

# VAT- & GNP-BASED OWN RESOURCES

**An introduction for the attention of  
future Member States**

**Unit BUDG/B4: Control of VAT- and  
GNI-based own resources and  
Secretariat of the Advisory  
Committee on Own Resources**

# MISSION OF UNIT BUDG/B4

To ensure that the annual VAT and GNI bases for own resources are correctly determined in order to establish the amounts of own resources that Member States must pay to the Community's budget.

# OWN RESOURCES:

**In 2005:**

- **VAT-based own resources  
€16.02 billion (14.9%)**
- **GNI-based own resources €70.86  
billion (66.1%)**

# THREE BASIC PRINCIPLES

- **TRANSPARENCY:** it must be clear how each Member State's VAT and GNI bases have been determined.
- **UNIFORMITY:** Member States must apply the same methodology
- **EQUAL TREATMENT:** each Member State must be treated equally

## 2.2 VAT-BASED RESOURCES

**“The application of a uniform rate valid for all Member States to the harmonised VAT assessment bases determined according to Community rules.”**

**Own Resources Decision 2000/597,  
Article 2, Paragraph 1(c)**

# LEGISLATION ON VAT-BASED OWN RESOURCES

- **Council Decision 2000/5978/EC, Euratom on the system of the European Communities' own resources**
- **Council Regulation (EEC, Euratom) N° 1553/89 on the definitive uniform arrangements for the collection of own resources accruing from value-added tax**
- **Council Regulation (EC, Euratom) N° 1150/2000 implementing Decision 94/728 on the system of the Communities' own resources (*as amended*)**
- **Council Regulation (EC, Euratom) N° 1026/1999 determining the powers and obligations of agents authorised by the Commission to carry out controls and inspections of the Communities' own resources**

# WHY CALCULATE A HARMONIZED VAT BASE?

- Amounts included in receipts that are not VAT (e.g. fines, interest)
  - Amounts of VAT not included in receipts (e.g. discounts, commission)
  - Special and flat-rate schemes
  - Graduated relief
- = corrections to receipts**

# WHY CALCULATE A HARMONIZED VAT BASE?

## Different rates of VAT:

- Standard rate
- Reduced rate
- Super-reduced rate
- "Parking rates"
- Zero rate

**= weighted average rate**

# WHY CALCULATE A HERMONIZED VAT BASE?

- Operations taxed only by certain Member States (Annex E of 6th Directive)
- Operations not taxed by some Member States (Annex F of 6th Directive)
- Optional taxation (E.g. small firms with turnover below €10,000)
- Restrictions of the right to deduct  
**= compensations to the intermediate base**

# THE VAT BASE

- Actual VAT receipts
  - Corrections
  - Weighted average rate
  - Intermediate VAT base
  - Compensations
- = Final VAT base**

# RATE OF CALL

- (Sometimes known as "call-up rate").
- Currently set at 0.5% of harmonised VAT base.
- About 10 Member States have a "capped" VAT base and apply the rate of call to 50% of their GNI.

# ANNUAL VAT STATEMENTS

- **Reception (31 July of year n+1)**
- **Analysis**
- **Control mission (normally every second or third year)**

# VAT CONTROL MISSIONS

## Check VAT receipts

- Verify compensations and corrections
- Check calculation of WAR
- Examine infringements
- Assess coherence & credibility

# WHAT HAPPENS NEXT?

- **Commission's control report**
- **Member State's observations**
- **Summary document**
- **Advisory Committee discussion**
- **Establishment/elimination of reservations**
- **Adapt databases**

# ADVISORY COMMITTEE ON OWN RESOURCES

- **Discusses**  
questions of principle, methodology  
(uniformity of methods, equal  
treatment of MSS)
- **Examines**  
reports/observations/summary  
documents (transparency)

# ARTICLE 12 REPORTS

## Article 12 of Regulation 1553/89:

- 1. The Member States shall provide the Commission with information concerning the procedures which they apply for registering taxable persons and determining and collecting VAT and on the modalities and results of their VAT control systems.**

# ARTICLE 12 REPORTS

## Article 12 of Regulation 1553/89:

**2. The Commission shall consider, together with the Member State concerned, whether improvements to these procedures can be contemplated with a view to improving their effectiveness.**

# ARTICLE 12 REPORTS

## Article 12 of Regulation 1553/89:

3. The Commission shall produce a report every three years on the procedures applied in the Member States and on any improvements contemplated.

**The 5th Article 12 Report was published in January 2005.**

## 2.3 WHAT IS THE GNP/GNI BASE?

**“The application of a rate - to be determined pursuant to the budgetary procedure in the light of the total of all other revenue - to the sum of all the Member States’ GNPs.”**

**Own Resources Decision 2000/597,  
Article 2 Paragraph 1(d)**

# EUROPEAN SYSTEM OF NATIONAL (*AND LOCAL*) ACCOUNTS

- **ESA 2nd edition (1979)**  
superseded, except for some  
residual corrections, by:
- **ESA 95, used for all purposes  
since new ORD came into force  
in 2002**

# GNP & GNI

- Council Directive 89/130/EEC, Euratom on the harmonisation of the compilation of gross national product at market prices (GNP Directive)

**replaced by**

- Council Regulation (EC, Euratom) N° 1287/2003 on the harmonisation of gross national income at market prices (GNI Regulation)

**See separate presentation on GNI**

# COOPERATION BETWEEN DG BUDGET & EUROSTAT

- Eurostat participation in VAT controls
- DG Budget participation in national accounts controls
- Advisory Committee on Own Resources (budgetary questions)
- GNI Committee (statistical questions)
- Memoranda of understanding

# RESERVATIONS

	VAT	GNP
● End 2003:	134	116
● End 2004:	152	67
● End 2005:	111	63

# THREE DATABASES

- VAT base
- GNI base
- Reservations

## DATABASES MUST BE:

- ◆ *Up-to-date*
- ◆ *Accurate*
- ◆ *Secure*

# CURRENT PRIORITIES:

- **Active management of reservations**
- **More horizontal approach to methodology**
- **Continuing focus on VAT fraud and reliability of GNI data**