



**LIETUVOS RESPUBLIKOS SEIMO
BIUDŽETO IR FINANSŲ KOMITETAS
SEIMAS OF THE REPUBLIC OF LITHUANIA
COMMITTEE ON BUDGET AND FINANCE**

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Mr. Janusz Lewandowski
European Parliament
Committee on Budgets
Chairman

25 January 2006
Our Ref.: 109 - S - 20

Dear Mr. Chairman,

The Seimas Committee on Budget and Finance debated on the questions raised in your letter of 30 November 2005 concerning the EU system of Own Resources. The Committee also dealt with the questionnaire on the own resources system for the national parliaments drafted by the Standing Rapporteur of the European Parliament on EU Own Resources, Mr. Alain Lamassoure.

The response of the Committee to the questions put in the questionnaire by Mr. Alain Lamassoure follows.

1. The requirement for a balanced EU budget is enshrined both in Art. 268 of the Treaty Establishing the European Community and the Financial Regulation. This requirement ensures equilibrium between the EU budget revenue and expenditure and stability of the EU budget. In our opinion, this requirement should be maintained and the opportunities for the EU to borrow should not be created.

We support the idea to set the ceiling on own resources. Without an established ceiling on resources the budget drafting procedure would be stalled. Even with the established ceiling on own resources in place, negotiations on the EU budget are a complicated task, and the general agreement on the budget is difficult to reach. Should the ceiling on own resources be abolished, further divergences between those who seek to increase the budget and their

opponents would appear. This, in turn, could create further danger of failure to decide on the EU budget in time and would complicate budget control.

The multi-annual financial framework (the Financial Perspective) ensures budgetary discipline, a smoother budget procedure, and better cooperation between the EU institutions. It also allows for a better forecast of the EU expenditure trends. At the negotiations on the new EU Financial Perspective for 2007 – 2013, Lithuania supported the suggestion to maintain the multi-annual framework (i.e. seven year period of the financial perspective). We believe this system should be maintained in future as well, because it reflects the general EU budget principles, priorities, and funding as well as facilitates the adoption of an annual budget.

To summarise, we believe the balanced budget requirement, the overall ceiling to own resources linked to gross national income, and the multi-annual financial framework should be maintained as the key means facilitating budget control.

2. The current system of own resources provides a sound framework for financing the EU budget, but lacks transparency and clarity to the EU citizens. During the negotiations on the EU Financial Perspective 2007 – 2013, Lithuania highlighted the importance of clarity, sufficiency, administrative cost-effectiveness, and justice as the main criteria for the evaluation of the system of own resources. We believe that EU membership advantages should not necessarily be directly translated into net balances of the Member States. Therefore, Lithuania spoke out for a discussion on an own resources system without any built-in mechanism for correcting the budget imbalances.

At the negotiations on the EU Financial Perspective 2007 – 2013, Lithuania expressed its opinion that the current own resources arrangements should be retained. With the general goals of transparency and sufficiency in mind, the present own resources system should be modified, yet this should be done without the introduction of any essential changes. Lithuania expressed its future readiness to take part in a debate on the elimination of VAT as a source of own resources and on adoption of a system of own resources composed of the traditional own resources ensuring the autonomy of the EU revenue, and of the own resources from the gross national income (GNI) representing the relative welfare of each Member State. This system would be less complicated and easier to administer.

The negotiations on the Financial Perspective 2007 – 2013 at the European Council of 15 and 16 December 2005 reached general agreement to essentially maintain the present system of own resources. The overall ceiling on resources applicable in the Financial Perspective 2000-2006 will be applied for 2007- 2013 as well, including 1.31 per cent of EU GNI for commitment appropriations and 1.24 EU GNI for payment appropriations.

3. Our opinion on question 3 is expressed in our answer to question 2.

4. We support the GNI as the sole criterion for assessing relative wealth of the Member States.

5. Our opinion on question 5 is expressed in our answers to questions 2 and 3.

6. and 7. As to the option of shifting to the tax-based EU budget system, Lithuania did not support this option at the negotiations on the EU Financial Perspective 2007 – 2013. The tax system issues fall within the competence of the State, therefore, the establishment of a tax-based own resource system would either mean an EU-wide harmonisation of the taxes needed for own resources in all the EU States or the introduction of new EU taxes. We think that the introduction of new EU taxes is not a good short-term solution, especially for as long as no answer is found nor measures taken with reference to the issue of adequate sharing of a heavier tax burden.

In our opinion, using corporate or personal income tax for own resources is not really possible, since the corporate income and personal income tax are not harmonised on the EU level. We also note that since regulation of direct taxes falls under the competence of the Member States, the harmonisation of the corporate income tax and personal income tax has neither legal nor economic justification. Therefore, we do not support any harmonisation in this area.

8. Lithuania supports all the measures for a more rigorous fiscal discipline. Therefore, we support the initiative for the EU budget to be incorporated into the Stability and Growth Pact and become part of the collective discipline.

9. Our opinion on the issues raised in question 9 is partially provided in our answers to questions 6 and 7.

10. Our opinion on the issues raised in question 10 is partially provided in our answers to questions 6 and 7.

As provided for in the joint agreement of the Member States on the EU Financial Perspective 2007 – 2013, further review of the system of own resources is planned for

2008/2009. Therefore, we think that all the issues raised by the European Parliament as well as all its suggestions could also be discussed during the planned review of the system of own resources.

Sincerely Yours,

A handwritten signature in black ink, appearing to read 'Jonas Lioginas', written in a cursive style.

Jonas Lioginas

Chairman