

## **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 "additional resources"), a mechanism has been established for incorporating revisions in the underlying statistical data 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 net adjustment amount that Member States should either pay or receive to the EU budget, and requires that these adjustments are made on 1<sup>st</sup> 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 contributions not required by the EU budget to finance payments are returned to Member States. This is undertaken through *"amending budgets"*, which may be passed during the budgetary year in question or 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. 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 circumstances<sup>1</sup> – to delay the payment of its net adjustment amount 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"*.

Under ESA 2010, EU Member States' VAT and GNI-based budgetary contributions are recorded as general government expenditure, as an other current transfer under the dedicated category D.76, and impacting on the government deficit. Contributions returned to EU Member States are netted off these current transfers<sup>2</sup>. The time of recording specified is when they are "due to be paid".

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<sup>1</sup> 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>.

<sup>2</sup> It is important not to confuse these returns of contributions with EU grants, which are recorded as the revenues of recipient institutions, whether governments or third parties.

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 settled on 1<sup>st</sup> December of the same year. Similarly, when an amending budget is passed to return contributions to Member States, 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 1<sup>st</sup> December.

In the view of Eurostat, it is necessary to apply the general principle of accruals 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 impact of the adjustments to budgetary contributions should be made when those amounts are irrevocably fixed and therefore they are due to be paid.

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).

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 that 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.

It should also be noted that the relatively large net adjustment for budgetary contributions in 2014 would be expected to, inter alia, lead to related amending budgets. One amending budget was passed in December 2014, and therefore the implications of this amending budget should be recorded in 2014. A further amending budget could be expected to be passed in 2015 and, given that the amounts would not be fixed until that point, the recording of the relevant impact on the general government accounts would only occur in 2015, at the point when the amending budget is passed.