

The statistical recording of EU budgetary contributions, following an amendment to the Own Resources Regulation

1. Background

The rules for Member States' budgetary contributions to the EU budget are set out in Regulation 1150/2000 *"implementing Decision 2007/436/EC, Euratom on the system of the European Communities' own resources"*.

With specific regard to the resources based on Value Added Tax and Gross National Income (the so-called "VAT and GNI-based own resources"), a mechanism has been established for incorporating revisions in the underlying statistical data (Chapters 3 1 and 3 2 of the EU budget) which have implications for the level of budgetary contribution each Member State should make.

Under this mechanism, each year the European Commission uses revised statistical data to recalculate the appropriate balances that Member States should either pay or receive to the EU budget, and requires that these adjustments are settled on 1st December each year. Any delays in the payment of these amounts would result in interest being charged to the Member State.

There is a separate mechanism by which EU budget surpluses from unspent own resources is indirectly returned to Member States by reducing the amounts to be paid by Member States for GNI-based own resources. This is undertaken through *"amending budgets"*, which may be passed during the budgetary year in question (reducing the GNI contributions in the current year) or passed in the following year (reducing the GNI contributions in the following year).

2. Revisions to the Own Resources Regulation

In autumn 2014, a number of Member States raised concerns about the level of net contributions which they were being asked to pay due to revisions in their GNI data. The balances were exceptionally high due to important upward revisions of GNI figures for previous years by most Member States. Following a political agreement, the Own Resources Regulation was amended by Council Regulation 1377/2014 of 18 December 2014. This amendment introduced the possibility for a Member State – under certain circumstances¹ – to delay the payment of its balance until the first working day of September of the following year.

3. Statistical recording

The EU's national accounting rules are set out in the European System of Accounts (ESA 2010). These rules apply the accruals principle to the recording of economic flows – *"when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed, or are cancelled"*.

In national accounts, since the implementation of ESA 2010, the VAT and GNI-based own resources are recorded as a special category of current transfers – VAT- and GNI-based EU own resources (D.76) and their

¹ These circumstances are where a Member States' payment would exceed certain proportions of normal budgetary contributions. See the legal act for precise details:

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R1377&from=EN>.

time of recording is specified as *“when they are due to be paid”* (ESA 2010 4.140). In addition, as mentioned in ESA 2010 19.34: *“... (It) includes reimbursements as well as the balancing payments for previous years...”*

In normal circumstances, the time of recording of the adjustments to contributions arising from revisions to statistical data would not require any special interpretation. The amounts are determined in the autumn of each year and the necessary adjustments, which usually involve small amounts, settled on 1st December of the same year. Similarly, when an amending budget is passed to reduce the contributions by Member States to the GNI-based own resources, the amending budget would be adopted in the same year as the settlement.

However, the recent revision to the Own Resources Regulation has introduced the potential for a greater delay between the determination of the adjustments and the date at which these are settled, whereby settlement may occur in the following calendar year. It has also introduced a choice for Member States – a Member State finding itself in the circumstances set out in the amended Regulation may choose to make a formal request for delayed payments, or may choose to settle on 1st December.

In the view of Eurostat, it is necessary to apply the general principal of accrual recording to this situation, in respect of ESA 2010 and also to ensure a harmonised recording between Member States. The point of recording of the government expenditure/revenue impact of the adjustments to budgetary contributions should be made when those amounts are irrevocably fixed and therefore they are due to be paid/received.

The fact that a Member State notifies the European Commission of a future payment schedule does not remove the obligation on the Member State to pay, but simply delays its settlement. Where such a future payment schedule is established, the relevant adjustment would be recorded in the general government accounts (as a current transfer, D.76, with impact on the government deficit) at the time it is irrevocably fixed, with a counterpart in other accounts payable (F.8). Any subsequent payments to settle this obligation will be recorded as financial transactions, with movements in currency and deposits (AF.2) counterbalanced by reductions in other accounts payable (AF.8). The delays in settlements will result in a staged schedule of offsetting reductions in GNI contributions. The amounts settled in the current year will reduce the GNI contributions in the current year. The settlements delayed to the next year will reduce the GNI contributions in an amended budget the following year, but as the amounts involved are known with certainty in the current year they should therefore also be recorded in the current year. The accrual adjustment for the reduction in GNI contributions should be symmetrical to the accrual adjustment for the balances. Otherwise the D.76 balances of individual EU Member States will be driven by the payment schedule chosen by the Member State and other EU Member States.

In the context of the events of 2014, this means that all of the relevant adjustments to budgetary contributions arising from revisions to statistical data must be recorded in the general government accounts in Quarter 4 of 2014, irrespective of any payment schedules established.

This approach is consistent with that applied to previous cases when the settlement period for budgetary contributions has included the possibility for a Member State to pay in the following calendar year, albeit in those cases the delay was a matter of a few days. All Member States have been asked to record the related contributions in the year of the decision establishing the amounts due. This approach only needs to be applied in years when the option of postponing the settlement of the balances is used by Member States.