



EUROPEAN COMMISSION

Brussels, 9.11.2011
COM(2011) 738 final

2011/0334 (CNS)

Proposal for a

COUNCIL REGULATION

**on the methods and procedure for making available the own resource based on the
financial transaction tax**

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

The purpose of this proposal is to lay down, in accordance with Article 322(2) of the Treaty on the Functioning of the European Union (hereinafter "TFEU"), provisions necessary to determine the methods and procedure whereby Member States make available to the Commission the own resource based on the financial transaction tax (hereinafter "FTT"), referred to in Article 2(1)(b) of Council Decision [...] on the system of own resources of the European Union (hereinafter "ORD 2014")¹.

These practical arrangements implement the system set out in ORD 2014 in respect of the establishment of the FTT-based own resource, the accounting arrangements, the timing for making it available, the payment of interest in instances of delay, the conservation of supporting documents and administrative cooperation. In addition, these arrangements complement implementing measures laid down under Article 311(4) TFEU concerning control and supervision and supplementary reporting requirements².

The proposal of the Commission draws upon past experience in administering own resources. It combines the most appropriate aspects from two of the existing systems: those for traditional own resources and the current VAT-based own resource. To avoid undue constraints on the legal arrangements that Member States need to put in place to implement a financial transaction tax it is proposed that an entitlement to the own resource will not arise until a Member State has actually collected the revenue. However, to enable the own resource to be collected more rapidly and more efficiently it is proposed that the revenue be made available via a system of monthly statements giving a clear date by which amounts of own resources must be made available.

The content of the proposal is summarised below. Throughout the following section reference is made to Council Regulation (EC, EURATOM) 1150/2000³. The Commission adopted a proposal for a recast of this regulation on 29 June 2011⁴.

2. LEGAL ELEMENTS OF THE PROPOSAL

2.1 Introduction

This proposal forms part of a package, which also includes a proposal for a Council Regulation concerning the arrangements for making available to the EU budget the new VAT

¹ OJ L [...], [...], p. [...].

² Amended proposal for a Council Regulation laying down implementing measures for the system of own resources of the European Union, COM(2011)740 of 9.11.2011.

³ OJ L 130, 31.5.2000, p.1.

⁴ COM(2011)512 of 29 June 2011.

own resource⁵ as well as an amended recast of the existing Council Regulation on making available the traditional own resources and the GNI-based own resource⁶.

The Commission will examine the possibility to consolidate the provisions for determining and making available all the own resources of the Union in one single Regulation following an overall agreement on the own resources package.

2.2 Chapter I 'General Provisions'

- Article 1 of the proposal, 'Subject matter': This Article specifies that the proposed arrangements apply to the new own resource set out in Article 2(1)(b) of Decision [.../...].
- Article 2 of the proposal, 'Establishment of the FTT-based own resource': Defines the point in time when the Union's entitlement to the FTT-based own resource arises.

2.3 Chapter II 'Making the FTT own resource available'

- Article 3 of the proposal, 'Accounting arrangements': The arrangements already in use for the existing own resources under Article 9 of Regulation 1150/2000 are proposed for the FTT-based own resource too.
- Article 4 of the proposal, 'Entry in the accounts, reporting and timing of making available': Similar provisions to those in use under Article 6 of Regulation 1150/2000 are proposed for the FTT-based own resource namely the earliest possible monthly cut-off point and the use of a monthly statement. The Commission will work out detailed rules for the monthly statements via implementing acts adopted in accordance with the advisory procedure. It is proposed that the FTT-based own resource and the monthly statements connected thereto be made available by the first working day of the second month following the month in which the Union's entitlements were established by the Member States. Given that amounts made available may fluctuate significantly from month to month, it is also proposed that Member States send estimates of the sums that are going to be entered in the accounts.
- Article 5 of the proposal, 'Interest on amounts made available belatedly': It is proposed that any delays in making the FTT-based own resource available be subject to the same late interest regime as currently applies under Article 11 of Regulation 1150/2000.
- Article 6 of the proposal, 'Accounting corrections' proposes that the same time limit currently used for other own resources under Article 7 of Regulation 1150/2000 applies to FTT too.

⁵ Proposal for a Council Regulation on the methods and procedure for making available the own resource based on the value added tax, COM(2011)737 of 9.11.2011.

⁶ Amended proposal for a Council Regulation on the methods and procedure for making available the traditional and GNI-based own resources and on the measures to meet cash requirements, COM(2011)742 of 9.11.2011.

2.4 Chapter III 'Administrative arrangements'

- Articles 7 and 8 of the proposal, 'Conservation of supporting documents' and 'Administrative cooperation' propose that the obligations currently laid upon Member States concerning the other own resources under Articles 3 and 4 respectively of Regulation 1150/2000 be similarly applied for the FTT-based own resource.

2.5 Chapter IV 'Final Provisions'

- Article 9 of the proposal 'Committee Procedure': Provides for FTT-based own resource to be dealt with by the Advisory Committee on Own Resources (ACOR) currently operating under Article 20 of Regulation 1150/2000 and in accordance with Regulation (EU) No 182/2011.

Proposal for a

COUNCIL REGULATION

on the methods and procedure for making available the own resource based on the financial transaction tax

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 322(2) thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the European Parliament⁷,

Having regard to the opinion of the European Court of Auditors⁸

Whereas:

- (1) The own resource of the Union based on the financial transaction tax (FTT) referred to in Article 2(1)(b) of Council Decision [...] on the system of own resources of the European Union⁹ (hereinafter "FTT-based own resource") should be made available to the Union in the best possible conditions and accordingly rules should be laid down for the Member States on making that own resource available to the Commission.
- (2) The establishment of the FTT-based own resource should be linked to the receipt by a Member State of payment of FTT in the interests of administrative and accounting simplicity, and certainty. Moreover, this approach would offer a clear and direct link between the revenue from the FTT and the Union's own resources.
- (3) The FTT-based own resource should be made available in the form of an entry of the amounts due in an account opened for this purpose under Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 implementing Decision 94/728/EC, Euratom on the system of the Communities' own resources¹⁰. Member States should pay interest in the event of delays in entering the FTT-based own resource in the accounts. In accordance with the principle of sound financial management, care should be taken that the cost of recovery of interest due does not exceed the amount of the interest payable.

⁷ OJ C , , p. .

⁸ OJ C [...], [...], p. [...].

⁹ OJ L [...], [...], p. [...].

¹⁰ OJ L 130, 31.5.2000, p.1.

- (4) Member States should keep at the disposal of the Commission and, where necessary, forward to it the documents and information needed to allow it to exercise the power conferred upon it as regards the own resources of the Union. In particular, Member States should transmit to the Commission monthly statements of the established entitlements.
- (5) The national authorities responsible for the collection of own resources should be able to provide the Commission at all times with the documents substantiating the own resources collected.
- (6) It is necessary to ensure close collaboration between Member States and the Commission in order to facilitate proper application of the financial rules relating to own resources.
- (7) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers¹¹.
- (8) The advisory procedure should be used for the adoption of implementing acts in order to establish detailed rules for the monthly statements of the accounts for the FTT-based own resource, given the technical nature of those statements.
- (9) This Regulation should apply on the same day as Decision [.../...],

HAS ADOPTED THIS REGULATION:

CHAPTER I

GENERAL PROVISIONS

Article 1

Subject matter

This Regulation lays down rules on making available to the Commission the own resource of the Union based on a share of the financial transaction tax (FTT) referred to in Article 2(1)(b) of Decision [.../...] (hereinafter "FTT-based own resource").

¹¹ OJ L 55, 28.2.2011, p. 13.

Article 2

Establishment of the FTT-based own resource

1. For the purpose of applying this Regulation, the Union's entitlement to the FTT-based own resource referred to in Article 2(1)(b) of Decision [...] shall be established as soon as a Member State entitled to levy FTT on a given transaction has received any payment of the tax due on that transaction in accordance with Council Directive [...] ¹² including receipts by way of advance payment or payment of balance.
2. Where a chargeable transaction within the meaning of Directive [...] has taken place but only part of the tax due has been paid, the Member State concerned shall ensure that the amount due as own resource is made available to the Commission before any revenue deriving from FTT accrues to the Member State.

CHAPTER II

MAKING THE FTT-BASED OWN RESOURCE AVAILABLE

Article 3

Accounting arrangements

1. Each Member State shall credit the FTT-based own resource to the account opened pursuant to Article 9 of Regulation (EC, Euratom) 1150/2000 in the name of the Commission with its Treasury or the body it has appointed.
2. Member States or the bodies appointed by them shall transmit the following to the Commission by electronic means:
 - (a) at the latest on the second working day following the crediting to the account of the Commission, a statement of account showing the entry of the FTT-based own resource;
 - (b) where the statement referred to in point (a) is not available on the working day on which the own resources are credited to the account of the Commission, a credit advice showing the entry of the FTT-based own resource.
3. The amounts credited shall be accounted for in euro in accordance with Council Regulation (EC, Euratom) No 1605/2002 ¹³.
4. A summary account for the FTT-based own resource shall be kept by the Treasury of each Member State or by the body appointed by each Member State.

¹² OJ L [...], [...], p. [...].

¹³ OJ L 248, 16.9.2002, p. 1.

5. For FTT-based own-resource accounting purposes, the month shall end no earlier than 1 p.m. on the last working day of the month during which establishment of that own resource took place.

Article 4

Entry in the accounts, reporting and timing for making available

1. The amounts established pursuant to Article 2 shall be entered in the account specified in Article 3(1), on the first working day of the second month following the month in which the amount was established.
2. At least ten working days before the date specified in paragraph 1, each Member State shall send to the Commission a monthly statement of the accounts for the FTT-based own resource.
3. An entry in the summary account specified in Article 3(4) shall be made at the latest by the first working day of the second month following the month in which the amount was established pursuant to Article 2.
4. The Commission shall adopt implementing acts establishing detailed rules for the monthly statements referred to in paragraph 2 of this Article. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 9(2).

Article 5

Interest on amounts made available belatedly

1. Any delay in making the entry in the account referred to in Article 3(1) shall give rise to the payment of interest by the Member State concerned.

However, recovery of amounts of interest below EUR 500 shall be waived.

2. Interest shall be levied at the rates and conditions provided for in Article 11(2) and (3) of Regulation (EC, Euratom) No 1150/2000.
3. For the payment of interest referred to in paragraph 1, Article 3(2) and (3) shall apply *mutatis mutandis*.

Article 6

Accounting corrections

After 31 December of the third year following a given year, no further corrections shall be made to the sum of the monthly statements communicated by Member States under Article 4(5) for the given year, except on points notified before that date either by the Commission or by the Member State concerned.

CHAPTER III

ADMINISTRATIVE ARRANGEMENTS

Article 7

Conservation of supporting documents

Member States shall take all appropriate measures to ensure that the supporting documents concerning making the FTT-based own resource available are kept for at least three calendar years, counting from the end of the year to which those supporting documents refer.

If verification pursuant to Article 5 of Regulation (EU) [...] of the supporting documents referred to in the first paragraph shows that a correction is required, those documents shall be kept beyond the time limit provided for in the first paragraph for a sufficient period to permit the correction to be made and monitored.

Where a dispute between a Member State and the Commission concerning the obligation to make available a certain amount of FTT-based own resource is settled by mutual agreement or by a decision of the Court of Justice of the European Union, the Member State shall transmit the supporting documents necessary for the financial follow-up to the Commission within two months after that settlement.

Article 8

Administrative cooperation

1. Each Member State shall provide the Commission with the following information:

- (a) the names of the departments or agencies responsible for establishing, collecting, making available and controlling the FTT-based own resource and the basic provisions relating to the role and operation of those departments and agencies;
- (b) the general provisions laid down by law, regulation or administrative action and those relating to the accounting procedures concerning the collection of FTT, making the own resource derived therefrom available to the Commission and the provisions relating to control by the Commission of that own resource;
- (c) the precise title of all administrative and accounting records in which is entered the FTT-based own resource, in particular those used for drawing up the accounts provided for in Article 4.

The Commission shall be informed immediately of any changes in that information.

2. The Commission shall, at the request of a Member State, transmit to all Member States the information referred to in paragraph 1.

CHAPTER IV

FINAL PROVISIONS

Article 9

Committee procedure

1. The Commission shall be assisted by the Advisory Committee on Own Resources established by Regulation (EU) No [.../...]. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply.

Article 10

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2014.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management method(s) envisaged

2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. Summary of estimated impact on expenditure
 - 3.2.2. Estimated impact on operational appropriations
 - 3.2.3. Estimated impact on appropriations of an administrative nature
 - 3.2.4. Compatibility with the current multiannual financial framework
 - 3.2.5. Third-party participation in financing
- 3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Council Regulation on the methods and procedures for making available the own resource based on the financial transaction tax (FTT).

1.2. Policy area(s) concerned in the ABM/ABB structure¹⁴

EU budget revenue (Title 1, Own Resources).

1.3. Nature of the proposal/initiative

- ☒ The proposal/initiative relates to **a new action**
- ☐ The proposal/initiative relates to **a new action following a pilot project/preparatory action¹⁵**
- ☐ The proposal/initiative relates to **the extension of an existing action**
- ☐ The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objectives

1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

The proposal completes and refines proposals made by the Commission on 29 June 2011 regarding the EU's own resources system [see COM(2011)510, 511 and 512].

1.4.2. Specific objective(s) and ABM/ABB activity(ies) concerned

Specific objective No..

ABM/ABB activity(ies) concerned

Titre 1 – own resources

¹⁴ ABM: Activity-Based Management – ABB: Activity-Based Budgeting.
¹⁵ As referred to in Article 49(6)(a) or (b) of the Financial Regulation.

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

Financial transaction taxation (FTT) could constitute a new revenue stream, which could reduce the existing Member State contributions, give national governments extra room for manoeuvre and contribute to the general budgetary consolidation effort. Although some form of financial transaction taxation already exists in a limited number of Member States, the analysis also made it clear that action at EU level could prove both more effective and efficient than uncoordinated action by Member States given the level of cross-border activity and high mobility of the tax bases. Furthermore, it could play a role in reducing the existing fragmentation of the Internal market. The EU initiative will constitute a first step towards the application of a FTT at global level.

1.4.4. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

This proposal should provide the framework for a timely and correct making available of FTT-based own resources to the EU budget.

1.5. **Grounds for the proposal/initiative**

1.5.1. *Requirement(s) to be met in the short or long term*

The rules for making the FTT-based available to the EU budget should be agreed upon in time for ensuring the timely implementation of the new own resource.

1.5.2. *Added value of EU involvement*

Cf. 1.4.3 above.

1.5.3. *Lessons learned from similar experiences in the past*

n.a.

1.5.4. *Coherence and possible synergy with other relevant instruments*

This proposal is part of a package of proposals also including an Amended proposal for a Council Decision on the system of own resources of the European Union, an Amended proposal for a Council Regulation laying down implementing measures for the system of own resources of the European Union and the proposed Council Directive on a financial transaction tax in the EU. Together, these proposals clarify the possible interaction between the FTT Directive and the own resources provisions.

1.6. **Duration and financial impact**

☐ Proposal/initiative of **limited duration**

– ☐ Proposal/initiative in effect from [DD/MM]YYYY to [DD/MM]YYYY

– ☐ Financial impact from YYYY to YYYY

☒ Proposal/initiative of **unlimited duration**

- Implementation with a start-up period from 1/1/2013 to 31/12/2013,
- followed by full-scale operation from 1/1/2014.

1.7. Management mode(s) envisaged¹⁶

☒ **Centralised direct management** by the Commission

☐ **Centralised indirect management** with the delegation of implementation tasks to:

- ☐ executive agencies
- ☐ bodies set up by the Communities¹⁷
- ☐ national public-sector bodies/bodies with public-service mission
- ☐ persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation

☐ **Shared management** with the Member States

☐ **Decentralised management** with third countries

☐ **Joint management** with international organisations *(to be specified)*

If more than one management mode is indicated, please provide details in the "Comments" section.

Comments

¹⁶ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

¹⁷ As referred to in Article 185 of the Financial Regulation.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

Provisions for the monitoring and reporting in relation to making available the FTT-based own resource can be found in chapters III and IV of the proposed Council Regulation.

2.2. Management and control system

2.2.1. Risk(s) identified

The main potential risks include: the incorrect establishment of the FTT-based own resource, the incorrect entry in the accounts, the late making available of the resource, and accounting errors.

2.2.2. Control method(s) envisaged

These risks are systematically addressed in the proposal, which also includes specific provisions on administrative cooperation and a comitology procedure.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

In addition to provisions mentioned under 2.2.2., it should be noted that provisions on control and supervision are included in the accompanying Amended proposal for a Council Regulation laying down implementing measures for the system of own resources of the European Union.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

Not applicable.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

Heading of multiannual financial framework:	5	" Administrative expenditure "			
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Constant 2011 prices, EUR million

		2013	2014	2015	2016	2017 and beyond
• Human resources		0.508	2.144	2.144	2.144	2.144
• Other administrative expenditure		0.072	0.197	0.197	0.287	0.212
TOTAL DG BUDGET	Appropriations	0.580	2.341	2.341	2.431	2.356
TOTAL appropriations under HEADING 5	Total commitments = Total payments	0.580	2.341	2.341	2.431	2.356
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments	0.580	2.341	2.341	2.431	2.356
	Payments	0.580	2.341	2.341	2.431	2.356

3.2.2. *Estimated impact on operational appropriations*

- ☒ The proposal/initiative does not require the use of operational appropriations
- ☐ The proposal/initiative requires the use of operational appropriations.

3.2.3. *Estimated impact on appropriations of an administrative nature*

3.2.3.1. Summary

- ☐ The proposal/initiative does not require the use of administrative appropriations
- ☒ The proposal/initiative requires the use of administrative appropriations, as explained below:

Constant 2011 prices, EUR million

	2013	2014	2015	2016	2017 and beyond
HEADING 5 of the multiannual financial framework					
Human resources	0.508	2.144	2.144	2.144	2.144
Other administrative expenditure	0.072	0.197	0.197	0.287	0.212
Subtotal HEADING 5 of the multiannual financial framework	0.580	2.341	2.341	2.431	2.356
Outside HEADING 5¹⁸ of the multiannual financial framework					
Human resources					
Other expenditure of an administrative nature					
Subtotal outside HEADING 5 of the multiannual financial framework					
TOTAL	0.580	2.341	2.341	2.431	2.356

¹⁸ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

- ☐ The proposal/initiative does not require the use of human resources
- ☒ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full amounts (or at most to one decimal place)

	2013	2014	2015	2016	2017 and beyond
• Establishment plan posts (officials and temporary agents)					
27 01 01 01 (Headquarters and Commission's Representation Offices)	4	13	13	13	13
XX 01 01 02 (Delegations)					
XX 01 05 01 (Indirect research)					
10 01 05 01 (Direct research)					
• External personnel (in Full Time Equivalent unit: FTE)¹⁹					
27 01 02 01 (CA, INT, SNE from the "global envelope")	0	7	7	7	7
XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations)					
XX 01 04 yy ²⁰	- at Headquarters ²¹				
	- in delegations				
XX 01 05 02 (CA, INT, SNE - Indirect research)					
10 01 05 02 (CA, INT, SNE - Direct research)					
Other budget lines (specify)					
TOTAL					

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

¹⁹ CA= Contract Agent; INT= agency staff ("Intérimaire"); JED= "Jeune Expert en Délégation" (Young Experts in Delegations); LA= Local Agent; SNE= Seconded National Expert;

²⁰ Under the ceiling for external personnel from operational appropriations (former "BA" lines).

²¹ Essentially for Structural Funds, European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF).

Description of tasks to be carried out:

Officials, temporary agents and External personnel	The new FTT-based own resource unit would control that the Member States establish, account for, recover and make available correctly and on timely basis the FTT-based own resource ("FTT OR") that is collected by them for financing the EU Budget. The main tasks to be carried out are as follows: <i>1) Inspections</i> - control Member States' action in the area of FTT OR via on-the-spot inspections carried out on the basis of an annual, risk based, programme. As a rule, the 5 biggest collectors could be visited twice and other Member States once a year. The smallest Member States, however, could be visited every other year. All inspections reports and Member States replies to them to be discussed with the Member States at the FTT OR Advisory Committee on Own Resources, organised twice a year. All individual inspection findings would require a financial or a legal/administrative follow-up that could be closed only once the Member State concerned has taken the necessary remedial action. If this not the case, an infringement procedure would need to be initiated. <i>2) Follow-up of ECA audits</i> Also the European Court of Auditors would carry out FTT OR related audits (DAS or special) in Member States. In addition to the follow-up of its own inspection findings, the unit would be responsible for the follow-up all ECA audit findings vis-à-vis the Member States concerned. <i>3) Monitoring recovery and follow-up of individual cases</i> The unit would monitor Member States' FTT OR recovery action in specific cases which have a significant financial impact (e.g. relating to large scale investigations carried out by OLAF). For the overall monitoring of recovery in cases of fraud and irregularity the unit could need to manage specific databases (new or based on existing systems such as OWNRES) to which Member States could send reports on all cases exceeding €10.000. In addition, all particular cases where a Member State's administrative error would cause a loss of FTT OR would require a follow-up action. <i>4) Management of Member States write-off reports</i> For all cases of irrecoverable FTT OR amounts exceeding a certain threshold Member States could be obliged to send a report explaining the reasons why amount could not be recovered and made available to the Commission. The unit would examine, in co-operation with the Legal Service, DG TAXUD and OLAF, whether the Member State concerned had acted diligently and could thus be released from the obligation to make the amount available. All cases where a Member States would be considered liable for the loss of FTT OR would require a follow-up action by the unit.
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	5) <i>Monitoring preparedness and providing assistance to the candidate countries</i> The unit would monitor the preparedness of the candidate countries in the area of FTT OR, e.g. by making monitoring visits and analysing their replies to questionnaires and simulation exercises. In addition, a pre-accession assistance programme would be provided to them including seminars and workshops where their future obligations in the area of FTT OR would be explained in detail.
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3.2.4. *Compatibility with the current multiannual financial framework*

- ☐ Proposal/initiative is compatible the current multiannual financial framework.
- ☒ Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

This proposal is closely related to the proposals for the next multiannual financial framework adopted by the Commission on 29 June 2011. This proposal aims at ensuring appropriate means of financing for the EU budget from 1/1/2014, that is, the start of the next financial framework.

- ☐ Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

3.2.5. *Third-party contributions*

- ☒ The proposal/initiative does not provide for co-financing by third parties
- ☐ The proposal/initiative provides for the co-financing estimated below.

3.3. **Estimated impact on revenue**

- ☐ Proposal/initiative has no financial impact on revenue.
- ☒ Proposal/initiative has the following financial impact:
 - ☒ on own resources
 - ☐ on miscellaneous revenue

EUR million, current prices

Budget revenue line:	Appropriations available for the ongoing budget year	Impact of the proposal/initiative ²²						
		2014	2015	2016	2017	2018	2019	2020
New (in Title 1)		43.692	45.335	46.801	48.414	50.175	52.108	54.226

²²

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.

Specify the method for calculating the impact on revenue.

The Annex to the Report on the operation of the own resources system [SEC(2011)876, part II, pp. 25-26] and the impact assessment to the proposal for a Council Directive on a common system of financial transaction tax and amending Directive 2008/7/EC provide quantitative estimates and explanations on assumptions used.

Formula used

Estimates are based on a formula initially developed by the French Ministry of Finance in 2000 and used more recently by Jetin and Denys (2005) and by McCulloch and Pacillo (2011). It assumes that tax revenue R can be calculated as:

$$R = \tau \times V \times E \times \left(1 + \frac{\tau}{c}\right)^{\varepsilon},$$

where τ is the tax rate, V the annual transaction volume, and E is interpreted as relocation and fiscal evasion. The variable c describes the transaction costs in percent of the transaction volume and ε is the tax elasticity which describes the effect of a tax increase on the transaction volume, i.e. the tax base. The last term in brackets describes the volume reaction of markets due to an increase in transaction costs only. The relocation and evasion is captured directly by E in this formula.

Data sources

Data on currency transactions (turnover in foreign exchange spot, foreign exchange swaps and foreign exchange outright forwards markets) come from the Bank for International Settlements (BIS).

Data for equity calculations is based on figures available from the Federation of European Securities Exchanges (FESE). The data contain information on equity trades in regulated exchanges. There are no data on turnover in private exchanges like exchange systems of some large banks (like the Sigma X of Goldman Sachs) and on private placement of shares.

For derivatives, the turnover in terms of notional values and the notional amounts outstanding reported by the BIS are proxies to measure the market activity in over-the-counter (OTC) derivative markets.

Quantitative estimates

Assumptions used strongly affect the revenue estimates and vary for the various market segments. The resulting estimates are therefore provided on an illustrative basis, building on 2010 data.

The amount presented corresponds to the combination of the following three categories:

- i) A Securities Transaction Tax (STT) levied on all bonds and stock transactions executed in regulated markets with a rate of 0.1 %.

ii) Imposing a rate of 0.01 % on Exchange Derivatives, notably Single Stock Futures, Stock Index Options, Stock Index Futures, Bond Options and Bond Futures.

iii) The same rate applied to OTC interest rates derivatives, including Forward Rate Agreements, Swaps and Options.

Specific assumptions on transaction costs, fiscal evasion and elasticities can be found in the impact assessment accompanying the proposal for a Directive on the financial transaction tax [SEC(2011)1102 and 1103].

A share of two-thirds is assumed to be retained for the EU budget.

Starting from 2010 estimates, amounts are increased using nominal GNI growth estimates.