the VAT resource in the financing of the budget. The VAT own resource decreased from 35 192,5 million euro (40,0 %) in 2000 to 21 260,1 million euro (25,4 %) in 2003. Capping also accentuated the resource's macroeconomic character via its link with the GNI. The Court reaffirms its position that a resource based on the taxable consumption of citizens can only be justified if it is directly linked to a tax base.

- In addition, tax evasion, in particular 'roundabout' frauds facilitated by the current system with taxation taking place in the country of consumption, undeclared economic activity and the varying degrees of efficiency shown by the national authorities in collecting VAT and preventing fraud might still affect the incidence of the financial burden on the Member States.

- Furthermore, the results of Court audits cast some doubt on the accuracy and reliability of the VAT statements produced by the Member States, which are compiled after complicated calculations demanding significant administrative resources.

The GNI-based resource increased from 37 580,5 million euro (42,7 %) in 2000 to 51 235,2 million euro (61,3 %) in 2003, thus providing the largest share of the own resources. The Court has found that there is limited direct verification by the Commission of the underlying national accounts which provide the figures presented by the Member States in the GNI questionnaires as a basis for calculating the GNI-based resource. This is due to the ambiguity of the rules laying down the obligations and powers of the Commission in this respect.

None of the shortcomings described above are addressed in the Commission proposals. The Court stresses the need to deal with them.

Turning more specifically to the Commission's proposal for a Council Decision, the Court notes that the GNI for the year is calculated at market prices, as provided by the Commission in application of ESA 95 (European System of Accounts 1995). The proposal also stipulates, however, that modifications to the ESA 95 which result in significant changes in the GNI as provided by the Commission shall only apply for the purpose of calculating own resources if the Council decides so. The Court understands the reasons for such a clause, but points out that this procedure may lead to a situation where GNI figures used for own resources purposes do not match published national figures, thus reducing transparency.

The Court also considers that the Commission's text should clearly state that the concept of total allocated expenditure to be used is laid down in the Council Regulation on the implementing measures for the correction of budgetary imbalances.

The Court reiterates its position that Article 8(2) of the proposed Decision, insofar as it interprets the subject of the Court's checks and audits, is tantamount to amending a provision of the Treaty outside the procedure laid down for that purpose. The statement that, 'such auditing and checks being mainly concerned with the reliability and effectiveness of national systems and procedures for determining the base of own resources accruing from VAT and GNI', should be deleted. In any case, the Court considers that such a provision cannot have the effect of limiting its audit powers under the Treaty.

The Court is of the opinion that all provisions necessary to apply this Decision could be adopted pursuant to Article 279 of the EC Treaty and Article 183 of the Euratom Treaty and that there is no need for a specific procedure for adopting the provisions necessary to apply this Decision and to make possible the inspection of the collection, the making available to the Commission and payment of the revenue.