

European Parliament press release on the EU budget (10 April 2007)

Caption: In a report adopted by the European Parliament on 29 March 2007, the MEPs propose a two-step process for reforming the way in which the European Union budget is financed.

Source: Europarl - News - Budget. EU should adopt own resources to simplify budget says report. [ON-LINE].

[Brussels]: European Parliament, [07.05.2007]. REF.: 20070323STO04518. Disponible sur

http://www.europarl.europa.eu/news/public/story_page/034-4535-087-03-13-905-20070323STO04518-2007-28-03-2007/default_en.htm.

Copyright: (c) European Parliament

URL: http://www.cvce.eu/obj/european_parliament_press_release_on_the_eu_budget_10_april_2007-en-ee510042-eb4d-4e33-a62c-6b77ca81bb7e.html

Publication date: 05/09/2012

EU should adopt own resources to simplify budget says report

To a casual observer, wrangling over the EU budget seems to be a regular fixture on the EU summit circle. In late 2005 the heads of all 27 EU countries agreed on a budget that would take the Union to 2013. An important caveat however, was the decision to have a review in 2008/09 that would look at the Common Agriculture Policy and the British rebate. In a report passed on 29 March MEPs called for a simplified budget and an end to "special arrangements" for some states.

Budget: "incomprehensible for citizens"

The report - drafted by French European People's Party MEP Alain Lamassoure - says the EU budget is now so complicated that it is on "the point of becoming anti-democratic and totally incomprehensible for citizens". It also points to the arguments over the budget which creates bad feeling between states. The most famous episode was at the 1984 summit in Fontainebleau when Mrs Thatcher won the British rebate with the cry of "I want my money back".

The controversy over the budget issue was marked in the voting in Parliament - 458 backed the report, 117 MEPs were against and 61 abstained. In 2005 the European Council agreed a raft of special measures that gave differing treatment on different issues to net contributors to the budget such as the UK, Germany, the Netherlands and Sweden and those who receive money such as Poland, the Czech Republic and Romania.

Lamassoure: expand "own resources", reduce national contributions

The growing complexity of the budget reflects the growing numbers of EU members and the different standards of living across the Union. Alain Lamassoure wants greater simplicity and would like to a two-step reform process that would abolish all rebates and derogations. He proposes to:

1. Improve the current system and base it on the Gross National Income Resource. Each country would be asked to contribute approximately 1 % of this. Under this step Mr Lamassoure envisages the UK rebate being abolished by 2013.
2. The EU budget moves to being funded by "own resources" rather than national contributions by 2014. Where would the money come from? Suggestions include: a fixed share of the national VAT rate, a share of corporation tax and taxes on energy consumption. Other options include taxes on financial transactions ("Tobin" tax), taxes on transport and telecommunications services and the profits of the European Central Bank.

MEPs expressed no option as to which of the above would be preferable although they admit that taxation would remain a matter for individual countries alone.

A phrase oft repeated in the report is "own resources". Originally from the foundation of the EU these were customs and agricultural levies made on the trade on agricultural products. As the then Community grew in members and powers, these proved inadequate and in 1970 VAT contributions from members were introduced and in 1988 a contribution from the budgets of members was introduced. The latter formed 70 % of the budget by 2005.

Mr Lamassoure would like to see a return to funding through "own resources" as this "system would correspond to the letter and spirit of the founding treaties". The desire for greater simplicity was echoed by German PES member Jutta Hung who said that "we want more justice and equity, doing away with all exceptions, and we want greater transparency on the revenue side of the budget".

A European Tax ?

On whether the EU should take the next step and develop its own "EU Tax" there was mixed response among MEPs. Gérard Onesta of the Greens/European Free Alliance said that his group would have liked to

see the word “European tax” in the report and that the final version of the report was trying to please too many people and depriving it thereby of its impact.

However, Polish MEP Zbigniew Kuźmiuk (Union for Europe of the Nations), while agreeing that the current system is unfair, warned against the introduction of an EU tax and said that it would increase the tax burden of the citizens.

National Parliaments, who were consulted in the drafting of the report, will hold a special meeting on financing of the EU on 4/5 November this year.