



Council of the
European Union

Brussels, 2 July 2019
(OR. en)

10874/19

FIN 464

COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	2 July 2019
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2019) 610 final
Subject:	Draft amending budget No 4 to the general budget for 2019: Reduction of commitment and payment appropriations in line with updated needs of expenditure and update of revenue (own resources)

Delegations will find attached document COM(2019) 610 final.

Encl.: COM(2019) 610 final



Brussels, 2.7.2019
COM(2019) 610 final

**DRAFT AMENDING BUDGET No 4
TO THE GENERAL BUDGET 2019**

**Reduction of commitment and payment appropriations in line with updated needs of
expenditure and update of revenue (own resources)**

Having regard to:

- the Treaty on the Functioning of the European Union, and in particular Article 314 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,
- Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (...) ¹, and in particular Article 44 thereof,
- the general budget of the European Union for the financial year 2019, as adopted on 12 December 2018 ²,
- draft amending budget No^o1/2019 ³, adopted on 15 April 2019,
- draft amending budget No^o2/2019 ⁴, adopted on 15 May 2019,
- draft amending budget No^o3/2019 ⁵, adopted on 22 May 2019,

The European Commission hereby presents to the European Parliament and to the Council Draft Amending Budget No 4 to the 2019 budget.

CHANGES TO THE STATEMENT OF REVENUE AND EXPENDITURE BY SECTION

The changes to the general statement of revenue and to the individual sections (I, III, V and X) are available on EUR-Lex (<http://eur-lex.europa.eu/budget/www/index-en.htm>).

¹ OJ L 193, 30.7.2018, p. 1.

² OJ L 67, 7.3.2019.

³ COM(2019) 300, 15.4.2019.

⁴ COM(2019) 320, 15.5.2019.

⁵ COM(2019) 205, 22.5.2019.

TABLE OF CONTENTS

1.	INTRODUCTION	4
2.	UPDATE OF EXPENDITURE	4
2.1.	DECREASES OF COMMITMENT AND PAYMENT APPROPRIATIONS	4
2.1.1	<i>FINANCIAL SUPERVISION AUTHORITIES (EBA, EIOPA AND ESMA)</i>	<i>4</i>
2.1.2	<i>EUROPEAN BORDER AND COAST GUARD AGENCY (FRONTEX)</i>	<i>5</i>
2.1.3	<i>RECAST DUBLIN III REGULATION</i>	<i>5</i>
2.1.4	<i>EUROPEAN PUBLIC PROSECUTOR'S OFFICE (EPPO)</i>	<i>6</i>
2.1.5	<i>EUROPEAN SOCIAL FUND – OPERATIONAL TECHNICAL ASSISTANCE</i>	<i>6</i>
2.1.6	<i>EMERGENCY SUPPORT INSTRUMENT (ESI)</i>	<i>6</i>
2.1.7	<i>UNION CIVIL PROTECTION MECHANISM (UCPM)</i>	<i>7</i>
2.1.8	<i>EUROPEAN UNION SOLIDARITY FUND (EUSF)</i>	<i>7</i>
2.1.9	<i>ADJUSTMENT OF THE MOBILISATION OF THE SPECIAL INSTRUMENTS</i>	<i>8</i>
2.2.	POSTPONEMENT OF THE UK WITHDRAWAL FROM THE EUROPEAN UNION: IMPACT ON EU INSTITUTIONS	8
2.2.1	<i>EUROPEAN PARLIAMENT (EP)</i>	<i>9</i>
2.2.1	<i>EUROPEAN COURT OF AUDITORS (ECA)</i>	<i>9</i>
2.2.3	<i>EUROPEAN EXTERNAL ACTION SERVICE (EEAS)</i>	<i>9</i>
2.2.4	<i>OVERVIEW</i>	<i>10</i>
3.	UPDATE OF REVENUE	10
3.1	OVERALL IMPACT OF DAB 4/2019 ON THE DISTRIBUTION OF TOTAL OWN RESOURCES PAYMENTS BETWEEN MEMBER STATES	10
3.2	REVISION OF THE FORECAST OF TOR, VAT AND GNI BASES	12
3.3	2018 AND 2015 UK CORRECTION	13
3.3.1	<i>INTRODUCTION</i>	<i>13</i>
3.3.2	<i>CALCULATION OF THE CORRECTIONS</i>	<i>14</i>
3.3.3	<i>ENTRY IN DAB 4/2019 OF THE 1ST UPDATE OF THE 2018 UK CORRECTION AND DEFINITIVE AMOUNT OF THE 2015 UK CORRECTION</i>	<i>15</i>
4.	SUMMARY TABLE BY MFF HEADING	17

EXPLANATORY MEMORANDUM

1. INTRODUCTION

The purpose of Draft Amending Budget (DAB) No 4 for the year 2019 is to update both the expenditure and the revenue sides of the budget to take account of the latest developments:

- on the expenditure side:
 - to release commitment and payment appropriations of budget lines for headings 1a *Competitiveness for growth and jobs*, 1b *Economic, Social and Territorial Cohesion*, 3 *Security and Citizenship*, 4 *Global Europe* as well as the European Union solidarity fund;
 - to adjust the budget 2019 of some institutions as a result of the postponement of the withdrawal of the United Kingdom from the European Union to 31 October 2019.
- on the revenue side, to revise the forecast of Traditional Own Resources (i.e. customs duties and sugar sector levies), value-added tax (VAT) and gross national income (GNI) bases, and to budget the relevant UK corrections and their financing, which all affect the distribution of own resources contributions from Member States to the EU budget.

2. UPDATE OF EXPENDITURE

2.1. Decreases of commitment and payment appropriations

2.1.1 *Financial supervision authorities (EBA, EIOPA and ESMA)*

In September 2017⁶, the Commission proposed a major revision of the mandates of the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), requiring a substantial increase in human and financial resources, in particular for ESMA. A key element of the proposal was a shift to a new funding model, whereby the current funding key between the EU budget contribution (40 %) and the contribution from the national supervisory authorities (60 %), would be replaced by a combination of fee-financing and a balancing contribution from the EU budget. In parallel⁷, the Commission also proposed a new mandate for ESMA in relation to the supervision of Central Counterparties (CCPs), requiring an increase in human resources as well as a pre-financing of these fee-financed activities, taking into account the time needed to put in place the fee system.

Political agreement on these proposals was reached in March 2019. As regards the revision of the mandates of EBA, EIOPA and ESMA, the compromise essentially entailed a more limited extension of the scope of the mandates, with a corresponding impact on the resources needs, whereas the current funding model (40 / 60 share between the EU budget and the national authorities) was retained. ESMA's mandate in relation to the CCPs will be slightly reduced as compared to the Commission proposal. For both proposals, the budgetary impact will occur with a delay of one year. The Statement of Estimates for year 2020⁸ already reflects the budgetary consequences for 2020. It is proposed to update in this DAB the 2019 budget both for the human and financial resources.

The proposed reduction in the EU contribution to EBA, EIOPA and ESMA is shown in the table below.

⁶ COM(2017) 536, 20.9.2017.

⁷ COM(2017) 331, 13.6.2017.

⁸ SEC(2019) 250, 5.6.2019.

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
12 02 04	European Banking Authority (EBA)	-2 490 000	-2 490 000
12 02 05	European Insurance and Occupational Pensions Authority (EIOPA)	-2 360 000	-2 360 000
12 02 06	European Securities and Markets Authority (ESMA)	-13 670 000	-13 670 000
Total		-18 520 000	-18 520 000

The updated establishment plans of EBA (-10 posts), EIOPA (-9 posts) and ESMA (-27 posts) are set out in the budgetary annex.

2.1.2 European Border and Coast Guard Agency (Frontex)

In September 2018⁹, the Commission proposed to extend the mandate of the European Border and Coast Guard Agency (Frontex) to create a standing corps of 10 000 border guards by 2020. Awaiting the adoption of the legislative proposal, an amount of EUR 19,3 million was put in reserve in the 2019 budget to cover the costs of the planned recruitment of the first wave of border guards (375 posts and 375 contract agents) in the final quarter of 2019.

Political agreement was reached in March 2019 on the gradual creation of a standing corps of 10 000 border guards by 2027. Taking into account the expected entry into force of the Regulation around 1 November 2019, as the formal starting point for the actual recruitment of the standing corps of border guards, the Commission considers it prudent to keep an amount of EUR 7,2 million in the reserve to cover the salary expenditure for the first recruitments of the border guards in 2019. Consequently, the remaining amount in the reserve can be cancelled in this DAB. .

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
40 02 41	Differentiated appropriations (<i>Reserve for budget article 18 02 03 – European Border and Coast Guard Agency (FRONTEx)</i>)	-12 121 000	-12 121 000
Total		-12 121 000	-12 121 000

2.1.3 Recast Dublin III Regulation

The voted budget 2019 contained EUR 460 million in commitment appropriations as a reserve related to the Commission proposal to recast the Dublin III Regulation, pending the adoption of the legal basis. In case the legal act is not adopted by 1 February 2019, the Commission may present one or more proposals for transfers in accordance with Article 31 of the Financial Regulation.

The first tranche of EUR 370 million was released in April 2019. In parallel with this draft amending budget, the Commission presents a second and final transfer request (DEC 15/2019) covering an amount of EUR 82,8 million, of which EUR 62,8 million to address additional funding needs for Greece in 2019 and EUR 20 million to prepare the next resettlement pledging exercise. Based on the Commission's assessment of the related year-end needs in this area, the remaining amount in the reserve can be cancelled in this DAB. Nonetheless, the Commission will keep the developments on the ground under close review, and it may propose further correcting measures as necessary.

⁹ COM(2018) 631, 12.9.2018.

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
40 02 41	Differentiated appropriations (<i>Reserve for budget article 18 03 01 01 – Strengthening and developing the common European asylum system and enhancing solidarity and responsibility-sharing between the Member States</i>)	-7 200 000	-7 200 000
Total		-7 200 000	-7 200 000

2.1.4. European Public Prosecutor's Office (EPPO)

In October 2017, agreement was reached on the creation of the European Public Prosecutor's Office (EPPO)¹⁰. While the administrative set-up of the Office is well on its way, the appointment of the Chief Prosecutor of the EPPO has taken more time, and is currently expected to take place in the second half of 2019. This has a knock-on effect on certain other recruitments and some of the expenditure originally planned for 2019 will occur in 2020. As a consequence, the appropriation included in the 2019 budget can be reduced by EUR 1 million in 2019. The Statement of Estimates for year 2020 already reflects the budgetary consequences for 2020¹¹.

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
33 03 05	European Public Prosecutor's Office (EPPO)	-1 000 000	-1 000 000
Total		-1 000 000	-1 000 000

2.1.5. European Social Fund – Operational technical Assistance

Taking into account the latest assessment of actual needs in terms of commitment appropriations on budget item 04 02 63 01, EUR 8,3 million can be cancelled without jeopardising the smooth implementation of technical assistance activities under the European Social Fund.

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
04 02 63 01	European Social Fund – Operational technical assistance	-8 300 000	-
Total		-8 300 000	-

2.1.6. Emergency Support Instrument (ESI)

The Emergency Support Instrument provides needs-based emergency support aimed at preserving life, preventing and alleviating human suffering, and maintaining human dignity, complementing the response of the affected Member States. The first intervention under the ESI started in 2016 and it is currently being phased out.

The current allocation for the support expenditure of ESI is EUR 250 000. In line with the revised forecast of required appropriations, EUR 120 000 may be cancelled.

¹⁰ Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO'), OJ L 283, 31.10.2017.

¹¹ SEC(2019) 250, 5.6.2019.

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
18 01 04 05	Support expenditure for emergency support within the Union	-120 000	-120 000
Total		-120 000	-120 000

2.1.7. Union Civil Protection Mechanism (UCPM)

The Union Civil Protection Mechanism aims at strengthening cooperation between participating states in the field of civil protection, with a view to improving prevention, preparedness and response to disasters.

Decision 2019/420 of the European Parliament and of the Council of 13 March 2019¹² has increased the 2014-2020 financial envelope for the Union Civil Protection Mechanism to EUR 574 million. Following the political agreement between the Council and the European Parliament and taking into account the later than foreseen adoption of the aforementioned amending decision, the 2019 allocations for the Union Civil Protection Mechanism should be reduced accordingly. The amounts in reserve exceeding the agreed allocations for 2019 may be cancelled.

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
40 02 41	Differentiated appropriations (<i>Reserve for budget item 23 03 01 01 – Disaster prevention and preparedness within the Union</i>)	-35 000 000	-26 390 000
40 02 41	Differentiated appropriations (<i>Reserve for budget item 23 03 02 01 – Rapid and efficient emergency response interventions in the event of major disasters within the Union</i>)	-	-170 514
40 02 41	Differentiated appropriations (<i>Reserve for budget item 23 03 02 02 – Rapid and efficient emergency response interventions in the event of major disasters in third countries</i>)	-	-2 000 000
Total		-35 000 000	-28 560 514

2.1.8. European Union Solidarity Fund (EUSF)

According to Article 4a (4) of Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund (EUSF), the total amount for advance payments for each year is limited to EUR 50 million both in commitment and payment appropriations.

According to Article 12.4(a) of the Financial Regulation, a new provision in force since 1 August 2018, there is an automatic carry-over of unused commitment appropriations for the EUSF. At the end of 2018, EUR 29,7 million of commitment appropriations for the EUSF were available and automatically carried over to 2019. EUR 50 million was mobilised together with the budget 2019¹³.

As a result, there are currently EUR 79,7 million of commitment appropriations and EUR 50 million of payment appropriations available in 2019 for the advance payments of the EUSF. It is therefore proposed to reduce the commitment appropriations included in the budget 2019 by EUR 29,7 million in order to bring down the level of commitment appropriations to the EUR 50 million foreseen in the basic act and to the level of payment appropriations.

¹² Decision (EU) 2019/420 of the European Parliament and of the Council of 13 March 2019 amending Decision No 1313/2013/EU on a Union Civil Protection Mechanism (OJ L77, 20.3.2019, p. 1). The financial envelope is set under Article 1(11).

¹³ COM(2019) 252, 5.6.2019.

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section III – Commission</i>			
13 06 01	Assistance to Member States in the event of a major natural disaster with serious repercussions on living conditions, the natural environment or the economy	-29 748 635	-
Total		-29 748 635	-

2.1.9. Adjustment of the mobilisation of the special instruments

Given the reductions in the level of commitment appropriations of headings 1a and 3 included in this DAB, it is proposed to adjust the mobilisation of the Flexibility Instrument as follows:

- For heading 1a, the mobilisation of the Flexibility Instrument is decreased by EUR 18,5 million;
- For heading 3, the mobilisation of the Flexibility Instrument is decreased by EUR 55,4 million.

The proposed mobilisation decision of the Flexibility Instrument¹⁴ repealing and replacing Decision (EU) 2019/276 of 12 December 2018¹⁵ accompanies this DAB.

Given the reductions in the level of commitment appropriations of heading 1b included in this DAB, the use of the Global Margin for Commitments is decreased by EUR 8,3 million.

2.2. Postponement of the UK withdrawal from the European Union: impact on EU institutions

During the preparation of the 2019 budget, the Institutions were invited to reflect in their respective statements of estimates the impact of the UK withdrawal from the European Union, initially foreseen for 29 March 2019, in the areas where the changes were evident (e.g. reduction of one Commissioner, one Member of the Court of Auditors, adjustment of the number of judges at the Court of Justice, a closure of the Representation and Regional Offices in the UK, etc.).

As a result, the European Parliament, the Council, the Commission, the Court of Justice, the European Court of Auditors and the European Economic and Social Committee reduced their budget request by a total amount of about EUR 11,7 million (of which EUR 10,2 million for the European Parliament). This reduction was estimated on the basis of the UK being a Member State for 3 months in 2019.

The European External Action Service increased its budget request by EUR 12,3 million to reflect the additional expenditure related to the setting-up of a UK division at Headquarters and an EU delegation in London.

Due to the postponement of the withdrawal of the UK¹⁶, the Institutions will now have to cover expenditure relating to the UK as an EU Member State for up to seven additional months.

The Council, the Commission, the Court of Justice and the European Economic and Social Committee will aim at covering the additional needs by redeployment of existing resources. For the Court of Justice in particular, this is possible due to the persistent delay in the nomination of a judge by one of the Member States, which has generated sufficient savings to cover the additional expenses to pay the UK Members until 31 October 2019.

Conversely, the European Parliament and the European Court of Auditors are requesting additional appropriations for the reasons outlined below.

¹⁴ COM(2019) 600, 2.7.2019.

¹⁵ OJ L54, 22.2.2019, p.3.

¹⁶ Conclusions of the special meeting of the European Council (Art. 50) (10 April 2019) - EUCO XT 20015/19.

2.2.1 *European Parliament (EP)*

Following the decision of the European Council on the composition of Parliament as from the 9th legislative period¹⁷, Parliament's section of the budget included appropriations for 678 Members as from 30 March, and 705 Members as from 2 July 2019. Appropriations were reduced on a number of lines related to Members, assistants and institutional representation; no budget was foreseen for an information campaign in the UK.

The postponement until 31 October 2019 not only affects the composition of the European Parliament and the cost for parliamentary assistance, but also the need to keep the UK Liaison Office, and triggered the organisation of European elections in the United Kingdom, which required a full-fledged information campaign.

The abovementioned elements, which constitute unavoidable, exceptional and unforeseen circumstances, require additional supplementary appropriations of EUR 15,1 million.

2.2.1 *European Court of Auditors (ECA)*

The decision on the postponement of the UK withdrawal by up to seven months has an impact on remuneration and other expenditure for a College of 28, as opposed to 27 Members at the Court of Auditors.

In view of the tight budget requested for 2019, the Court will not be in a position to find the additional resources by redeployment but requests an additional allocation of EUR 107 000 to cover salaries and other allowances as well as mission and representation expenses. This amount is net of the redeployment of the unused amount of transitional allowances, which will be transferred to the salary line for the UK Member.

2.2.3 *European External Action Service (EEAS)*

The EEAS has been granted additional appropriations in its 2019 budget as a direct consequence of the UK withdrawal in order to:

- open and run a Delegation in London,
- maintain the EU's current point of presence in Northern Ireland,
- create a dedicated Division in Headquarters to manage the relations with the UK as a third country, and
- cover the additional rotation costs arising from the need to recall staff with UK nationality from the Delegation network before the scheduled expiry of their postings.

These amounts were estimated on the assumption that the UK would leave the European Union on 29 March 2019. As the Article 50 period has been extended, the EEAS has currently accumulated surpluses in its 2019 budget.

Given the current considerable uncertainty related to the Article 50 process, the EEAS will need to maintain the amounts for one-off Delegation opening costs and the aforementioned additional rotations in its 2019 budget. It will also require a sufficient buffer, should both parties ratify the withdrawal agreement before 31 October 2019.

The EEAS will therefore reduce its 2019 budget by the running costs foreseen from the beginning of the year until 1 August for its Headquarter's Division and its presence points in the UK (EUR 3 276 000).

¹⁷ Decision (EU) 2018/937 of 28 June 2018.

As the situation later in the year may be very different from the current scenario, the EEAS intends to revert to the Budget Authority later this year and propose further adjustments to its 2019 budget, as appropriate in respect of the situation at that time.

2.2.4 Overview

(in EUR)

Budget line	Name	Commitment appropriations	Payment appropriations
<i>Section I – European Parliament</i>			
1 0 0 0	Salaries	2 420 000	2 420 000
1 0 0 4	Ordinary travel expenses	2 100 000	2 100 000
1 0 0 6	General expenditure allowance	1 200 000	1 200 000
1 0 2 0	Transitional allowances	-1 800 000	-1 800 000
3 2 2	Documentation expenditure	80 000	80 000
3 2 4 2	Expenditure on publication, information and participation in public events	3 000 000	3 000 000
3 2 4 4	Organisation and reception of groups of visitors, Euroscola programme and invitations to opinion multipliers from third countries	300 000	300 000
3 2 5	Expenditure relating to liaison Offices	320 000	320 000
4 2 2	Expenditure relating to parliamentary assistance	7 490 000	7 490 000
Sub-total Section I		15 110 000	15 110 000
<i>Section V – European Court of Auditors</i>			
1 0 0 0	Remuneration, allowances and pensions	96 000	96 000
1 0 4	Missions	6 000	6 000
2 5 2	Representation expenses	5 000	5 000
Sub-total Section V		107 000	107 000
<i>Section X – European External Action Service</i>			
1 1 0 0	Basic salaries	-564 000	-564 000
1 1 0 2	Entitlements under the Staff Regulations related to the personal circumstances of the staff member	-143 000	-143 000
1 1 0 3	Social security cover	-22 000	-22 000
1 4 0	Missions	-27 000	-27 000
3 0 0 0	Remuneration and entitlements of statutory staff	-747 000	-747 000
3 0 0 1	External staff and outside services	-568 000	-568 000
3 0 0 2	Other expenditure related to staff	-97 000	-97 000
3 0 0 3	Buildings and associated costs	-1 070 000	-1 070 000
3 0 0 4	Other administrative expenditure	-38 000	-38 000
Sub-total Section X		-3 276 000	-3 276 000
Total		11 941 000	11 941 000

3. UPDATE OF REVENUE

3.1 Overall impact of DAB 4/2019 on the distribution of total own resources payments between Member States

Following the 175th meeting of the Advisory Committee on Own Resources (ACOR) of 24 May 2019, two adjustments of the revenue side of the budget are required: first an update of the estimates for Traditional Own Resources (TOR) as well as for the own resources based on the Value Added Tax (VAT) and Gross National Income (GNI) to take account of more recent economic forecasts, and second an update of the UK correction. These two adjustments are presented in sections 3.2 and 3.3 below.

The overall impact of both the expenditure and the revenue adjustments of this DAB is shown in the summary table below. This table also shows the distribution of total own resources payments between

Member States: as budgeted in the 2019 budget, as amended in Draft Amending budget No 3 (DAB 3/2019)¹⁸, and finally in the present DAB.

Distribution of total own resources payments by Member States (in million EUR)

	Budget 2019	DAB 3/2019	DAB 4/2019
	(1)	(2)	(3)
BE	6 151,1	6 108,2	6 096,5
BG	565,3	560,2	605,0
CZ	2 012,3	1 993,3	2 028,3
DK	2 811,0	2 782,1	2 801,5
DE	30 494,7	30 164,5	29 792,7
EE	253,3	250,9	263,1
IE	2 478,4	2 453,9	2 485,6
EL	1 746,1	1 728,6	1 759,2
ES	12 172,1	12 056,6	12 161,9
FR	22 592,6	22 364,4	22 592,4
HR	496,6	491,8	494,6
IT	17 008,2	16 840,7	16 772,0
CY	202,2	200,3	206,7
LV	288,5	285,7	301,3
LT	459,3	455,2	481,5
LU	376,9	373,1	382,6
HU	1 285,1	1 272,7	1 349,3
MT	116,7	115,6	119,3
NL	7 707,0	7 633,3	7 668,9
AT	3 437,6	3 400,7	3 398,3
PL	4 934,2	4 888,0	5 072,7
PT	1 914,7	1 896,0	1 932,0
RO	1 916,6	1 897,1	1 948,8
SI	480,2	475,8	488,1
SK	868,0	859,3	873,2
FI	2 186,3	2 163,9	2 166,7
SE	3 859,3	3 815,1	3 883,5
UK	17 490,2	17 268,1	16 614,1
EU	146 304,5	144 795,1	144 739,5

¹⁸ COM(2019) 205, 22.5.2019.

3.2 Revision of the forecast of TOR, VAT and GNI bases

According to established practice, the Commission proposes to revise the financing of the budget on the basis of more recent economic forecasts¹⁹, agreed with the Member States at the ACOR meeting.

The revision concerns the forecast of TOR to be paid to the budget in 2019 as well as the forecast of the 2019 VAT and GNI bases. The forecast in the 2019 Budget was established at the 172th ACOR meeting on 18 May 2018. The revision in the present DAB takes into account the agreed forecasts of the 175th ACOR meeting held on 24 May 2019. The use of an updated forecast of own resources improves the accuracy of the revenue forecasts and hence of the payments that Member States are asked to make to the EU budget during the budgetary year.

As compared to the forecast agreed in May 2018, the forecast for 2019 has been revised as follows:

- Total 2019 net customs duties are now forecast at EUR 21 206,0 million (after deduction of 20 % collection costs), which represents a decrease of 1,23 % relative to the forecast of EUR 21 471,2 million included in the Budget 2019. The Commission compared the results of the traditional ACOR forecasting method (based on the Spring 2019 macroeconomic forecast) with the results of the extrapolation method based on the latest outturn data for collected customs duties (January – April 2019). As in previous years, it was agreed to apply a conservative approach and to use the lowest TOR forecast in order to ensure sound budget management in a context of high economic uncertainties and potential disruptions in trade patterns.
- The total 2019 EU uncapped VAT base is now forecast at EUR 7 085 193,6 million, which represents an increase of 2,30 % compared to the May 2018 forecast of EUR 6 925 637,5 million. The total 2019 EU *capped* VAT base²⁰ is forecast at EUR 7 057 535,1 million, which represents an increase of 2,20 % compared to the May 2018 forecast of EUR 6 905 892,6 million.
- The total 2019 EU GNI base is forecast at EUR 16 347 197,8 million, which is a decrease (-0,60 %) compared to the May 2018 forecast of EUR 16 446 111,0 million.

The exchange rates of 31 December 2018 have been used for converting the forecast VAT and GNI bases in national currency into euro (for the nine Member States that are not members of the euro area). This avoids distortions since it is this rate that is used to convert budgeted own resources payments from euro into national currency when the amounts are called in (as stipulated in Article 10a(1) of Council Regulation No 609/2014).

The revised forecasts of TOR, uncapped VAT bases and GNI bases for 2019, as adopted at the 175th ACOR meeting on 24 May 2019 are set out in the following table:

Revised forecasts of TOR, VAT and GNI bases for 2019 (in million EUR)

	Customs duties (80%)	Uncapped VAT bases	GNI bases	Capped VAT bases ²¹
BE	2 173,3	200 164,5	469 186,6	200 164,5
BG	104,7	27 671,8	58 500,4	27 671,8
CZ	293,2	90 821,9	205 917,4	90 821,9
DK	357,7	119 452,0	313 973,3	119 452,0
DE	4 133,0	1 453 699,2	3 551 074,7	1 453 699,2
EE	34,9	13 074,3	26 649,8	13 074,3

¹⁹ European Commission, Spring 2019 Economic Forecasts, https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2019-economic-forecast_en

²⁰ In accordance with Council Decision 2014/335, if the VAT base of a Member State exceeds 50 % of its GNI, then it is capped at this 50 %. For DAB 4/2019, five Member States will have their VAT base capped at 50 % of GNI: Croatia, Cyprus, Luxembourg, Malta and Portugal.

²¹ The amounts highlighted in grey result from the capped VAT bases, as explained in the previous footnote.

	Customs duties (80%)	Uncapped VAT bases	GNI bases	Capped VAT bases²¹
IE	308,7	91 474,4	265 877,4	91 474,4
EL	185,6	75 007,5	190 421,6	75 007,5
ES	1 573,9	572 646,4	1 252 795,0	572 646,4
FR	1 746,2	1 112 113,9	2 472 604,4	1 112 113,9
HR	39,0	33 740,9	52 961,9	26 481,0
IT	1 901,2	718 519,6	1 793 427,3	718 519,6
CY	25,3	14 284,0	21 070,6	10 535,3
LV	44,8	12 079,5	31 194,7	12 079,5
LT	99,5	19 008,6	45 938,8	19 008,6
LU	17,6	30 710,0	42 445,3	21 222,7
HU	210,4	57 991,8	135 913,0	57 991,8
MT	13,8	8 893,3	12 257,9	6 129,0
NL	2 607,3	331 589,2	806 725,1	331 589,2
AT	217,5	180 376,1	399 095,3	180 376,1
PL	781,4	248 536,4	502 207,3	248 536,4
PT	188,2	105 998,5	203 200,7	101 600,4
RO	194,6	76 044,3	215 341,6	76 044,3
SI	81,0	22 413,4	47 995,2	22 413,4
SK	100,5	34 473,4	94 317,1	34 473,4
FI	150,6	102 046,6	240 879,6	102 046,6
SE	520,7	211 575,9	491 990,2	211 575,9
UK	3 101,4	1 120 786,2	2 403 235,6	1 120 786,2
EU-28	21 206,0	7 085 193,6	16 347 197,8	7 057 535,1

3.3 2018 and 2015 UK correction

3.3.1 Introduction

The correction of budgetary imbalances in favour of the United Kingdom (UK correction), to be budgeted in the present DAB, concerns two years: 2015 and 2018.

The 2015 and 2018 UK correction is subject to the rules of Council Decision 2014/335/EU, Euratom on the system of own resources of the European Union²² and its accompanying working document, the *2014 Calculation Method*²³. Pursuant to the rules of this Decision, the net TOR “windfall gains” of the UK resulting from the increase since 2001 in the percentage of TOR retained by Member States as a compensation for their collection costs are neutralised and the allocated expenditure is adjusted by the total allocated expenditure in Member States that have acceded to the EU after 30 April 2004, except for agricultural direct payments and market-related expenditure as well as the part of the rural development expenditure originating from the EAGGF, Guarantee section.

Furthermore, the share of Austria, Germany, the Netherlands and Sweden in the financing of the UK correction is reduced to one fourth of their normal share. The reduction is financed by the other Member States, excluding the UK.

In the present DAB, the calculation and financing of the *1st update of the 2018 UK correction* and the *definitive amount of the 2015 UK correction* are entered.

²² OJ L 168, 7.6.2014, p. 105-111.

²³ Commission working document of 14 May 2014 “Calculation, financing, payment and entry in the budget of the correction of budgetary imbalances in favour of the United Kingdom (‘the correction’) in accordance with Articles 4 and 5 of Council Decision 2014/335/EC, Euratom on the system of own resources of the European Union”.

The difference between the *definitive amount of the 2015 UK correction* and the amount previously budgeted (the *1st update* entered in AB 5/2016) is entered in chapter 35 (Result of the definitive calculation of the financing of the correction of budgetary imbalances for the United Kingdom) of the present DAB.

The *1st update amount of the 2018 UK correction* is entered in chapter 15 (Correction of budgetary imbalances) of the present DAB, replacing the previously budgeted *provisional amount*.

3.3.2 Calculation of the corrections

The update of the corrections for 2015 and 2018 stems mainly from the update of the VAT and GNI bases as communicated by Member States in autumn 2018. In addition the update of the correction for 2018 also takes into account the allocated expenditure of 2018.

3.3.2.1 2018 UK correction

The following table summarises the changes between the *provisional amount* of the 2018 UK correction entered in the Budget 2019 and the *1st update* of the 2018 UK correction to be entered in the present DAB.

2018 UK correction	2018 UK correction PROVISIONAL Budget 2019	2018 UK correction 1st UPDATE DAB 4/2019	Difference
	(1)	(2)	(2)-(1)
(1) UK share of uncapped VAT base	16,1945%	15,9617%	-0,2329%
(2) UK share of enlargement-adjusted total allocated expenditure	7,3577%	6,7300%	-0,6277%
(3) = (1) - (2)	8,8368%	9,2317%	+0,3948%
(4) Total allocated expenditure	129 599 039 596	129 786 633 964	+ 2 187 594 368
(5) Enlargement-related expenditure = (5a) + (5b)	27 076 886 462	31 101 300 166	+ 4 024 413 704
(5a) Pre-accession expenditure	0	0	0
(5b) Expenditure related to Art 4(1)(g)	27 076 886 462	31 101 300 166	+ 4 024 413 704
(6) Enlargement-adjusted total allocated expenditure = (4) - (5)	100 522 153 134	98 685 333 798	- 1 836 819 336
(7) UK correction original amount = (3) x (6) x 0.66	5 862 761 188	6 012 789 482	+ 150 028 294
(8) UK advantage	854 326 562	616 616 471	- 237 710 091
(9) Core UK correction = (7) - (8)	5 008 434 626	5 396 173 012	+ 387 738 385
(10) TOR windfall gains	- 15 094 049	- 35 957 064	- 20 863 015
(11) UK correction = (9) - (10)	5 023 528 676	5 432 130 075	+ 408 601 399

The *1st update* of the 2018 UK correction is around EUR 409 million higher as compared to the *provisional amount* of the 2018 UK correction entered in the Budget 2019.

3.3.2.2 2015 UK correction

The following table summarises the changes between the *1st update* of the 2015 UK correction entered in the Amending Budget 5/2016 and the *definitive amount* of the 2015 UK correction to be entered in the present DAB.

2015 UK correction	2015 UK correction 1 st UPDATE AB 5/2016	2015 UK correction DEFINITIVE DAB 4/2019	Difference
	(1)	(2)	(2)-(1)
(1) UK share of uncapped VAT base	19,2145%	19,1419%	- 0,0726%
(2) UK share of enlargement-adjusted total allocated expenditure	7,5910%	7,5894%	- 0,0016%
(3) = (1) - (2)	11,6235%	11,5525%	- 0,0710%
(4) Total allocated expenditure	129 194 773 448	129 135 893 336	- 58 880 112
(5) Enlargement-related expenditure	31 733 179 803	31 639 878 296	- 93 301 507

2015 UK correction	2015 UK correction 1st UPDATE AB 5/2016	2015 UK correction DEFINITIVE DAB 4/2019	<i>Difference</i>
= (5a) + (5b)			
(5a) Pre-accession expenditure	0	0	0
(5b) Expenditure related to Art 4(1)(g)	31 733 179 803	31 639 878 296	- 93 301 507
(6) Enlargement-adjusted total allocated expenditure = (4) - (5)	97 461 593 645	97 496 015 040	+ 34 421 395
(7) UK correction original amount = (3) x (6) x 0.66	7 476 753 663	7 433 724 758	- 43 028 905
(8) UK advantage	1 496 521 393	1 381 345 015	- 115 176 378
(9) Core UK correction = (7) - (8)	5 980 232 270	6 052 379 743	+ 72 147 473
(10) TOR windfall gains	-76 109 576	-74 320 246	+ 1 789 330
(11) UK correction = (9) - (10)	6 056 341 847	6 126 699 989	+70 358 142

The *definitive amount* of the 2015 UK correction is around EUR 70 million higher than the *1st update* of the 2015 UK correction entered in the AB 5/2016 mainly due to the updates of the VAT and GNI bases as communicated by Member States in autumn 2018.

3.3.3 *Entry in DAB 4/2019 of the 1st update of the 2018 UK correction and definitive amount of the 2015 UK correction*

3.3.3.1 2015 UK correction (chapter 35)

The amount of the UK correction to be budgeted in chapter 35 of the present DAB is the difference between the *definitive amount* of the 2015 UK correction (i.e. EUR 6 126 699 989) and the *1st update* of the 2015 UK correction (i.e. EUR 6 056 341 847 entered in the AB 5/2016) amounting to EUR 70 358 142.

This amount is to be financed along the revised 2015 GNI bases as known at the end of 2018. The budgeting of this amount in chapter 35 is summarised below:

2015 UK correction — Chapter 35			
BE	1 267 154	LU	866 089
BG	3 148 896	HU	2 764 651
CZ	4 903 895	MT	310 080
DK	6 556 672	NL	-260 138
DE	4 385 985	AT	1 362 429
EE	303 635	PL	-9 542 201
IE	20 284 145	PT	476 355
EL	504 408	RO	1 609 226
ES	1 272 857	SI	123 083
FR	5 838 257	SK	1 555 233
HR	1 207 446	FI	4 733 265
IT	19 287 491	SE	-2 400 255
CY	627 536		
LV	-619 579	UK	- 70 358 142
LT	-208 473	Total	0

3.3.3.2 2018 UK correction (chapter 15)

The *1st update* of the 2018 UK correction corresponds to EUR 5 432 130 075 and is EUR 408 601 399 higher than the amount entered in the Budget 2019 (EUR 5 023 528 676).

This amount is to be financed along the revised 2019 GNI bases of the present DAB. The budgeting of this amount in chapter 15 is summarised below:

2018 UK correction – chapter 15			
BE	265 533 515	LU	24 021 679
BG	33 107 972	HU	76 919 197
CZ	116 537 793	MT	6 937 290
DK	177 691 422	NL	78 568 695
DE	345 846 816	AT	38 868 751
EE	15 082 304	PL	284 221 395
IE	150 471 818	PT	115 000 292
EL	107 768 033	RO	121 871 366
ES	709 012 279	SI	27 162 613
FR	1 399 356 542	SK	53 378 232
HR	29 973 489	FI	136 324 454
IT	1 014 980 086	SE	47 915 985
CY	11 924 787	UK	- 5 432 130 075
LV	17 654 465		
LT	25 998 805	Total	0

4. SUMMARY TABLE BY MFF HEADING

In EUR

Heading	Budget 2019 (incl. DAB 1-3/2019)		Draft Amending Budget 4/2019		Budget 2019 (incl. DAB 1-4/2019)	
	CA	PA	CA	PA	CA	PA
1. Smart and inclusive growth	80 627 449 848	67 556 947 173	- 26 820 000	- 18 520 000	80 600 629 848	67 538 427 173
<i>Of which under Flexibility Instrument</i>	178 715 475		- 18 520 000		160 195 475	
<i>Of which under global margin for commitments</i>	524 734 373		- 8 300 000		516 434 373	
<i>Ceiling</i>	79 924 000 000				79 924 000 000	
<i>Margin</i>						
1a Competitiveness for growth and jobs	23 435 449 848	20 521 537 455	- 18 520 000	- 18 520 000	23 416 929 848	20 503 017 455
<i>Of which under Flexibility Instrument</i>	178 715 475		- 18 520 000		160 195 475	
<i>Of which under global margin for commitments</i>	174 734 373				174 734 373	
<i>Ceiling</i>	23 082 000 000				23 082 000 000	
<i>Margin</i>						
1b Economic social and territorial cohesion	57 192 000 000	47 035 409 718	- 8 300 000		57 183 700 000	47 035 409 718
<i>Of which under global margin for commitments</i>	350 000 000		- 8 300 000		341 700 000	
<i>Ceiling</i>	56 842 000 000				56 842 000 000	
<i>Margin</i>						
2. Sustainable growth: natural resources	59 642 077 986	57 399 857 331			59 642 077 986	57 399 857 331
<i>Ceiling</i>	60 344 000 000				60 344 000 000	
<i>Margin</i>	701 922 014				701 922 014	
Of which: European Agricultural Guarantee Fund (EAGF) — Market related expenditure and direct payments	43 191 947 000	43 116 399 417			43 191 947 000	43 116 399 417
<i>Sub-ceiling</i>	43 881 000 000				43 881 000 000	
<i>Rounding difference excluded from margin calculation</i>	659 000				659 000	
<i>EAGF Margin</i>	688 394 000				688 394 000	
3. Security and citizenship	3 786 629 138	3 527 434 894	- 55 441 000	- 47 001 514	3 731 188 138	3 480 433 380
<i>Of which under Flexibility Instrument</i>	985 629 138		- 55 441 000		930 188 138	
<i>Ceiling</i>	2 801 000 000				2 801 000 000	
<i>Margin</i>						
4. Global Europe	11 319 265 627	9 358 295 603		- 2 000 000	11 319 265 627	9 356 295 603
<i>Of which under global margin for commitments</i>	1 051 265 627				1 051 265 627	
<i>Ceiling</i>	10 268 000 000				10 268 000 000	
<i>Margin</i>						
5. Administration	9 942 974 723	9 944 904 743	11 941 000	11 941 000	9 954 915 723	9 956 845 743
<i>Ceiling</i>	10 786 000 000				10 786 000 000	
<i>Of which offset against Contingency margin</i>	- 253 882 156				- 253 882 156	
<i>Margin</i>	589 143 121				577 202 121	
Of which: Administrative expenditure of the institutions	7 747 285 803	7 749 215 823			7 747 285 803	7 749 215 823
<i>Sub-ceiling</i>	8 700 000 000				8 700 000 000	
<i>Of which offset against Contingency margin</i>	- 253 882 156				- 253 882 156	
<i>Margin</i>	698 832 041				698 832 041	
Total	165 318 397 322	147 787 439 744	- 70 320 000	- 55 580 514	165 248 077 322	147 731 859 230
<i>Of which under Flexibility Instrument</i>	1 164 344 613	961 862 659	- 73 961 000	- 37 271 858	1 090 383 613	924 590 801
<i>Of which under global margin for commitments</i>	1 576 000 000		- 8 300 000		1 567 700 000	
<i>Ceiling</i>	164 123 000 000	166 709 000 000			164 123 000 000	166 709 000 000
<i>Of which offset against Contingency margin</i>	- 253 882 156				- 253 882 156	
<i>Margin</i>	1 291 065 135	19 883 422 915			1 279 124 135	19 901 731 571
Other special Instruments	870 799 794	705 051 794	- 29 748 635		841 051 159	705 051 794
Grand Total	166 189 197 116	148 492 491 538	- 100 068 635	- 55 580 514	166 089 128 481	148 436 911 024