

Financing the Union 2000-2006: own resources, European Council, Berlin, March 1999

1999/0139(CNS) - 08/07/1999 - Legislative proposal

PURPOSE: Commission proposal for a new Own Resources Decision to come into force in 2002.

CONTENT: The proposed Decision was mandated by and implements the conclusions of the Berlin Special European Council of 24/25 March 1999. It does not seek to change the structure of own resources since no new own resources are introduced and existing ones (traditional own resources VAT and GNP) will remain. However, as a result of the reforms, the importance of each resource in the financing of the EU budget is expected to change. The proposed Decision introduces reforms in the following areas : - in the financing side of the budget; and - in the rules determining the UK rebate and its financing. The reforms on the financing side concern : - the increase in the percentage of traditional own resources withheld by Member States to cover collection and related costs from 10% to 25%, effective from the beginning of 2001; - the reduction of the VAT maximum rate from 1% currently to 0.75% in 2002 and 2003 and to 0.50% from 2004 onwards. As a result of these reforms, the share of traditional own resources and of the VAT resource in the financing of the budget are expected to decline and, correspondingly, the share of the GNP resource, which approximates at best the capacity to pay off the Member States, to increase in importance. The Berlin Council reaffirmed that the UK rebate will remain. However, two sets of reforms were initiated modifying it in an important way : 1) windfall gains arising from the reform of the traditional own resources system will be sterilised, as will immediate benefits arising from enlargement so that for the latter, in the words of the Berlin conclusions, 'expenditure which is unabated now remains unabated' after enlargement; 2) it was agreed in Berlin to modify the financing rules so that the share of Austria, Germany, the Netherlands and Sweden is reduced to 25% of its value in the absence of this provision. The replacement of the existing Decision by a new Own Resources Decision will occasion the use of the new European System of National Accounts (SEC95) in the budgetary area, as agreed in the adoption of the relevant Regulation. It was also specified that the switch to a more accurate system of calculation of the GNP of the Member States would not lead, per se, to an increase in the financial resources put at the disposal of the EU. To achieve this last goal, the Commission has included in the draft Decision a methodology to adapt in due time the current own resources ceiling of 1.27% of EU GNP. Before it becomes EU law, the new Own Resources Decision must be first adopted by the Council and subsequently ratified by the legislatures of all the Member States.