

SECOND LETTER OF AMENDMENT
TO THE PRELIMINARY DRAFT GENERAL BUDGET
OF THE EUROPEAN COMMUNITIES
FOR 1979

Part I Explanatory memorandum
Part II Statement of revenue

COM(78)620

1/2

SECOND LETTER OF AMENDMENT
TO THE PRELIMINARY DRAFT GENERAL BUDGET
OF THE EUROPEAN COMMUNITIES
FOR 1979

- Part I Explanatory memorandum
- Part II Statement of revenue

COM(78)620

EXPLANATORY MEMORANDUM

1. The Preliminary Draft General Budget of the European Communities for 1979 was drawn up on the assumption that all the Member States would apply, as from 1 January 1978, the Sixth Directive on the harmonization of the uniform basis of assessment of VAT. Consequently, the Preliminary Draft provided for the elimination of payments of the financial contributions calculated on the basis of the GNP, which were replaced by payment by all the Member States of own resources accruing from VAT.
2. By way of derogation from Article 1 of the Sixth Directive, which set 1 January 1978 as the final date for its actual application in the Member States, the Ninth Council Directive of 26 June 1978 authorized Denmark, Germany, France, Ireland, Italy, Luxembourg and the Netherlands to apply the Directive on 1 January 1979 at the latest.
3. At present only Denmark has joined Belgium and the United Kingdom in adopting measures implementing the Sixth Directive. The other Member States have submitted draft laws to their respective parliaments but it is not certain that the Directive will be applied in time to enable the legislation to be implemented by 1 January 1979. Germany has already informed the Commission that it will not be able to apply the Directive by 1 January 1979.
4. The Commission proposes to amend forthwith the method of financing provided for in the Preliminary Draft Budget by reintroducing for Germany financial contributions based on the GNP, this State being the only one to confirm its inability to apply the Directive by 1 January 1979. As regards those States where the situation is still not definite at present, the Commission proposes not to amend the method of financing, since these

States have promised to do everything in their power to meet the deadline set by the Ninth Directive. However, if some of these States are unable to apply the Directive and inform the Commission and the Budgetary Authority to that effect in good time, the necessary amendments could be made before the final adoption of the Budget. The Commission is nevertheless determined to take the measures provided for in Article 169 of the Treaty in respect of those States which do not apply the uniform VAT assessment base as from 1 January 1979.

5. As regards the values of the uniform basis for assessment of VAT entered in the Preliminary Draft Budget, an amendment has been requested by Belgium, for it has emerged that Belgian revenues from VAT for 1978 will be some 12% below the initial estimates. As the estimates for 1978 served as the point of departure for the 1979 assessment, this is overvalued in the same proportion. The value of 1% of the basis of assessment of VAT for Belgium is therefore cut from 475 m EUA to 418 m EUA.

- 3 -

REVENUE

The estimated revenue of the Communities is:

in ECU

Title	Nature of revenue	Revenue estimates in First Letter of Amendment to the Preliminary Draft Budget	Changes proposed in Second Letter of Amendment	New amount in Preliminary Draft
1	Own resources	13.900.978.549	- 2.225.043.597	11.675.934.952
2	Surpluses available	token entry	-	token entry
3	Portion of proceeds of ECSC levies paid in pursuance of Article 20 of the Treaty of 8 April 1965	5.000.000	-	5.000.000
4	Deductions from staff remunerations	112.879.590	-	112.879.590
5	Financial contributions	10.850.732	+ 2.225.043.597	2.235.894.329
9	Miscellaneous revenue	29.804.969	-	29.804.969
	Total	14.059.513.840	-	14.059.513.840

TITLE 1
OWN RESOURCES

in EUA

Art.	Item	Heading	Revenue estimates in First Letter of Amendment to Preliminary Draft Budget	Changes proposed in Second Letter of Amendment	New amount in Preliminary Draft
100		CHAPTER 10: Levies, premiums, supplementary or compensatory amounts, additional amounts or part amounts and other duties established by the Institutions of the Communities in respect of trade with non-member countries within the framework of the common agricultural policy (Article 2(a) of the Decision of 21 April 1970)	1.706.000.000	-	1.706.000.000
110		CHAPTER 11: Contributions and other duties provided for within the framework of the common organization of the market in sugar and isoglucose (Article 2(a) of the Decision of 21 April 1970)	467.000.000	-	467.000.000
120		CHAPTER 12: Customs duties and other duties referred to in Article 2(b) of the Decision of 21 April 1970	4.745.000.000	-	4.745.000.000
130		CHAPTER 13: Revenue accruing from value added tax under Article 4 of the Decision of 21 April 1970	6.982.478.549	- 2.225.043.597	4.757.434.952
TITLE 1 - TOTAL			13.900.978.549	- 2.225.043.597	11.675.934.952

- 7 -
TITLE I
OWN RESOURCES

Art.	Item	REMARKS			
130		<p>This Article incorporates the changes to revenue accruing from VAT by Member State.</p> <p align="right">in EUA</p>			
		<p align="center">Member State</p>	<p align="center">Revenue estimated in First Letter of Amendment to Preliminary Draft Budget</p>	<p align="center">Changes proposed in Second Letter of Amendment</p>	<p align="center">New amount in Preliminary Draft</p>
		Belgium	364.309.898	- 38.148.210	326.161.688
		Denmark	180.237.528	+ 3.130.885	183.368.413
		Federal Republic of Germany	2.262.556.208	- 2.262.556.208	-
		France	1.671.990.690	+ 29.043.949	1.701.034.639
		Ireland	53.687.774	+ 932.604	54.620.378
		Italy	728.619.796	+ 12.556.767	741.276.563
		Luxembourg	14.572.396	+ 253.135	14.825.531
		Netherlands	441.006.719	+ 7.660.675	448.667.394
		United Kingdom	1.265.497.540	+ 21.982.806	1.287.480.346
		Article 130: Total	6.982.478.549	- 2.225.043.597	4.757.434.952

TOTAL: TITLES 2, 3 AND 4

in EUA

Art.	Item	Heading	Revenue estimates in First Letter of Amendment to Preliminary Draft Budget	Changes proposed in Second Letter of Amendment	New amount in Preliminary Draft
		<u>TITLE 2</u> <u>Surpluses available</u>			
		TITLE 2: TOTAL	token entry	-	token entry
		<u>TITLE 3</u> <u>PORTION OF PROCEEDS FROM ECSC LEVIES PAID IN PURSUANCE OF ARTICLE 21 OF THE TREATY OF 8 APRIL 1965</u>			
		TITLE 3: TOTAL	5.000.000	-	5.000.000
		<u>TITLE 4</u> <u>DEDUCTIONS FROM STAFF REMUNERATIONS</u>			
		TITLE 4: TOTAL	112.879.590	-	112.879.590

Art.	Item	REMARKS

TITLE 5
FINANCIAL CONTRIBUTIONS

in EUA

Art.	Item	Heading	Revenue estimates in First Letter of Amendment to Preliminary Draft Budget	Changes proposed in Second Letter of Amendment	New amount in Preliminary Draft
		<u>Chapter 50</u>			
500		<u>Contributions provided for in Article 4(2) or (3) of the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources</u>			
	5000	Belgium	-	-	-
	5001	Denmark	-	-	-
	5002	Federal Republic of Germany	-	+ 2.225.043.597	2.225.043.597
	5003	France	-	-	-
	5004	Ireland	-	-	-
	5005	Italy	-	-	-
	5006	Luxembourg	-	-	-
	5007	Netherlands	-	-	-
	5008	United Kingdom	-	-	-
		<u>Chapter 50: Total</u>	-	+ 2.225.043.597	2.225.043.597
510		<u>Chapter 51</u> <u>Contributions provided for in Articles 3(4) and 4(6) respectively of the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources</u>	10.850.732	-	10.850.732
		TITLE 5: TOTAL	10.850.732	+ 2.225.043.597	2.235.894.329

TITLE 5
FINANCIAL CONTRIBUTIONS

Art.	Item	REMARKS
500		GFR-based financial contributions have been introduced for the Federal Republic of Germany, which will not adopt the Sixth Directive by 1 January 1979.

TITLE 9 AND GRAND TOTAL

in EUA

Art.	Item	Heading	Revenue estimates in First Letter of Amendment to Preliminary Draft Budget	Changes proposed in Second Letter of Amendment	New amount in Preliminary Draft
		<u>TITLE 9</u>			
		<u>MISCELLANEOUS REVENUE</u>			
		TITLE 9: TOTAL	29.804.969	-	29.804.969
		<u>GRAND TOTAL</u>	14.059.513.840	-	14.059.513.840

Art.	Item	REMARKS

TABLE 1

Appropriations to be covered during the financial year 1979 under Articles 3 and 4 of the Decision of 21 April 1970 relating to own resources, and Article 10 of the Treaty establishing a Single Council and a Single Commission of the European Communities, and Articles 129 and 130 of the Act of Accession

in ECU

A. CATEGORY OF APPROPRIATIONS	Appropriations entered in First Letter of Amendment to Preliminary Draft Budget	Changes proposed in Second Letter of Amendment	New amount in Preliminary Draft
I. Commission appropriations 1. Agriculture (Chapter 31 and Titles 6, 7 and 8) 2. Social sector (Chapters 30, 35, 50, 51, 52 and 59) 3. Regional sector (Chapters 55 and 56) 4. Energy, industry and transport (Chapters 32, 33, 34, 36, 37 and 39) 5. Development cooperation (Chapters 92, 93, 94, 95 and 96) 6. Administrative appropriations (Titles 1, 2 and 4) 7. Contingency reserve (Chapters 100, 101 and 102) Subtotal	10.263.128.000 748.182.000 390.000.000 520.265.330 564.933.900 599.092.300 30.000.000 13.115.601.530	- - - - - - - -	10.263.128.000 748.182.000 390.000.000 520.265.330 564.933.900 599.092.300 30.000.000 13.115.601.530
II. Appropriations for the other Institutions Subtotal	252.062.310 13.367.663.840	- -	252.062.310 13.367.663.840
III. Repayment of 10% of own resources to Member States (Chapter 40) Expenditure: Total	691.850.000 14.059.513.840	- -	691.850.000 14.059.513.840
B. CATEGORY OF REVENUE			
1. Miscellaneous revenue 2. Contributions of Member States to Euratom complementary programmes 3. ECSC levies allocated to administrative expenditure 4. Surplus available from the preceding financial year Revenue: Total	142.684.559 10.850.732 5.000.000 token entry 158.535.291	- - - - -	142.684.559 10.850.732 5.000.000 token entry 158.535.291
Appropriations to be covered pursuant to the Decision of 21 April 1970	13.900.978.549	-	13.900.978.549

	EUA
Expenditure to be financed pursuant to the Decision of 21 April 1970	13.900.978.549
Customs duties, agricultural levies and sugar levies	6.918.500.000
Amount to be made up	6.982.478.549
GNP-based contribution by the Federal Republic of Germany, 31,8661% (see Annexes)	2.225.043.597
To be made up by VAT	4.757.434.952

TABLE 2

Breakdown of expenditure covered by resources accruing from value-added tax

in EUA

Member State	Resources from VAT	Application of the VAT rate	Amounts to be paid
Belgium	418.000.000	0,7803 (1)	326.161.688
Denmark	235.000.000		183.368.413
France	2.180.000.000		1.701.034.639
Ireland	70.000.000		54.620.378
Italy	950.000.000		741.276.563
Luxembourg	19.000.000		14.825.531
Netherlands	575.000.000		448.667.394
United Kingdom	1.650.000.000		1.287.480.346
TOTALS	6.097.000.000		

(1) Rate used in calculations: $\frac{4.757.434.952 \text{ EUA}}{6.097.000.000 \text{ EUA}} = 0,7802911189$.

TABLE 3

FINANCING OF EXPENDITURE

Member State	Agricultural levies		Common Customs Tariff duties	Financial contributions	Resources accruing from VAT	TOTAL
	Sugar and isoglucose levies	Other levies				
BELGIUM	27.500.000	215.100.000	318.700.000	-	326.161.688	887.461.688
DENMARK	22.700.000	23.800.000	118.900.000	-	183.368.413	348.768.413
GERMANY	147.900.000	321.700.000	1.445.800.000	2.225.043.597	-	4.140.443.597
FRANCE	161.100.000	78.900.000	718.100.000	-	1.701.034.639	2.659.134.639
IRELAND	5.700.000	9.000.000	50.000.000	-	54.620.378	119.320.378
ITALY	36.800.000	373.400.000	451.300.000	-	741.276.563	1.602.776.563
LUXEMBOURG	-	100.000	3.900.000	-	14.825.531	18.825.531
NETHERLANDS	36.300.000	335.400.000	448.700.000	-	448.667.394	1.269.067.394
UNITED KINGDOM	29.000.000	348.600.000	1.190.100.000	-	1.287.480.346	2.855.180.346
TOTAL	667.000.000	1.706.000.000	4.745.500.000	2.225.043.597	4.757.434.952	13.900.973.549

GROSS NATIONAL PRODUCT AT MARKET PRICES - AT CURRENT PRICES

Member State	Unit	1974	1975	1976
BELGIUM	Bfrs (1.000 millions)	2.079,04	2.290,71	2.603,14
DENMARK	Dkr (millions)	192.578	213.871	246.884
GERMANY	DM (millions)	986.900	1.032.900	1.127.900
FRANCE	FF (millions)	1.283.234	1.454.931	1.674.981
IRELAND	£ (millions)	2.968,5	3.687,5	4.511,0
ITALY	Lit (1.000 millions)	101.541	114.530	143.233
LUXEMBOURG	Lfrs (millions)	102.764	101.044	113.243
NETHERLANDS	Fl (millions)	191.750	209.350	238.280
UNITED KINGDOM	£ (millions)	83.092	103.237	123.235

The gross national product of each Member State as a proportion of the total of the gross national products

(in million EUA) (1)

Member State	1974	1975	1976	Average	GNP scale
BELGIUM	44.807	50.269	60.306	51.794	4,6738
DENMARK	26.529	30.027	36.512	31.023	2,7995
GERMANY	320.056	38.723	400.611	353.130	31,8661
FRANCE	223.799	273.523	313.382	270.235	24,3857
IRELAND	5.823	6.585	7.257	6.555	0,5915
ITALY	130.895	141.475	153.989	142.120	12,8248
LUXEMBOURG	2.215	2.217	2.623	2.352	0,2122
NETHERLANDS	59.880	66.780	80.632	69.097	6,2352
UNITED KINGDOM	162.988	184.343	198.262	181.864	16,4112
TOTAL				1:108.170	100,0000

(1) Conversion rate 1 EUA = average for the year.

	Bfrs	Dkr	DM	FF	£	Lit	Fl
1974	46,3994	7,25927	3,08352	5,73386	0,509803	775,743	3,20224
1975	45,5690	7,12266	3,04939	5,31923	0,560026	809,545	3,13490
1976	43,1654	6,76176	2,81545	5,34486	0,621578	930,150	2,95515