Basic information

2011/0183(CNS) CNS - Consultation procedure Decision	Procedure completed
System of own resources of the EU Repealing Decision 2007/436/EC, Euratom 2006/0039(CNS) Repealed by 2018/0135(CNS) See also 2016/2258(BUD) **Subject** 8.70.01 Financing of the budget, own resources	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
BUDG Budgets	DEHAENE Jean-Luc (PPE) JENSEN Anne E. (ALDE)	28/09/2011 28/09/2011
	Shadow rapporteur HAUG Jutta (S&D) PICKART ALVARO Alexander Nuno (ALDE) TRÜPEL Helga (Verts/ALE) ASHWORTH Richard (ECR) KLUTE Jürgen (GUE/NGL) MORGANTI Claudio (EFD)	

Committee for opinion	Rapporteur for opinion	Appointed
CONT Budgetary Control	The committee decided not to give an opinion.	
ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	
REGI Regional Development	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
General Affairs	3143	2012-01-27

General Affairs	3187	2012-09-24
Economic and Financial Affairs ECOFIN	3153	2012-03-13
Competitiveness (Internal Market, Industry, Research and Space)	3317	2014-05-26

European Commission	Commission DG	Commissioner
	Budget	LEWANDOWSKI Janusz

Key events

Date	Event	Reference	Summary
29/06/2011	Initial legislative proposal published	COM(2011)0510	Summary
13/09/2011	Committee referral announced in Parliament		
09/11/2011	Initial legislative proposal published	COM(2011)0739	Summary
27/01/2012	Debate in Council		Summary
13/03/2012	Debate in Council		Summary
24/09/2012	Debate in Council		Summary
12/02/2014	Legislative proposal published	05602/2014	Summary
01/04/2014	Vote in committee		
07/04/2014	Committee report tabled for plenary, 1st reading/single reading	A7-0271/2014	Summary
16/04/2014	Decision by Parliament	T7-0432/2014	Summary
16/04/2014	Results of vote in Parliament		
16/04/2014	Debate in Parliament		
26/05/2014	Act adopted by Council after consultation of Parliament		
26/05/2014	End of procedure in Parliament		
07/06/2014	Final act published in Official Journal		

Technical information

Procedure reference	2011/0183(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
Amendments and repeals	Repealing Decision 2007/436/EC, Euratom 2006/0039(CNS) Repealed by 2018/0135(CNS) See also 2016/2258(BUD)
Legal basis	Euratom Treaty A 106a-pa

	Treaty on the Functioning of the European Union TFEU 311 -a3
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/7/06381

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE529.834	21/02/2014	
Amendments tabled in committee		PE530.057	11/03/2014	
Committee report tabled for plenary, 1st reading/single reading		A7-0271/2014	07/04/2014	Summary
Text adopted by Parliament, 1st reading/single reading		T7-0432/2014	16/04/2014	Summary

Council of the EU

Document type	Reference	Date	Summary
Legislative proposal	05602/2014	12/02/2014	Summary

European Commission

Document type	Reference	Date	Summary
Initial legislative proposal	COM(2011)0510	29/06/2011	Summary
Document attached to the procedure	SEC(2011)0876	29/06/2011	Summary
Initial legislative proposal	COM(2011)0739	09/11/2011	Summary
Commission document (COM)	COM(2014)0271	14/05/2014	
Commission response to text adopted in plenary	SP(2014)471	09/07/2014	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	DE_BUNDESRAT	COM(2011)0510	18/10/2011	
Contribution	CZ_SENATE	COM(2011)0510	20/10/2011	
Contribution	RO_CHAMBER	COM(2011)0510	12/01/2012	
Contribution	RO_CHAMBER	COM(2011)0739	13/01/2012	
Contribution	IT_CHAMBER	COM(2011)0510	19/04/2012	

Contribution	PT_PARLIAMENT	COM(2011)0739	07/06/2012	
Contribution	IT_SENATE	COM(2011)0510	15/04/2013	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES0816/2012	29/03/2012	

Additional information

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

Final act

Decision 2014/0335
OJ L 168 07.06.2014, p. 0105 Summary

System of own resources of the EU

2011/0183(CNS) - 07/04/2014 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Budgets adopted, in the framework of a special legislative procedure (Parliament consultation), the report by Jean-Luc DEHAENE (EPP, BE) and Anne E. JENSEN (ADLE, DK) on the draft Council decision on the system of own resources of the European Union.

The committee **approved the draft Council decision whilst proposing a number of amendments** to it in order to reinstate the long-standing political position of the Parliament on own resources.

Members stressed that the **European Parliament has continuously called for the Union budget to be financed wholly by own resources**, as stipulated in the Treaty, and has regularly highlighted the shortcomings and limits of the existing system of own resources, which is non-transparent, unfair, not subject to parliamentary control, highly complex and totally incomprehensible to European citizens. Members recalled that the European Parliament has strongly advocated in favour of an **in-depth reform of the own resources system** that should return to a system of genuine, clear, simple and fair own resources.

The European Parliament regretted that the Council was unable to make any progress on the reform of the own resources system on the basis of legislative proposals presented by the Commission in June 2011.

These amendments also aim at reflecting the high importance that the Parliament attaches to the establishment of the High-Level group on own resources and the future steps that need to be taken towards a successful reform of the own resources system for the period covered by the next multiannual financial framework.

Members called on the **High Level Group on Own resources to deliver its first assessment of the own resources system by the end of 2014**. They expect that this Group will deliver proposals for overcoming the deficiencies of the current system in order to pave the way for a reform -guided by the overall objectives of simplicity, transparency, equity and democratic accountability- to become operational in the next MFF.

System of own resources of the EU

2011/0183(CNS) - 24/09/2012

The Council discussed the **EU's multiannual financial framework (MFF)** for the 2014-2020 period and took note of the presentation by the Commission of its proposal for a **new value added tax (VAT)-based own resource** (*please refer to summary dated 09/11/2011*).

As regards, **own resources**, several ministers stressed the importance of rules being simple, transparent and fair. Some deplored the fact that the negotiating box had not been revised on the revenue side. Others opposed any change on own resources.

- Some delegations supported the abolition of the current VAT-based own resource, as proposed by the Commission. Some were ready to examine this proposal, while others opposed it.
- The proposal for a new own resource based on a financial transaction tax was supported by some Member States and opposed by others. Some Member States insisted on keeping the system for collection of traditional own resources unchanged. This would mean that Member States would continue to retain, by way of collection costs, 25% of the amounts collected by them, rather than 10% as proposed by the Commission.
- Some ministers were in favour of abandoning all correction mechanisms under the system of own resources; others insisted on maintaining existing correction mechanisms or at least keeping a guarantee of the current amount of correction under a new mechanism.

The Cypriot Presidency held an exchange of views with representatives of the European Parliament before the Council meeting and debriefed them afterwards

Ministers welcomed the work undertaken by the Presidency and made known their wish to **reach agreement on the MFF package at the special European Council on 22-23 November**.

The General Affairs Council will meet twice before the November European Council, on 16 October in Luxembourg and 20 November in Brussels. After the European Council of 18-19 October, the Presidency intends to issue a newly revised negotiating box with some ranges of figures. The President of the European Council, Herman Van Rompuy, will hold bilateral consultations starting from 5 November.

System of own resources of the EU

2011/0183(CNS) - 09/11/2011 - Initial legislative proposal

On 29 June 2011, the Commission proposed replacing the current system of financing for the EU budget with a new system making full use of the possibilities introduced by the Lisbon Treaty (*see the summary of this date*).

This **amended proposal** for a Council Decision on the system of own resources of the European Union refines and complements the proposal made on 29 June. It ensures coherence with:

- the proposed Council Directive on a common system of financial transaction tax (FTT Directive") adopted on 28 September 2011;
- and with the proposals for Council Regulations on making the own resource based on the FTT available to the EU budget and on calculating and making available the own resource based on value added tax (VAT) as well as the amended proposal for a Council Regulation implementing the own resources Decision, adopted together with this proposal.

The proposals only bear on aspects dealing with the two new own resources based, respectively, on the financial transaction tax and the value added tax. Other issues, such as corrections, are not affected by these proposals.

Proposed changes in the 'own resources' decision (ORD): the proposal made on 29 June 2011 includes the list of new own resources, together with the timing for their introduction and relevant limits to their application. It contains in particular a maximum limit to the rates applicable to the new own resources, whereas the proposed implementing regulation presents actual rates to be applied.

This amended proposal simplifies greatly the way the FTT-based own resource is determined by referring to the rates defined in the FTT Directive for the purpose of determining the FTT based own resource. Possible adjustments to the rates would be made only in the FTT Directive. This ensures full coherence between the FTT Directive and the rules set out for the own resources system. In line with the FTT Directive, it is now proposed to use the FTT as an own resource as of 1 January 2014. This means that from the start of its implementation the FTT will partly be used as an own resource. Minor changes are also brought to provisions regarding the new VAT own resource, in order to ensure full consistency with the provisions set out in the amended proposal for a Regulation on the implementation of the ORD and the new proposal on the making available of this resource. For consistency, the timing for the introduction of the new VAT resource is aligned to that of the FTT.

Lastly, changes are brought to provisions relating to the administration and collection of the own resource to ensure coherence with the other parts of the legislation.

Proposed changes in the regulation implementing the ORD: three main changes are included in the amended proposal.

- explicit reference to the various types of financial transactions to which the rates would be applied is redundant with provisions laid down in the FTT Directive and the amended proposal for the ORD. It is now proposed to specify the share of the minimum rates defined in the FTT Directive that should be used for the purpose of the FTT-based own resource. Consequently, this share of the receipts resulting from the application of the minimum rates defined in the FTT Directive will accrue to the EU budget and the rest will accrue to the Member States budgets;
- the original proposal envisaged the possibility that the FTT would be collected by economic operators rather than by the Member States. In line with the FTT Directive, the Member States administrations will be responsible for collecting the FTT. Therefore, reference to economic operators is no longer necessary;
- lastly, regarding the new VAT own resource, the text now refers explictly to the calculation method (set out in the proposal on the making available of the new VAT resource) which determines the basis on which to apply the call rate of the resource.

Making the FTT-based and the VAT-based own resources available to the EU budget: as a complement to the own resources Decision, a new proposal for a Council Regulation comprises the elements concerning the methods and procedures for making the FTT-based own resources available to the EU budget. A new proposal for a Council Regulation includes the arrangements on calculating and making available to the EU budget the own resource based on value added tax (VAT).

These proposals include the rules on the establishment of the two own resources, treasury and accounting arrangements, entry in the accounts and corrections, reporting and conservation of supporting documents. Moreover, regarding specifically the new VAT resource, detailed provisions on the calculation method are included in the texts.

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.

System of own resources of the EU

2011/0183(CNS) - 16/04/2014 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 383 votes to 101, with 35 abstentions, in the framework of a special legislative procedure (Parliament's consultation), legislative resolution on the draft Council decision on the system of own resources of the European Union.

Parliament approved the draft Council decision subject to a number of amendments in order to reinstate the long-standing political position of the Parliament on own resources.

The resolution stressed that the **European Parliament has continuously called for the Union budget to be financed wholly by own resources**, as stipulated in the Treaty, and has regularly highlighted the shortcomings and limits of the existing system of own resources, which is non-transparent, unfair, not subject to parliamentary control, highly complex and totally incomprehensible to European citizens.

Parliament considered that the current system of Union financing, whereby some 74% of revenues stem from GNI-based contributions and 11% from the existing, statistical VAT-based contributions:

- has only reinforced the logic of 'fair return' that has prevailed in every debate in the Council, both on the revenue and the expenditure side of the Union budget;
- has led to the introduction of complex and opaque rebates and other correction mechanisms,
- contributes to the recurrent problem of shortage of payments in the annual budgetary procedure.

Members recalled Parliament's recommendation to advocate an **in-depth reform of the own resources system** that should return to a system of genuine, clear, simple and fair own resources. It regretted that the Council was unable to make any progress on the reform of the own resources system on the basis of legislative proposals presented by the Commission in June 2011.

Parliament called for a **High Level Group on own resources** to be established by common accord of the three Union institutions. A first assessment of the own resources system should be available at the **end of 2014**. It expected that this Group should deliver proposals for overcoming the deficiencies of the current system in order to pave the way for a reform -guided by the overall objectives of simplicity, transparency, equity and democratic accountability- to become operational in the next MFF.

System of own resources of the EU

2011/0183(CNS) - 26/05/2014 - Final act

PURPOSE: reform of the system of own resources of the European Union ('own resources' package).

LEGISLATIVE ACT: 2014/335/EU, Euratom: Council Decision of 26 May 2014 on the system of own resources of the European Union.

CONTENT: the 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**. It is part of a set of three legislative acts forming the 'own resources' package linked to the 2014-2020 EU multiannual financial framework (MFF) and also including:

- €€€€€€€ a Council Regulation implementing the system of own resources;

- €€€€€€€ a Council Regulation relating to the terms and procedure of provision of budgetary revenues.

Categories of own resources: for the period 2014-2020, revenue from the following shall constitute own resources entered in the budget of the Union:

1)the traditional own resources, that is i) consisting of levies, premiums, additional or compensatory amounts, additional amounts or factors, ii) 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, iii) customs duties on products under the expired Treaty establishing the European Coal and Steel Community, as well as iv) contributions and other duties provided for within the framework of the common organisation of the markets in sugar;

- €€€€€€€ from 1 January 2014, the Member States are to retain, by way of collection costs, **20% of the amounts collected by them** (in place of 25% during the period 2007-2013)..

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 tax 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.

- 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.

Ceiling of own resources: in order to ensure strict budgetary discipline, the ceiling of own resources assigned to the Union to cover annual appropriations for payments should not exceed **1.23%** of all the Member States' GNIs. The total amount of annual appropriations for payments for commitments should not exceed the ceiling of **1.29%** of the sum of the Member States' GNIs.

Correction mechanism in favour of the United Kingdom: the correction in respect of budgetary imbalances accorded to the United Kingdom is maintained. The Decision defines the arrangements under which the correction shall be assumed by Member States other than the United Kingdom.

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.

The Decision shall apply from **01.01.2014** (in order to ensure transition to the revised system of own resources and to coincide with the financial year).

System of own resources of the EU

2011/0183(CNS) - 29/06/2011 - Document attached to the procedure

The Commission presents a staff working document on the system of own resources of the EU. This report presents an in-depth and systematic technical analysis of the issues and possible options for reform of the EU financing system identified in the Budget Review. This analysis underpins the concrete proposals made by the Commission in the draft own resources Decision and its accompanying implementing regulations.

The report on the operation of the own resources system demonstrates that the current financing system performs poorly with regard to most assessment criteria. The financing system opaque and complex. This limits democratic oversight of the system. Moreover, many Member States perceive the system to be unfair. Large contributors to the budget consider that their et contributions are too high, whereas a number of Member States benefiting from redistributive policies, such as cohesion, face increased contributions to the EU budget to finance correction mechanisms. More importantly perhaps, the way the EU budget is financed – with contributions from Member States to the EU being seen solely as expenditures by many national politicians inevitably creates a tension which poisons every debate about the EU Budget. For many years, EU financing has primarily been treated as an accounting mechanism with two main objectives: ensuring sufficient financing of EU expenditures and incorporating the increasing number of correcting mechanisms. The report considers that this approach has reached its limits.

System of own resources of the EU

2011/0183(CNS) - 29/06/2011 - Initial legislative proposal

PURPOSE: reform the system of own resources of the European Union.

PROPOSED ACT: Council Decision.

BACKGROUND: the public consultation launched to prepare the EU Budget Review generated many contributions related to the functioning of the Union's financing system. These indicated a high degree of satisfaction with traditional own resources and with the existence of a residual resource to ensure budgetary stability and balanced budgets. However, a large number of respondents identified a need to eliminate all correction mechanisms and to end the own resource based on Value Added Tax (VAT). The consultation also revealed very different views on the introduction of new own resources.

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 development of the own resources system can and should also contribute to wider budgetary consolidation efforts undertaken in Member States and participate, to the greatest extent possible, in the development of the policies of the Union.

The Commission highlighted that the difficulties encountered in achieving agreements on budgetary matters in the EU in the 21st century partly result from an inadequate organisation of EU public finances. For many years, EU financing has primarily been treated as an accounting mechanism with two main objectives: ensuring sufficient financing of EU expenditures and incorporating the increasing number of correcting mechanisms. This approach has reached its limits. It is now time to envisage a different approach to EU financing.

IMPACT ASSESSMENT: no impact assessment was carried out.

LEGAL BASIS: **the third paragraph of Article 311 of the Treaty on the Functioning of the European Union**, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a. Article 311(3) TFEU provides that the Council may establish new categories of own resources or abolish an existing category in the context of an own resources Decision. This opens the door to reducing the number of existing own resources and to creating new ones.

CONTENT: the Commission proposals make full use of these new possibilities by proposing the **elimination of the VAT-based own resource and the creation of new own resources**, and by proposing a **new organisation of implementing measures for the own resources system**.

The opportunity offered by this new framework has been taken to make the system sufficiently flexible within the framework and limits set out by the own resource Decision by placing all the practical arrangements for the Union's resources which should be governed by a more streamlined procedure in an implementing regulation rather than in the Decision itself.

The proposed own resources Decision includes three main elements: (i) the simplification of Member States' contributions; (ii) the introduction of new own resources and; (iii) the reform of correction mechanisms.

(1) Simplifying Member States' contributions: the Commission proposes that the **VAT-based own resource be eliminated on 31 December 2013**. Its removal will considerably simplify the national contributions and reduce the administrative burden for both the Commission and Member States. Should the Decision enter into force at a later date, this provision will be enacted on retroactive basis, following a common practice in past revisions of the own resources decisions. Following the ending of the VAT-based own resource, further activity will be required. Final extinction of all VAT-based own resource related activities will take several years.

(2) Introducing new own resources: the Commission proposes:

- **the introduction of a financial transaction tax own resource from 1 January 2018 at the latest**: Financial transaction taxation (FTT) could constitute a new revenue stream, which
- could reduce the existing Member State contributions, give national governments extra room for manoeuvre and contribute to the general budgetary consolidation effort. A financial transaction tax that could be collected at EU level would reduce the *juste retour* problems observed in the current system. The EU initiative will constitute a first step towards the application of a FTT at global level.
- **the creation of a new VAT resource from 1 January 2018 at the latest**: the development of a new VAT resource would bring a new impetus to the development of the Internal market by reinforcing harmonization of national VAT systems. The new initiative will include the elimination of a number of exemptions or exceptions which are detrimental to the proper functioning of the Internal market and the measures to reduce VAT fraud in the EU.

These own resources could be introduced at EU level **during the 2014-2020 period** following a suitable period of technical preparation. Combining these own resources would bring additional advantages compared to introducing only one new own resource. The timing of introduction of these new own resources reflects the time needed for completing the legal framework, and adopting and implementing the relevant legislation.

The new own resources would finance around 40% of EU expenditures. Traditional own resources would account for close to 20% of the total. The GNI-based own resource would remain the single most important resource financing about 40% of the budget.

(3) Reforming the correction mechanisms: the 1984 Fontainebleau European Council set out important guiding principles to ensure fairness in the EU budget. It acknowledged, nevertheless, that "any member State sustaining a budgetary burden which is excessive in relation to its relative prosperity may benefit from a correction at the appropriate time".

- **Firstly**, the objective situation of a number of Member States has evolved strongly over time. However, it would appear that a limited number of Member States, including the United Kingdom, will still be faced with a budgetary burden that might be considered excessive when compared to their relative prosperity. This Decision therefore proposes the **inclusion of temporary corrections in favour of Germany the Netherlands, Sweden and the United Kingdom from 2014**. These corrections must reflect, inter alia, the important developments in the financing of the EU set out in this Decision, the evolution of expenditure proposed in the financial framework including the completion of the phasing-in of expenditure in those Member States which acceded to the EU in 2004 and 2007, and the high level of prosperity achieved by the above-mentioned Member States.
- **Secondly**, the new system of correction must be transparent and simple, genuinely open to public and parliamentary scrutiny, predictable and efficient. It must also ensure an equal treatment of the Member States. The Commission therefore proposes **a new system of lump sums to replace all pre-existing correction mechanisms as of 1 January 2014**. In the same spirit of transparency and fairness, the Commission proposes the **elimination of the hidden correction** consisting in the retention, by way of collection costs, of 25% of the amounts collected by the Member States for traditional own resources. In view of the proposal to incorporate the corrections into lump sums, the retention should be restricted to 10%, in line with the system in place until 2000.

BUDGETARY IMPLICATIONS: this proposal has no implications for the EU budget.

System of own resources of the EU

2011/0183(CNS) - 09/11/2011

On 29 June 2011, the Commission proposed replacing the current system of financing for the EU budget with a new system making full use of the possibilities introduced by the Lisbon Treaty (*see the summary of this date*).

This **amended proposal** for a Council Decision on the system of own resources of the European Union refines and complements the proposal made on 29 June. It ensures coherence with:

- the proposed Council Directive on a common system of financial transaction tax (FTT Directive") adopted on 28 September 2011;
- and with the proposals for Council Regulations on making the own resource based on the FTT available to the EU budget and on calculating and making available the own resource based on value added tax (VAT) as well as the amended proposal for a Council Regulation implementing the own resources Decision, adopted together with this proposal.

The proposals only bear on aspects dealing with the two new own resources based, respectively, on the financial transaction tax and the value added tax. Other issues, such as corrections, are not affected by these proposals.

Proposed changes in the 'own resources' decision (ORD): the proposal made on 29 June 2011 includes the list of new own resources, together with the timing for their introduction and relevant limits to their application. It contains in particular a maximum limit to the rates applicable to the new own resources, whereas the proposed implementing regulation presents actual rates to be applied.

This amended proposal simplifies greatly the way the FTT-based own resource is determined by referring to the rates defined in the FTT Directive for the purpose of determining the FTT based own resource. Possible adjustments to the rates would be made only in the FTT Directive. This ensures full coherence between the FTT Directive and the rules set out for the own resources system. In line with the FTT Directive, it is now proposed to use the FTT as an own resource as of 1 January 2014. This means that from the start of its implementation the FTT will partly be used as an own resource. Minor changes are also brought to provisions regarding the new VAT own resource, in order to ensure full consistency with the provisions set out in the amended proposal for a Regulation on the implementation of the ORD and the new proposal on the making available of this resource. For consistency, the timing for the introduction of the new VAT resource is aligned to that of the FTT.

Lastly, changes are brought to provisions relating to the administration and collection of the own resource to ensure coherence with the other parts of the legislation.

Proposed changes in the regulation implementing the ORD: three main changes are included in the amended proposal.

- explicit reference to the various types of financial transactions to which the rates would be applied is redundant with provisions laid down in the FTT Directive and the amended proposal for the ORD. It is now proposed to specify the share of the minimum rates defined in the FTT Directive that should be used for the purpose of the FTT-based own resource. Consequently, this share of the receipts resulting from the application of the minimum rates defined in the FTT Directive will accrue to the EU budget and the rest will accrue to the Member States budgets;
- the original proposal envisaged the possibility that the FTT would be collected by economic operators rather than by the Member States. In line with the FTT Directive, the Member States administrations will be responsible for collecting the FTT. Therefore, reference to economic operators is no longer necessary;
- lastly, regarding the new VAT own resource, the text now refers explictly to the calculation method (set out in the proposal on the making available of the new VAT resource) which determines the basis on which to apply the call rate of the resource.

Making the FTT-based and the VAT-based own resources available to the EU budget: as a complement to the own resources Decision, a new proposal for a Council Regulation comprises the elements concerning the methods and procedures for making the FTT-based own resources available to the EU budget. A new proposal for a Council Regulation includes the arrangements on calculating and making available to the EU budget the own resource based on value added tax (VAT).

These proposals include the rules on the establishment of the two own resources, treasury and accounting arrangements, entry in the accounts and corrections, reporting and conservation of supporting documents. Moreover, regarding specifically the new VAT resource, detailed provisions on the calculation method are included in the texts.

System of own resources of the EU

2011/0183(CNS) - 27/01/2012

The Council **discussed the main priorities and the budgetary framework** including the overall amounts presented in the Commission's proposals for the EU's multiannual financial framework (MFF) for the 2014-2020 period. The debate enabled a clearer picture to be obtained of the member states' positions on the main issues and of the state of negotiations. It also provided guidance to the presidency and notably indicated the areas where it could face difficulties in finding common ground.

During this debate, several delegations highlighted a need for **reforming the EU's own resources system**.

System of own resources of the EU

2011/0183(CNS) - 13/03/2012

The Council was briefed by the presidency on **preparatory work** undertaken on a proposal for a directive aimed at establishing an EU-wide financial transaction tax, and on its plans for taking work forward on the text. It held an exchange of views.

The Council decided to analyse further the Commission's proposal, whilst also exploring possible compromise solutions and alternative routes. The presidency asked the Commission to contribute to a comprehensive assessment of the tax contribution made by the financial sector and of the impact on growth and employment, and to help provide a clearer picture of the costs associated with financial regulation in general. The issue may be discussed at an informal meeting of EU finance ministers in Copenhagen on 30 and 31 March.

Experts will continue work on the proposal so as to enable the Council to hold a policy debate at its meeting on 21 June.

In line with its proposal for a decision on the EU's system of own resources, the Commission proposes that the revenue generated be used, either wholly or partially, to gradually replace member states' contributions to the EU budget, thereby alleviating the burden on national treasuries.