Statement by the Committee on Finance 2011/12:FiU14

Statement on the EU Multiannual Financial Framework 2014–2020

Summary

On 29 June 2011, the European Commission submitted a proposal for a new financial framework for the period 2014-2010. Negotiations on the proposal are expected to continue throughout 2012. The financial framework sets out fixed annual ceilings for expenditure and distributes expenditure among different main headings. The Commission's proposal also contains changes relating to revenue in the EU budget, known as the EU's "own resources". In addition the proposals concern today's system of budget rebates.

The Committee considers it positive that the Commission's proposal involves increases in areas that contribute to growth and have a clear European added value such as infrastructure investments and research. The Committee is also positive to the fact that certain reductions are proposed in the field of agricultural policy and cohesion policy but considers that these changes are far too modest. The Committee is, however, critical to the Commission's proposal on several points. The Committee recommends a more stringent budget and considers that total expenditure should be frozen substantially, in contrast with the Commission's proposal which involves an increase in expenditure by approximately 7 per cent. The proposals regarding the EU budget's revenue mean that two new own resources will be introduced: a tax on financial transactions and a new form of value-added based charge. The proposals also mean that competence in the taxation area will be transferred from the member states to the EU through the principle of unanimity in decisions concerning taxes being replaced in part by decisions by qualified majority. The Committee on Finances opposes these proposals and is supported by the Committee on Taxation.

Further, the Commission also proposes that today's system of rebates on the EU contribution is abolished from 2014 and replaced by a system of lump-sum reductions. For Sweden, this proposal means that Sweden's rebate is estimated to be reduced from approximately SEK 5.5 billion to approximately SEK 3 billion. The Committee also opposes such a change.

The statement contains two special opinions.

The position of the Committee on Finance

The Commission presents its proposal for a multiannual financial framework for the years 2014-2020 in a number of documents. The main elements of the financial framework, including the proposals on EU revenue, new own resources, are presented in Communication COM (2011) 500 part I, and the various chapters on budget expenditure are presented in greater detail in part II of the same Communication. These communications were adopted by the Commission on 29 June 2011. The negotiations on the EU's multiannual financial framework are expected to continue for 12-18 months, starting from the date of submission of the Communication.

Issues relating to Sweden's negotiating positions and priorities in the discussions of the European Council will also be dealt with in the Riksdag during the ongoing negotiations on the multiannual financial framework. The statement aims to clarify the Riksdag's overall view of the Commission's proposals, based on the focus presented in Communication COM (2011) 500. The Committee on Finance does not take a position on details in the proposal, but expresses its views on the overall focus. The Committee is aware that the proposals from the Commission, and other circumstances, may change during the relatively long period in which the negotiations are expected to continue. It is therefore possible that the Riksdag's opinions on the EU's proposal for a multiannual financial framework will develop and be closer defined at a later point in time.

In 2007/08 a broad and unbiased review of the EU budget was conducted. In March 2008, the Committee on Finance wrote a Statement (2007/08:FiU14) in connection with this review. The Committee now notes that most of the opinions it presented then are still relevant and topical. The Committee essentially adheres to the opinions on the EU budget that it expressed.

The overall scope of the budget

The Commission's proposal for a multiannual financial framework means that a budget framework in which the commitment appropriations in 2011 prices amount to EUR 1,025 billion for the years 2014-2020, and the payment appropriations amount to EUR 971 billion. These amounts correspond to 1.05 % and 1.0 % respectively of the EU's GNI. The budget framework also presents annual expenditure ceilings which are binding when the annual budgets are drafted and implemented. In addition to the budget frameworks, it is proposed that a number of instruments are placed outside the expenditure ceiling in the budget framework. These amount, in total, to EUR 59 billion. The budget framework and instruments outside the framework amount, in total, to EUR 1,083 billion, which corresponds to 1.11 % of the EU's GNI. This represents an increase compared with the previous budget period, 2007-2013, of EUR 70 billion in fixed prices, corresponding to 7 %.

In the Communication, the Commission refers to Statements by the European Parliament and the European Council concerning the size of the multiannual financial framework. In its resolution of 8 June 2011, the European Parliament wrote that:

> The European Parliament is therefore of the firm opinion that freezing the next MFF at the 2013 level, as demanded by some Member State, is not a viable option; points out that even with an increase of the level of resources for the next MFF of 5% compared to the 2013 level only a limited contribution can be made to the achievement of the Union's agreed objectives

and commitments and the principle of Union solidarity; is therefore convinced that at least a 5% increase of resources is needed for the next MFF.

The Commission also refers to the conclusions from the European Council's meeting on 29 October 2010, in which it was stated that:

> Heads of State or Government stressed that, at the same time as fiscal discipline is reinforced in the European Union, it is essential that the European Union budget and the forthcoming Multi-annual Financial Framework reflect the consolidation efforts being made by Member States to bring deficit and debt onto a more sustainable path. Respecting the role of the different institutions and the need to meet Europe's objectives, the European Council will discuss at its next meeting how to ensure that spending at the European level can make an appropriate contribution to this work.

The European Council thus emphasised, unlike the European Parliament, that the member states' ambition to bring about consolidation should be reflected in the EU budget. The Committee considers that the ambition of the member states to achieve consolidation should not be counteracted by an expansive budget at EU level. Budget consolidation must be combined with measures to generate growth and employment but this can, and must, in the opinion of the Committee, occur without an increase in the budget. Sustainable development of public finances must have top priority.

The Committee considers it positive that the Commission's proposal for the full period introduces increases in areas that contribute to growth and have a clear European added value. The proposal for a multiannual budget means increased resources, for example, to infrastructure investments and R&D, and certain reductions in the fields of agricultural and cohesion policy. These changes are a step in the right direction, in the opinion of the Committee, but are insufficient and the rate of change is far too modest.

In its statement from the spring of 2008, the Committee maintained that there was a great need for new priorities and for a modernisation of the EU budget. At the same time, it was clear in stating that such new priorities must be set without any increase in total expenditure. This is fully in line with the restrictive position that the Government is putting forward, with the unreserved support of the Riksdag, in negotiations on the EU budget.

The Committee recommends that total EU budget expenditure, including the parts that it has been proposed remain outside the budget framework, is frozen in real terms at the present level. In the opinion of the Committee, freezing expenditure in this way need not obstruct increased measures within important areas that promote growth, development and sustainability such as education, research, infrastructure and environmental policy, as there should be considerable potential for cuts and rationalisations within the still completely dominant areas of agricultural policy and cohesion policy.

For a long time and like the Government, the Committee has consistently recommended a restrictive and responsible approach to the EU budget. Many of the EU member states are currently experiencing deep financial problems and are being forced to take extensive and painful measures in order to consolidate their public finances. The Committee considers it problematic to combine a forceful policy of belt-tightening in one's own country with an expansion of the EU budget in the way proposed by the Commission. The budgetary problems that currently characterise Europe underline the importance of maintaining budget restrictiveness. In the opinion of the Committee, there is a risk that the consolidation efforts of both individual member states and the entire EU will lose effect and credibility if the EU allows its budget to expand.

Measures to strengthen the growth potential of the European economy are extremely important, but these measures also need to be implemented alongside a restrictive budget policy. This puts substantial demands on priorities and on the way in which the policies are drawn up. The Committee therefore shares the Government's opinion that the proposed budget framework is too high, and it recommends that budget expenditure be frozen in real terms.

Cohesion policy

The Committee is critical to the fact that savings on and reforms of the common agricultural and cohesion policies are not more extensive.

Regarding cohesion policy, the Committee particularly opposes the proposal to introduce a new category of region - "transition regions". This new support category covers all regions with a GDP per capita of 75-90 % of the average in the EU-27 and is intended to replace today's system of phasing in and out. The Commission's proposal will be expensive and corresponds poorly with the ambition of prioritising those in the greatest need. In the opinion of the Committee, it is also problematic that a system of phasing in and phasing out between categories of regions is to be replaced by a new permanent category that risks becoming very expensive.

The Committee believes that it is right to mainly concentrate regional policy measures to the least developed regions within the EU. However, this does not mean that regional policy measures should become a form of pure support for the poorest regions. Cohesion policy should also include other parts of the Union which, for different reasons, have special geographic or demographic conditions. The Committee wishes to emphasise the importance of bringing attention to the criterion for population density - the population criterion - which has great importance for Sweden's receipts from the EU.

Projects outside the budget framework

The Commission proposes that certain large-scale projects should be placed outside the budget framework. In the Communication, the Commission writes:

> Experience over the years has shown that large-scale projects of interest to the EU tend to be disproportionately expensive for the small EU budget. As their specific nature means they often overrun initial cost projections, the subsequent need to find additional funding triggers a need to redeploy funds that have already been earmarked for other priority needs [...] For projects such as ITER and GMES, where the costs and/or the cost overruns are too large to be borne only by the EU budget, the Commission proposes to foresee their funding outside the MFF after 2013. This will enable the EU to continue to fully meet its international commitments.

Iter is a joint international undertaking for the development of fusion energy, in which the EU is a cooperation partner. GMES is an EU project for the development of knowledge on issues relating to the climate and environment.

Without assessing the project in itself the Committee considers it inappropriate to place the funding outside the budget framework. The conclusions from the Commission's reasoning above should, in the opinion of the Committee, not be to lift out projects but instead to improve budgeting and follow-up. Prioritising is a central aspect of the budget process, and the Committee assesses that there is considerable opportunity to reprioritise within the given budget framework. In the opinion of the

Committee, placing expensive projects outside the budget framework in order to avoid making difficult priorities involves a risk that budget discipline will be undermined. The Committee therefore opposes the Commission’s proposal.

The flexibility of the budget framework

The Commission proposes a number of instruments for greater flexibility within the budget, including a margin for unforeseen expenditure amounting to 0.03 % of the EU’s GNI, which corresponds to approximately EUR 4 billion per year, outside the budget’s expenditure ceiling. There is a risk that this increased flexibility will be detrimental to budget discipline, in the opinion of the Committee. Increased budget flexibility must be combined with a stringent budget policy. The Committee opposes the combination of an expansive budget and greater flexibility now proposed by the Commission.

Budget revenue - own resources

The Commission proposes substantial changes to the system for own resources. Two new categories of own resources are proposed - a tax on financial transactions and a new form of VAT charge. In addition, radical changes of today’s system of rebates on the contribution to the EU are proposed. The Commission maintains that there is a disproportionate emphasis on net balances between member states thus largely ignoring European added value. One of the purposes of the proposals for changes to the system of own resources is to move away from the “my money back” attitude which, in the opinion of the Commission, has evolved among the net contributors.

In this context , the Committee wishes to call to mind its Statement from the spring of 2008, in which it wrote that the budget’s revenue and expenditure must be viewed in a context and that any reform of the system for EU revenue must be preceded by a comprehensive reform of budget expenditure. The Committee wrote:

> The EU budget’s revenue and expenditure sides must, in the opinion of the Committee, be viewed in a context. The various corrections that have emerged as a result of the overall budget burden for the various member states has become unreasonable as the distribution of budget expenditure is very uneven. Combining today’s expenditure structure with a revenue system based on the criteria of efficiency and simplicity, for example, some form of GNI-based system, would in the opinion of the Committee, lead to a completely unacceptable distribution of the burden between the member states. If the revenue side of the budget is to be changed, a necessary prerequisite is also a substantial reform of the expenditure side too.
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> The reasoning that expenditure and revenue are determined separately and that the net position is therefore a residual which lacks significance or should lack significance is, in the opinion of the Committee, not realistic. In practice, the net positions are of great significance to the member states.
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> It is the firm opinion of the Committee on Finance that a reform of the expenditure side of the EU budget is important and that such a reform must come before any changes to the revenue side.
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> The Committee also opposes the introduction of any form of EU tax. According to the Committee, there is broad political and popular opposition to the idea of granting the EU the right to levy taxes. The right to levy taxes is and should continue to be a national concern.

The Committee can now note that the Commission's proposal is unfortunately not in line with the Riksdag's previous opinions. The Riksdag considers that Sweden's contribution to the EU should not increase; the Commission proposes changes in the funding model that involve a drastic increase in Sweden's contribution. The Riksdag opposes transferring the right to levy taxes to the EU; the commission proposes new EU taxes and transferred decision-making competence. The changes on the revenue side proposed by the Commission are significant and are very detrimental for Sweden. In comparison, the changes on the expenditure side are modest and by no means represent reforms of the scale the Riksdag considered necessary.

Regarding the proposals to create two new categories of new resources, the Committee on Finance shares the opinion of the Committee on Taxation. The proposals are a violation of the fundamental principle on the sovereignty of the member states. Decisions about tax rates that are adopted unanimously today and ratified by the member states' parliaments will, according to the Commission's proposal, be taken by the Council by qualified majority after opinions from the European Parliament. In the opinion of the Committee on Finance, this would definitely represent a weakening of national fiscal sovereignty. The Committee strongly opposes these proposals.

In addition to arguments that a tax on financial transactions would contribute to the financing of the EU budget, the Commission also asserts that the tax would help to strengthen the member states' national budgets. According to the proposal, one third of the expected tax revenue will accrue to the national budgets. At the same time the Commission itself assesses that in the long term, the tax will reduce GDP by 0.5 %. This means that under reasonable assumptions, the member states may find that tax revenues fall more as a result of the reduction in GDP than they rise as a result of revenue from the financial transaction tax. In the opinion of the Committee, it is questionable whether the introduction of a financial transaction tax really will contribute to budget consolidation in the member states.

Like the Committee on Taxation, the Committee on Finance opposes the introduction of a tax on financial transactions.

Rebates

Since the meeting of the European Council in Fontainebleau in 1984, there has been a system which allows countries which are considered to have an unreasonable burden on their national budgets in relation to their relative prosperity a reduced contribution to the EU. The UK was granted a special rebate at the time and the system was developed in order to distribute the EU's consequent loss of revenue among the other member states. This system has since been changed on a number of occasions. The Commission now proposes that the current system of rebates be abolished completely and replaced by lump sum reductions. It proposes that Sweden be granted a reduction of EUR 350 billion per year between 2014 and 2010, which means a decrease in the value of the Swedish rebate by more than 40 % compared with today's rebate of approximately SEK 5.5. billion.

The proposal therefore entails a dramatic increase of Sweden's contribution, but there do not seem to be any corresponding opportunities for increased receipts from the EU.

As a whole, the Commission's proposal entails a significant weakening of Sweden's financial net position vis-à-vis the EU. Behind the Commission's proposal, both as regards the new own resources and the changed system of rebates, there is a clear and express aim that the member states should move away from seeing their net position and should instead regard charges and receipts as independent of each other. In the opinion of the Committee, such an ambition is neither desirable nor realistic. Ever since it first became a member of the EU, Sweden has been a major net contributor and will remain so for the foreseeable future. However, the Committee vehemently opposes a further increase of Sweden's net contribution, which is the implication of the Commission's proposal.

The Court of Auditors

In its statement of the spring of 2008, the Committee recommended that the budgeting and management of the EU's budget should be more focused on results and should put the effects in focus to a greater extent. The Committee maintained that it is necessary to improve controls in order to ensure that EU funds are used correctly and legitimately, but this is not sufficient. The Court of Auditors should also have greater opportunities to conduct performance audits, not only to check that funds are used correctly in the sense of the law, but also that the expenditure systems are designed in a way that really give the desired results.

The Court of Auditors' annual report for 2010 gives a mixed picture. According to the Court of Auditors, the accounts for 2010 give a fair picture of the EU's financial position, transactions and cash flows during the year, but at the same time they show that a total of 3.7 % of the payments contained substantial errors. However, the error rate has continued to decrease since 2006, when it amounted to just over 7 %. The proportion of substantial errors are greatest within the fields of cohesion policy, energy policy and transport policy, where the proportion is estimated at 7.7 %, followed by agricultural policy with an estimated error rate of 2.3 %. The most common reasons for erroneous payments is, according to the Court of Auditors, that projects that are not entitled to support are granted funding, and shortcomings in the application of public procurement rules. A further problem that the Court of Auditors highlights in its report is that the proportion of advance payments has increased substantially, making accounting and the control of expenditure more difficult.

The Committee considers it positive that the report now contains a section on results and effectiveness and that the Court of Auditors emphasises that the Commission and member states should, to a greater extent, establish clear objectives that can be followed up and identify risks of implementation when they draw up corrective measures.

In the opinion of the Committee, it is very important that the EU's expenditure programme is designed and implemented in an effective, goal-oriented, transparent and correct way. The Court of Auditors plays an important role in this work.

Special statements of opinion

1. **The EU Multiannual Financial Framework 2014-2020 (SocDem, Grn, Lft)**
   Tommy Waidelich (SocDem), Pia Nilsson (SocDem), Jörgen Hellman (SocDem), Maryam Yazdanfar (SocDem), Bo Bernhardsson (SocDem), Marie Nordén (SocDem), Per Boland (Grn) and Jacob Johnson (Lft) state:

We share the view of the Committee as concerns new own resources in the EU budget and the proposal that decision-making competence on taxation issues be transferred to EU level. Taxation must remain a national concern.

We consider that there are reasons that support expanded taxation of the financial sector and we are, in contrast to the Committee, not prepared to state our general opposition to a tax on financial transactions. A well-designed tax levy on financial transactions with broad international support would, in our opinion, reduce financial speculation and consequently contribute to improving the stability of the financial markets.

2. **The EU Multiannual Financial Framework 2014-2020 (SweDem)**
   Johnny Skalin (SweDem) states:

The Sweden Democrats share, generally speaking, the Committee's assessment as concerns Sweden's position on the EU Multiannual Financial Framework for the period 2014-2020. However we consider that it is not sufficient to merely oppose the Commission's proposal to decrease Sweden's budget rebate as the Committee states. Instead we feel that Sweden, as long as the country remains a member of the EU, should work to achieve a greater rebate than the current amount with the aim of changing Sweden's current situation as an EU net contributor. Otherwise we hold to the statements we have made via the Committee on European Union Affairs.

ANNEX 1

List of proposals considered

COM (2011) 500, Communication - a Budget for Europe 2020

ANNEX 2

Opinion of the Committee on Taxation, 2011/12:SkU3y

The Commission proposal for a new EU own resources system for the period after 2013

To the Committee on Finance

The Committee on Finance has provided the Committee on Taxation with the opportunity to comment on the European Commission Communication, A Budget for Europe 2020 (COM(2011) 500)

Summary

In its statement of opinion, the Committee on Taxation considers the Commission's proposal for the EU Own Resources System for the period after 2013, and especially the proposal that a share of the standardised VAT base, as well as a share of a new tax on financial transactions, is to be allocated to the EU Budget as own resources.

The Committee considers that it is vital that work with future EU budgets be characterised by restraint and consequently opposes the creation of new categories of own resources.

The Commission's proposal would mean that Sweden's national tax revenues, and the regulations that currently apply for payment of VAT in Sweden, could be changed through a decision at EU level, a decision made by qualified majority only. The Committee is unable to accept supranationality within the taxation field and is firmly opposed to the proposal that decision-making competence within the field of taxation would, in this manner, be transferred to EU level.

The tax on financial transactions will, according to the estimates of the Commission, result in a reduction of GNP of the same size as the revenues from this tax. Revenues increased in this manner are consequently calculated to reduce the welfare of the member states by an equivalent amount. In the opinion of the Committee, there are other, and considerably better, ways of increasing tax revenues from the financial sector.

The opinion submitted also includes special statements of opinion from the Social Democratic Party, the Green Party and the Left Party.

The Committee’s considerations

A new system of own resources

The Commission’s budget package consists of the Communication entitled A Budget for Europe 2020 and a number of proposals for decisions and regulations encompassing the budget framework for 2014-2020 and the budget’s revenue side i.e. the own resources system.

Own resources is the generic term for financial contributions from member states to the EU budget which are regulated in Article 311 of the Treaty on the Functioning of the European Union. Regulations concerning own resources are established in the Council’s decision on the system for the Union’s own resources. This decision is made unanimously after the European Parliament is afforded the opportunity of stating its opinion and must be ratified by each member state in accordance with its own constitutional regulations.

The Commission’s proposal for a Council decision on a new own resources system after 2013 would bring the following changes.

- The current system of own resources from VAT will be abolished.
- A tax on financial transactions will be introduced and its revenues will form own resources up to the country’s minimum level.
- A new type of VAT-based own resources will be introduced. This amounts to 2 % of a standard calculated, normally taxed, VAT base.
- Current reductions for the UK, Sweden etc. will be cancelled and reductions introduced in the form of lump sums instead.
- The reduction for collection of own resources is cut back to 10 %.

The ceiling for contribution of own resources remains at 1.23 % of total EU GNI.

The proposed Council decision on own resources will be complemented with a proposal for implementing regulations that contain a regulation of the contribution levels to apply to the new own resources.

- The share of taxation on financial transactions to be delivered to the Union as own resources is established at two thirds of the minimum level.
- The share of the standardised, normally-taxed VAT base to be delivered to the Union as own resources is determined at 1 %.

The implementing regulations are to be adopted by the Council using a qualified majority after the approval of the European Parliament.

One considerable difference as compared to the current system is that the Council decision on own resources concerns only the highest permissible contribution levels for the new own resources, while the shares to be delivered to the Union are regulated in the implementing regulations. The consequence of this will be that the share to be delivered to the EU budget as own resources is not longer dependent on a unanimous Council and ratification by all the member states, but will be the subject of decision by a qualified majority and the approval of the European Parliament.

As a complement to the decision on own resources and implementing regulations, the Commission presented implementing regulations to determine how the own resources are to be provided to the Commission on 9 November 2011. The implementing regulations for the provision of own resources based on VAT state how the level of own resources is to be determined and paid. The Commission will calculate the share of transactions taxed at the normal rate throughout the entire EU. Standard rates are then applied to each country's adjusted VAT revenues with the aim of calculating backwards in order to establish the implied normally-taxed turnover. This then forms the basis of the contribution of VAT-based own resources. One stated goal of the new system is that it is to provide new impetus to the integration of the inner market by strengthening the harmonisation of national systems. The new EU VAT will, generally speaking, be calculated on a monthly basis based on actual VAT revenues instead of on an annual basis as is the case today. According to this proposal the member states are obliged to adapt their legislation in order to comply with these regulations.

The implementing regulations will be adopted by the Council using a qualified majority after examination by the European Parliament.

According to Commission calculations, the financial transaction tax 2020 will provide 22.7 % of own resources (EUR 37 billion) and the new VAT-based funds 18.1 % (EUR 29.4 billion).

The effect of this proposal on Sweden would be that the current reduction of around SEK 5.5 billion annually in the present budget framework would be almost halved.

For a more detailed report on the proposals and the Government's preliminary position the Committee refers to the Government Explanatory Memorandum 2010/11: FPM143 and the Government Offices' additional Memorandum 2011-11-17 (Reg.no. 079-679-2011/12).

Proposed tax on financial transactions

The proposal for a common system of financial transaction tax (FTT) and on an amendment to Directive 2008/7/EC (COM (2011) 594 final) aims, in the view of the Commission, at the harmonisation of Member States taxes on financial transactions in order to achieve a smoothly-functioning inner market. In line with the Commission Proposal of 29 June 2011 concerning a Council decision on the system of own resources of the European Union, this proposal also aims at creating a new revenue stream with the objective of gradually displacing national contributions to the EU budget, leaving a lesser burden on national treasuries.

The tax will primarily be paid by financial institutions that implement financial transactions i.e. banks, securities brokers, other financial institutions such as insurance companies, stockbrokers, pension funds, companies implementing collective investment in transferable securities, alternative investment funds such as hedge funds etc. Tax is levied on all transactions using financial instruments between financial institutions if at least one of the institutions is established within the EU. These financial instruments include shares, obligations, derivatives and structured financial products. Transactions will be subject to taxation irrespective of whether they occur on organised markets or the OTC market.

The Commission's proposal encompasses transactions using financial instruments only. It will not apply to the transactions of households or small or medium-sized enterprises. Avista transactions on the currency market and the raising of capital by companies or government agencies, including public development banks, through the emission of obligations or shares on primary markets will not be subject to taxation. This tax must be broadly-based in order to reduce risk of tax evasion and relocation of markets. The taxation base is to be determined by the types of trading carried out by the financial institution in question. The gross value of the transaction is subject to taxation, before any offsetting is carried out. The point in time when the tax liability is created is stated as the point in time when the financial transaction occurs.

In order to reduce the risk of disruption of the financial markets, the Commission has proposed an extremely low tax rate on transactions - the lowest rate for trade in obligations and shares at 0.1% and 0.01% for derivatives. Member states are free to apply higher tax rates if they so wish. The Commission proposes these minimum rates in order to reduce risk of relocations and to guarantee revenues for the EU and for member states. If EU countries also levy a national tax on financial transactions, then this must be compatible with EU regulations.

The Commission's preliminary estimate is that FTT incomes, depending on how the market reacts, would amount to EUR 57 billion annually for the entire EU. The impact analysis states that in the long run, FTT may be expected to reduce GNP level by at least 0.5%.

The Commission considers that an FTT should be introduced in member states even if the tax is not used for own resources.

For a more detailed report on the proposals and the Government's preliminary position the Committee refers to the Government Explanatory Memorandum 2011/12:FPM20

Subsidiarity check of proposal for a common tax on financial transactions

The Committee on Taxation has examined the Commission's proposed directive for a common system of tax on financial transactions to determine whether it is in breach of the principle of subsidiarity. The Committee found that the proposal is not compatible with the principle of subsidiarity and consequently proposed that the Riksdag submit a reasoned opinion to the chairs of the European Parliament, the Council and the Commission stating as follows. The statement contains two explanatory reservations. The Riksdag has approved the Committee's proposal for a parliamentary decision (utl. 2011/12:SkU12, rskr 2011/12:53)

Consultations with Government on the new EU own resources system for the period after 2013

On 22 November 2011, the Committees on Finance and Taxation held consultations in accordance with Chapter 10, Section 4 of the Riksdag Act with state secretaries Hans Lindberg and Hans Lindblad on the Commission's proposal for decision and regulations concerning the EU own resources system for the period after 2013 (Committee on Taxation Minutes 2011/12:7)

Prior to these consultations the Government stated the following as the Swedish position.

Currently the Swedish contribution amounts to around SEK 30 billion annually and is determined according to expense levels in the EU budget, the design of the own resources system and the size of the Swedish reduction agreement. The aims of maximising the room to manoeuvre in national financial policy and maintaining reform capacity with the aim of enabling the implementation of government priorities remain, however an unchanged EU contribution level is the cornerstone of this Swedish position.

The Government sees no reason to increase contributions as the major part of expenses at EU level, in the opinion of the Government, do not provide any EU added value or contribute to improving preconditions for growth. Consequently the Government supports unchanged Swedish EU contribution levels in the next budget framework as compared to the current one.

The Government is opposed to new own resources. The Government is also opposed to a decrease in the value of Sweden’s reductions. The Government sees no reasons for substantial changes on the income side as far-reaching changes to the expenses side appear unlikely in the next budget framework.

The Government reported the following as the Swedish position as concerns the proposal to introduce a new tax on financial transactions (FTT) which, to a certain extent, will then form own resources. The Government does not support the introduction of FTT within EU and is also opposed to the fact that such taxation revenues will form own resources for EU. There are other, more suitable measures than the introduction of FTT aimed at the management of financial sector risk taking and its responsibility for financial crises.

The Government reports the following as the Swedish position as concerns the proposal to allow a share of VAT to form part of EU own resources (EU VAT).

The Government generally opposes the new financing of own resources. The current proposal concerning EU VAT is furthermore designed in such a manner that it is not possible to exclude the possibility that Swedish VAT regulations would be affected as a result of EU VAT implementation and the implementing regulations concerning own resources, which may be passed with a qualified majority. The Government opposes, considering this background, the proposal that EU VAT is to form new own resources.

At the consultations it was stated by the Committee Chair that there was support for the Government’s positions prior to continued considerations. The Committee emphasised the importance of the Government

- continuing to work to achieve a restrictive EU budget
- opposing new own resources and transfer of competence in the taxation field to EU level.

Representatives of the Social Democrats, the Greens and the Left Party submitted a special statement of opinion as follows:

We support the Government’s position concerning the introduction of taxes at EU level and the transfer of decision-making competence to EU concerning taxation issues. Taxation must remain a national concern. However this does not mean that we are in general opposition to a tax on financial transactions. A well-designed tax levy on financial transactions with broad international support would, in our opinion, reduce financial speculation and consequently contribute to improving the stability of the financial markets.

The position of the Committee

The Committee considers that the work with the future EU Multiannual Financial Framework should be aimed at the creation of a restrictive budget that provides member states with the greatest possible room to manoeuvre. As any general structural changes are not expected on the expenses side, there is no reason to undertake substantial changes on the income side. On this basis, the Committee opposes the creation of new own resources.

The Committee cannot accept the dilution of Sweden’s taxation sovereignty and is firmly opposed to the proposal that competence in the taxation field be transferred to EU level. The proposed Council decision on own resources states a minimum FTT level and that 2 % of a standardised VAT base is to form own resources which are to be fully or partially paid into the EU budget. The decision concerning the share to be submitted is made using a qualified majority and initially this share is proposed at two thirds of revenues from minimum level or 1 % of the VAT base. The transfer to another decision-making process in the form of a qualified majority instead of a unanimous decision means, in the opinion of the Committee, a weakening of Sweden’s taxation sovereignty.

In the equivalent manner, the implementing regulations proposed for the provision of own resources based on VAT that the new EU VAT is to be calculated on a monthly basis on actual VAT revenues, instead of as is currently the case, on an annual basis. According to this proposal the member states are obliged to adapt their legislation in order to comply with these regulations. In the opinion of the Committee it is not possible to exclude the fact that Swedish VAT regulations may be affected by decisions made based on implementing regulations This section would also result in limitations of Sweden’s freedom of action in the taxation field.

The Committee has carried out a subsidiarity check of the Commission’s proposal concerning taxation on financial transactions and finds that the proposal is not compatible with the principle of subsidiarity. The proposal is based on the article of the Treaty on the Functioning of the European Union that gives the EU the competence to adopt provisions on the harmonisation of legislation concerning turnover taxes, excise duties and other forms of indirect taxation to the extent that such harmonisation is necessary to ensure the establishment and the functioning of the internal market and to avoid distortion of competition. The Committee found that this proposal goes farther than the creation of harmonisation. The purpose of the Commission’s proposal is to create a new source of revenue, with the objective of gradually displacing national contributions to the EU budget and thus lessening the burden on national budgets. During its examination, the Committee maintained that securing welfare through the gathering and use of tax revenues in a suitable manner falls within the framework of the national competence of each member state, and that overly extensive application of the regulations that award legislative competence to the Union will, in the long term, lead to the dilution of member state sovereignty as concerns retaining sufficient tax revenues to finance the welfare that each member state has chosen to provide for its citizens. In summary it is, in other words, not merely a question of harmonisation of legislation in an area which is, admittedly, in need of measures, but of wanting to increase EU revenue within the framework of the EU’s own resources. The Committee considered that the Commission’s proposal in its current form, and with the objectives expressed as they are now, is not designed so as to be compatible with the principle of subsidiarity and has, in its statement, proposed that the Riksdag express this in a reasoned opinion to the Chairs of the European Parliament, the Council and the Commission. The Riksdag has approved the Committee’s proposal (2011/12:SkU12, rskr 2011/12:53)

In the opinion of the Committee, there are good reasons to state additional objections to the proposal on a tax on financial transactions. This tax will, according to calculations provided by the Commission, result in a substantial reduction of GNP, not least in relationship to the revenues the tax is expected to generate. Based on the initial model proposed by the Commission, GNP would decrease by more than three times the size of the revenues from this tax. After a review of the model based on qualitative assessments, the Commission came to the conclusion that the GNP reduction would be of the same size as revenues from the tax. The introduction of this tax would consequently reduce the welfare of the member states by an amount the general equivalent of the expected contribution it would make to the budgets of the EU and member states. Even if the Committee considers that there may be good reasons to increase taxation on the financial sector it considers that this form of taxation exhibits such clear disadvantages that there should be better and simpler methods to gather tax revenues from this sector. One example is the tax on financial operations proposed by the Commission. As concerns the necessity of measures to manage this sector's financial risk taking and responsibility for financial crises, there are also more suitable measures available. Examples of such measures include stability funds and stricter capital adequacy regulations.

Taken together the Committee rejects the Commission's proposal, as it now stands, concerning a new EU own resources system.

Stockholm, 1 December 2011.

On behalf of the Committee on Taxation

Ulf Berg

The following members participated in the decision: Ulf Berg (Mod), Jennie Nilsson (SocDem), Fredrik Olovsson (SocDem), Lena Asplund (Mod), Christina Oskarsson (SocDem), Fredrik Schulte (Mod), Hans Olsson (SocDem), Gunnar Andrén (Lib), Karen Nilsson (Cen), Anders Karlsson (SocDem), Maria Abrahamsson (Mod), Mats Pertoft (Grn), Lars Gustavsson (ChrDem), David Lång (SweDem), Jacob Johnson (Lft), Johnny Munkhammar (Mod), Peter Persson (SocDem).

Dissenting opinion

The Commission’s proposal for an EU own resources system for the period after 2013 (SocDem, Grn, Lft)

Jennie Nilsson (SocDem), Fredrik Olovsson (SocDem), Christina Oskarsson (SocDem), Hans Olsson (SocDem), Anders Karlsson (SocDem), Mats Pertoft (Grn), Jacob Johnson (Lft) and Peter Persson (SocDem) state:

We share the views of the Committee as concerns the necessity of new own resources in the EU budget and the proposal that decision-making authority on taxation issues be transferred to EU level. Taxation must remain a national concern.

We consider that there are reasons that support expanded taxation of the financial sector and are, in contrast to the Committee, not prepared to state our general opposition to a tax on financial transactions. A well-designed tax levy on financial transactions with broad international support would, in our opinion, reduce financial speculation and consequently contribute to improving the stability of the financial markets.