European Communities
Commission
Press Release

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FUTURE FINANCING OF THE COMMUNITY (1)

Following the presentation of its Green Paper (2) of 4 February, the Commission has now presented to the Council and to the European Parliament specific proposals for extending and diversifying the Community's system of own resources.

The Commission's proposal takes the form of a new Council decision replacing the one of 21 April 1970 which set up the current system.

The Commission proceeds from the basic premise that the present range of own resources, consisting of agricultural levies, customs duties and Value Added Tax should be retained and developed. The Commission's principal proposals are:

- that the 1 per cent ceiling on VAT should be abolished;
- that a special decision-making procedure, involving unanimity in the Council and a qualified majority in the Parliament, should be introduced for the approval of each further tranche of 0.4 per cent of VAT in excess of 1.4 per cent;
- that part of the Community's VAT revenues should be paid in the form of modulated VAT with variable rates applying to the Member States;
- that customs duties on imports of European Coal and Steel Community (ECSC) products should henceforth accrue to the Community rather than to the Member States;
- and that the reimbursement to Member States of 10 per cent for the cost of collecting customs duties and agricultural levies should no longer be automatic.

The Commission's proposals have now been presented to the Council and to the European Parliament. The proposals are contained in a communication from the Commission to the Council and Parliament accompanied by a proposed Council Decision.

In this communication the Commission draws attention to the current threat of the early exhaustion of the Community's financial resources. The sharp rise in agricultural expenditure in the past few months has further exacerbated the situation.

The Commission's proposals are aimed at ensuring the preservation and normal operation of all the Community's policies.

The Commission proposes, in place of the current ceiling of 1 per cent of VAT, an arrangement by steps whereby for each 0.4 per cent of VAT in excess of 1.4 per cent special agreement would be needed between the institutions of the Community; the Council acting unanimously, the Parliament acting by a majority of its members and three-fifths of the votes cast. This would mean that the Community's

(1) COM(83) 270 final
(2) COM(83) 10

institutions and the individual Member States would be able to monitor directly the growth of Community expenditure.

As a transitional measure and until such time as there is a better balance between Community policies in the agricultural and non-agricultural fields, the Commission proposes that part of the Community's VAT revenues should be modulated and paid in the form of variable rates.

The amount of the budget to be financed in this way would be determined in relation to the proportion of the budget represented by EAGGF Guarantee expenditure (less expenditure on food aid and expenditure in connection with the sugar protocol with the ACP states). So long as such agricultural expenditure exceeded 33 per cent of the budget an amount equivalent to the difference between 33 per cent of the budget and the actual total of such agricultural expenditure would be financed by modulated VAT.

The variable VAT rates would be determined in relation to three indicators. First, the share of each Member State in the Community's final agricultural production of products subject to common market organisations. Second, Member States' shares in the Community's net operating surplus. Third, Member States' gross domestic product per capita. The first of these indicators is designed to ensure more homogeneity between the Community's resources and its expenditure in the present situation. The second two reflect, respectively, the relative dynamism and profitability of Member States' economies and their relative prosperity.

For each of these indicators the Community possesses full statistics compiled on reliable bases and harmonised over many years.

Finally, the Commission is also looking at the possibility of introducing, in connection with proposals for developing Community-wide policies in the energy field, a system of revenue from a Community tax on the non-industrial consumption of energy. It will be submitting its package of energy proposals in the coming month.

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