

EUROPEAN PARLIAMENT

Working Documents

1980 - 1981

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19 November 1980

DOCUMENT 1-600/80

REPORT

drawn up on behalf of the Committee on Budgets

on the/draft amending and supplementary budget  
No.1 of the European Communities for the financial  
year 1980 established by the Council on 6 November  
1980 (doc. 1-569/80)

Rapporteur: Mr H. NOTENBOOM

Acting chairman of the Committee on Budgets

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On 29 October 1980 the Commission of the European Communities forwarded to Parliament the preliminary draft amending and supplementary budget No.1 for 1980.

On 6 November 1980 the Council established the draft budget and forwarded it to the Parliament where it arrived on 11 November 1980.

On 17 November 1980 the Committee on Budgets confirmed the appointment of Mr Dankert, rapporteur for the Commission's budget for 1980, as rapporteur and discussed the amending and supplementary budget.

On 18 November 1980 the Committee on Budgets was sent letter of amendment No.2 to the draft-general budget of the Communities for 1981 which was directly related to the amending and supplementary budget No.1 for 1980.

At the meeting of 18 November 1980 the rapporteur relinquished his appointment, which was taken over by the acting chairman Mr Notenboom.

At the same meeting the motion for a resolution was voted and approved by 18 votes to 10 with 2 abstentions.

Present: Mr Notenboom, vice-chairman, acting chairman and rapporteur; Mr Spinelli, vice-chairman; Mr Adonnino, Mr Arndt, Mr Baillet, Mr Balfe, Mr Barbi, Mr Bonde, Mrs Boserup, Mr Dankert, Mr Fich, Mr Forth, Mr Gouthier, Mrs Hoff, Mr Hoffmann (deputizing for Mr Ryan), Mr Howell, Mr R. Jackson, Mr Langes, Mrs Lentz-Cornette, (deputizing for Mr Lega), Mr Megahy (deputizing for Mr O'Leary), Mr Motchane, Mr Newton-Dunn, Mr Orlandi, Mr Pfennig, Mrs Rabbethge (deputizing for Mr Aigner), Mr Rieger (deputizing for Mr Jalton), Mr K. Schon, Mr J.M. Taylor, Mr Tuckman and Mr Woltjer (deputizing for Mr Lange).

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A

The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the draft amending and supplementary budget no. 1 of the European Communities for the financial year 1980

The European Parliament,

- having regard to the preliminary draft of the first supplementary and amending budget for 1980 (Doc. COM(80) 667),
  - having regard to the draft first supplementary and amending budget for 1980 (Doc. A- 569/80),
  - having regard to the letter of amendment No.2 to the draft general budget of the European Communities for 1981, the presentation of which is linked with the present amending and supplementary budget,
  - having regard to the report of the Committee on Budgets (Doc. A- 600/80),
- (a) whereas it is necessary to revise revenue estimates in view of the outstanding balance of VAT own resources and necessary adjustments to financial contributions relating to the 1979 budget year and in order to take account of higher levels of customs duty revenue and of lower levels of agricultural levies,
- (b) whereas the Council regulation no. 2744/80 of 27 October 1980 establishing supplementary measures in favour of the United Kingdom permits advance payments to be made enabling the implementation of the supplementary measures to be speeded up, <sup>(1)</sup>
- (c) whereas it has already expressed its determination that expenditure destined to finance the supplementary measures for the United Kingdom must be considered as non-compulsory.

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<sup>1</sup> OJ L 284, 29.10.1980, Article 5, para 2, page 5.

(d) whereas the Commission indicates that it will be introducing a proposed transfer of appropriations to finance further advances for the supplementary measures, and that this proposed transfer will concern only appropriations likely to be subject to cancellation on 31 December 1980.

1. Takes note of the adjustments to the revenue side of the budget proposed in the draft amending and supplementary budget No. 1 for 1980;
2. Points out that it would be totally unacceptable were the Advisory Committee on own resources to exceed a purely advisory role in the taking of decisions as to the advisability of introducing letters of amendment to the draft budget;
3. Reaffirms the non-compulsory nature of expenditure destined to finance the supplementary measures for the United Kingdom.

## EXPLANATORY STATEMENT

Introduction

1. On 6 November 1980 the Council submitted a supplementary and amending draft budget (no. 1) of the European Communities for the 1980 financial year.

This draft, which follows almost exactly the preliminary draft submitted by the Commission (undated),<sup>(1)</sup> has three main elements:

- (i) it seeks to correct the amounts of revenue accruing from VAT own resources and adjusts the financial contributions for the financial year 1979;
- (ii) it seeks to adjust revenue to take account of heavier customs duties and lower agricultural levies;
- (iii) it proposes increasing expenditure to take account of changes in repayments to Member States for the collection of own resources (Chapter 40) and to enter an advance for the supplementary measures to assist the United Kingdom (Chapter 58).

2. The overall effect is to increase expenditure by 145,511,517 mEUA. As a result of the buoyancy of own resources the effect of the supplementary budget on the VAT rate is to reduce it from 0.7216% to 0.6951% with effect from the beginning of the year. Thus as a result of these developments, the gap between the Community's actual expenditure and the ceiling on own resources has risen in 1980 by approximately 300 mEUA.

There follows a table showing the effects of the draft supplementary and amending budget no. 1 for 1980.

At the express request of the Committee on Budgets the Commission and Council have presented together with this supplementary and amending budget for 1980 a letter of amendment to the preliminary draft and draft budgets for 1981 in order to reduce appropriations in Chapter 58 of the 1981 budget by the amount of the appropriations taken over under the 1980 budget.

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<sup>(1)</sup> COM (80) 667

REVENUE ADJUSTMENTS

m EUA

	Revenue entered in 1980 budget	Adjustments	New amounts
Agricultural levies	1719.2	- 199.2	1520
Sugar and isoglucose levies	504.5	-	504.5
Customs duties	5667.8	+ 332.2	6000
VAT own resources	7151	- 249.8	6901.2
Balance of 1979	458.6	-	458.6
Balance of VAT and financial contributions for 1979	-	+ 262.3	262.3
Miscellaneous revenue	182	-	182
<b>TOTAL</b>	<b>15683.1</b>	<b>+ 145.5</b>	<b>15828.6</b>

EXPENDITURE ADJUSTMENTS

m EUA

	Appropriations entered in 1980 budget	Adjustments	New amounts
I. Appropriations specific to the Commission Chapter 58	token entry	+ 119.7	119.7
III. Repayments to Member States Chapter 40	789.15	+ 25.8	814.95
		+ 145.5	

1980 EXPENDITURE TOTAL

1980 general budget (initial appropriations)	15,683,097,261
Amending and supplementary budget no. 1	145,511,517
<b>NEW TOTAL</b>	<b>15,828,608,778</b>



## Principal reasons for changes to the 1980 budget

### 3 (i) Balance of VAT own resources and adjustment of financial contributions relating to the 1979 financial year

Here, following receipt of statements from all the Member States (six of whom had already switched to VAT own resources by 1979, three continuing to pay financial contributions), the Commission has worked out the outstanding balances for 1979 and is thus able to adjust the VAT rate accordingly (a reduction of approximately 0.25%) following the entering of an extra 262.2 mEUA in the draft amending budget. The Commission has simply followed the procedure laid down under Council regulation 2891/77 and 2892/77.

#### (ii) Agricultural levies

High world prices for cereals have caused there to be a decline in levy rates: the Commission considers that this trend is sufficiently firm for there to be a downward revision in the estimates for agricultural levies for 1980 of 199.2 mEUA (from 1,719 mEUA to 1,520 mEUA).

#### (iii) Customs duties

Because of a substantial increase in the value of imports from non-member countries, particularly in manufactured goods, it has been necessary to revise upwards the estimates for customs duties by 332.2 mEUA (from 5,668 mEUA to 6,000 mEUA).

#### (iv) Expenditure

The net effect of these changes in revenue is to increase appropriations available for expenditure by 133 mEUA. 13.3 mEUA has automatically been set aside to cover an increase in appropriations entered at Chapter 40 as a flat-rate repayment of the 10% collection costs of own resources.

The difference (119.7 mEUA) is entered under Chapter 58 to provide for the advances on the supplementary measures to assist the United Kingdom in application of Article 5 (2) of Council regulation no. 2744/80. <sup>(1)</sup>

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<sup>(1)</sup> OJ L 284, 29.10.1980

Comments on the contents of the draft amending and supplementary budget no. 1

4. As regards revenue a number of points need to be clarified.

(i) On the balance of VAT own resources and adjustment of financial contributions for 1979 the explanatory statement indicates that, after the Commission works out the balance, the Member States should enter the sums opened in the account in the Commission's name at their treasury on the first working day of August of the same year.

(ii) As regards these outstanding balances, why are the figures in the draft budget different from the preliminary draft as regards the adjustments to financial contributions of Germany, Ireland and Luxembourg? The draft budget figure is 1.3 mEUA less than the preliminary draft figure. This in turn affects very slightly the VAT rate. The Commission or Council should provide a full explanation as to why there has been a change.

(iii) As regards the overall VAT rate, the Commission seems to have underestimated for two years running.

(iv) As regards the agricultural levies, the Commission indicates that amounts collected in the last quarter should be higher than in the previous two quarters. In view of the fact that world agricultural prices seem to be following an upward trend, which in turn would cause levies to fall, the Commission should explain the reasons for this forecast.

Despite the clarifications that are necessary, as mentioned above, your rapporteur accepts that it is necessary to revise revenue estimates for 1980. He would point out that the resulting lower VAT rate increases the margin available to the Community to finance its policies before the ceiling on own resources is reached. This is an element of considerable political significance. This makes it all the more surprising that the Commission has not proceeded to introduce a letter of amendment relating to the 1981 draft budget, in view of Article 16 of regulation no. 2891/77.

In the explanatory statement the Commission limits itself to saying that following the meeting of the Advisory Committee on own resources of 15 October 1980 "it was decided that there was no need to change the estimates for 1981". The Commission should address itself to the question as to why no letter of amendment was introduced. Such a revision could well influence the deliberations of the budgetary authority when it examines Parliament's first reading amendments to the 1981 draft. A greater margin available to the Communities before the exhaustion of own resources could well facilitate agreement between Council and Parliament on strengthening expenditure for certain structural policies.

5. There is a further institutional point which needs to be raised: the drafting of the explanatory statement gives the impression that the Advisory Committee on own resources is participating in decision-making procedures to an extent which far exceeds a purely advisory role. It is not for the Advisory Committee on own resources to decide whether or not estimates should be changed by means of a letter of amendment.

6. As regards expenditure, your rapporteur has no specific comment to make on the proposed increase in Chapter 40 "Flat-rate repayments to the Member States of costs incurred in collecting resources".

7. On the other hand, Parliament had formulated reservations in the draft regulation for supplementary measures for the United Kingdom<sup>(1)</sup> which are still valid. In particular it will be recalled that Parliament stressed the need for much fuller information as to the destination of these funds and reiterated its view that any expenditure arising should be non-compulsory.

It must be noted that some information was provided at the Committee on Budgets' meeting on 18 November 1980.

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<sup>(1)</sup> Doc. 1-505/80

8. Your rapporteur believes that it is vital for Parliament to reaffirm those principles.

Furthermore, Parliament should confirm the non-compulsory nature of this expenditure.

9. On Chapter 58, the explanatory statement refers to a total of advances of 222.2 mEUA (200 mEUA net advance for the United Kingdom plus adjustments). This extra amount (102.5 mEUA) will have to be covered by means of a transfer. The explanatory statement indicates that the Commission will introduce the appropriate transfer before the end of this year.

10. Before agreeing to the transfer, Parliament must have explained to it how the Commission would finance this transfer. In particular it would be very difficult for Parliament to accept any reductions in payments for Regional and Social Funds in order to finance the advances for supplementary measures for the United Kingdom. Such reductions, particularly in view of Council's unwillingness to commit itself to supplementary budgets to meet necessary payments during 1981, would represent yet a further attempt at reducing the scope of these important Community policies.

### Conclusions

11. The Committee on Budgets

- (i) takes note of the adjustments to the revenue side of the budget proposed in the draft amending and supplementary budget no. 1 for 1980;
- (ii) insists on further clarification on the questions it has raised and to which an initial reply was given at its meeting of 18 November 1980.

- (iii) points out that it would be totally unacceptable were the Advisory Committee on own resources to exceed a purely advisory role in the taking of decisions as to the advisability of introducing letters of amendment to the draft budget;
- (iv) insists that the Commission now tables a letter of amendment to the draft budget to take account of the increases in own resources available for 1981;
- (v) could not accept a transfer of appropriations to finance further advances which would entail any reduction in payments for the Social or Regional Funds in 1980.

