European Communities' own resources: implementing measures for the correction of the 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 Regulation laying down the implementing measures for the correction of budgetary imbalances laid down in the Council Decision on the system of the Communities' own resources, the Court made the following specific remarks:

- in relation to Art 1 1(a), the words 'related to year *t*' should be added to the second indent in order to be consistent with the first indent.

- in relation to Art 2(2), A system with a maximum available refund volume (MARV), specified as a discretionary fixed amount of 7,5 billion euro, will not produce consistent results over time, as any GNI variation would affect the relative size of the corrections. Preservation of the 'real value' would require further Council agreement and negotiation. If there is a need for such a MARV, it could be expressed as a percentage of GNI.

- in relation to Art 4, traditional own resources constitute income under the EU budget and the collection costs should be treated as expenditure accruing to the Member States and included as allocated expenditure in the generalised correction mechanism. The references to 'payments', in Article 4(2) should be replaced by 'expenditure'.

- also in relation to Art 4, the definition of expenditure to be excluded from total allocated expenditure, as formulated under the first and second indent of Article 4(2), is in the form of a negative but not exhaustive list allowing for differences from one year to another in the composition of the amount of allocated expenditure. In order to ensure that the amount of allocated expenditure is calculated annually in a consistent and transparent way, the Court suggests adding to this article a provision that the Commission should present a report each year on the allocation of expenditure, also covering expenditure that cannot be allocated to a Member State.

- in relation to Art 5 of the proposal, both the definitive calculation of the amount of the correction and its financing by Member States for the year *t* are based on data on VAT bases and GNI known at December of year *t+2*. The Court considers it more appropriate to use VAT and GNI data for the year *t+4* as they are then final.