



EUROPEAN COMMISSION

Brussels, 30 MAI 2012
C/2012/ 3239 final

Dear President,

The Commission would like to thank the Folketing for its opinion on the proposals for the EU's Multiannual Financial Framework 2014-2020 – {COM (2011) 398, 403, 500, 510, 511 and 512 final}, and apologises for the delay in replying.

These proposals have been supplemented between October and December 2011 by a full range of Commission proposals for sectoral programmes and instruments designed to implement the next financial framework. These proposals provide more extensive information on the Commission's approach in the relevant policy areas, some of which are mentioned in your letter.

Nevertheless, the Commission would like to take this opportunity to respond to the main points raised in the opinion adopted by the Folketing.

The Commission proposed a framework that is both ambitious and realistic, and which will allow the European Union and its Member States to respond to the challenges that we face in the next few years. In this respect, the question of EU added value is of crucial importance. At the same time, the EU budget must be designed in such a way that it facilitates progress towards the achievement of our commonly agreed Europe 2020 strategy.

The Commission appreciates the Folketing's support for its increased focus on areas such as transport, telecommunications and energy infrastructure. The proposed Connecting Europe Facility is a crucial element of the Commission's approach, designed to enable targeted investments in key infrastructures and to fill in the missing links in the EU's existing networks. This facility should act as a catalyst for further funding from the private and public sectors, providing the necessary kick start that you mention.

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Concerning the Common Agricultural Policy, the Commission takes note of the Folketing's views on increased market orientation and a greater focus on environmental sustainability. The Commission's proposals for the reform of the CAP after 2013 address these issues by proposing more targeted income support and a fairer distribution between farmers, regions and Member States, within the wider objectives of strengthening the competitiveness, sustainability and permanence of agriculture throughout the European Union. A key element of the Commission's approach is the proposed greening of direct payments to enable optimal use of natural resources.

On the financing side of the budget, the Commission proposes the creation of two new own resources in parallel with the stabilisation of the financial framework ceilings in real terms. The progressive introduction of new resources will allow for the GNI-based own resource contribution to be reduced accordingly and for the current VAT-based own resource contribution to be dropped. As a result, Member States will have an additional degree of freedom in managing scarce national resources and the possibility to reduce existing taxes.

Let me add that the introduction of new own resources does not represent a transfer of new competences to the Union. The Treaty on the Functioning of the European Union (Article 311) provides that the Council adopts the decision laying down the provisions relating to the system of own resources. In that context, the Council can decide, with unanimity, to establish new categories of own resources or abolish an existing category. Any such decision requires, in addition, the approval by each Member State in accordance with its respective constitutional requirements.

Concerning, in particular, the proposed new VAT resource which has raised criticism in your Parliament, the Commission would like to stress that the revenue collection would continue to rely exclusively on Member States' administrations. This resource would not create a new VAT system parallel to the national ones, nor would it impose new charges on businesses or citizens. The system could provide significant and stable revenues to the EU with limited administrative costs for national administrations. It would be based on the lowest common denominator: only those goods and services standard rated everywhere in Europe. This protects Member States like Denmark with a high share of standard rated items in their national VAT bases. The introduction of a new VAT resource could form part of a broader reform initiated by the Commission's Green Paper on the future of VAT. Broadening the tax base, reducing the scope for fraud, improving the administration of the tax and reducing compliance costs in the context of a broad reform of VAT, could deliver important results and generate new revenue streams for the Member States. A fraction of the gains derived from this initiative could be attributed to the EU level, and these could be further increased as the VAT system improves its performance.

The Commission has proposed a radical simplification of the system of financial corrections. Unlike the current, complex and opaque system of abatements, the proposed system of lump-sums ensures a fair and equal treatment across all Member States. The Commission trusts that the ongoing discussions will allow for addressing the concern expressed by your Parliament as to this issue.

Finally, the Commission would like to express its appreciation for the care and attention given to the Commission's proposals by the Folketing. It is essential that national Parliaments in the Member States be fully involved in the process of determining the European Union's future financial framework and the priorities that it should support. For the members of the Folketing, this is particularly important as the Danish Presidency of the EU has a crucial role to play in making the necessary progress in the negotiations in the first half of 2012. Denmark will have the full support of the Commission in this task.

I look forward to continuing our dialogue on these important issues.

Yours faithfully,

*Maroš Šefčovič
Vice-President*