

Issue no.: 35. Tax revenues, uncollectible taxes and tax credits.

AEG recommendations:

Definition and coverage of a tax

1. The AEG noted that the TFHPSA paper focussed mainly on refining existing SNA text rather than on redefining existing principles.
2. The AEG felt strongly that the definition and coverage of a tax should be set out clearly, with some examples. The examples should illustrate the underlying concepts but should not suggest that they are exhaustive or prescriptive. It is important not to try to produce a comprehensive list of treatments.

Accrual recording

3. Taxes are to be recorded on an accrual basis. The expression "due for payment" should be replaced by "accruals".
4. The discussion focussed almost exclusively on the question of whether amounts should be recorded on a net or a gross basis. The principle of not including taxes that are uncollectible and/or unlikely to be collected and so affect the government surplus/deficit was agreed. Because the AEG could not agree which of the three methods in the paper was preferred, it was decided to leave the SNA unchanged in this regard.

Tax credits

5. A clear majority of the AEG decided that payable tax credits should be recorded on a gross basis. The presentation should permit the derivation of tax credits on a net basis also.
6. It was decided that the best way forward would be for the TFHPSA to prepare the proposed free-standing chapter for the SNA covering all the questions on taxes. This draft should include the rationale for the changes proposed and emphasise the underlying concepts and principles. The SNA Editor in consultation with the Project Manager and the ISWGNA will review the text to identify changes in substance and in drafting to the 1993 SNA. A report on this process will be submitted to the AEG.

View of Statistics Denmark: (A (agreement), FC (needs further consideration), NA (non-agreement))

1. A
2. A
3. A
4. A (see comment below)
5. A
6. A

Comments from Statistics Denmark:

We find recommendation 4 somewhat unclear. Our interpretation is the following: Uncollectible taxes (due to over-assessments, territories not controlled by government etc.) should never be included in the tax *revenue*. Taxes unlikely to be collected (due to bankruptcy, death etc.) should never be included in the *government deficit/surplus*. They may be included in the tax revenue and offset by a capital transfer (gross treatment) or they can be deducted directly in the tax revenue (net treatment).