

Direct Payments

BASIC PAYMENT SCHEME

This fiche presents the concept of the basic payment scheme in the 2013 CAP reform and the implementation of this scheme by the Member States. It reflects the content of the notifications available to the Commission services to date. It is made available without prejudice to any finding in respect of their compliance with the regulatory framework. It is provided on the understanding that in the event of a dispute involving Union law it is, under the Treaty on the Functioning of the European Union, ultimately for the European Court of Justice to provide a definitive interpretation of the applicable Union law.

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1. Introduction

With the 2013 CAP reform the **Basic Payment Scheme (BPS)**¹, replacing the Single Payment Scheme (SPS)², was created. The BPS offers a basic layer of income support to farmers, to be topped-up by other direct payments targeting specific issues or specific types of beneficiaries. The BPS addresses the need to ensure a better distribution of support across the Union through the external and [internal convergence](#).

Similarly as the SPS, the BPS is based on payment entitlements, activated on eligible land and decoupled from production.

The BPS is a compulsory scheme for all Member States. However, the Member States having applied the **single area payment scheme (SAPS)** under Regulation (EC) No 73/2009 have been allowed to continue applying the SAPS for

¹ Regulation (EU) No 1307/2013 Chapter 1 of Title III

² Council Regulation (EC) No 1782/2003 and 73/2009

the purpose of granting the Basic Payment for a transitional period until 2020. All Member States previously applying SAPS³ have decided to maintain this scheme.

For farmers, eligibility to BPS/SAPS is a precondition for receiving support under the other direct payment schemes (the redistributive payment, the payment for agricultural practices beneficial for the climate and the environment (greening), the payment for areas under natural constraints and the payment to young farmers), except for the Voluntary Coupled Support and direct payments under Regulations (EU) No 228/2013 (programmes for outermost regions) and 229/2013 (programmes for Smaller Aegean Islands). It is also a precondition to access the Small Farmers Scheme in those Member States where this scheme is applicable.

2. Who is entitled to receive payments under the BPS?

Support under the Basic Payment Scheme is granted to farmers that have **payment entitlements** upon "activation" of such entitlements. This activation is done annually by declaring eligible hectares with an accompanying number of payment entitlements.

With the introduction of BPS, the payment entitlements allocated to farmers under the SPS have expired on 31 December 2014 and Member States had to allocate new payment entitlements in 2015.

However, under specific conditions, Member States had the option to allocate BPS entitlements by keeping the existing entitlements. Four Member States (regions) (**Denmark, UK-England, Sweden and Finland**) decided to use this option.⁴

There are **three ways** for farmers to obtain BPS payment entitlements:

1. First allocation of entitlements in 2015
2. National reserve
3. Transfer

2.1. First allocation of payment entitlements in 2015⁵

As a general rule, payment entitlements **shall** be allocated to farmers who:

- are **Active Farmers**⁶ in 2015,
- have **applied** for allocation of payment entitlements in 2015 under the BPS by the final application date fixed in accordance with Article 78 of Regulation (EU) No 1306/2013⁷

³ BG, RO, CZ, SK, PL, EE, LT, LV, CY, HU

⁴ Article 21(3) of Regulation (EU) No 1307/2013

⁵ Article 24(1) of Regulation (EU) No 1307/2013; Article 21 of Regulation (EU) No 1307/2013

⁶ Article 9 of Regulation (EU) No 1307/2013

⁷ Except force majeure

- were entitled to receive **direct payments in respect of claim year 2013**⁸ or **hold owned or leased-in payment entitlements** in Member States that decided to keep the existing entitlements

In addition, Member States applying BPS have the option to allocate payment entitlements also to active farmers who did not receive direct payments in respect of claim year 2013 but:

- were producing fruits, vegetables, ware potatoes, seed potatoes⁹ or were cultivating vineyards in 2013;
- in 2014, obtained payment entitlements from the national reserve;
- never held owned or leased-in payment entitlements but provide evidence that they were producing in 2013.

Table 1 Decisions regarding the list of farmers eligible for first allocation¹⁰

MS	The "list of eligible farmers" extended to farmers, who:							
	in 2013 produced fruits	in 2013 produced vegetables	in 2013 produced ware potatoes	in 2013 produced seed potatoes	in 2013 produced ornamental plants	in 2013 cultivated vineyards	in 2014 received PE from the reserve	Never held PE but production in 2013
BE/F	✓	✓	✓	✓	✓	✓	0	0
BE/W	✓	✓	✓	✓	✓	✓	✓	0
DE	0	0	0	0	0	✓	✓	✓
IE	✓	✓	✓	✓	0	0	0	0
EL	✓	✓	✓	✓	0	✓	✓	✓
FR	0	0	0	0	0	0	✓	✓
HR	✓	✓	✓	✓	✓	✓	✓	✓
IT	✓	✓	✓	✓	✓	✓	✓	✓
MT	✓	✓	✓	0	0	✓	0	✓
NL	✓	✓	✓	✓	✓	✓	0	✓
AT	✓	✓	✓	✓	✓	✓	✓	✓
PT	0	0	0	0	0	0	0	✓
SI	0	0	0	0	0	✓	✓	✓
UK/NI	0	0	0	0	0	0	0	✓
UK/S	✓	✓	✓	✓	✓	✓	0	✓
UK/W	✓	✓	✓	✓	✓	✓	0	✓

⁸ Where a farmer eligible for the first allocation has transferred his holding (or part of it) to another active farmer, this latter farmer may qualify for the first allocation pursuant to Article 24(8) of Regulation (EU) No 1307/2013

⁹ For the production of fruit, vegetables, ware potatoes and seed potatoes, Member States can decide to fix a minimum area in hectares (Article 24(1) of Regulation (EU) No 1307/2013)

¹⁰ Member States (regions) having decided not to extend the list of eligible farmers are not represented in the table

Member States also have the possibility to fix a **minimum size per holding** in respect of which a farmer may apply for the allocation of payment entitlements. As a general rule, this minimum size shall not be higher than 1 eligible ha. However, Member States may adjust this threshold to take account of their specific agricultural economies.

Table 2 Minimum size of the holding necessary to qualify for first allocation (in ha)¹¹

BE FL	BE Wa	DE	EL	ES	HR	IT	LU	MT	NL	AT	PT	SI	UK N-I	UK Sc
2,0	1,0	1,0	0,4	0,2	1,0	0,5	0,3	0,3	0,3	1,5	0,5	1,0	3,0	3,0

2.2. National/regional reserve¹²

All Member States shall establish a national reserve by applying a linear reduction (max. 3%¹³) to the Basic Payment Scheme ceiling. Member States applying the BPS at regional level are allowed to establish regional reserves. Only **FR** has opted for this.

Member States shall allocate entitlements from the reserve in accordance with objective criteria. Also, they shall allocate the entitlements in such a way that equal treatment of farmers is ensured and that there is no market distortions.

Payment entitlements shall only be allocated to active farmers having applied for allocation from the reserve.

The national reserve shall be used as a priority to grant payment entitlements to young farmers and farmers commencing their agricultural activity. Member States can set additional eligibility criteria relating to appropriate skills, education or experience applicable to new entrants claiming for the reserve. Such criteria should be objective and non-discriminatory.

The following Member States have opted to introduce additional criteria:

Additional eligibility criteria as regards appropriate skills	Additional eligibility criteria as regards appropriate experience	Additional eligibility criteria as regards appropriate education
ES, PT	ES, PT	BE-Flanders, IE, ES, UK-Northern Ireland

The national reserve shall also be used for allocations stemming from cases of force majeure or exceptional circumstances or cases linked to administrative or court rulings.

In addition, subject to the availability of funds in the reserve, Member States may allocate payment entitlements from the national reserve in order to:

¹¹ Member States (regions) that decided not to fix a minimum size for being allocated entitlements are not represented in the table

¹² Article 30 of Regulation (EU) No 1307/2013

¹³ The percentage applied can be higher than 3%, where it is required in order to cover the allocation needs pursuant to article 30(6)(a) (young farmers), 30(6)(b) (farmers commencing their agricultural activity), 30(7)(b) (compensation for specific disadvantages) for the year 2015

- prevent land from being abandoned: **DK, HR, IT, MT, PT, FI, SE**
- compensate for specific disadvantages: **IE, FR, HR, IT, SE, UK-Scotland**

In Member States keeping existing entitlements, the reserve may be used to allocate payment entitlements to farmers whose number of eligible hectares declared in 2015 is higher than the number of owned or leased-in payment entitlements established in accordance with Regulations No 1782/2003 and No 73/2009. However, no Member State has decided to apply this option.

Finally, in order to limit the amount of unspent funds in the reserve, the national reserve can also be used to linearly increase the value of all payment entitlements at national or regional level and/or to cover the financing needs for the young farmers scheme and the small farmers scheme.

2.3. Transfer¹⁴

A person holding payment entitlements may transfer his entitlements (with or without land) to a farmer, under the condition that this farmer is an "Active Farmer".

Where payment entitlements are transferred without land, Member States may decide that:

- either a part of the transferred payment entitlements are to revert to the national or regional reserve
- or that the value of the transferred payment entitlements is to be reduced in favour of the national reserve.

IE, EL, ES, FR, HR, IT, AT and UK-Scotland decided to apply this so called "taxation" on the transfer of entitlements without land.

3. Number of payment entitlements

3.1. First allocation of new entitlements in 2015

As a general rule, the number of payment entitlements a farmer can obtain through the first allocation in 2015 shall be equal to the number of eligible hectares he declares in his aid application and which are at his disposal at a date fixed by the Member State.¹⁵

Member States can decide to apply certain limitations to the number of payment entitlements to be allocated in one of the following ways:

¹⁴ Article 34 of Regulation (EU) No 1307/2013

¹⁵ Article 24(2) of Regulation (EU) No 1307/2013

Limitations to the number of payment entitlements to be allocated	MS
1. Limit the allocation to the lowest number between the eligible hectares declared by the farmer in 2013 and those he declares in 2015 ¹⁶¹⁷	BE(Flanders), IE, ES, PT
2. Apply a reduction coefficient to those eligible hectares which consist of permanent grassland located in areas with difficult climate conditions ¹⁸ .	UK(Scotland), AT
3. Exclude eligible hectares qualifying as ¹⁹ : (a) vineyards in claim year 2013 (b) arable land under permanent greenhouses	FR EL, NL

3.2. Allocation from the reserve

Where payment entitlements are allocated from the national reserve, the same principle as for the first allocation applies: one eligible hectare gives right to one payment entitlement. However, the maximum number of payment entitlements a farmer can obtain from the reserve corresponds to the number of eligible hectares (owned or leased-in) declared in his aid application for which he does not hold any payment entitlement yet ("naked eligible hectares")²⁰.

3.3. Allocation in Member States having opted to keep the existing entitlements

In Member States having opted to keep their existing entitlements, the number of entitlements a farmer may obtain under the BPS shall not be higher than the eligible hectares the farmer declares in his aid application in 2015 or the number of SPS entitlements he holds, whichever is the lowest. The number of payment entitlements exceeding the number of eligible hectares declared by farmers in 2015 shall expire²¹.

¹⁶ For Croatia: the use of this option shall be without prejudice to the allocation of payment entitlements for the de-mined hectares.

¹⁷ Article 24(4) of Regulation (EU) No 1307/2013

¹⁸ Article 24(6) of Regulation (EU) No 1307/2013

¹⁹ Article 24(7) of Regulation (EU) No 1307/2013

²⁰ Article 30 of Regulation (EU) No 1307/2013; Subsection 3 of Chapter 2 of Regulation (EU) No 639/2014

²¹ Article 21(4) of Regulation (EU) No 1307/2013

4. Value of payment entitlements

4.1. Internal convergence

The method for establishing the value of the payment entitlements²² aims at achieving a more equitable level of support per hectare within a given region/country ([internal convergence](#)). To achieve this goal, the Member States have three options:

1. a **uniform unit value** for all payment entitlements as from 2015
2. **full convergence** by 2019: gradual adaptation of the unit value of the payment entitlements during the period 2015-2019 in order to reach a uniform unit value of all payment entitlements at the latest in 2019
3. **partial convergence**: payment entitlements with a value lower than 90% (or a figure between 90 and 100%) of the national/regional unit value in 2019 will have their value increased during the period 2015-2019 in order to close at least 1/3 of the gap between their initial unit value and this value in 2019. Also, in 2019, no payment entitlement shall have a unit value below 60% of the average unit value of the payment entitlements in 2019.

Member States may decide to apply the Basic Payment scheme at **regional** level. In order to define the regions Member States shall use objective and non-discriminatory criteria such as agronomic and socio-economic characteristics, regional agricultural potential, institutional or administrative structure. The annual national BPS ceiling is to be divided into annual regional BPS ceilings by using objective and non-discriminatory criteria. For the calculation of the value of the payment entitlements, the internal convergence shall be applied at regional level, meaning that Member States can decide to apply the options presented in points (1) to (3) above at regional level.

The regionalisation of the BPS is applied by **Greece, Spain, Finland, Germany, France, and within two regions of the United Kingdom (England and Scotland)**.

4.2. Payment entitlements allocated from the reserve

In the year of allocation, the value of payment entitlements allocated from the reserve²³ shall be equal to the national (or regional) average value of the entitlements in the year of allocation. This national (or regional) average value is obtained by dividing the BPS ceiling for the year of allocation, excluding the national/regional reserve, by the number of payment entitlements in the year of allocation²⁴.

In the following years, the value of the entitlements shall be adjusted taking into account the modifications of the national ceiling set in Annex II²⁵.

²² Article 25 of Regulation (EU) No 1307/2013

²³ Article 30 of Regulation (EU) No 1307/2013

²⁴ Number of payment entitlements before allocation of entitlements from the reserve

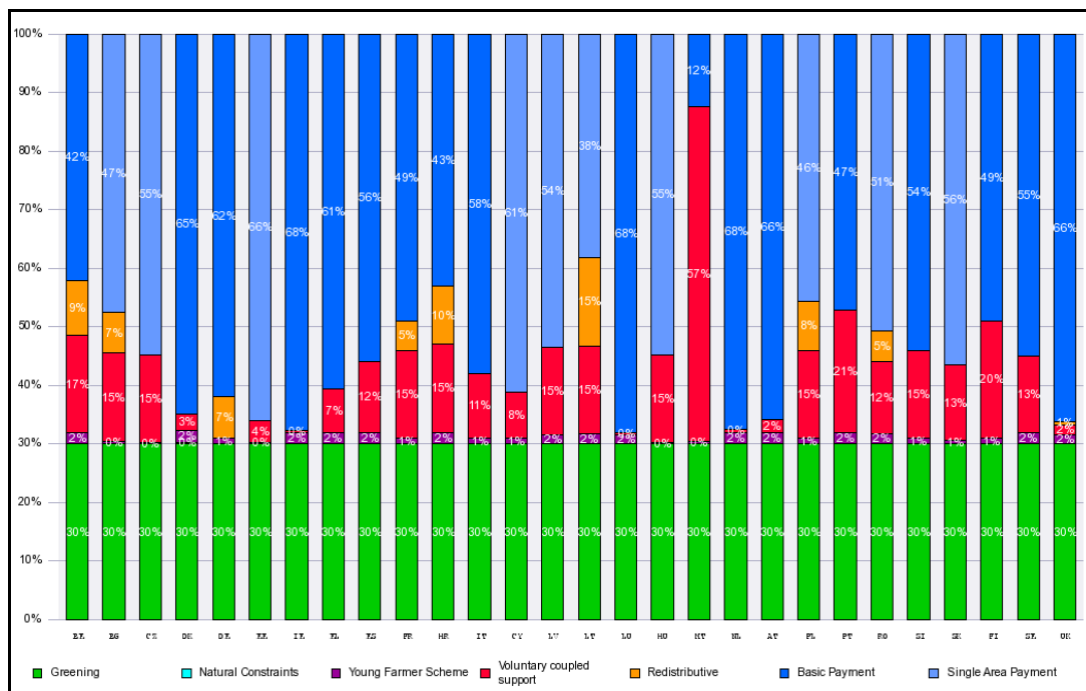
²⁵ Annex II of Regulation (EU) No 1307/2013

5. Financial aspects

5.1. Basic payment ceiling

The **envelope** available for the BPS is not a fixed percentage of the national ceiling fixed in Annex II of Regulation (EU) No 1307/2013. In fact, the BPS ceiling is obtained by subtracting from the national ceiling in Annex II, the amounts foreseen for the redistributive payment, the payment for agricultural practices beneficial for the climate and the environment (greening), the payment for areas under natural constraints, the young farmer payment and the voluntary coupled support²⁶.

Figure 1: Overview of percentages of national ceilings allocated by scheme (2015)



The graph above indicates, per Member State, the share of each scheme in the national ceiling for claim year 2015. The share of BPS in the 2015 direct payments envelope of the different Member States varies between 12% (MT) and 68% (IE, LU, NL).

In order to reduce the risk of **unspent funds** that may stem in particular from those entitlements that are not activated in a specific year or from amounts left in the reserve, Member States may decide to "overbook their BPS ceiling". This consists in increasing the amount resulting from the calculation explained above by a maximum of 3% of their ceiling as set out in Annex II of Regulation (EU) No 1307/2013 minus the envelope for greening²⁷.

As mentioned under point 2.2 above, Member States have to constitute a reserve. The total value of all payment entitlements and the national reserve shall equal this annual national BPS ceiling²⁸.

²⁶ Article 22(1) of Regulation (EU) No 1307/2013

²⁷ Article 22(2) of Regulation (EU) No 1307/2013

²⁸ Article 22(4) of Regulation (EU) No 1307/2013

5.2. Reduction of payments

In order to ensure a better distribution of funds between small and large beneficiaries, it was decided that where BPS payments to be granted to a farmer in a given calendar year exceed EUR 150 000, the part of the BPS payments exceeding EUR 150 000 shall be subject to a **reduction of at least 5%**²⁹.

²⁹ Article 11 of Regulation (EU) No 1307/2013