

THE EU FINANCING RULES (OWN RESOURCES)

3. Commission proposal for a NEW COUNCIL DECISION ON THE SYSTEM OF THE EUROPEAN COMMUNITIES' OWN RESOURCES

and the related

**Commission working document
on the UK correction**

COM(2006) 99 final

Content of the proposal

The amendments of the current own resources decision (ORD) and related working document concern:

- A. Provisions implementing the conclusions of the European Council of 15-16 December 2005.
- B. Some other minor changes to update and improve some of the provisions.

A. Implementing the European Council conclusions – related changes

1. Fixed rate of call of VAT
2. Temporarily reduced VAT rates for 4 MS
3. Temporary reductions in GNI-contributions (lump-sums) for 2 MS
4. Adjustment of the UK correction to enlargement
5. Future review of the own resources system
6. Date of entry into force and effect

A. Implementing the European Council conclusions

1. Fixing the rate of call of VAT at 0.30 % of Member States' capped VAT bases (Article 2(4) first subparagraph)

- Corresponds to point 78(a) of the agreement of the European Council on the next financial framework ('the EC conclusions').
- This is a long overdue simplification. The current link between the VAT call rate and the UK correction via the so-called 'frozen rate' is a historical relic from the pre-1988 own resources system.

A. Implementing the European Council conclusions

2. Temporarily reduced rates of call of VAT for four Member States (Article 2(4) second subparagraph)

According to point 78(b) of the EC conclusions, the VAT rates of call of four Member States shall be reduced during the period 2007–2013 (to 0.225 % for AT, 0.15 % for DE and 0.10 % for NL and SE).

A. Implementing the European Council conclusions

3. Temporary reductions in the GNI contributions for two Member States (Article 2(5) second subparagraph)

According to point 78(c) of the EC conclusions, NL and SE shall benefit from a lump-sum gross reduction in their annual GNI contribution (€ 605 million for NL and € 150 million for SE, in 2004 prices).

These reductions shall be fully financed by all Member States, including NL, SE and UK, and they are therefore explicitly excluded from the calculation and financing of the UK correction.

A. Implementing the European Council conclusions

4. Adjustment of the UK correction to enlargement (Article 4(1)(f), 4(1)(g) & 4(2) and Working document on UK correction)

The adjustment follows from point 78(d) of the EC conclusions, and concerns the following elements:

- a) The UK correction shall be adjusted by reducing total allocated expenditure by 'non-agricultural' expenditure in Member States that have acceded to the EU after 20 April 2004.
- b) This adjustment shall be phased in between 2009 and 2011.
- c) The total amount of the adjustment is capped at € 10.5 billion for the period 2007–2013 (thereafter no cap).
- d) The cap (ceiling) is increased in the event of further enlargement after BG and RO.
- e) The current adjustment related to pre-accession aid shall be abolished after 2013.

A. Implementing the European Council conclusions

5. Review of the own resources system (Article 9)

According to points 79-80 of the EC conclusions, the Commission shall undertake a full wide-ranging review covering all aspects of EU spending and revenue on which it shall report in 2008/09.

An Article on the future review of the OR system is therefore included in the proposed ORD, accordingly. A review clause has been part of all own resources decisions since 1988.

A. Implementing the European Council conclusions

6. Entry into force and effect (Article 10)

According to point 78 of the EC conclusions, the new ORD shall take effect as from 1.1.2007.

The new ORD will enter into force after adoption by unanimity in Council and after ratification by all Member States. It will take effect retroactively, if necessary.

Until entry into force of the new ORD, the current ORD will continue to apply.

B. Other changes to existing provisions

1. Merging of agricultural and customs duties
2. Application of significant statistical changes to own resources GNI
3. Own resources and commitment ceilings – percentages explicitly mentioned and generic formula for recalculation in case of modifications to ESA 95
4. Deleted references to reserves
5. Adoption of implementing measures – streamlining of wording
6. Presentational improvements of the Working document on the UK correction