

COMMISSION OF THE EUROPEAN COMMUNITIES

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IMPROVEMENT OF THE PROCEDURES FOR THE
RECOVERY OF VAT OWN RESOURCES AND DETERMINATION
OF THE IMPLEMENTING ARRANGEMENTS FOR INTEREST ON LATE PAYMENT

REPORT DRAWN UP BY THE COMMISSION

AT PARLIAMENT'S REQUEST

(This report was completed on 31 August 1991)

I. Introduction

1. When giving discharge to the Commission in respect of the implementation of the general budget of the Communities for the 1989 financial year, Parliament made a number of comments in resolution A3-071/91 concerning the management of own resources.
2. In particular, Parliament called on the Commission to:
 - submit the results of a thorough review of its procedure for recovering VAT and GNP-based resources owed,
 - report on the criteria which determine whether or not interest is claimed on late payments of VAT own resources and on proposals to improve management in this respect.
3. This report comes in response to these requests without anticipating the reports which the Commission will be presenting at a later date concerning VAT and GNP-based own resources.¹

1 The Commission has promised to send the budgetary authority a report by the end of 1992 on the implementation of the new Council Regulation No 1553/89 of 29 May 1989 (OJ L 155, 7.6.1989) which replaced the old rules on VAT own resources from 1 January 1989 - see the Commission's statement in the Council minutes concerning Article 14 of the Regulation (Council document No 6129/89 of 16 May 1989).

Under Article 12 of this Regulation, the Commission must send the budgetary authority a report every three years on the national procedures for the determination and recovery of VAT. The first is due by the end of 1991.

Article 10 of Council Directive 89/130/EEC, Euratom of 13 February 1989 on the harmonization of the compilation of gross national product at market prices (OJ L 49, 21.2.1989) stipulates that, before the end of 1991, the Commission shall, when Decision 88/376/EEC, Euratom on own resources is reviewed, submit a report on application of this Directive.

II. Improvement of the procedures for the recovery of VAT own resources

1. The own resources accruing from VAT are not fixed percentages of the VAT receipts collected by the Member States but amounts corresponding, in each Member State, to the same percentage of a VAT base which must be common to all the Member States.

This uniform base is determined in accordance with Regulation No 1553/89.

The concepts and calculations contained in Annex I illustrate the main mechanisms leading to the determination of the uniform base.

Annex II describes the various stages for making VAT own resources available, from the moment of the forecast up to the final calculation of the amount of VAT resources due from each Member State for a given year on the basis of its annual statement and taking account of the results of the Commission's control.

2. Action taken to follow up the Commission's controls

- 2.1 The Commission controls the statements of the VAT base presented every year by the Member States.

These controls may lead to corrections to the statements.

- 2.2 There are two main rules:

- Article 9 of Regulation No 1553/89

"1. Any corrections, for whatever reason, to the statements referred to in Article 7(1) for previous financial years shall be made in agreement between the Commission and the Member State concerned.

If the Member State does not give its agreement, the Commission, after re-examining the matter, shall take whatever measures it considers necessary for correct application of this Regulation.

All corrections shall be incorporated in aggregate statements at 31 July, which shall amend the previous statements for the financial years concerned."

- Article 11 of Regulation No 1552/89

"Any delay in making the entry in the account referred to in Article 9(1) shall give rise to the payment of interest by the Member State concerned at the interest rate applicable on the Member State's money market on the due date for short-term public financing operations, increased by two percentage points. This rate shall be increased by 0.25 of a percentage point for each month of delay. The increased rate shall be applied to the entire period of delay."

- 2.3 When there is agreement between the Commission and the Member State concerning corrections to the statements, they are incorporated in the aggregate statements adopted on 31 July and the statements already drawn up for the years in question are modified.

In case of disagreement between the Commission and the Member State (Commission reservation in the control report), it is for the Commission to take the measures necessary to ensure that the Community legislation is correctly applied, i.e. it must initiate the infringement procedure provided for in Article 169 of the EEC Treaty.

When the Commission considers that infringement of provisions of Community law (in particular the Sixth VAT Directive) leads to a reduction in own resources, it issues a formal request to the Member States concerned to pay the VAT resources involved.

However, in case of disagreement on what are primarily technical problems, such as the choice of figures for calculating compensation, especially when these figures are not normally available in the statistics, the Commission's usual course is not to initiate the infringement procedure provided for in Article 169 of the EEC Treaty until it has pursued its discussions with the national authorities in the hope of finding a mutually acceptable solution.

The reasons are as follows:

- As difficulties actually exist, the national authorities concerned will be unable to produce the figures in question for a number of months following the control.

- Any ruling by the Court of Justice in the Commission's favour will not solve the practical problem in question, i.e. it will not specify the method of calculation or the amount of resources to be paid. The ruling would only confirm that the Member State is obliged to comply with the rules, i.e. compile and produce the figures needed to determine the VAT own resources base correctly.

3. Improvements to the procedures

The Commission has made two improvements following the review of its procedures as a result of the comments made by Parliament and the Court of Auditors:

- (a) The first improvement, concerning recovery procedures, lays down year $n + 2$ as the maximum time limit for its reservations.

This means that any reservations still outstanding from the controls carried out in 1989 (year n) must lead to the issue of a recovery order and, where necessary, to the initiation of an infringement procedure by 2 December 1991 (year $n + 2$) at the latest.

The only exceptions allowed are where there are major problems in finding figures which are not directly available or in interpreting a legal provision when its exact significance is unclear.

Under this rule, the Commission's five reservations relating to the controls for 1989 and earlier years which are still pending at 31 August must be resolved by the start of December.

- (b) The second improvement is designed to step up the horizontal checks of the homogeneity and comparability of all the solutions adopted by the Member States in the calculation of the most important items of compensation used for determining the VAT base.

Each series of controls must involve detailed examination of various horizontal issues in addition to the usual checks.

The following subjects were selected for the controls relating to 1989, the first two because the relevant rules were amended following introduction of Regulation No 1553/89.

- Calculation of the compensation resulting from the restriction of the right to deduct in respect of the business use of motor vehicles
- Calculation of compensation in respect of the operations of farmers covered by the flat-rate scheme for applying VAT
- Examination of the corrections to receipts and compensations in the base relating to small VAT-exempt firms.

Other topics will be chosen for future controls in line with their financial importance and possible comments by Parliament and the Court of Auditors.

III. Criteria for the application of interest on late payment

1. Whenever the provisions of Article 11 of Regulation No 1552/89 (see 2.2 above) or the equivalent provisions from the previous regulation have had to be applied, the Commission has claimed the interest due under these provisions for any delay in the making available of VAT resources.

These provisions place a clear obligation on the Member States and determine the rate of interest to be charged. However, they do not lay down the rules of procedure for demanding and paying this interest.

The Commission has therefore drawn up practical implementing arrangements.

2. Commission practice, which is applied uniformly to all Member States, is as follows:

(a) General mechanism

A distinction must be drawn between two situations:

- An amount is not paid: the principal and the interest on late payment are demanded.
- An amount is credited to the Commission after the due date: only the interest on late payment is demanded.

In both these cases, the procedure is initiated (pre-litigation phase) by a "demand" from the Director-General for Budgets to the appropriate Permanent Representative's Office.

When both principal and interest are due, the demand calls for the amount to be credited, if it is known, or to be calculated and credited if it is not known to the Commission, by the end of the third month following the demand. The Member State is also warned that the interest on late payment provided for in Article 11 of Regulation No 1552/89 will be charged on expiry of this time limit.

When only the interest on late payment is demanded, the demand indicates the amount and asks for it to be credited by the end of the second month following despatch.

If the demand is not met or if the Commission contests any comments which the Member State may make, the Commission may initiate the infringement procedure provided in Article 169 of the EEC Treaty (litigation phase), which consists of three stages:

- letter of formal notice;
- reasoned opinion;
- referral to the Court of Justice.

Whatever stage the case has reached, the procedure may be terminated when the sums demanded by the Commission are credited or when the Commission accepts the arguments put forward by the Member State. Payment of the sums demanded obviously terminates the period for which interest on late payment is counted.

(b) Practical application as regards VAT resources

If the Commission finds that an infringement of the VAT regulations or Regulation No 1553/89 involves a loss of VAT resources and that there is no further hope of agreeing on a solution with the Member State, it asks the Member State to calculate the VAT resources involved and to pay them by the end of the third month following the demand. After this deadline, interest will be charged.

The procedure initiated ends when the Member States makes available the VAT resources it has calculated before expiry of the deadline or the VAT resources plus interest on late payment after expiry, subject to a subsequent check of the Member State's calculations in line with normal procedures.

IV. Determination of the GNP-based resource

1. Council Decision 88/376/EEC, Euratom of 24 June 1988 provided for the introduction of a new own resource to balance expenditure and revenue.

This fourth resource consists of a certain percentage of the gross national product (GNP) of each Member State.

This percentage (or uniform call-in rate) is calculated in such a way as to cover the proportion of Community expenditure not already covered by the other own resources (customs duties, agricultural and sugar levies, VAT).

This new resource, also called the "additional resource", is thus the balancing item. The call-in rate varies from one budget to the next depending on the amounts of expenditure and other revenue.

The Council Decision states that the GNP is to be established in accordance with Community rules to be laid down in a directive (see 3 below).

2. GNP relates to operations by residents and is equal to the gross domestic product (GDP) plus the foreign income of residents less the income of non-residents in the economic territory.

GDP is the national accounts aggregate which measures the final result of production activity.

GDP can be interpreted, and calculated, as follows:

- the sum of net production by firms (or of their value added)
- the sum of distributed income (wages and salaries, gross operating surpluses, taxes)
- the sum of final uses (household consumption, consumption of general government, gross fixed-capital formation, foreign trade balance).

3. Directive 89/130/EEC, Euratom of 13 February 1989 states that:
- GNP will be defined in a manner consistent with the European System of Integrated Economic Accounts (ESA);
 - The Member States will provide the Commission with the figures for GNP before 1 October each year.
 - A management committee (the GNP Committee) will examine the data supplied for compliance with the ESA definitions and suggest measures to make data on GNP more comparable and representative.
4. The GNP Committee has had five meetings, the first on 8-9 June 1989 and the most recent on 1-2 July 1991.

Its brief is to make Member States' GNP increasingly comparable.

Theoretical comparability is achieved through compliance with ESA rules. The Committee is responsible for interpreting these rules in difficult cases.

The most important questions include:

- definition of territory
- rent
- the division between direct and indirect taxes
- the division between subsidies and current transfers
- transition from GDP to GNP.

Comparability is achieved in practice only if the economic phenomena are described exhaustively even though the methods and statistical sources are, and will continue to be, different from one Member State to the next.

The Committee must indicate each Member State's specific measures in order to increase the exhaustiveness of its GNP.

5. Following a favourable opinion by the GNP Committee, the Commission adopted a decision on 26 July to define the territory of the Member States for the purposes of the calculation of GNP.

The ad hoc definition taken from the ESA is designed to demarcate an economically homogeneous area. A State's economic territory is defined by reference to a certain homogeneity of conditions in which economic transactions take place. This is based on the definitions given by each State on the extent of its political sovereignty and the criteria set out in Regulation No 2151/84 on the customs territory of the Community.

The Commission Decision explicitly resolves a number of problems:

Included in the economic territory

France: overseas departments
Spain: Canary Islands, Ceuta, Melilla
Portugal: Azores, Madeira

Excluded from the economic territory

France: overseas territories
United Kingdom: Channel Islands, Isle of Man
Denmark: Faeroes and Greenland

6. Regulation No 1552/89 of 29 May 1989 implements Decision 88/376 as regards the practical method for establishing the amounts to be paid by each State.

This Regulation states that after 30 September of the fourth year following a given financial year, any changes to GNP are no longer taken into account, except on points notified within this time limit either by the Commission or by the Member State.

Establishment of the common VAT own resources base

1. Community VAT

Since the first two directives laying down the basic principles of Community VAT were adopted in 1967, the process of harmonizing this tax, which is now levied in all the Member States, has been continuing in order to achieve greater standardization in the detailed rules for applying this base in the Member States.

Directive 77/388/EEC of 17 May 1977 (the Sixth Directive) plays an important role in this harmonization process with regard to own resources, since its adoption made it possible to create a base determined uniformly in accordance with Community rules for the collection of these resources.

However, this objective has still not been fully achieved since the Member States may depart from the rules laid down in the Sixth Directive with regard to:

- the taxation or exemption of certain operations¹
- and the deductibility of input tax.

They may also choose national rules for applying VAT to:

- small firms²
- and farmers.

2. Rules on VAT own resources

2.1 Establishment of the uniform base

Regulation No 1553/89, which lays down definitive uniform arrangements for the collection of VAT own resources, sets out rules for the establishment of the base for calculating these resources. The VAT own resources rate provided for in Council Decision 88/376/EEC, Euratom of 24 June 1988³ is applied to this base to determine the amount which each Member State must pay.

1 Some of these derogations have been discontinued by the Member States in accordance with the 18th VAT Directive (Directive 89/465, OJ L 226, 3.8.1989). The Commission has undertaken to present a proposal for removing the remaining derogations.

2 The Commission has put a proposal to the Council for a Directive on common rules for the application of VAT to small firms (COM(87) 524 final).

3 OJ L 185, 15.7.1988.

This calculation base must be uniform for all the Member States; in other words, they must all apply VAT in accordance with the same rules. However, this is not the case since Community legislation itself allows them to depart from certain common rules.

It is therefore essential to recreate the situation as it would be if all the Member States applied a fully harmonized VAT system; as a result, a large number of adjustments have to be made to take account of the specific features of national VAT legislation.

The rules on own resources provide for the cases in which these adjustments may be made (e.g. Articles 2, 5 and 6 of Regulation No 1553/89).

2.2 Revenue method

The actual VAT base for each Member State is obtained by using what is known as the revenue method.

This method uses the Member State's VAT receipts as the starting point for reconstituting taxed value added and thus the own resources base.

Article 3 of Regulation No 1553/89 states that, for a given calendar year, the "VAT resources base shall be calculated by dividing the total net VAT revenue collected by a Member State during that year by the rate at which VAT is levied during that same year."

If revenue comes to 1 000 and the VAT rate is 10%, then:

$$\frac{1\ 000 \times 100}{10} = 10\ 000 \text{ (10 000 being the VAT resources base)}$$

This method is therefore very simple. The "net" VAT receipts must be known and the average VAT rate must be determined when there are several rates of VAT, as is the case in eleven Member States (Denmark has only one VAT rate - 22%).

2.3 Determination of net VAT receipts

The VAT receipts recorded in the national accounts must sometimes be adjusted to remove non-VAT elements such as fines or interest on late payment entered as VAT revenue.

In other cases, amounts of VAT have to be added when they are not recorded as such, e.g. the collection costs deducted from national VAT receipts.

In cases where a Member State applies specific schemes for small firms (exemption or graduated tax relief) or farmers or other special arrangements, positive or negative corrections are then applied to these net receipts as necessary to reconstruct a situation in which VAT is uniformly applied.

2.4 Calculation of the weighted average rate

Member States generally apply a number of VAT rates. To obtain the own resources base from the receipts, it is then necessary to determine the average impact of VAT in relation to total taxed consumption, i.e. the average VAT rate. This average rate cannot be the arithmetic mean of the VAT rates since these rates are not spread evenly over the whole range of consumption. The average rate must therefore be weighted. It is calculated to four decimal places and rounded up or down depending on whether the fifth decimal place is higher or lower than 5.

The weighted average rate is calculated by superimposing current national legislation on the national accounts and breaking down by VAT rate the transactions subject to non-deductible VAT.

When goods or services are exempt and qualify for repayment of the input VAT, they are considered as being subject to a zero rate (exports, which also qualify for repayment of input tax, are obviously not included here). The legislation and VAT rates applicable are those for the financial year in question.¹

¹ The weighted average rates for the eleven Member States which apply more than one VAT rate were calculated as follows for 1989:

Belgium	15.3424%
Germany	12.6676%
Greece	12.2888%
Spain	10.3265%
France	15.5653%
Ireland	14.4904%
Italy	13.7460%
Luxembourg	9.2410%
Netherlands	14.8179%
Portugal	8.9273%
United Kingdom	10.3207%

a) Breakdown of consumption by rate and by category

To calculate the weighted average rate, the breakdown by rate of VAT is applied to the following categories, if subject to non-deductible VAT:

- final consumption of private households, including consumption on the farm by flat-rate farmers and their direct sales to final consumers,
- intermediate consumption of private non-profit institutions and general government,
- intermediate consumption of other sectors,
- gross fixed-capital formation of private non-profit institutions and general government,
- gross fixed-capital formation of other sectors,
- improved and unimproved building land, as defined in Article 4(3)(b) of the Sixth Directive,
- transactions involving gold other than gold for industrial use

(b) Statistics used

The amounts to be broken down by rate and by category have to be taken from the national accounts drawn up in accordance with the European System of Integrated Economic Accounts (ESA), but these accounts may not be sufficiently detailed to permit a breakdown by rate, especially if the Member State in question has a large number of rates.

Similarly, the input-output tables may not be sufficiently detailed to reveal the intermediate consumption and gross fixed-capital formation of exempted branches. Other statistical sources are used in this case, in particular the internal national accounts or, failing these, any other appropriate statistical source such as surveys of household consumption or statistics compiled by trade organizations. Finally, estimates sometimes have to be made in a number of extreme cases where no statistics are available.

Since the national accounts and the other sources of statistics are not available until a number of years have elapsed, the accounts for year $n-2$ are used. For example, the 1988 accounts are used for 1990. However, the Member States may be authorized to use accounts from earlier years if they do not have the accounts for year $n-2$. The fact that these accounts are two years old is not really important since the breakdown of consumption for each of the main categories changes only slowly. To take household consumption, for instance, the proportion accounted for by food fluctuates very little from one year to the next.

- (c) Assuming four VAT rates (plus the zero rate), the weighted average rate would be calculated as shown in the following table.

(a) rate Category	0 %	4,62 %	7 %	15 %	25 %	Total
Final household consumption	850	-	17.352	12.846	4.753	35.801
Transactions concerning gold	-	-	-	-	-	-
Intermediate consumption of general government	165	-	498	950	325	1.938
Intermediate consumption of other sectors	125	-	894	2.329	16	3.364
Gross fixed-capital formation of general government	-	-	-	2.625	49	2.674
Gross fixed-capital formation of other sectors	-	-	-	4.842	-	4.842
Building land	-	-	1.654	-	-	1.654
Consumption on the farm and direct sales by flat-rate farmers	-	285	-	-	-	285
TOTAL	1.140	285	20.398	23.592	5.143	50.558
(b) Percentage of consumption	2,25483	0,5637	40,34574	46,6632	10,17247	100
Weighted rates $\frac{a \times b}{100}$	0	0,026043	2,824201	6,999485	2,543118	12,392847

MODEL CALCULATION OF THE WEIGHTED AVERAGE RATE - FINAL TABLE

Table 1

The weighted average rate is equal to the sum of the weightings for each of the rates. This weighting is equal to the ratio between the value of transactions at this rate and the total value of transactions.

The weighted average rate obtained - 12.392847% - is rounded to 12.3928%. Since the fourth decimal place is rounded up or down depending on whether the fifth decimal place is higher or lower than 5, the intermediate calculations must be taken to a sufficient number of decimal places.

2.5 Determination of the intermediate base

Once the weighted average rate is calculated and the net VAT receipts are known, the intermediate own resources base is obtained by means of the following formula:

$$\frac{\text{receipts} \times 100}{\text{weighted average rate}}$$

Example: receipts = 6 850 472 654; weighted average rate = 12.3948%
Intermediate base: $\frac{6\,850\,472\,654 \times 100}{12.3948} = 55\,268\,924\,500$

This intermediate base represents an initial approximation of the VAT base; but it must then be corrected to allow for the specific features of the VAT arrangements in force in the Member State in question.

2.6 Correction of the intermediate base

There are several cases in which the intermediate base has to be corrected and they often vary from one Member State to another.

However, the calculations set out below by way of example cover the types of cases which lead to corrections in virtually all the Member States in the form of positive compensation (increase in the base) or negative compensation (reduction in the base).

2.6.1 Operations under Annex E to the Sixth Directive (see Annex III)

When Member States tax certain transactions which they should normally exempt (Annex E), it is necessary, for the purposes of establishing the uniform VAT base, to find what would be the situation if these operations were exempted.

A distinction must be made between supplies to taxable persons and those for final consumption.

In the case of supplies to taxable persons, the supplier adds VAT to his invoice and deducts the VAT charged on his inputs. The purchaser himself deducts this VAT from that charged on his sales. If the goods or services had been exempted, the supplier would not have charged VAT on sales and would not have deducted the VAT charged on his inputs.

In the case of supplies to final consumption, the consumers have paid too much VAT since the goods or services were taxed instead of being exempted. The difference between taxation and exemption boils down to the fact that, in the case of taxation, the additional VAT applies to the value added. The correction to the own resources base thus consists of subtracting the amount of value added.

In practice, the same goods or services are often supplied both to the taxable sector and to final consumption. Since the turnover is known, the breakdown between these two sectors is calculated from statistics. It is assumed that inputs of goods and services used to generate this output have the same breakdown. For example, if 10% of output is supplied to the taxable sector, it is assumed that 10% of inputs are used in generating this output.

To reconstruct the uniform VAT resources base, it is therefore necessary:

- to add the value of inputs corresponding to the proportion of turnover accounted for by the taxable sector;
- to subtract the value added in supplies to final consumption.

The compensation is therefore equal to the amount of inputs corresponding to supplies to taxable persons, less the value added in supplies to final consumption; this compensation can thus be positive or negative.

Examples

1. Delivery of postal parcels

Annual turnover	4 750
Deductible inputs	- 2 200
Value added	2 550
Supplied to taxable persons:	60%

The correction is thus equal to:

- amount of inputs corresponding to supplies to taxable persons

60% of 2 200 = 1 420

less the value added corresponding to supplies to final consumption

40% of 2 550 = 1 020

i.e. 1 420 - 1 020 = 400

This amount will therefore be added to the intermediate base.

2. Transport of sick and injured by ambulance

Annual turnover	432
Inputs	- 225
Total value added	207

Since this type of service is for private individuals only, the total value added - 207 - will be deducted from the intermediate base.

2.6.2 Operations under Annex F of the Sixth Directive

When Member States exempt certain transactions which should normally be taxed, it is necessary to find what would be the situation if these operations were taxed.

The correction mechanism is the reverse of that applied for operations under Annex E. Again, a distinction must be made between supplies to taxable persons and those to final consumers.

It is therefore necessary:

- to deduct from the VAT resources base the amount of deductible inputs corresponding to supplies to taxable persons;
- to add to this base the value added in supplies to final consumers.

Compensation is therefore equal to the turnover accounted for by final consumption, less total deductible inputs; this compensation too can be positive or negative.

Examples

- (a) Services supplied by lawyers
- | | |
|--|-----------|
| Annual turnover of all lawyers | 1 156 800 |
| 60% of this turnover is in services to final | |

consumers (individuals) and firms without the right to deduct because their activities are exempt (banks, insurance companies, etc.), so

$$\frac{60 \times 1\,156\,800}{100} = 694\,080$$

Less: deductible inputs (i.e. professional costs subject to deductible VAT)

425 300

The correction to be made thus comes to:

$$694\,080 - 425\,300 = 268\,780$$

This amount is to be added to the base.

(b) Services supplied by veterinary surgeons

Annual turnover 452 300
of which 20% in services to non-taxable persons:

$$\frac{20 \times 452\,300}{100} = 90\,460$$

In the case of veterinary surgeons, it is normal for the percentage of supplies to non-taxable persons to be low since this proportion relates only to treatment of pets and other animals belonging to people who are not farmers.

Deductible inputs (professional costs, medicines) 140 600

The correction to be made thus comes to:

$$90\,460 - 140\,600 = 50\,140$$

This amount is to be deducted from the intermediate base.

2.7 Determination of the VAT own resources base

To sum up, the annual VAT resources base for each Member State is the result of a number of calculations to:

- determine the amount of net VAT receipts collected during the year in question;
- increase or reduce this amount to allow for various special VAT schemes;
- calculate the weighted average rate at which VAT is charged;
- determine the intermediate base;

- increase or reduce this base to take account of various national measures allowed as exceptions to the rules of the uniform Community VAT base.

Each Member State sends these calculations to the Commission in the form of an annual statement of the VAT base (see Table 2) which is accompanied by annexes explaining the methods and sources used to determine the various components of the base.

MODEL ANNUAL STATEMENT OF THE VAT BASE

(in national currency)

I. Receipts from VAT		
1. Total receipts (Annex I)		571.187.331.376
2. Fines and interest payments (Annex II)	1.259.935.711	
3. Collection expenses and recovery charges (Annex III)		46.810.689
4. Correction for small firms with a turnover of less than ECU 10 000 annually (Annex IV)	550.661.000	
5. Other corrections (Annex V):		
(a) to be added to net receipts	84.442.250.460	
(b) to be deducted from net receipts		445.000.000
6. Adjustment for graduated tax relief scheme (Annex VI)	906.556.869	
7. Adjustment for flat-rate farmers (Annex VII)		
	TOTALS 87.159.404.040	571.679.142.065
	TOTAL CORRECTIONS TO RECEIPTS TO BE DEDUCTED:	87.159.404.040
8. Net revenue for the purpose of calculating the base		484.519.738.025
II. Weighted Average Rate (Annex VIII) 15,8611 %		
III. Intermediate base		
Net revenue(I.8) x 100	484.519.738.025x100	
Weighted average rate(II) "	15,8611	5.054.767.563.567
IV. Compensation		
1. Compensation under the special scheme for small firms (Annex IX)		
(a) Negative compensation		
(b) Positive compensation		85.425.000
2. Compensation in respect of the transactions in Annexes E, F and G to the Council Directive 77/388/EEC (Annex X)		
(a) Annex E:		
(i) Negative compensation	2.570.000.000	
(ii) Positive compensation		
(b) Annex F:		
(i) Negative compensation	5.601.000.000	
(ii) Positive compensation		
(c) Annex G:		11.985.000.000
(i) Negative compensation		
(ii) Positive compensation		
3. Negative compensation resulting from the restriction of the right to deduct		
(a) Under Article 17(6) of Directive 77/388/EEC (Annex XI)		
(i) Purchase of cars for business use	19.083.000.000	
(ii) Purchase of petroleum products	44.872.000.000	
(b) Under Article 17(7) of Directive 77/388/EEC (Annex XII)		
	TOTALS 71.926.000.000	3.066.837.988.567
TOTAL NEGATIVE COMPENSATION TO BE DEDUCTED		
V. Final base		71.926.000.000
		2.994.911.988.567

Making available of VAT own resources

1. Member States send the Commission by 15 April each year an estimate of the VAT resources base for the following financial year. The Commission also makes estimates on the basis of the latest macroeconomic data.

In mid-April the Advisory Committee on Own Resources examines these estimates and determines the VAT base for the following financial year. The national currencies are converted into ecus at the average rates for the first three months of the year.

The amount of VAT resources entered in the budget in ecus is obtained by applying a uniform rate to the VAT base; however, the base for any Member State to be taken into account must not exceed 55% of its GNP. The uniform rate is obtained by multiplying the Member States' VAT base by 1.4% and deducting the gross amount of compensation for the United Kingdom.

2. On the first working day of each month the Member States pay the Commission one twelfth of the sums entered in the budget in ecus in respect of the VAT resource converted into national currency at the exchange rate on the last day for which a quotation is available during the calendar year preceding the financial year as published in the Official Journal of the European Communities.
3. The statement of own resources sent by the Member States before 31 July gives the final own resources base for the previous year. The rate adopted for the financial year in question is applied to this base to determine the amount of VAT own resources in national currency. The difference between this amount and the amount paid during the twelve months of the previous financial year is paid by the Member States on 1 December if positive or is repaid to them by the Commission. This difference is the result not only of the nominal discrepancy between the forecast and the outturn but also of changes in the ecu throughout the budgetary procedure.

Further adjustments are made later to correct any errors detected during controls.

In practice, the payments by the Member States or the repayments made to them aggregate the adjustments resulting from the statement for the previous financial year and the corrections made as a result of controls for earlier financial years.