



Screening meeting with HR and TK 6 Sept. 2006:
2. Structure of the budget (revenue)

2.1. Traditional Own Resources

Customs and agricultural duties on imports from third countries and **Sugar levies** imposed on sugar producers.

Traditional own resources ("TOR") can be described as a **pure Community revenue** resulting directly from Community legislation.

Member States are responsible for the collection of these duties. In other words they **collect, account for and make them available** to the Commission. They retain 25% as a compensation for the costs of collecting them.

Why the name traditional own resources ? Initially the whole Community Budget was financed by these resources. Nowadays they cover about 12 % of the Budget.

Legal framework

Own Resources

Decision 2000/597/EC

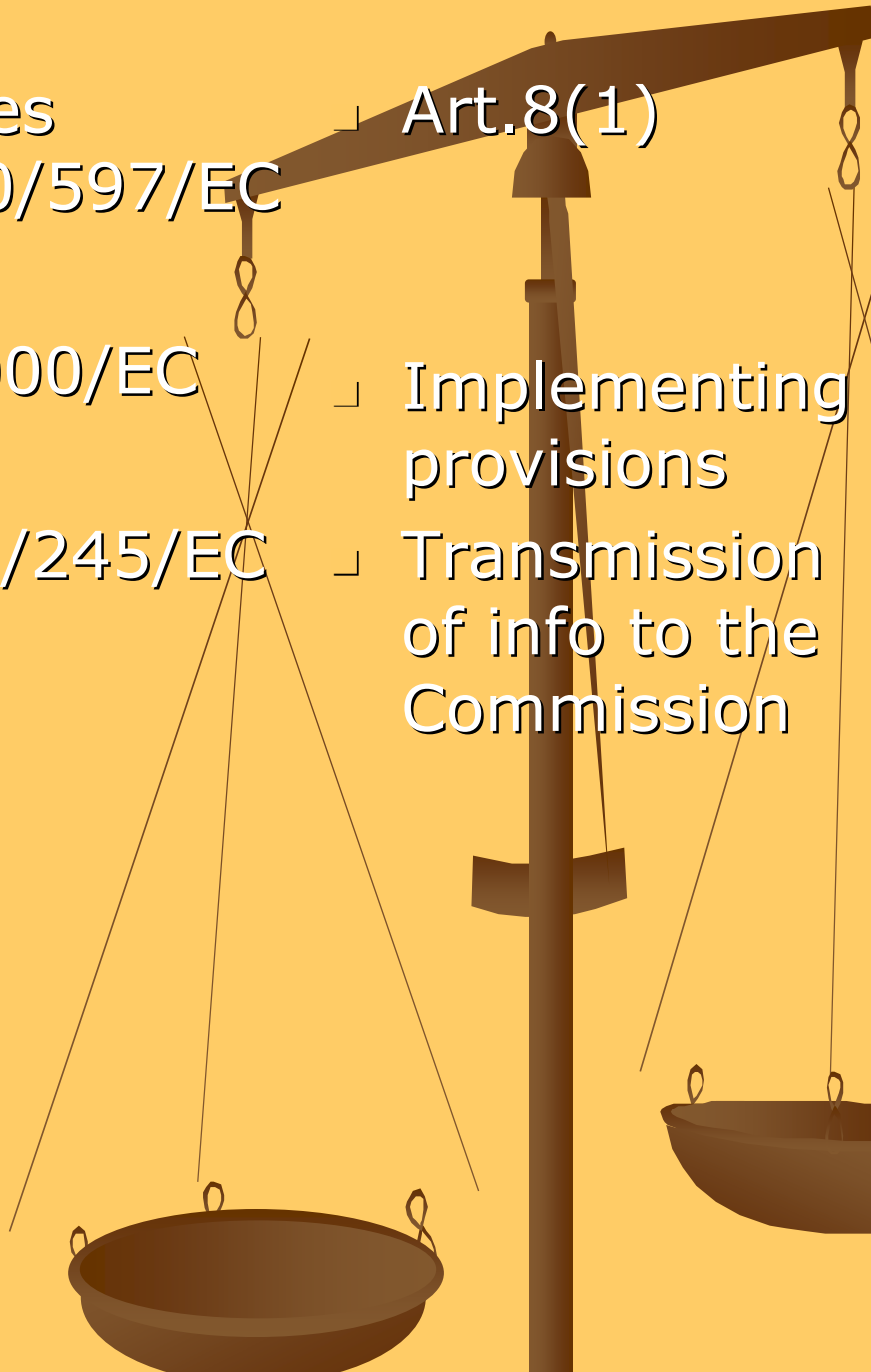
Reg. 1150/2000/EC

Com. Dec. 97/245/EC

Art.8(1)

Implementing provisions

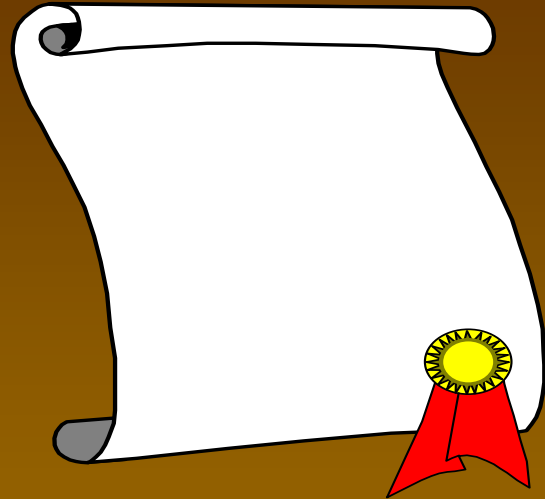
Transmission of info to the Commission



Community Legislation

- **System of Own Resources**
(a new Decision has been proposed and is currently being debated in Council)
- **Decision 2000/597** constitutes the legal basis for the Community Own Resources system. **It defines the own resources** that are entered in the Community **Budget**.
- **Council Regulation 1150/2000:**
 - **Establishment, Accounting and Making available (Member States)**
 - **Control of Own Resources (Member States and Commission)**
- Regulation 1150/2000 implements the ORD: It deals with the way TOR are made available **and** with the monitoring of TOR. **It tells the Commission and the Member States WHAT to do and HOW to do it.**

Most relevant to TOR:



- Article 2
- Article 6
- Article 10
- Article 11
- Article 17
- Article 18
- Art.20/21

- On the one side, it tells **Member States** under what terms they should **make** the own resources they collect **available** to **the Commission**. On the other side it tells **the Commission** under what terms it should **monitor the Member States'** efforts in that respect. Thus, Regulation 1150/2000 deals specifically with **the direct relation between Member States and the Commission** in the field of Own Resources.
- The content of its key provisions.

Making available amounts of Own Resources to the Commission is in fact nothing else than **putting those amounts into an account kept by member States in the name of the Commission.**

How do Member States make TOR available to the Commission; what procedure do they have to follow?

Three questions should subsequently be answered.

- **Establishment of Traditional Own Resources (Art. 2)**

1. At what moment and under what terms is the Commission actually entitled to the amount of Own Resources collected by a Member State, or, in other words, how are these amounts established?

- **Accounting (Art. 6)**

2. How do Member States put the Commission's entitlements in their accounts and what accounts are used?

- **Making Available (Art. 10)**

3. Within what delay should the actual making available, that is the booking in the appropriate account in the name of the Commission, take place?

Article 2

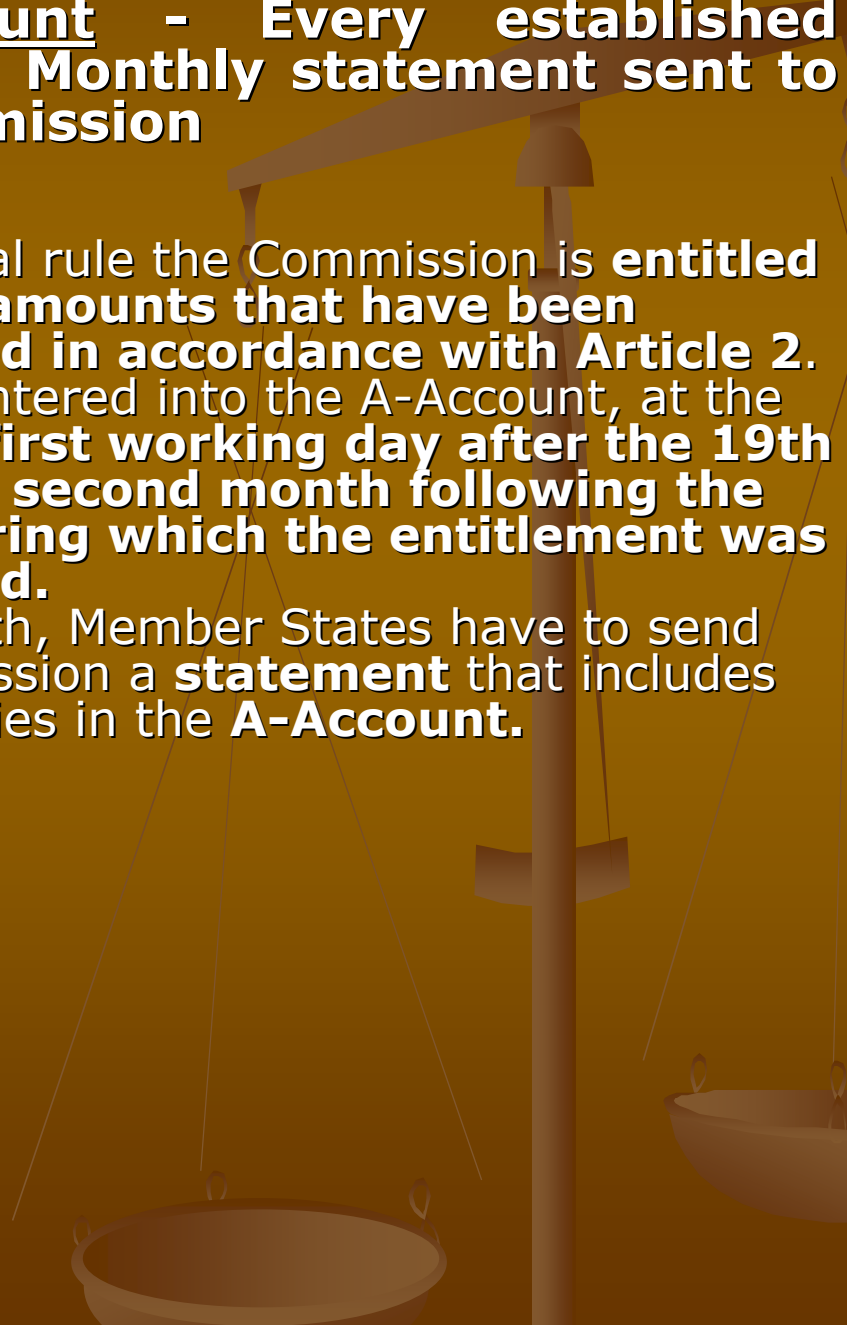
Establishment of TOR

The first question to be answered was:

- **At what moment and under what terms is the entitlement of the Commission to a certain amount of Own Resources actually established?**

- **Two basic requirements have to be met:**
 - i. **Booking in national accounts** (article 217-220 Customs Code) **or conditions to do so having been met**
 1. The booking in the national accounts (those are the accounting ledgers Article 218 and 219 of the Community Customs Code refer to)
 - ii. **Notification to the debtor or conditions to do so having been met**
 - **2.** Communication of the debt to the debtor, once the debtor and the amount of the customs debt are known.
 - The date of the establishment of an amount of Own Resources is the date of entry in the accounting ledgers provided for by **Articles 218 and 219 of the Customs Code.**
 - **Accounting for TOR is not identical to accounting of duties.** The Customs Code regulates the relationship debtor/national customs administration. The “accounting ledgers” Article 218 of the Customs Code speaks of, should therefore absolutely not be mistaken with the special accounts Member States keep for each type of Own Resource.

Accounting

- **Member States have to keep accounts for established TOR (the so-called A and B accounts).**
 - **"A"-Account - Every established amount. Monthly statement sent to the Commission**
 - **As a general rule the Commission is entitled to all the amounts that have been established in accordance with Article 2. They are entered into the A-Account, at the latest the first working day after the 19th day of the second month following the month during which the entitlement was established. Every month, Member States have to send the Commission a **statement** that includes all the entries in the **A-Account**.**
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Article 6

Accounting

- **"B"-Account - Non-recovered / non-guaranteed or guaranteed but challenged amounts. Quarterly statement sent to the Commission**
- An important implication of whether an amount is put into the **A-** or into the **B-Account is the difference in timing of the making available of the amount concerned.**
- The Customs administration should have reliable accounting procedures and systems, preferably a centralised computer accounting system directly linked to the customs clearance systems for accounting for established duties, broken down by their type, in the own resources A and B accounts
- The department responsible for the collection of sugar levies should also keep A&B accounts for the established sugar levies.

Article 10

Making Available

- Regulation 1150/2000 imposes the obligation on Member States to keep an account in its **Treasury** or the body it has appointed (usually the Central bank), **free of charge**, in the name of the Commission on which own resources are credited.
- **So, when should TOR be put into this bank account? In other words, when should they be made available?**
- Article 10 makes a **distinction between amounts put in the A-, and amounts put in the B-Account kept for TOR purposes.**
- **A-Account**

Crediting (-25% collection costs) to the Commission's account of TOR at the latest on the first working day following the 19th day of the second month following the month during which the entitlement was established (in casu recovered)

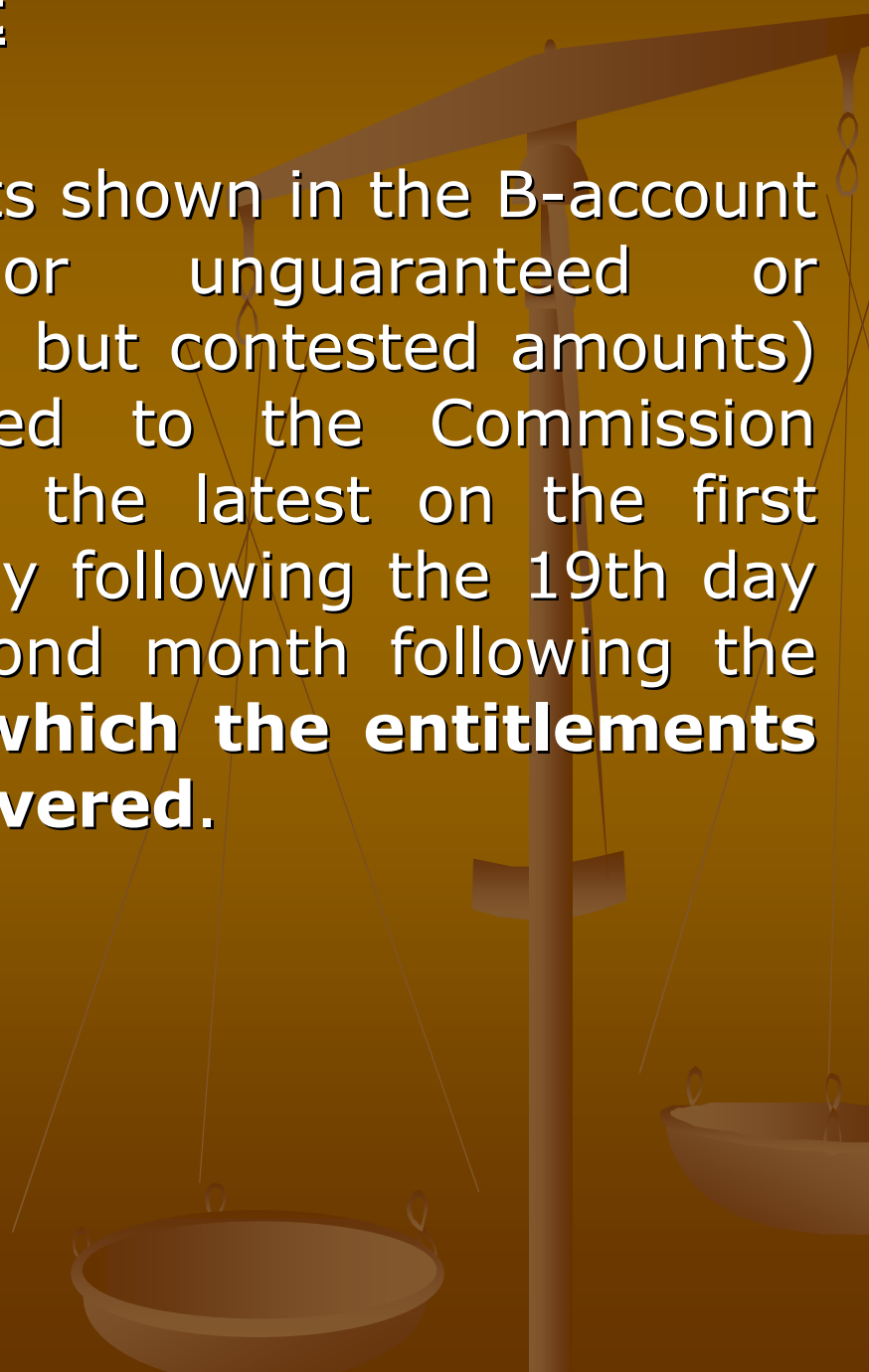
example: Duties established on 5 January 2006 and paid on 15 January 06 are to be credited to the Commission account on 20 March at the latest.

Article 10

Making Available

- **B-Account**

Entitlements shown in the B-account (unpaid or unguaranteed or guaranteed but contested amounts) are credited to the Commission account at the latest on the first working day following the 19th day of the second month following the month in **which the entitlements were recovered.**



Article 11

Belated Interest

- Member States have to pay up in time for the TOR they have collected.
- Any delay in crediting the Commission account shall give rise to the **payment of interest** by the Member State concerned.
- Example:



Debt established in January is to be entered in the A account and credited to the Commission account on 20 March at the latest. Interest is charged for any payment later than the 1st working day after 19 March.

- The interest rate is the rate applied by the ECB (or the Central bank for Member States not belonging to the Euro zone) to its refinancing operations, on the first day of the month in which the due date fell, increased **by two percentage points**. This rate shall be increased **by 0,25% for each month of delay**. The increased rate is applied to the **entire period of delay**.

Monitoring Own Resources

- Annual Reports by Member States (Article 17)
 - Inspection modalities of Member States **and** Commission (Article 18):
 1. *MS Control activities*
 2. *Associate Controls MS + Cie*
 3. *Autonomous Controls by Cie*
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Article 17

Annual Reports by Member States

- **Obligation MS to take all requisite measures to make available**
- '1. Member States shall take all requisite measures to ensure that the amount corresponding to the entitlements established under Article 2 are made available to the Commission (...)'

- **Exceptions (Write-off Cases)**

- i. **Force majeure**

- ii. **Special circumstances**

- **Despite due diligence no recovery**

Member States shall be **released from the obligation** to make available established own resources which prove irrecoverable for other reasons which **cannot be attributed to them**'.

Amounts of established entitlements shall be **declared** irrecoverable by an administrative decision or **deemed** irrecoverable, at the latest, **five years after** the establishment of the amount, or, in the event of an appeal, after the final decision, or after the last partial payment not clearing the debt. Amounts declared or deemed irrecoverable shall be removed from the B account.

- **Member states inform Commission within 3 months**

Within three months after the write-off, Member States shall inform the Commission of written-off entitlements of over €50,000. This report shall include all the facts necessary for an examination of the reasons of irrecoverability.

- **Commission decides within 6 months**

The Commission has **six months from the receipt of the report** (...) to **forward its comments** to the Member State concerned'.

Article 18

Inspection Methods

■ **Inspections by Member States**

- 1. Member States shall conduct the checks and enquiries concerning the establishment and the making available of the own resources referred to in Article 2(1)(a) and (b) of Decision 94/728/EC, Euratom.

■ **Associated inspections with the Commission**

- 2. Member States shall:
 - (a) carry out additional inspection measures at the Commission's request.
 - (b) associate the Commission, at its request, with the inspection measures which they carry out. Member States take all steps required to facilitate these inspection measures.

■ **Autonomous inspections by the Commission on the spot**

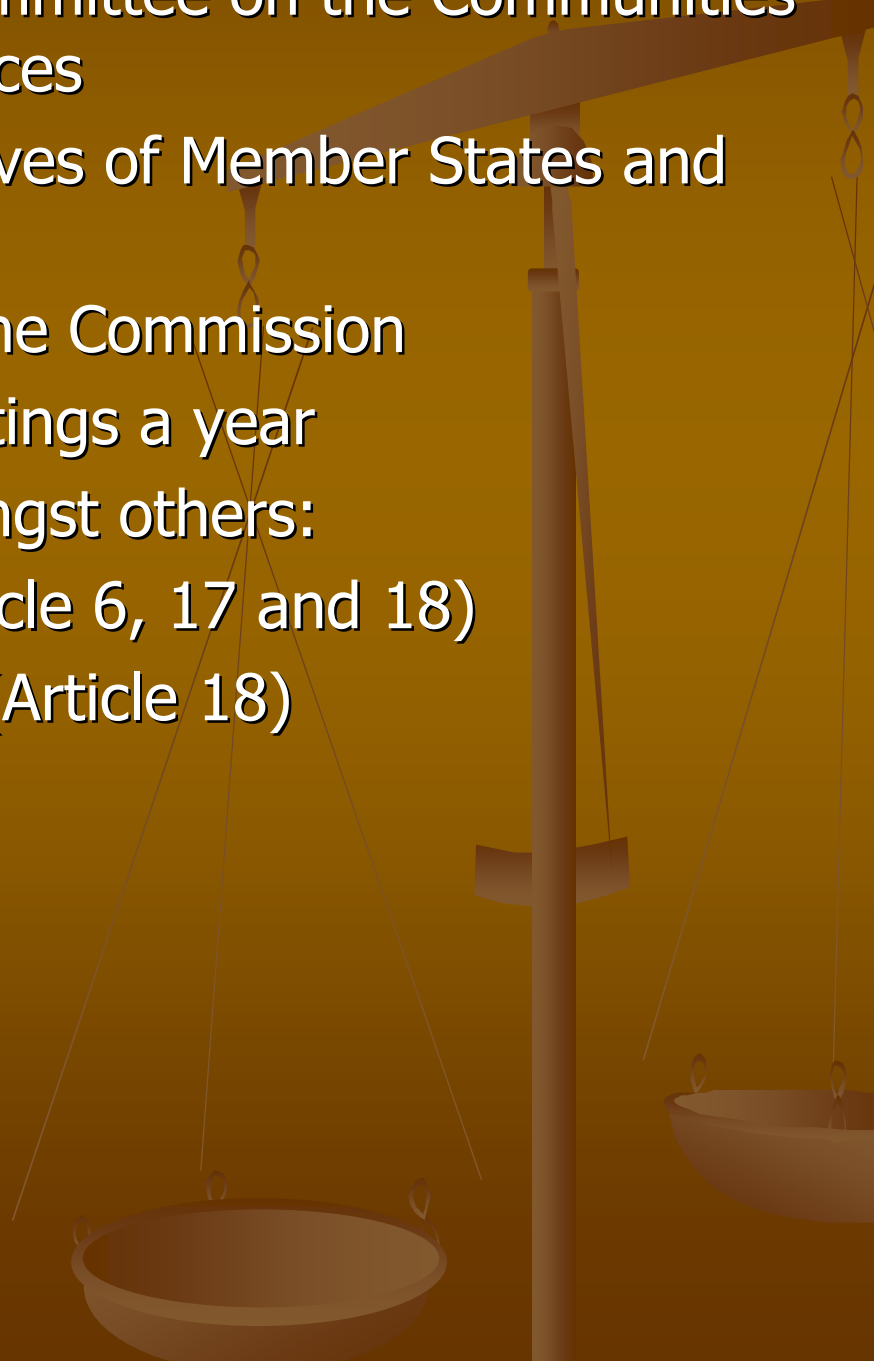
- 3. Commission may itself carry out inspection measures on the spot. The agents authorised by the Commission for such inspection measures shall have access, in so far as the correct application of this Regulation so requires, to the supporting documents referred to in Article 3 and to any other appropriate document connected with those supporting documents. The Commission shall give notice of this inspection in good time to the Member State in which the inspection measure is to take place. Agents of the Member State concerned shall participate in such inspection measures.

■ **Commission reports to Budget Authority**

- 5. The Commission shall report every three years to the European Parliament and to the Council on the functioning of the inspection arrangements. Triennial report

Articles 20 & 21

ACOR

- **Advisory Committee on the Communities' Own Resources**
 - Representatives of Member States and Commission
 - Chaired by the Commission
 - Several meetings a year
 - Topics, amongst others:
Reports (Article 6, 17 and 18)
Inspections (Article 18)
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THE END

