

Correspondence from HM Treasury to the European Commission concerning implementation of agreement on EU budget surcharge

[This correspondence from HM Treasury is in reply to a formal Commission request to Member States asking them to indicate if they intended to exercise the option to pay in instalments. This formally removes the obligation under the original regulation to make payments on 1 December and the risk of interest penalties for not doing so and, in effect, triggers the new permanent arrangements for payments next year and resulting payments back. The UK rebate will also apply next year. The UK made no payment on 1 December.]

I am writing here to formally respond to the approach in your letter of 21 November concerning the profile for payment of the gross sum of £2,873,274,340.88 (€3.6 billion) from the United Kingdom, where you request a binding schedule.

The total sum requested in your letter, of course, relates only to the gross payment due from the United Kingdom. There are two directly consequential repayments to be paid to the United Kingdom. First, the application of the United Kingdom's correction in full to the gross payment, which Vice-President Georgieva has indicated is worth approximately €1 billion and will match in time the gross payment above. Second, the United Kingdom's share of the redistribution of the total gross sum, as set out in the original "Draft Amending Budget No.6 to the 2014 Budget", which is approximately €1.5 billion. The current estimate of the total net impact on the United Kingdom of the gross payment and these two consequential repayments is approximately €1.1 billion.

Concerning the gross payment and your letter dated 21 November, the United Kingdom considers that the conditions in both Article 10.7a(a) and (b) of Regulation 1150/2000 as proposed to be amended are fulfilled in respect of the payments for corrections in 2014.

Therefore, in line with the amending Regulation, and your letter dated 21 November, the United Kingdom requests deferral of the payment (i.e. the making available) of its total gross cumulative corrections in 2014. Our revised gross payment schedule is set out below.

On 1 July 2015, the United Kingdom will make a gross payment of £435,000,000. To explain the profile, this is equivalent to approximately half the estimated net impact set out above (approximately €0.55 billion).

The United Kingdom will then pay the remaining gross balance of £2,438,274,340.88 on 1 September 2015; after taking into account the overall impact of the consequential repayments back to the United Kingdom, which in line with Vice-President Georgieva's statement we understand will be received on or before this date, this will represent a net impact of approximately €0.55 billion, which is the other half of the estimated net effect.