

RESTRICTED



70 Whitehall, London SW1A 2AS Telephone 01-233 8319

Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A083/3361

2 December 1983

Dear Sir,

European Community Financing

--- In accordance with the Prime Minister's instructions at the meeting of the Cabinet yesterday I attach a short fact sheet on the financing of the European Community.

I am sending copies to the Private Secretaries of all members of the Cabinet.

(R P Hatfield)
Private Secretary

A J Coles Esq

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EUROPEAN COMMUNITY: FINANCINGFact Sheet1. The European Community's existing finances

The European Community's finances ("own resources") comprise the import duties, agricultural levies and VAT on a standard basis within a 1% ceiling. In 1984, the Community's maximum available own resources are estimated to be:

Total	£14,600 m
of which VAT (within the 1% ceiling)	£8,500 m

2. Increase in 1% VAT ceiling

On 1984 figures, the effect of an increase in the VAT ceiling on the total own resources available to the Community is as follows:

<u>Increase in VAT ceiling</u> for each 0.1%	<u>Additional resources</u> £850 m
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3. United Kingdom contribution

Gross The United Kingdom's gross contribution to the Community's budget in 1982 was

£2950
£2,680 m

of which the VAT component was

£1,450 m

£1,600

Net The United Kingdom's unadjusted net contribution to the allocated budget* in 1982 was

£1,180 m

(*which excludes overseas aid and some minor other expenditure)

After taking account of the annual refund which the United Kingdom negotiated, the United Kingdom's adjusted net contribution for 1982 should be

£530 m



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Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A083/3368

2 December 1983

Dear Sir,

European Community Financing

I regret to say that there was an error in the figures for the United Kingdom gross contribution to the European Community budget shown in paragraph 3 of the attachment to my letter earlier today (Ref. A083/3361). The attached page should therefore be substituted for page one of the fact sheet.

I am sending copies to the Private Secretaries to members of the Cabinet.

Yours



(R P Hatfield)
Private Secretary

A J Coles Esq



70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A083/3543

22 December 1983

Dear Sir,

*nbpm
DMS
22/12*

European Community Financing

The last sentence of the note circulated with my letter of 2 December has given rise to a query. I should therefore make clear that under the United Kingdom's safety net proposal, unlike some other proposed forms of relief, an increase in the United Kingdom's gross contribution (eg because of an increase in the VAT ceiling to 1.4 per cent) would not increase our net contribution. You may wish to delete the existing last sentence of the note and to insert:

"The United Kingdom's proposal for a safety net would also ensure, if other factors remained unchanged, that our contribution of VAT remained at about the equivalent of a VAT rate of 0.4 per cent, even if the VAT ceiling for the Community were raised to 1.4 per cent. The reason for this is that the safety net limit is related to gross domestic product and our maximum net contribution is unaffected by the level of Community expenditure once the safety net is in effect."

I am sending copies to the Private Secretaries of all members of the Cabinet.

[Signature]
[Signature]
(R P Hatfield)
Private Secretary

A J Coles Esq