



FROM: ECONOMIC SECRETARY
DATE: 14 January 1985

PRIME MINISTER

Prime Minister

Agree:

- ① early payment of non-VAT own resources, due in February?
- ② discretionary authority for the Treasury to report this later in the year, if necessary, without consulting you?

Yes not
Yes

C D P
15/1

EC BUDGET

You will wish to be aware that the Commission have requested that we bring forward payment of non-VAT traditional own resources (levies and duties), normally to be paid over on 20 February, to 21 January. The sum involved - about £140 million - does not add in any way to the Commission's authorised expenditure; and the procedure - a request under Article 10(2) of Regulation 2891/77 - is the same as that used in the past, most recently in November 1984.


2. We knew that the Commission's cash flow position in January would be tight, due to the restrictions of the provisional twelfths system on VAT payments, the seasonally high level of agricultural expenditure and the carrying over of commitments from the 1984 Budget. The Article 10(2) request is not therefore unexpected. Our legal advice remains that this advance of traditional own resources is not obligatory (though the Commission and other Member States take the opposite view). But subject to the Commission providing a satisfactory breakdown of their financial needs during January I would propose to agree to it and to announce this by Written Answer in the usual way. This would need to be done in the course of the next day or so.

3. There are two other points I should make. First, this Article 10(2) request to all member states has no link with our IGA payment. Even if we had paid under the IGA in full the Commission would still need the greater part of these funds. They are already attempting to overdraw on member states' accounts under the provisions of Article 12(2) of the ~~Financial Regulation~~ ^{Own Resources Regulation 2391} (1977). We are resisting giving any overdraft facility, since until our IGA payment has been made we could be accused of providing the money before Parliament's approval had been given. Second, to avoid a shortfall of revenue in any future month the Commission may need to carry on bring forward payments of traditional own resources by one month until the end of the year. We shall of course continue to look at each in the light of the Commission's financial position at the time, and follow the usual Parliamentary procedure to make payment. I would not propose to trouble you on each future request, unless new issues were involved.

4. Copies of this minute go to the Foreign Secretary, Minister of Agriculture and Sir Robert Armstrong.



IAN STEWART



DRAFT PQ

QUESTION: to ask Mr Chancellor of the Exchequer if he will make a statement about an advance of own resources payments to the European Communities in January.

DRAFT REPLY

The Commission has, in accordance with Article 10(2) of Council Regulation 2891/77, invited Member States to advance from 20 February to 21 January payments of own resources other than VAT in respect of agricultural, sugar and isoglucose levies and customs duties collected by the Government on their behalf in December. The Government is complying with this request, which is entirely separate from the Inter-Governmental Agreement of October 1984.

Pending Parliamentary approval of a Spring Supplementary Estimate, payment of [£140] million will be made by a repayable advance from the Contingencies Fund. The payment of levies and duties on 20 February 1985 which is made directly from the Consolidated Fund under Section 2(3) of the European Communities Act 1972 will be reduced by the amount of the advance. There will therefore be no net addition to forecast public expenditure.

Any further requests for advances will be considered in the light of the then prevailing circumstances.

15 JAN 1985





10 DOWNING STREET

Prime Minister

This is a perfectly
normal transaction and
does not relate in any
way to our contribution
to the 1984 IGA.

The money concerned
is levies & duties, which
we have already collected.

C. D. P.

16/1



10 DOWNING STREET

From the Private Secretary

16 January, 1985

Dear Adrian,

EC BUDGET

The Economic Secretary minuted the Prime Minister on 14 January about the Commission's request that we bring forward from February to January payment of non-VAT traditional own resources. The Prime Minister agrees that we should meet the Commission's request and to the procedure proposed by the Economic Secretary.

The Prime Minister notes that similar requests for advances of non-VAT own resources may be received later in the year. She agrees that it will not be necessary for her to be consulted on each case, provided she can be assured that the Commission's financial position and the case for the advance will be studied carefully on each occasion and the usual Parliamentary procedures followed.

I am sending a copy of this letter to Colin Budd (Foreign and Commonwealth Office), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and to Richard Hatfield (Cabinet Office).

Yours sincerely

(C.D. Powell)

A. Ellis, Esq.,
HM Treasury.

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PM

cc: PD

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