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### Swedish non-paper on the Own Resources System

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The current Own Resources System is not sustainable in a long-term perspective, mainly due to the unequal financial burden sharing between Member States, leading to considerable tensions in the future Union. Furthermore, today's system is complicated and non-transparent. The Union needs a fair, transparent and legitimate system in order to successfully meet future financial needs. Therefore, a reform of the system is called for.

Today there are imbalances in the system due to inequality of financing and burden sharing between Member States. One example is the UK rebate, which makes the system less transparent and undermines its legitimacy. Four other countries have similar or larger imbalances. Furthermore, it is difficult to defend the fact that the new, less prosperous, Member States will have to participate in the financing of the UK rebate.

The logic replacement of the current rebate system is a generalised net correction mechanism. This was discussed already during the negotiations of the present financial perspective. Such a mechanism should be applied irrespective of what kind of own resources are chosen. A net correction mechanism would provide a long-term solution to the issue of unacceptable net balances. It would provide a safety net for present as well as potential net payers by being automatically applied to all Member States, which meet pre-established criteria. Our calculations show that at certain thresholds, all countries except the UK would benefit from a change from the present rebate system to a new generalised system. However, compared to a situation without any rebates at all, such a system would also benefit the UK.

The VAT-based resource is complex and administratively costly for Member States. There would be substantial gains in terms of transparency if this resource would be phased-out. A GNI based system with a net correction mechanism would provide a system that is clear

and easier to understand for the European citizen. Such a system would also be in accordance with the equity criteria. The traditional own resources should however be retained, given their important symbolic role.

An alternative, partial, reform could be to introduce an element of purchasing power parities, in order to promote a more equitable system.

In relation to proposals for new tax-based own resources, the power to tax should remain with the national parliaments. It is a fundamental part of the very notion of statehood. In addition, a fundamental prerequisite for introducing a new tax based resource is that the tax field concerned is harmonized to a large extent. The historic record as to attempts to harmonize taxes within the EU indicates that this would be a complicated and time-consuming process with an uncertain outcome.

Given the recent historic development of EU budget expenditure, the Own Resources Ceiling should be lowered. The current level of expenditure amounts to about 1,04 % of EU GNI compared to the 1,24 % Own Resources Ceiling. Furthermore, new expenditure should be financed by reallocation of spending, mainly by lowering agricultural and structural funds spending. Our calculations show that even with a large increase in expenditure in the enlarged Union, the level of expenditure would be closer to 1 % than 1,24 % of EU GNI. It is of course important to secure sufficient margins to the Own Resources Ceiling, but the issue is how large this margin should be.