


# Procedure file

Basic information		
CNS - Consultation procedure Decision	<a href="#">1999/0139(CNS)</a>	Procedure completed
Financing the Union 2000-2006: own resources, European Council, Berlin, March 1999		
See also <a href="#">2008/0089(CNS)</a>		
Subject 8.70.01 Financing of the budget, own resources		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>BUDG</b> Budgets		22/09/1999
		PSE <a href="#">HAUG Jutta</a>	
	Former committee responsible		
	<b>BUDG</b> Budgets		22/09/1999
		PSE <a href="#">HAUG Jutta</a>	
Council of the European Union	Former committee for opinion		
	<b>CONT</b> Budgetary Control		13/10/1999
		ELDR <a href="#">MULDER Jan</a>	
	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2407</a>	12/02/2002
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2290</a>	29/09/2000
European Commission	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2258</a>	08/05/2000
	Commission DG	Commissioner	
	<a href="#">Budget</a>		

Key events			
08/07/1999	Legislative proposal published	COM(1999)0333	Summary
13/09/1999	Committee referral announced in Parliament		
08/11/1999	Vote in committee		Summary
08/11/1999	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A5-0052/1999</a>	
16/11/1999	Debate in Parliament		
	Decision by Parliament		Summary

17/11/1999		<a href="#">T5-0102/1999</a>	
17/04/2000	Amended legislative proposal for reconsultation published	<a href="#">07439/2000</a>	Summary
08/05/2000	Formal reconsultation of Parliament		
04/09/2000	Vote in committee		Summary
04/09/2000	Committee report tabled for plenary, reconsultation	<a href="#">A5-0224/2000</a>	
21/09/2000	Decision by Parliament	<a href="#">T5-0393/2000</a>	Summary
29/09/2000	Act adopted by Council after consultation of Parliament		
29/09/2000	End of procedure in Parliament		
07/10/2000	Final act published in Official Journal		

### Technical information

Procedure reference	1999/0139(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
	See also <a href="#">2008/0089(CNS)</a>
Legal basis	EC Treaty (after Amsterdam) EC 269
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/5/12075; BUDG/5/12763

### Documentation gateway

Legislative proposal		<a href="#">COM(1999)0333</a> <a href="#">OJ C 274 28.09.1999, p. 0039 E</a>	08/07/1999	EC	Summary
Economic and Social Committee: opinion, report		<a href="#">CES0937/1999</a> <a href="#">OJ C 368 20.12.1999, p. 0016</a>	20/10/1999	ESC	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A5-0052/1999</a> <a href="#">OJ C 189 07.07.2000, p. 0005</a>	08/11/1999	EP	
Text adopted by Parliament, 1st reading/single reading		<a href="#">T5-0102/1999</a> <a href="#">OJ C 189 07.07.2000, p. 0055-0072</a>	17/11/1999	EP	Summary
Amended legislative proposal for reconsultation		<a href="#">07439/2000</a>	17/04/2000	CSL	Summary
Committee final report tabled for plenary, reconsultation		<a href="#">A5-0224/2000</a> <a href="#">OJ C 146 17.05.2001, p. 0004</a>	04/09/2000	EP	
Text adopted by Parliament after reconsultation		<a href="#">T5-0393/2000</a> <a href="#">OJ C 146 17.05.2001, p. 0017-0074</a>	21/09/2000	EP	Summary
Follow-up document		COM(2001)0801	28/12/2001	EC	Summary
Follow-up document		<a href="#">COM(2004)0505</a>	14/07/2004	EC	Summary

### Additional information

## Final act

[Decision 2000/597](#)[OJ L 253 07.10.2000, p. 0042](#) Summary

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

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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 should 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.

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

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The committee adopted a report by Mrs Jutta HAUG (PES, D) approving the proposal for a Council decision subject to various amendments. The report reiterated Parliament's call for an own-resources system which is equitable, transparent, cost-effective, simple and comprehensible to the public and said it should be altered in such a way that the EU attains financial autonomy. It said that, in view of the continuous development and forthcoming enlargement of the EU, a dynamic reform of the revenue system was needed which must find new forms of own resources without increasing the overall burden of taxes and charges on the European taxpayer. Until such time as the own resources come directly from the citizens, the system should be based on criteria which best reflect each Member State's ability to contribute. The system must therefore gradually reduce its dependence on Member States' contributions and, in the long term, achieve financial autonomy. A balanced budget was not exclusively a matter of the revenue side. The committee called for a phasing out of the "correction of budgetary imbalances granted to the UK" (the British budget rebate). It confirmed that the total amount of own resources to be made available to the Union to cover payment appropriations should not exceed 1.27% of Community GNP. The maximum amount of resources available to finance the EU budget (derived from the 1.27% of GNP laid down in the Interinstitutional Agreement of 6 May 1999) could not be changed by a simple mathematical operation in application of the new statistical system for national accounts, as this would breach the Interinstitutional Agreement. As to the maximum rate of call on the VAT resources, the report departed from the Commission proposal and called for the rate to be reduced to 0.75% in 2001 and 2002, 0.50% in 2003 and 2004 and 0.25% in 2005 and 2006. It called on the Commission to submit a report on the operation of the own resources system by 1 January 2004. This report should examine the feasibility of creating new autonomous own resources. The Commission should then submit by 1 January 2005 a proposal for a new decision to replace the current decision on 1 January 2007. The new decision would thus enter into force at the same time as the new Financial Perspective and would provide for new autonomous own resources to replace the VAT-based resources.

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

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In adopting the report drafted by Ms. Jutta HAUG (PES, D) with 334 votes for, 154 against and 60 abstentions, the European Parliament called for a dynamic reform of the system of own resources. This reform will need to ensure that the Community gets greater financial autonomy and new forms of resources without increasing the overall burden of taxes and charges on the European taxpayer and with due regard for the economic performance of the Member States. The Parliament considers that the system of own resources has to be based on criteria that correspond to each Member State's economic performance for which GNP is the relevant indicator; in future, the use of compensatory mechanisms on the revenue side should be avoided as a matter of principle and imbalances must be corrected by a reform of the expenditure structure. It is of the opinion that the system of own resources ought in future no longer include derogations and that existing correction mechanisms should therefore be gradually dismantled. As far as VAT is concerned, the Parliament considers that the maximum rate of call of the VAT resources should be fixed at 0.75% for 2001 and 2002 (and not for 2002 and 2003, as proposed by the Commission); at 0.50% in 2003 and 2004 (and not from 2004), and at 0.25% in 2005 and 2006. The Parliament feels that the total amount of own resources assigned to the Union to cover appropriations for payments may not exceed 1.27% of the GNP of the European Union and that the appropriations for commitments entered in the general budget of the Union must follow an orderly progression resulting in a total amount, which does not exceed 1.335% of the GNP of the Union. Before 01.01.2005, the Commission is to submit a proposal for a decision on the system of own resources

which will replace this Decision by 01.01.2007. This proposal shall include provisions relating to the replacement of the VAT resource by new autonomous own resources and the gradual phasing-out of the corrective mechanism established in favour of the United Kingdom.?

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

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On the 17 April 2000, the Council adopted a common position decision concerning the draft decision on the Communities own resources which it transmitted to the European Parliament for its opinion. The main elements of the common position deal with the following issues: - the reduction of the maximum rate of call of the VAT resources from 1% to 0,75% in 2002 and 2003 and to 0,5% from 2004 onwards with a view to continuing the process of making greater allowance for each Member State's ability to contribute to the EU budget; - increase the percentage of the so-called "traditional own resources" from 10% to 25% of amounts collected with effect from 2001; - change in financing of the UK correction of the budgetary imbalances in favour of the UK amended to allow Germany, Austria, the Netherlands and Sweden to set a reduction in their financing share to 25% of their normal contribution; - general review of the operation of the own resources systems, including the effects of enlargement to be submitted on 01.01.2006 at the latest. It should be noted that in the letter which accompanies the new draft decision, the Council calls on the European Parliament to relinquish the dialogue to the extent that this would have little chance of succeeding and which would risk in delaying the time-table for the ratification of this decision for the Member States (the decision must be taken by 01.01.2002).?

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

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The committee adopted by a very large majority the report by Jutta HAUG (PES, D) on the results of conciliation on the joint guideline of the Council with a view to the adoption of a Council Decision on the system of the European Communities' own resources. The report approved the outcome of the conciliation, under which the Council had accepted Parliament's idea that the Commission should confirm its intention to submit, before the end of 2004, a report reviewing the system of own resources in the light of future enlargement and the need for simplification. The report also recommended that Parliament should confirm its position, expressed in the vote of November 1999, on the reform of the own resources system. On that occasion, Parliament had adopted 30 amendments calling for profound, phased reform of the system, but these were not taken up by the Council.?

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

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This was a procedure without debate. The Parliament approved the outcome of the conciliation on the joint guideline.?

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

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PURPOSE : to establish the system of the European Communities' own resources. COMMUNITY MEASURE : Council Decision 2000/597/EC, Euratom on the system of the European Communities' own resources. CONTENT : the Council adopted a Decision on the system of the EU's own resources, replacing Council Decision 94/728/EC, Euratom. The Decision reflects the conclusions of the Berlin Summit on 24 and 25 March 1999, which asked the Commission to prepare a new own resources decision, taking into account its conclusions on the financing of the EU for the period 2000-2006. The Council Decision contains the following provisions implementing the European Council conclusions relating to the structure of the EU financing system: - reduction of the maximum rate of call of the VAT resources from 1% to 0.75% in 2002 and 2003 and to 0.5% from 2004 onwards, with a view to continuing the process of making greater allowance for each Member State's ability to contribute to the EU budget and of correcting the regressive aspect of the current system for the least prosperous Member States; - increase in the percentage of the so-called "traditional own resources" - essentially customs and agricultural duties - retained by the Member States as collection costs from 10% to 25% of amounts collected with effect from 2001. This increase reflects the national administrations need to devote increased resources to combating organised fraud and improving the effectiveness of the collection of customs and agricultural duties; - technical adjustments to the correction of budgetary imbalances in favour of the UK; - change in financing of the UK correction. The system will be modified to allow Germany, Austria, the Netherlands and Sweden to set a reduction in their financing share to 25% of what they would have paid if all the other 14 Member States had fully financed the abatement; - general review of the operation of the own resources system, and in particular the effects of enlargement to be submitted before the 1 January 2006. Furthermore, with a view to improving the accuracy of the own-resource calculations, Article 2(7) of the Council Decision defines GNP as gross national income or GNI (new statistical concept) for own-resource purposes. The Decision also simplifies the calculation of the UK corrector.?

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

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The Commission has presented a communication on the adaptation of the ceilings of own resources and of the ceiling for appropriations for commitments following the entry into force of Decision 2000/597/EC, Euratom. According to Article 3, paragraphs 1 and 2 of the Council Decision, the Commission shall specify the formula on the basis of which the new percentages, expressed in two decimal places, shall be calculated by the Commission in December 2001.?

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

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Article 9 of the current own resources decision calls on the Commission to "undertake, before 1 January 2006, a general review of the own resources system, accompanied, if necessary, by appropriate proposals, in the light of all relevant factors, including the effects of enlargement on the financing of the budget, the possibility of modifying the structure of the own resources by creating new autonomous own resources and

the correction of budgetary imbalances granted to the United Kingdom as well as the granting to Austria, Germany, the Netherlands and Sweden of the reduction pursuant to Article 5(1)".

In response to a request from the European Parliament and in agreement with the Council, the Commission committed itself to present the abovementioned review on the functioning of the financing system before the end of 2004.

On 10 February 2004, the Commission adopted its communication on the Financial Perspective 2007-2013. The communication identified two main elements of the current own resources system deserving closer attention: first, the insufficient transparency of the system for EU citizens combined with limited financial autonomy from national treasuries; secondly, the need to reform the existing mechanism for correction of negative budgetary imbalances.

In line with those orientations, this report provides an overview of the current system and its main drawbacks, proposes a generalised correction mechanism as a short term adjustment in order to address the main outstanding issue and outlines for the longer term an own resources structure that would be effective, transparent and democratic.

The main conclusions of the report are that:

The introduction of a new tax-based own resource replacing the current statistical VAT-based resource and financing a significant part of the EU budget would make it possible to overcome the main drawbacks of the current system, i.e. the absence of a direct link to EU citizens, overwhelming dependence on transfers from national treasuries and unjustified complexity. It could also contribute to a better allocation of economic resources in the EU. Even if accounting for a lower share of total own resources than under the current system, the GNI-based resource should continue to play an important role and ensure that the system reasonably fulfils all relevant criteria.

The Commission proposes three main candidates as possible future fiscal own resources: a resource based on 1) energy consumption, 2) national VAT bases and 3). corporate income.

- A resource based on energy consumption and conceived as an EU levy on motor fuel for road transport would be a sufficient and stable financing source for the EU budget and would create a direct link to the citizens. The tax base is already harmonised at EU level. It could be complemented by an EU levy on aviation fuel or the related emissions thus ending the current tax exemption for jet fuel and setting a price on the environmental costs of aviation.

- Tax base harmonisation in the field of VAT is quite advanced and it is a sufficient and stable source of revenue. A fiscal VAT resource would make the financing of the EU highly visible to EU citizens. It would also be evolutionary, since it would entail a reform of existing provisions rather than the introduction of a completely new resource. From an administrative point of view, its introduction would not present any insurmountable difficulties.

- Due to the link to a common EU policy and the presence of cross-border externalities, revenue from a harmonised company tax base would also be a suitable financing source for the EU budget.

- The European Union is a Union of Member States and citizens. Any of the three candidates for fiscal own resources examined above would transpose this concept into the area of financing the EU budget. Strengthening the direct link of citizens to the budget would also help focussing expenditure debates on substance rather than on purely "national" budget "net positions".

- Obviously, any new assignment of a resource to the EU budget has not only to be decided unanimously by Council, but also has to be ratified by all Member States' parliaments.

- The implementation of an energy- or VAT-based resource would be feasible over the medium-term, whereas a fiscal resource based on corporate income is to be seen as a much longer-term option. What is needed now is a political orientation to prepare the conditions for reforming the structure of the existing own resources. In this regard, the Commission calls on the Council:

- a) to discuss the options proposed in this report;

- b) to take note of the Commission's intention to prepare a roadmap in view of replacing, on the basis of a Commission proposal, the current VAT resource by a genuinely tax-based own resource by 2014.

In order to provide a short-term solution to the issue of excessive budgetary imbalances to be operational as from the beginning of the next Financial Perspective, the Commission proposes to introduce a generalized correction mechanism to correct excessive budgetary imbalances according to the proposed Council decision on the system of own resources and the accompanying proposed implementing measures.