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from:	Presidency
to:	Permanent Representatives Committee
Subject:	Multiannual Financial Framework (2014-2020) - Questionnaire on the system of own resources of the European Union

Delegations will find below the questionnaire on the system of own resources of the European Union, elaborated by the Presidency in view of the Coreper meeting on 23 November 2011. The discussions in Coreper will feed into the report which will be presented at the December General Affairs Council.

1. The Commission considers that the EU own resources system has reached its limits and needs reform. The current financing system performs poorly with regard to most assessment criteria: it is opaque and complex and thus limits democratic oversight and many Member States perceive the system to be unfair despite the existence of numerous correction mechanisms. The Commission therefore proposed a new paradigm to allow the EU financing system to play a substantial role in the Union-wide budgetary consolidation efforts and to mirror the progressive shift towards policies closer to citizens and delivering public goods as well as a higher EU added value. The proposed reform of the own resources system is based on the simplification of Member States' contributions, on the introduction of new own resources and on the reform of correction mechanisms.

Do delegations agree on the need to reform the own resources system? Do they share the general principles underlying the Commission proposals?

2. The Commission proposed simplifying Member States' contributions by eliminating the current VAT-based own resource. It explained that the existing VAT-based own resource is complex, requires much administrative work to arrive at a harmonized base, and offers little or no added value compared to the GNI-based own resource. Its removal should therefore considerably simplify the national contributions and reduce the administrative burden for both the Commission and Member States. Considering the administrative complexities related to this own resource and the low call rates currently in place, phasing it out step-by-step would be less efficient than a fully-fledged elimination on a given date. It is therefore proposed to abolish this resource on 31 December 2013.

Do delegation agree on the proposed elimination of the current VAT-based own resources on 31 December 2013?

3. In parallel with the elimination of the current VAT-based own resource, the Commission proposed the introduction of two new own resources more directly supportive of EU policies: a financial transaction tax and a new VAT resource, both of which would enter into force on 1 January 2014. The Commission presented the relevant detailed regulations or amendments to existing legal acts as well as the related implementing regulations pursuant to Article 322(2) TFEU on 9 November 2011. The Commission stressed that proposing new own resources does not mean increasing the size of the EU budget. As a matter of fact, the progressive introduction of new resources opens the door for other resources to be reduced, phased-out or dropped.

Do delegations agree with the principle of introducing new own resources? Do they consider that the new own resources identified by the Commission rightly address the weaknesses of the current system (i.e. complexity, limited autonomy, etc.)?

4. The 1984 Fontainebleau European Council set out the guiding principles to ensure fairness in the EU budget. It indicated in particular that "*expenditure policy is ultimately the essential means of resolving the question of budgetary imbalances*" and that "*any member State sustaining a budgetary burden which is excessive in relation to its relative prosperity may benefit from a correction at the appropriate time*". These principles have been confirmed and consistently applied in successive own resources Decisions. Continuing to base itself on these principles, the Commission proposed to reform the system of corrections taking into account the relative prosperity of Member States and the need for the new correction system to be transparent and simple, genuinely open to public and parliamentary scrutiny, predictable and efficient, as well as ensuring an equal treatment of Member States. The Commission therefore proposed a new system of lump sums to replace all pre-existing correction mechanisms as of 1 January 2014. In addition, the Commission proposed to come back to the system in place until 2000 by setting the level of collection costs for traditional own resources at 10% instead of 25%.

Do delegations agree that correction mechanisms, as foreseen by the Fontainebleau principles, are still justified given the evolution of the budget and current circumstances? If so, what is the delegations'view on the proposed reform of the correction mechanisms?