




Basic information	
<p><b>2006/0039(CNS)</b></p> <p>CNS - Consultation procedure Decision</p>	Procedure completed
<p>Union's budget: system of the European Communities' own resources, adjustment of the United Kingdom correction, financial framework 2007-2013</p> <p>Repealed by <a href="#">2011/0183(CNS)</a> See also <a href="#">2014/0332(NLE)</a></p> <p><b>Subject</b></p> <p>8.70.01 Financing of the budget, own resources</p>	

Key players				
European Parliament	<b>Committee responsible</b>		<b>Rapporteur</b>	<b>Appointed</b>
	<b>BUDG</b> Budgets		LAMASSOURE Alain (PPE-DE)	20/09/2004
	<b>Committee for opinion</b>		<b>Rapporteur for opinion</b>	<b>Appointed</b>
	<b>INTA</b> International Trade		The committee decided not to give an opinion.	
	<b>CONT</b> Budgetary Control		The committee decided not to give an opinion.	20/04/2006
	<b>ECON</b> Economic and Monetary Affairs		The committee decided not to give an opinion.	
	<b>REGI</b> Regional Development		GALEOTE Gerardo (PPE-DE)	24/11/2004
Council of the European Union	<b>Council configuration</b>		<b>Meetings</b>	<b>Date</b>
	Transport, Telecommunications and Energy		2805	2007-06-06
	Agriculture and Fisheries		2793	2007-04-16
European Commission	<b>Commission DG</b>		<b>Commissioner</b>	
	Budget		GRYBAUSKAITĖ Dalia	

Key events			
Date	Event	Reference	Summary
08/03/2006	Legislative proposal published	COM(2006)0099 	Summary
15/05/2006	Committee referral announced in Parliament		
20/06/2006	Vote in committee		Summary
23/06/2006	Committee report tabled for plenary, 1st reading/single reading	A6-0223/2006	
04/07/2006	Decision by Parliament	T6-0292/2006	Summary
04/07/2006	Results of vote in Parliament		
06/06/2007	Act adopted by Council after consultation of Parliament		
06/06/2007	End of procedure in Parliament		
23/06/2007	Final act published in Official Journal		

Technical information	
Procedure reference	2006/0039(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
Amendments and repeals	Repealed by <a href="#">2011/0183(CNS)</a> See also <a href="#">2014/0332(NLE)</a>
Legal basis	Euratom Treaty A 173 EC Treaty (after Amsterdam) EC 269
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/6/34884

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee draft report		<a href="#">PE371.920</a>	23/05/2006	
Amendments tabled in committee		<a href="#">PE374.365</a>	06/06/2006	
Committee opinion	<span style="border: 1px solid red; padding: 2px;">REGI</span>	<a href="#">PE374.245</a>	21/06/2006	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A6-0223/2006</a>	23/06/2006	
Text adopted by Parliament, 1st reading/single reading		<a href="#">T6-0292/2006</a>	04/07/2006	Summary
European Commission				

Document type	Reference	Date	Summary	
Legislative proposal	COM(2006)0099 	08/03/2006	<a href="#">Summary</a>	
Commission response to text adopted in plenary	SP(2006)3801	28/08/2006		
<b>Other institutions and bodies</b>				
Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	RCC0002/2006 OJ C 203 25.08.2006, p. 0050-0052	28/06/2006	<a href="#">Summary</a>
EESC	Economic and Social Committee: opinion, report	CES0969/2006	05/07/2006	

Additional information		
Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act	
<a href="#">Decision 2007/0436</a> <a href="#">OJ L 163 23.06.2007, p. 0017</a>	<a href="#">Summary</a>

## Union's budget: system of the European Communities' own resources, adjustment of the United Kingdom correction, financial framework 2007-2013

2006/0039(CNS) - 07/06/2007 - Final act

**PURPOSE:** to implement the conclusions of the European Council with regard to financing the EU. **LEGISLATIVE ACT:** Council Decision 2007/436/EC on the system of the European Communities' own resources.

**CONTENT:** the Council adopted a Decision amending the EU's system of own resources for the financing of its general budget. The Decision gives effect to the conclusions of the European Council meeting of December 2005 as regards the EU's budgetary framework for 2007-2013, introducing adjustments to update the existing decision on own resources. These concern in particular the budgetary correction mechanism in favour of the United Kingdom, which remains in full for all expenditure, except that in relation to Member States which joined the EU after 30 April 2004.

The principal adjustments are as follows:

**Own resources:** the general budget of the EU will be financed wholly from the Communities' own resources. Revenue from the following will constitute own resources:

a) 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 Communities in respect of trade with non-member 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;

b) the application of a uniform rate valid for all Member States to the harmonised VAT assessment bases determined according to Community rules. The assessment base to be taken into account for this purpose shall not exceed 50 % of GNI for each Member State;

c) 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 all the Member States' GNIs;

d) revenue deriving from any new charges introduced within the framework of a common policy, in accordance with the EC Treaty or the Euratom Treaty.

**Fixed rate of call of VAT:** the rate of call of VAT shall be fixed at 0.30 % of Member States' capped VAT bases. For the period 2007–2013, four countries shall benefit from reduced rates of call of VAT to reduce their respective budgetary burden. During this period the rate of call of VAT for Austria shall be fixed at 0.225 %, for Germany at 0.15 % and for the Netherlands and Sweden at 0.10 %.

**Temporary reductions in the GNI contributions for specific Member States:** for the period 2007–2013, the Netherlands shall benefit from a gross annual reduction in its GNI contribution of EUR 605 million and Sweden from a gross annual reduction in its GNI contribution of EUR 150 million, expressed in 2004 prices. These gross reductions will be financed by all Member States, including the Netherlands and Sweden.

**Ceiling on own resources and appropriations:** the total amount of own resources allocated to the

Communities to cover annual appropriations for payments shall not exceed 1,24 % of the sum of all the Member States' GNIs, and the total annual amount of appropriations for commitments shall not exceed 1,31 % of the sum of all the Member States' GNIs.

**Adjustment of the UK correction to enlargement:** the correction of budgetary imbalances in favour of the United Kingdom shall remain in full except for expenditure in the Member States which have acceded to the EU after 30 April 2004. Expenditure in these new Member States, with the exception of CAP market expenditure (agricultural direct payments and market-related expenditure as well as that part of rural development expenditure originating from the EAGGF guarantee section), shall therefore be excluded from total allocated expenditure for the purpose of calculating the UK correction. The reduction of total allocated expenditure shall be progressively phased in. Accordingly, the percentage of enlargement-related expenditure to be excluded from the calculation of the UK correction is: in 2009- 20%; 2010-70%; 2011-100%.

During the period 2007–2013, the total adjustment of the amount of the UK correction resulting from this reduction of allocated expenditure shall not exceed EUR 10.5 billion, in 2004 prices. The Commission shall verify each year whether the cumulated adjustment of the UK correction exceeds this amount. If it does, the UK contribution to the budget shall be reduced accordingly. The amount of EUR 10.5 billion shall, furthermore, be adjusted upwards in case of further enlargement before 2013, except for the accession of Romania and Bulgaria.

As soon as it has been phased in and provided that the ceiling of EUR 10.5 billion for the period 2007–2013 is not breached, this adjustment of the UK correction mechanism will ensure that the UK fully participates in the financing of enlargement, with the exception of the agricultural expenditure.

The enlargement-related adjustment in the current Own Resources Decision shall cease to apply as from the 2013 correction to be budgeted for the first time in 2014.

**Review of the own resources system:** in the framework of the full, wide-ranging review covering all aspects of EU spending, including the CAP, and of resources, including the United Kingdom rebate, on which it shall report in 2008/2009, the Commission shall undertake a general review of the own resources system.

**Entry into force and effect:** the new Own Resources Decision shall be adopted so that the ratification process for the new decision may be completed by all Member States to allow entry into force from the beginning of 2009 at the latest, with retroactive effect as from 1 January 2007.

## **Union's budget: system of the European Communities' own resources, adjustment of the United Kingdom correction, financial framework 2007-2013**

2006/0039(CNS) - 16/04/2007

The Council reached political agreement on a draft Decision amending the system of own resources for the financing of the EU's general budget. It will adopt the Decision at a forthcoming meeting, after finalisation of the text.

The Decision, which takes effect retroactively as from 1 January 2007, is intended to give effect to the conclusions of the European Council of December 2005, introducing adjustments to update the existing own-resources Decision for the duration of the 2007-13 budgetary framework.

## **Union's budget: system of the European Communities' own resources, adjustment of the United Kingdom correction, financial framework 2007-2013**

2006/0039(CNS) - 04/07/2006 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Alain **LAMASSOURE** (EPP-ED, FR) on the proposed decision on the system of the European Communities' own resources. (Please refer to the summary of 20/06/2006.)

## **Union's budget: system of the European Communities' own resources, adjustment of the United Kingdom correction, financial framework 2007-2013**

2006/0039(CNS) - 28/06/2006 - Court of Auditors: opinion, report

The European Court of Auditors has submitted its Opinion on the Commission's proposal for a revised system of the European Communities' own resources.

To recall the overall objective of the Brussels European Council meeting in December 2005 was equity and an equal distribution of the overall burden based on the relative prosperity of a Member State. In the Court's view, however, a number of serious short-comings have not been addressed. For example:

- There is no objective criteria determining what an excessive budgetary burden is and whether it is justified for a Member State to benefit from a correction.
- There is no monitoring mechanism which can determine whether a budgetary burden continues to be excessive and the justification for the continuation of such a correction.
- There is no mechanism which would allow Member States, other than those explicitly mentioned in the proposal, to qualify for a correction.

The Court does acknowledge that an effort has been made to streamline the own resources decision by abolishing the VAT "frozen rate". Nevertheless a number of issues still have not been addressed and concern, in particular, administration, consistency, complexity and a continued lack of transparency.

On a more specific note, the Court:

- Welcomes the Commission's proposal that significant statistical changes to the compilation of GNI should apply for own resources purposes. This avoids a situation whereby GNI figures used for own resources purposes do not match published national figures.
- Seeks clarification on the concept of "allocated expenditure". The concept, according to the Commission's working document, is developed only on the UK correction.
- Considers that the inclusion of provisions on the calculation, financing, payment and entry in the budget of the correction of budgetary imbalances, in favour of the United Kingdom, is not compatible with Article 279 of the EU Treaty. Furthermore it infringes the principle of transparency.

To conclude, the rules and arrangement in the proposed new Council Decision tend to be even more complex and lacking in transparency than the existing system. The proposal moves further away from an own resources system based on clear and generally applied mechanisms and towards national contributions negotiated on a country by country basis. As a result, the Court welcomes the fact that the Commission will undertake a full, wide-ranging review of the own resources system – and that it will be concluded well in advance of the expiry of the new Financial Perspective (2008/2009).

On a final point, the Court calls on the Commission to reconsider the legal form of the document setting out provisions on calculation, financing, payment and entry in the budget of the correction of the budgetary imbalances in favour of the United Kingdom.

## **Union's budget: system of the European Communities' own resources, adjustment of the United Kingdom correction, financial framework 2007-2013**

2006/0039(CNS) - 08/03/2006 - Legislative proposal

PURPOSE : to establish the rules on the allocation of own resources.

PROPOSED ACT : Council Decision.

CONTENT : on 15–16 December 2005 the European Council reached a political agreement on the

financial framework 2007-2013. The main conclusions were as follows:

- that the Commission must prepare a new Own Resources Decision and modify the accompanying working paper on the UK correction;
- the ceilings of own resources and of commitment appropriations should remain at their current levels;

- the own resources arrangements should be guided by the overall objective of equity. These arrangements should therefore ensure that no Member State sustains a budgetary burden which is excessive in relation to its relative prosperity. It is therefore appropriate to introduce provisions covering specific Member States.

Accordingly, this proposal on the system of the EC's own resources and its accompanying working paper on the UK correction amend the existing own resources provisions. These amendments concern:

- Provisions implementing the conclusions of the European Council of 15-16 December 2005 in the own resources area;
- Some adjustments of existing provisions to take into account developments since the existing Own Resources Decision was adopted by Council in September 2000 and to improve the legal and linguistic consistency of the provisions.

**Implementation of European Council: Fixed rate of call of VAT:** the European Council concluded that the rate of call of VAT shall be fixed at 0.30 % of Member States' capped VAT bases. Under the new system the rate of call will be fixed permanently at 0.30 %, which corresponds to the difference between the current maximum rate of call of 0.50 % and an average past value of the frozen rate of 0.20 %. The replacement of the current complicated and opaque system of calculating the VAT rate of call with a fixed rate of call is a welcome simplification that was long overdue. The link between the VAT rate and the UK correction via the 'frozen rate' is a historical relic from the pre-1988 own resources system when the UK correction was financed in proportion to Member States' uncapped VAT bases, whereas since 1988 it is financed in proportion to Member States' GNP/GNI bases. The establishment of a fixed rate of call of VAT (the uniform rate) at its current level is therefore a logical step, as the frozen rate no longer fulfils any meaningful purpose.

**Temporarily reduced rates of call of VAT for specific Member States:** the European Council concluded that for the period 2007–2013, four countries shall benefit from reduced rates of call of VAT to reduce their respective budgetary burden. During this period the rate of call of VAT for Austria shall be fixed at 0.225 %, for Germany at 0.15 % and for the Netherlands and Sweden at 0.10 %.

**Temporary reductions in the GNI contributions for specific Member States:** the European Council concluded that for the period 2007–2013, the Netherlands shall benefit from a gross annual reduction in its GNI contribution of EUR 605 million and Sweden from a gross annual reduction in its GNI contribution of EUR 150 million, expressed in 2004 prices. These gross reductions will be financed by all Member States, i.e. including the Netherlands and Sweden. These reductions are not intended to increase the size of the UK correction, neither to reduce the shares of the Netherlands and Sweden in the financing of the UK correction. The gross reductions will therefore be granted after the calculation of the UK correction and its financing. This measure is intended to reduce the budgetary burden of these countries.

**Adjustment of the UK correction to enlargement:** the European Council concluded that the correction of budgetary imbalances in favour of the United Kingdom shall remain in full except for expenditure in the Member States which have acceded to the EU after 30 April 2004. Expenditure in these new Member States, with the exception of CAP market expenditure (agricultural direct payments and market-related expenditure as well as that part of rural development expenditure originating from the EAGGF guarantee section), shall therefore be excluded from total allocated expenditure for the purpose of calculating the UK correction. The reduction of total allocated expenditure shall be progressively phased in, starting with the 2008 correction to be budgeted for the first time in 2009 and reaching "cruising speed" with the 2010 correction to be budgeted for the first time in 2011. Accordingly, the percentage of enlargement-related expenditure to be excluded from the calculation of the UK correction is: in 2009 – 20%; 2010- 70%; 2011-100%.

The European Council also concluded that during the period 2007–2013, the total adjustment of the amount of the UK correction resulting from this reduction of allocated expenditure shall not exceed EUR 10.5 billion, in 2004 prices.

The proposal therefore lays down that the Commission services shall verify each year whether the cumulated adjustment of the UK correction exceeds this amount. If it does, the UK contribution to the budget shall be reduced accordingly. The amount of EUR 10.5 billion shall, furthermore, be adjusted upwards in case of further enlargement before 2013, except for the accession of Romania and Bulgaria.

As soon as it has been phased in and provided that the ceiling of EUR10.5 billion for the period 2007–2013 is not breached, this adjustment of the UK correction mechanism will ensure that the UK fully participates in the financing of enlargement, with the exception of the agricultural expenditure..

The enlargement-related adjustment in the current Own Resources Decision shall cease to apply as from the 2013 correction to be budgeted for the first time in 2014.

**Review of the own resources system:** the European Council concluded that the Commission should undertake a full review covering all aspects of EU funding and spending and to report in 2008/2009.

The proposal for a Council Decision therefore lays down that in the framework of this full review, the Commission shall undertake a general review of the own resources system, accompanied, if necessary, by appropriate proposals.

**Entry into force and effect:** the European Council concluded that the new Own Resources Decision shall be adopted so that the ratification process for the new decision can be completed by all Member States to allow entry into force from the beginning of 2009 at the latest, with retroactive effect as from 1 January 2007. The provisions of previous Own Resources Decisions will continue to apply to the calculation of own resources and the UK correction for years prior to 2007.

**Implementation of the European Council conclusions – new accompanying working document on the UK correction:** the accompanying working document on the UK correction has been modified in order to take into account the proposed changes in the Own Resources Decision. They concern:

- the date that the working document takes effect;
- the elimination of the adjustment related to pre-accession aid;

- the new adjustment related to expenditure in the new Member States;
- the ceiling on the total reduction of the United Kingdom correction related to the new adjustment;
- the adjustment to further enlargement(s) of the ceiling referred to above;
- the elimination of the calculation of the 'frozen rate' and all references to the impact of the UK correction on the VAT call rate.

Some other modifications have also been introduced to improve the coherence of the text and to facilitate comprehension. These changes are purely presentational and have no impact on the calculation method.

**Other adjustments to the current Own Resources Decision 2000/597/EC:** these include, inter alia:

- the removal of distinction between agricultural and customs duties following the implementation in EU law of the agreements concluded during the Uruguay round of multilateral trade negotiations;
- Own resources and commitments ceilings: in view of the change-over from ESA 79 to ESA 95 for budgetary and own resources purposes and in order to maintain unchanged the amount of financial resources put at the disposal of the Communities, the Commission recalculated the ceiling of own resources and the ceiling of appropriations for commitments. The ceiling of own resources is set equal to 1.24 % of the total GNIs of the Member States at market prices and a ceiling of 1.31 % of the total GNIs of the Member States is set for appropriations for commitments. The European Council of 15-16 December 2005 concluded that these ceilings should remain at their current percentage level.