EVALUATION OF THE BUDGET PROCESS REFORM WITHIN THE EUROPEAN UNION*

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Evaluarea reformei procesului bugetar la nivelul Uniunii Europene" se realizează pe baza unei analize pe trei paliere: procesul bugetar, veniturile bugetare precum şi cheltuielile bugetare. Pentru fiecare palier menționat mai sus s-a făcut, mai întâi, o evaluare diagnostic urmată de o analiză critică. Un al treilea capitol este destinat unor propuneri de reformă a procesului bugetar European. Criza financiară mondială a redeschis discuțiile asupra introducerii unui impozit unic european, însă dificultățile financiare cu care se confruntă statele membre ale Uniunii Europene (UE), reprezintă serioase obstacole pentru instituirea, în viitorul apropiat, al unui impozit european.

Abstract

The evaluation of the budget process reform with the European Union is done by analysis at three levels: the budget process, the revenues to the budget and the expenditure form the budget. Each level was first diagnosed and then analysed in a critical manner. A third chapter is devoted to some proposals of reform of the European budget process. The world financial crisis reopened the discussion on the introduction of a single European tax, but the financial difficulties

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confronting the EU member states are serious obstacles to the establishment, in the near future, of a single European tax.

Keywords: community budget, a single European tax, budget reform

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4. Diagnosis analysis of the European budget process

European Union budget is the act which authorises every year the finds for all the community activities and interventions. The community political priorities and directions can be observed depending on its construction. The evolution of the EU budget reflects the successive transformations of the European construction.

The budget exercise starts on January 1 and it ends on December 31.

The European Parliament and the European Council, in agreement with a special legislative procedure, adopt the annual EU budget in agreement with several dispositions.

The community budget amounted to 3.6 billion ecu in 1970 (as of January 1, 1999, 1 ecu = 1 euro) and it included almost only funds for the common agricultural policy. Today, EU budget amounts to about 133 billion € and it is thus distributed as to finance all EU policies: the common agricultural policy, the policy of regional development, re4search, education, formation, international cooperation etc.

The revenues to and expenditure from EU budget are regulated by several dispositions:

✓ EU budget cannot have deficit, which means that the revenues must cover all expenditures;

✓ There is an upper limit of the expenditure agreed by the governments and parliaments of the member states, known as the “own resources ceiling”. Currently, this limit amounts to 1.24% of the NGP of the Union used for the payments done from EU budget. This corresponds to an average of 293 euro per EU citizen.

✓ The existence of a financial framework agreed by the European Parliament, Council of Ministers and European

Commission, which controls the evolution of EU budget function of the categories of expenditure, for a determined period of time.

The Union ensures the means necessary to accomplish its objectives and policies. The budget is fully financed from own resources, without impeding on other revenues.

The Council, ruling in agreement with a special legislative procedure and after conference with the European Parliament, adopts a decision which sets the dispositions applicable to the system of own EU resources. Categories of new resources can be settled, or an existing category can be cancelled. This decision enters in force only after approval by all member states, in agreement with their constitutional norms.

EU budget is an instrument which determines the level of the expenditure that can be undertaken in each EU policy domain, and the forecast level of the revenue to be collected and used to finance the activities of the current year, its main characteristic being the balance of the revenues and expenditure.

Today, EU budget includes two very different activities: on the one hand, the redistribution of resources between the member states and, on the other hand, the production of European “public goods” through the common policies and institutions. While they respond to the common goals on large areas, the redistribution differs rather much, both conceptually and analytically, from the actual production of the “public goods” such as: the free circulation of the people, domestic security, sanitary and phyto-sanitary security, “public goods” which belong to the function of allocation of the public budget, according to the classical definition by Musgrave. EU budget is characterized by an important function of redistribution, the transfer of funds from the wealthy regions towards the poorer regions, with the aim to achieve convergence (structural policy).

EU budget is determined by three elements: the financial perspective, which sets the parameters of EU expenditure for a period of seven years; the decision of the own resources, which determines the maximal amount and the type of revenues of EU budget; and the annual budget, which remains within the limits set by the first two elements. It approves budget funds and defines their allocation to individual areas.

1.1 Underlying principles of the community budget process

✓ ***Principle of unity***, regulated by art.268 of the European Community Treaty and by art.4-5 of CE Regulation no.1605/2002 of 25 June 2002.

According to this principle, all the revenues and expenditures must be included in a single budget document, in order to ensure an efficient control of the way the community resources are used. Derogations from this principle are equally admitted for the decentralized bodies of the community – the European agencies – which have their own budget; their resources come from subsidies included in the general European budget.

✓ ***Principle of annuality***, regulated by art. 6-13 of CE Regulation no.1605/2002, of 25 June 2002.

According to this principle, the budget exercise overlaps the calendar year: it starts on January 1st and it ends on December 31st. The principle signifies the dependence of the operations on the annual exercise. This enables the control of CE executive activity. Derogations from the principle of annuality are possible through the system of credit carryover. For the dissociated credits, the credits not used by the end of exercise year are usually cancelled. Multiannual actions are often required and in this case dissociated credits are used, which presume credits of engagement[1] and credits of payment[2]. The difference between the credits of engagement and the credits of payment is measured by the remaining engagements which have to be cancelled[3].

✓ ***Principle of balance***, regulated by art. 14-15 of CE Regulation no.1605/2002.

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[1] *The credits of engagement cover, during the current execution of the budget, the total cost of the legal contracts for actions spanning on more than an exercise.*

[2] *The credits of payments cover, up to the level recorded in the budget, the expenditure deriving from the execution of the engagements contracted during the current year or during a previous exercise. They have to be authorized annually.*

[3] *They represent the time lag between the moment when the engagements are contracted and the moment the payments are done.*

According to the treaties, the budget has a similar level of revenues and expenditure. The Community is not authorized to take loans in order to cover the expenditure.

When the budget is approved, there is a perfect balance between the revenues and expenditures. However, by definition, the budget is a forecast both of the revenues, and of the expenditures. Therefore, it is not impossible to have differences between the revenues and expenditures during the execution of the budget. There are two possible situations:

3. a positive balance, therefore a surplus. This is the most frequent situation, and the surplus is carried over to the next year;

4. a negative balance, therefore a deficit. This is a rather exceptional situation, which requires a new expenditure in the next budget.

The usual situation is that of surpluses. There is a mechanism which sets funds for the new expenditure by anticipating the savings to occur during the execution of the budget, but the categories which generate the revenue cannot be identified at the moment when the budget is approved. This is the so-called “negative reserve”: a negative value which is recorded in the budget and which must disappear during the execution of the budget by transfers from the budget chapters which have surplus.

- ✓ ***Principle of universality***, regulated by art. 17-20 of CE Regulation no.1605/2002, of 25 June 2002.

The revenues to the budget form a joint pool which serves to fund all the types of expenditures, without any exception, and it represents the principle of budget universality. This involves the existence of two rules characteristic to the budget exercise: non-affecting and non-contracting (decreasing)

1. non-affecting presumes that the revenues to the budget are not affected by certain specific expenditures. At the same time, exceptions from the rule are admitted for some research programs.

2. rule of the gross budget, which stipulates that all the revenues and expenditures must be mentioned in full within the budget, with no adjustment.

- ✓ ***Principle of expenditure specificity***[4], regulated by art. 21-26 of CE Regulation no.1605/2002, of 25 June 2002.

It stipulates that each budget allocation has a specific purpose and is intended to a specific objective; this prevents the possible confusions both during the stage of authorization and during the execution. According to this rule each credit must have a specific destination and must be allotted to a specific purpose (all revenues and all expenditures must be linked to specific articles of the budget).

- ✓ ***Principle of calculation in euro*** it is functional as of January 1st, 1999.

Following the third stage of integration of the Economic and Monetary Union stipulated in the Maastricht Treaty, the estimation of the revenues and expenditures is done in euro.

4.2. Revenues to the budget of the European Union

The ***formation of the resources*** included in the EU budget is done by Decision of the EU Council of Ministers, by unanimity of votes. Finally, the Decision must be ratified by the national Parliaments of all the member states.

The European Union has "own resources" to finance its expenditure. Legally, these resources belong to the Union. The members states collect them on behalf of the EU and transfer them to EU budget. The own resources fall into three categories:

- ✓ ***Traditional own resources (TOR)***, they consist mainly of taxes on the import of goods from non-EU countries. They contribute with about 15% to the total revenues.

- ✓ ***Resource based on the added value (VAT),*** which is a flat rate applied to the incomes from the harmonized VAT of

[4] *The same rule works for revenues, which must be identified accurately. The budget is structured by sections, titles, chapters, articles and positions. The true location of the specialisation is the chapter, which shows the competency of the budget authority. Only the budget authority can make transfers between the chapters of the budget.*

each member state. The resources from VAT account for about 15% to the total revenues.

✓ ***Resource based on the national gross product (NGP)*** which is a flat rate (0.73 %) applied to the NGP of each member state. Although it is a non-uniform category, it is the most important source of revenue, currently contribution with about 69 % to the total revenues.

The budget also has some other revenues, such as taxes on the wages of EU staff, contributions from non-EU countries to specific EU programs and fines to the companies breaching the competition rules or other rules. These resources contribute with about 1% to the total revenues.

Te member states contribute to the budget approximately proportionally with their wealth. However, the United Kingdom, the Netherlands, Germany, Austria and Sweden benefit of adjustments to the calculation of their contribution. On the other hand, EU funds are allocated to the EU member states in agreement with the priorities set by the Union. The less prosperous member states receive, proportionally, more funds than the wealthy states, and most states receive more than their contribution to the budget.

The statistics show that the total revenues decreased by about 6.6% in 2009 compared to 2008. The decrease is due to the lower balances, and to the deficit adjustments, to the lower contributions and to the restitutions within the framework of the community agreements and programs.

In 2010, the own resources of EU budget increased by about 10% compared to the previous year.

The current financing system, in which about 70% of the revenues to the RU budget do not come from own resources, but directly from the national budgets (via the resources from the NGP, and 15% from VAT, which cannot be considered an own resource of the EU, moving thus away from the dispositions and spirit of the Rome Treaty), is the reason which leads to the suggestion that EU should apply an authentic system of own resources, not a system fuelled by the national contributions.

4.3. Expenditures from the budget of the European Union

The ***expenditure of the budget resources*** is approved on the basis of CE proposals to the European Parliament and to the Council, after debates on the pre-projects of expenditures and on the annual draft budget.

Financing from EU budget reflects the priorities set for the EU member states at a specific moment. They are grouped in categories of broader expenditure ("headings") and 31 different areas. EU budget finances the initiatives and projects from the areas in which all the member states agreed to act at the Union level. Such decisions are taken out of practical reasons. Joining forces in these areas may yield good results at low costs. There also are fields in which the REU member states decided not to act at Union level. For instance, the national systems of social security, pensions, health or education are financed by the national, regional or local governments. The "principle of subsidiarity" guarantees that the best managed activities at the national, regional or local level are financed at the proper level, and the Union doesn't interfere in these cases.

EU resources are spent in several sectors: sustainable growth (competitiveness, cohesion); conservation and management of the natural resources; citizenship; freedom; security and justice; EU as world partner, administration, compensations.

The European Commission has the highest responsibility for the application of the budget. Most of EU funds (about 76%) are spent within the framework of the joint administration. According to these agreements, the authorities from the member states are those who administer the expenditures, more than the Commission. A whole system of checking and balance sheets has been put into practice, which guarantees that the funds are managed correctly and in agreement with the eligible expenditures.

The main norms governing the actual spending of the EU funds are stipulated in the financial regulations. A second set of norms, the norms of application, explain in detail the manner to apply the financial regulations. Furthermore, with very few exceptions, each program that has been started must be covered by a specific act of authorization, or by a legal reason, before the funds are released.

These legal reasons set the objectives and costs of the action to be funded, and often impose limits for multiannual expenditures.

The expenditure of the European Union has changed considerably in time. Traditionally, most of EU budget was focused on a rather low number of politic fields. However, both within and outside these fields, the priorities in matter of expenditure and the political objectives have evolved.

5. Critical evaluation of the budget process of the European Union

The reform of the system of community financing, adopted in the mid-70s, aimed first of all to give up the national contributions in exchange for a system of own resources. This purpose increased the role of the European Parliament in the process of allocation and spending of the resources from the central budget.

While the goal of the European Parliament is to compare with the parliaments form most of the democratic systems, then the expansion of the power of budget procedure is not enough, because the Parliament doesn't have yet legislative initiative, which is absolutely compulsory in order to become the central actor of the legislative procedure.

On the basis of the provisions of article 37 of the Regulation, the Commission is the only one empowered to propose budgets that can be rectified, from own initiative, or upon request from other institutions. The budget rectification must observe the entire procedure set for the initial project (the Commission proposes, the Council draws up and the Parliament approves).

The consolidation of the financial and budget system of the EU relies primarily on the maintenance of a ***budget deficit*** as low as possible, in all member states, and on solving the ***public debt***.

If the budget deficit is too large in any member state, the Council may give that particular state an interval of 9 months to rectify the budget deficit. **Sanctions** stipulated in EU Treaty can be enforced if the member states do not observe the stipulations regarding the budget deficit. There are four categories of gradual sanctions:

1. compelling the member state to publish the information demanded by the Council, before issuing bonds or other securities;

2. demand the European Bank for Investments to review the interest rates used in relation with the member state which has a non-allowed budget deficit;

3. compelling the member state to deposit a collateral (reimbursable in principle) at the European Central Bank;

4. compelling the member state to pay a fine (non reimbursable).

The **Council of Europe** set the following **rules** for the implementation of the Pact of budget stability:

1. if a member state experiences a period of recession which doesn't affect more than 0.75% of the GDP, the sanctions are applied automatically;

2. if the member state experiences suffers a stronger recession, representing up to 2% of the GDP, the Commission will make a report to the Council which will decide whether to allow exceptional circumstances;

3. if the recession is very strong (more than 2% of the GDP), sanctions are excluded and the community comes to the aid of the state in difficulty.

In practice, the procedure to sign the budget relies on various inter-institutional arrangements between the European Parliament, Council and Commission which, by cooperation, set the annual budget and agree beforehand on the competencies each of them has on this act.

The measures and sanctions have been conceived for the normal economic situations characterized by economic growth, decline or stability. These scenarios don't verify, obviously, from the perspective of the global financial crisis.

The reform of the budget is hindered by an intrinsic conservationism. Even though the reform is a political challenge, there has been a possibility to make significant changes and reorientations, although the answer was delayed sometimes.

The fact that the budget has similar revenues and expenditures, without the possibility to make loans and use them for exceptional expenditures, makes the budget rigid. This characteristic has limited the capacity of the Union to prevent or even intervene in exceptional situations, such as the financial and economic crisis which started in 2007.

From the perspective of the underlying principles of budget policy, the modern public finances require that the tax paid by a person[5] is directly proportional to the capacity of that person to pay taxes. The current system which finances the European budget doesn't completely answer this principle, which otherwise doesn't even exist in the fundamentation of the European budget process.

2.1. **Revenues to the budget of the European Union**

The current system used to collect the resources, based on the contributions of the member states, is inequitable, non-transparent, undemocratic and doesn't contribute to the European integration. Besides, it imposes the perception according to which the contribution is an additional burden in the national budgets; it doesn't provide sufficient funds to the European budget to accomplish all the policies, because of the budget deficits of the member states. The Council of Europe complicated the current system transforming it into an obscure system, by approving the financial package 2007-2013, with many exceptions regarding the revenues and with the compensations given to some member state for their expenditures.

Currently, the main source of financing for EU budget relies on the national gross product of the member states. This source exceeded the other sources, the custom taxes and the agricultural taxes (the traditional own resources), as well as the resource based on the value added tax.

The sources and mechanisms for EU budget financing should provide a more adequate financing of EU policies. They should be evaluated on the basis of the principles agreed jointly: economic efficiency, equity, stability, visibility and simplicity, efficiency of the administrative costs, financial autonomy and the sufficient character. None of the sources of financing observes equally all these principles and it is difficult to conceive an "ideal" system of financing. However, the structure of the resources should try to observe the most

[5] *In this case, the person is represented by the EU member state*

important basic principles, while minimising the adverse effects from the perspective of the other relevant principles.

Although the current system managed to supply enough resources to finance the EU budget, the debates go on regarding the possibility ro improve the source of financing so as to observe as much as possible the financial principles.

At the European level, there is a general consensus on the fact that it is not yet the right time, within the context of a short-term vision, to impose a new authentic European tax. This doesn't exclude, however, the possibility that when the member states decide to introduce new taxes, if they do it, they might decide to allow the Union to benefit directly of these new taxes.

There also is an obvious incompatibility regarding EU revenues. The EU doesn't have the right to levy taxes and social contributions. Its sources of income are a combination of customs revenue, levies for sugar, a small percentage of the VAT revenue from the member states and a contribution according to the GNP. This mix of sources has no economic logic and it also is asymmetrical because the VAT and the customs revenues, to a specific extent, are regressive. A progressive system of EU revenues is required, which to guarantee long-term transfers for all the socio-economic categories with the view to achieve real convergence.

5.2. Expenditures from the budget of the European Union

The evolution of the expenditures from the budget is in agreement with the evolution of the common policies of the member states. Both in terms of the budget, and regarding other issues, the European action should provide additional advantages compared to the individual action of the member states for the development of policies promoting the common European interest. Therefore, subsidiarity and proportionality are essential criteria used to determine the added value of EU expenditure. On the basis of the principle of subsidiarity, the Union intervenes only if, and to the extent to which, the objectives of the planned action cannot be accomplished satisfactorily by the member state neither at the central, regional or local level, but which can be accomplished better, due to the dimensions and effects of the planned action, at the EU level. On the basis of the principle of proportionality, the content and form of EU action doesn't exceed what it is necessary to achieve its goals. The choice of an instrument is proportional if it represents the least intrusive available instrument for that specific objective.

This is why expenditures are made from EU budget if they are the most efficient political instrument available in order to provide an adequate response to a specific problem. Therefore, subsidiarity and proportionality imply an evaluation of the factors which favour the success of a policy, such as the transnational dimension, the potential of scale or range economies, the demands for critical mass, the local preferences, the costs of coordination and other political circumstances.

The European policies must be applied efficiently and efficaciously in order to provide required the added value. The European institutions, the Commission, particularly, are accountable for the use of the financial resources. They have to be able to prove that the budget is administered according to the highest standards and that there are efficient and efficacious mechanisms of execution.

The main aspects which appear within this context are as follows:

- **The balance between granting financial aid to different activities and the concentration of the available funds:** focusing on a smaller number of political objectives may favour the scale economies and, in some cases, it may produce savings in the national economies. However, such an approach would deprive the other fields of financial support.

- **The balance between centralized and decentralized management:** so far, the European funds are managed using several methods of administration. About 22% are administered at the central level by the Commission; the Commission delegated to the member states the administration of about 76% of the funds, according to the "assigned administration"; the balance of the funds are administrated together with international organisations or by third countries. Given the evolution of the policies, the situation has to be reviewed in order to determine the way in which the different types of administration provides the best financial management and provides the adequate answer.

- **Simplification and consolidation of the implementation instruments:** the new financial period at the beginning of this year has been accompanied by a considerable simplification of the EU budget structure and of the instruments used for the execution of the budget; the programs have been reorganised on the basis of the principle „a program, a fund”; there is a new balance between the accessibility of EU programs and the proper financial administration. The proper application and the coherence of the programs will yield added value.

- **Mobilisation of the resources:** the selection of the method of administration helps to determine the extent to which EU budget can mobilize additional resources, using other European instruments such as the European Bank for Investments, through the national, regional or local expenditures, or with help from the private sector.

- **Use of the executive agencies:** the possibility to establish executive agencies with specific responsibilities for the management of the funds used directly by the Commission facilitated the employment of specialise staff, increased the visibility of program administration and provided economies of scale. However, this raises the issue of an optimal balance between the political and managerial responsibilities within the institutions.

- **Co-financing:** co-financing is an example of partnership between the regional, national and community actions to accomplish the goals of EU policies. It increases the involvement and provides an additional instrument for the complementarity between the national and community actions. The compulsory co-financing at the level of the member states is an essential trait of the structural and rural development policies of the European Union, policies which account together for 40% of the expenditure during the current financial period.

- **Ensuring the total transparency and visibility and of the full accountability for the administration of the budget**, in order to guarantee the legitimacy and trust of the citizens in the European Union.

Flexibility is a connected aspect. The proper financial administration might be enhanced by a higher flexibility which allows the relocation of resources within and between the headings of the budget. This might help redirect support towards the most performing programs depending on criteria such as the observed capacity of absorption.

6. Proposals for the reform of the European budget process

3.1. Scenarios for the reform of the EU budget

In parallel with the decision to adopt a multiannual financial framework, for the time horizon 2007-2013, the leaders of the governments from the EU member states have decided, during the Council of Europe from December 2005, to review EU policies and the financing costs, with the vie to formulate recommendations for the reformation of the budget and for the modification of the basic EU policies. The decisions adopted at that time may influence the financial perspectives set for 2007-2013. The modifications proposed during the 2005 summit can be transposed in the perspective of the following scenarios:

1. One of the scenarios would presume the radical reform of EU budget, but this would block most of the actions set by the Lisbon Treaty (necessities presumed by the global changes, with which the EU member states should cope, necessities which result from EU diversity, EU enlargement by inclusion of new members). This process would involve the allocation of resources adequate to each single instrument. Even if the CAP (*Common Agricultural Policy*) is limited, the current budget would be insufficient compared to the necessities, and the revision should end with a decision regarding the increase of the financial resources collected to EU budget. At this moment there is not enough determination, however, from the member states to lead the discussion to this direction;
2. Starting from the premises mentioned previously, regarding EU policies and the challenges which the member states must cope with, and the budgetary constraints imposed by the increase of the allocated budget, by the reticence regarding the possible increase of the budget and by the position adopted by the net paying states, a variant would be to reconsider and reconstruct gradually the policies and instruments relying on European funds, so that the existing

resources adapt to the new necessities. The adoption of such decisions would not be possible, however, without the fundamental modification of the basic EU policies, of the community *acquis*, of the program of budget expenditures and revenues. This is a phasing-in budget scenario which would allow the new activities to be financed. This can be a realistic scenario subject to the achievement of a correct balance between the definition of the new activities and the reorientation of the expenditure;

3. Considering that the decision adopted within the December 2005 summit was determined by the current necessities of the debate, then the radical change of the way of financing the EU policies would not be the main goal. In this situation, the most probable scenario would be the preservation of the European budget status quo;

4. Taking into consideration that the discussion focuses on the reorientation of the program of EU expenditure, regarded as an inheritance of the past, with significant impact on the increase of EU competitiveness, the revision would only affect the expenditure part. The accomplishment of fundamental changes may be difficult and, therefore, the main direction of change should target the reduction of the expenditure allocated to some policies which together with the maintenance of the current level (or a very small increase) of financing the existing policies, will generate the change of their weight. This reorientation of the expenditure would lead primarily to reducing the expenditure for agriculture and the cohesion policy. Such a change would be unfavourable to the new member states, but would advantage the net contributors. This would be a phasing-out budget scenario involving the modification of the structure in favour of increasing the proportion of the expenditures allocated to the new activities.

5. Politically, the British rebate might be cancelled, which would mean a significant increase of the British contribution to the European budget.

These scenarios have been developed just as working hypotheses in order to sketch the possible challenges generated by EU enlargement. It is known that any enlargement of the EU meant both costs and benefits for the older member states and for the new member states. However, taking into consideration the current economic context, when the financial crisis has deepened the problems that were already confronting the EU member states since the problems of economic growth, it is little probable that the EU founding member states are willing to bear additional the costs of EU enlargement. Furthermore, any state which becomes EU member state brings in its own imbalances which come into contact with other economic instabilities of the older member states. Thus, the problems already confronting the EU member states increase and turn more acute as effect of the crisis, of the failed fiscal consolidations, of population ageing.

Given the descriptive character of these strategies it is difficult to estimate empirically the effects of EU enlargement because of the insufficient statistics. There can also be political or economic factors which cannot be measured and inserted in these estimations, so as to ensure the statistic validity of the outcomes.

6.2. Identification of a European tax

The **justification of a European tax** is political and it is supported by two distinct arguments:

- **an official one**, which relays to the idea of European citizenship, being the logic consequence of the integration of the earned liberties, the single European currency included, symbol of the "unity in diversity";

- the second argument (seen rather as a counter-argument) pertains to the hostility of EU's partisans, which are against a European tax which they consider as inopportune under the conditions in which some European states don't want to adopt the euro (particularly the United Kingdom, which doesn't give up the national currency in favour of the euro).

There also is another official point of view, much more delicate, which shows that a single European tax would actually mean financial autonomy in decision-making; if the European parliament would vote for a European tax, this would mean the need to justify the financial expenditures. In applying the provisions of the establishing treaties, the nature of the financial resources and the authorised ceiling are determined by the Council and thereafter ratified by the member states. In other words, the blockage is two-fold: there has to be a unanimous vote of the Council and the authorization of the national parliaments.

Behind the discussions about the single European tax there seem to be a fight to share the powers between the European Parliament and the national parliaments. This issue is rather sensitive because a European tax would actually decrease he national resources, but the prerogatives of the European Parliament in fiscal matters are applicable directly to the national ones.

The direct effect of the single European tax is a better visibility of the budget expenditure (by observing the principle of the budget transparency and of the principle of publicity). The pro-Europeans also support the idea that a European tax will outline even more the affiliation of the individual to the Union, in his/her quality of European citizen. The budgetary and fiscal powers of the European Parliament will be much more consistent, which will give consistency and cursiveness to the adopted measures of budget and fiscal policy, being a serious reason to avoid a fiscal unrest, as it happened in the UK, by the introduction of the poll tax.

The **single European tax must not be sensitive to the economic and financial changes within the member states**. The European Union will preserve for a long time an important percentage of the compulsory expenditures. **The basis of assessment of a new tax must be equitable for all the member states.**

6.3. Scenarios of a single European tax

Scenario 1. Introduction of a new tax with common basis of assessment. This situation has a lot of political inconveniencies. First, the introduction of a new tax is an unpopular measure despite the possible and credible explanations, leading to an anti-community fiscal rebelliousness.

Scenario 2. Support a tax common for all member states. This would determine the harmonization of the basis of assessment starting from the taxation basis of the potential contributors. Such approach would exclude the idea of European tax on the personal income: the taxation basis is so different that an effort of harmonization would require an elaborate and difficult work with a lot of compromises.

Scenario 3. Technically, and probably politically, the VAT seems to be the simplest solution. For instance, the decrease of VAT in France, from 19.6% to 17.6% will provide the European Union (Council and Parliament) the right to collect up to 2% from the VAT.

On the other hand, this would cancel the contribution from the national French budget to the community budget. An alternative would be not to take into consideration the fact that the fiscal burden which saddles the inter-community trade corresponds to a real value of the common market.

The world financial crisis has reopened the discussions on the introduction of a single European tax. The financial difficulties confronting the EU member states are serious obstacles for the introduction of a European tax in the near future. At the Copenhagen Council of Europe the officials had to discuss on a low budget which to support the environmental goals of the countries confronted with serious climactic changes (2.4 billion euro).

Therefore, during this period of crisis, the European Union, with the new institutions and competencies, has a two-fold duty: to increase its budget by finding own resources from the corroboration of the European fiscal policy with the national fiscal policies, and to coordinate the national budget policies.

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