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DRAFT REPORT

on the draft Council decision on the system of own resources of the European Union
(05602/2014 – C7-0036/2014 – 2011/0183(CNS))

Committee on Budgets

Rapporteur: Jean-Luc Dehaene, Anne E. Jensen

Symbols for procedures

*	Consultation procedure
***	Consent procedure
***I	Ordinary legislative procedure (first reading)
***II	Ordinary legislative procedure (second reading)
***III	Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ■ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the draft Council decision on the system of own resources of the European Union
(05602/2014 – C7-0036/2014 – 2011/0183(CNS))**

(Consultation)

The European Parliament,

- having regard to the Council draft (05602/2014),
 - having regard to Article 311 of the Treaty on the Functioning of the European Union (TFEU) , pursuant to which the Council consulted Parliament (C7-0036/2014),
 - having regard to its resolution of 29 March 2007 on the future of the European Union's own resources¹,
 - having regard to its resolution of 8 June 2011 on investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe²,
 - having regard to its resolution of 13 June 2012 on the Multiannual Financial Framework and own resources³,
 - having regard to its resolution of 23 October 2012 in the interest of achieving a positive outcome of the Multiannual Financial Framework approval procedure⁴,
 - having regard to its resolution of 13 March 2013 on the European Council conclusions of 7-8 February 2013 concerning the Multiannual Financial Framework⁵,
 - having regard to its resolution of 3 July 2013 on the political agreement on the Multiannual Financial Framework 2014-2020⁶,
 - having regard to Rule 55 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgets (A7-0000/2014),
1. Approves the Council draft as amended;
 2. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 3. Asks the Council to consult Parliament again if it intends to substantially amend its

¹ OJ C 27 E, 31.1.2008, p. 214.

² OJ C 380 E, 11.12.2012, p. 89.

³ OJ C 332 E, 15.11.2013, p. 42.

⁴ Texts adopted, P7_TA(2012)0360.

⁵ Texts adopted, P7_TA(2013)0078.

⁶ Texts adopted, P7_TA(2013)0304.

draft;

4. Calls on the inaugural meeting of the High Level Group on Own resources to be convened without any delay, in order to be able to deliver its first assessment of the own resources system by the end of 2014; expects that this Group will deliver proposals for overcoming the deficiencies of the current system in order to pave the way for a reform -guided by the overall objectives of simplicity, transparency, equity and democratic accountability- to become operational in the next MFF;
5. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Draft Council Decision on the system of own resources of the European Union Recital 8a (new)

Council draft

Amendment

(8a)The European Parliament has continuously called for the Union budget to be financed wholly by own resources, as stipulated in the Treaty, and has regularly highlighted the shortcomings and limits of the existing system of own resources, which is non-transparent, unfair, not subject to parliamentary control, highly complex and totally incomprehensible to European citizens, who ultimately bear the consequences. The European Parliament considers that such a system violates, in essence, the letter and the spirit of the Treaty.

Or. en

Amendment 2

Draft decision Recital 8b (new)

Council draft

Amendment

(8b) The European Parliament considers that the current system of Union financing, whereby some 85% of revenues stem from national contributions instead of genuine own resources, has only reinforced the logic of “fair return” that has prevailed in every debate in the Council, both on the revenue and the expenditure side of the Union budget and has led to the introduction of complex and opaque rebates and other correction mechanisms, and it contributes to the recurrent problem of shortage of payments in the annual budgetary procedure.

Or. en

Amendment 3

**Draft decision
Recital 8c (new)**

Council draft

Amendment

(8c) The European Parliament has strongly advocated in favour of an in-depth reform of the own resources system that should return to a system of genuine, clear, simple and fair own resources. The European Parliament considered that the Commission legislative proposals on own resources of June 2011 were taking a step in the right direction and were, as such, supported by an overwhelming majority of the European Parliament from the outset; The European Parliament regrets that the Council was unable to make any progress on the reform of the own resources system on the basis of those legislative proposals.

Or. en

Amendment 4

**Draft decision
Recital 8d (new)**

Council draft

Amendment

(8d) A High Level Group on own resources is established by common accord of the three Union institutions, as set out in the Joint Declaration on Own Resources, forming part of the political agreement on the MFF 2014-2020. This high level group shall undertake a general review of the Own Resources system guided by the overall objectives of simplicity, transparency, equity and democratic accountability. All aspects of the reform of the own resources system should be examined. A first assessment will be available at the end of 2014.

Or. en

Amendment 5

**Draft decision
Recital 8e (new)**

Council draft

Amendment

(8e) The outcome of the work of the High Level Group shall be assessed in an inter-institutional conference during 2016, in the presence of national parliaments and possibly give rise to new Own Resources initiatives by the Commission. This assessment should be done in good time to be considered during the MFF review/revision, to be launched by the Commission in 2016. The European Parliament believes that the work of this

*High Level Group should pave the way
for possible reforms be agreed and
become operational for the period covered
by the next MFF.*

Or. en

EXPLANATORY STATEMENT

Article 311 of the Treaty on the Functioning of the European Union brings two significant changes to the legal provisions related to the EU own resources. Firstly, it provides for the possibility to establish new or to abolish existing own resources. Secondly, it allows for the Council to lay down implementing measures for the Union's own resources, at the condition that this is provided for in the adopted decision laying down the provisions relating to the system of own resources. Article 311 TFEU also sets out the special legislative procedure for the adoption of the Own Resources Decision: the Council shall act unanimously and after consulting the European Parliament.

The Commission's proposal made full use of these new Treaty provisions. It proposed the abolition of the existing VAT-based resources and the creation of two genuine own resources, a new VAT and an FTT own resource, thereby reducing the share of Member States' GNI contributions to a maximum of 40% of total EU revenue. The Commission also proposed to replace all rebates and correction mechanisms by a system of lump sums to be applied for the period 2014-2020. Last but not least, the Commission's proposal reduced the collecting costs to a more realistic proportion of 10%, to be compared to 25% in the 2007-2013 MFF period.

The overwhelming majority of the European Parliament has strongly supported the Commission's proposals from the outset, as it considered that it provided a solid basis for a reform of the financing of the EU budget leading to a system of genuine, clear, simple and fair own resources.

However the Council did not consider, with the attention they deserved, the Commission's proposals. As regards especially the proposals on the two new own resources, no progress was achieved: the proposed reform of the VAT was not accepted on the grounds that it needed further work; the FTT under enhanced cooperation has not yet been adopted and there is no commitment on whether it can provide the base for a new own resource for the EU budget.

Consequently, the present draft Council decision aims at implementing the European Council conclusions of 7 and 8 February 2013 and modifies the existing ORD on the following points:

- Change of the own resources ceiling for payment appropriations to 1,23% of EU GNI (as compared to 1,24% until now), and for commitment appropriations to 1,29% of EU GNI (as compared to 1,31% until now);
- Change of the percentage of collection costs Member States retain from traditional own resources to 20% (as compared to 25% until now);
- Because the proposal to reform the VAT did not gain support in the Council, the provisions remain as they stand in the current ORD;
- The UK rebate is maintained, as well as the rebates on the rebate for Austria, Germany, the Netherlands and Sweden and the reduced VAT-rates of call for DE, NL and SE; In addition NL, SE and DK will have lump-sum rebates for the duration of the next MFF, while AT will have one only for the first three years (until 2016);
- Insertion of a provision allowing for laying down implementing measures.

The European Parliament has already expressed its disappointment that the Council has not

been able to make any progress on the reform of the own resources system on the basis of the Commission's legislative proposals and despite the continuous pressure from the side of the European Parliament.

Acknowledging the limited legislative power that is granted to the European Parliament under the consultation procedure, your rapporteurs propose a number of amendments to the Council's draft, in order to reinstate the long-standing political position of the Parliament on own resources. Most importantly, these amendments also aim at reflecting the high importance that the Parliament attaches to the establishment of the High-Level group on own resources and the future steps that need to be taken towards a successful reform of the own resources system for the period covered by the next multiannual financial framework. Your rapporteurs wish to emphasize the high expectations that the Parliament places on the High Level Group on Own Resources, which should be convened without any delay, in order to comply with the objectives and the calendar set in the joint declaration establishing the High Level Group on Own resources, annexed to the MFF (2014-2020) regulation.

ANNEX

Joint Declaration on Own Resources

1. According to Article 311 of the TFEU the Union shall provide itself with the means necessary to attain its objectives and carry through its policies; it also stipulates that , without prejudice to other revenue, the budget shall be financed wholly from own resources. Article 311 al. 3 indicates that the Council, acting in accordance with a special legislative procedure, shall unanimously and after consulting the European Parliament adopt a decision on the system of own resources and that, in that context, the Council may establish new categories of own resources or abolish an existing category.
2. On this basis, the Commission presented in June 2011 a set of proposals to reform the Own Resources system of the Union. At its meeting of 7/8 February, the European Council agreed that Own Resources arrangements should be guided by the overall objectives of simplicity, transparency and equity. In addition, the European Council called on the Council to continue working on the proposal of the Commission for a new own resource based on value added tax (VAT). It also invited the Member States participating in the enhanced cooperation in the area of financial transaction tax (FTT) to examine if it could become the base for a new own resource for the EU budget.
3. The question of own resources requires further work. To this end, a high-level Group will be convened, composed of members appointed by the three institutions. It will take into account all existing or forthcoming input which may be brought by the three European institutions and by National Parliaments. It should draw on appropriate expertise, including from national budgetary and fiscal authorities as well as independent experts.
4. The Group will undertake a general review of the Own Resources system guided by the overall objectives of simplicity, transparency, equity and democratic accountability. A first assessment will be available at the end of 2014. Progress of the work will be assessed at political level by regular meetings, at least once every six months.
5. National Parliaments will be invited to an inter-institutional conference during 2016 to assess the outcome of this work.
6. On the basis of the results of this work, the Commission will assess if new Own Resource initiatives are appropriate. This assessment will be done in parallel to the review referred to in Article 1a of the MFF Regulation with a view to possible reforms to be considered for the period covered by the next multiannual financial framework.