



Treasury Chambers, Parliament Street, SW1P 3AG  
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PRIME MINISTER

WITHHOLDING: USE OF SUSPENSE ACCOUNT

As OD on 22 February I undertook to consider again the possibility that, in the event of withholding, we might make our "own resource" payments into a special suspense account, rather than into the EEC Number 1 account as envisaged in our contingency plans.

2. The possible presentational advantages of this course are that:-

- (a) we might be able to argue that we were following the precedent of December 1982, when, following the European Parliament's rejection of the 1982 supplementary Budget, the Commission set up a special EEC Number 3 account for our refunds; and
- (b) the accumulating refunds might be more readily and publicly identifiable.

3. However, I rather doubt whether these considerations would carry much weight in the circumstances envisaged. And there are some formidable arguments against setting up of the special suspense account; viz:-

- (a) the events of December 1982 do not constitute a real precedent since what happened then was on the initiative, and with the full consent, of the Commission.
- (b) To switch the accumulating refunds into a special suspense account in the Commission's name, instead of leaving them in the EEC Number 1 account, would require either withholding payments into the No.1 account or making special transfers from it into the suspense account without the approval of the Commission. This would be an additional disturbance to existing arrangements, whereas our aim should I believe be minimum disturbance.

cc NO

- 1) Mr Tumbull
- 2) Prime Minister<sup>(1)</sup>

The Chancellor concludes against a special suspense account if we have to withhold. He suggests a special category within the EEC No1 accounts for blocked payments. Content, subject to colleagues?

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- (c) To make payments into a special suspense account without a request from the Commission would certainly require legislation. It would not therefore be possible if we were withholding without prior legislation. And if we had decided to legislate, we would do well to avoid this unnecessary complication in the Bill.

4. It seems to me that these objections outweigh the possible advantages. I therefore conclude that we should continue to base our contingency plans on the blocking of payments out of the EEC No.1 account in the first instance, rather than transferring sums from that account to a special suspense account. Nevertheless, there may be presentational advantages in identifying within the No.1 account the sums that have been withheld, perhaps by describing it as the equivalent of the reserve "Chapter 100" in the Community's own Budget.

5. Copies of this minute go to the Foreign Secretary, to other members of OD and to the Attorney General.

A handwritten signature in black ink, appearing to be 'N.L.' with a flourish.

N.L.

16 March 1984

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