

TAX REVENUE AND TAX CREDITS

Executive Summary

An accurate recording of taxes – the main resource of the general government sector – on an accruals basis is an important challenge for the System of National Accounts. The recording of tax credits is a new issue, of increasing importance in some countries, but it is not treated in the present SNA. This paper presents proposals to clarify and improve the present SNA guidance, and to allow for the best possible harmonised recording of these transactions, taking also into consideration other developments at international level (GFSM2001, OECD Revenue Statistics, IPSAS).

The paper is presented in three parts:

1. the **definition of tax revenue**: this includes the coverage of taxes and some borderline cases, like the case of fees to be recorded as sale of a service rather than as tax,
2. the **accrual recording** of taxes, which involves both the time of recording and the amounts to be recorded. The paper defines the three acceptable methods for implementing the accrual principle and avoiding an over-estimate of the tax revenue: the time-adjusted cash method, the coefficient method (net recording of taxes, using an adjustment through a coefficient) and the capital transfer method (gross recording of taxes with an adjustment through a capital transfer),
3. the recording of **tax credits**, and in particular the controversial case of payable tax credits. The general recommendation is that, under certain conditions, tax credits are to be recorded as reducing tax, except for the element that may be actually paid to the beneficiary in the case of “payable tax credits”. This element must be recorded as government expenditure. Payable tax credits may be in totality recorded as expenditure in certain cases where social benefits having the character of income substitutes are allocated through the tax administration (see recommendation 12).

The paper presents twelve recommendations for the SNA update (in bold character): three of them deal with the definition and coverage of tax, four with the implementation of the accrual principle, and five with the recording of tax credits. As they should serve as draft paragraphs for the updated SNA, they have been drafted to be clear, concise and sufficiently prescriptive in terms of principles and main guidelines. They were subject to lengthy discussions in the task force. These twelve recommendations are submitted to the AEG for decision.

Warning: Only paragraphs in bold in the paper are submitted for decision to the AEG as the new drafting proposal for the SNA

Background and main reasons for change

1. The recording of tax revenue and tax credits was one of the five priority issues defined by the Task force on Harmonisation of Public Accounting (TFHPSA) to be dealt with in the context of the search for convergence of accounting systems and of the SNA update. It has been put forward as issue 35 in the list adopted by the Advisory Expert Group (AEG) for the SNA Updating project. This is an issue which does not imply fundamental changes to the SNA.

2. An accurate recording of tax in the accounts of the general government sector is one of the major challenges of national accounts, as tax in the broad sense (including social contributions) represents in most countries between 80% and 90% of government resources. Moreover, international comparisons of the tax burden are increasingly based on national accounts concepts and figures.

3. In order to record tax revenue in general, the main difficulties concern:

- the exact coverage of taxes, in particular the borderline between tax and other transactions like the sale of a service by the government, other current transfers or, in more rare cases, the disposal of an asset.
- the relevant implementation of the accrual principle involving both the time of recording transactions and the amounts to be recorded.

4. The existing conceptual framework for recording tax (SNA1993, chapters 3, 7 and 8 especially) is broadly adequate. The general definition of tax is not substantially questioned and there is no need to change the classification of tax payments in three categories: taxes on production and imports (D.2), current taxes on income and wealth, etc. (D.5), and capital taxes (D.91).

5. However, it is necessary:

- to clarify the definition of tax, the coverage of tax and some borderline cases
- to develop the recommendations for implementing the accrual principle. If the present SNA has endeavoured to be clear on the issue of time of recording, its recommendations on the amounts of tax to be recorded on an accruals basis are far from sufficient. It appeared in practice that the recommendations and guidelines were not developed sufficiently to ensure uniform application leading to meaningful tax aggregates and valid international comparisons of both the tax burden and the financial balances of the general government sector (the net borrowing/net lending). The SNA update is an opportunity to improve and develop these recommendations.

6. Moreover, an issue of increasing importance is the recording of tax credits granted by government to households and corporations. The recording of tax credits raises borderline issues with the recording of social benefits and subsidies. No recommendations exist presently for recording tax credits in the national accounts manuals. Five recommendations are proposed in this paper, of which the last three concern the controversial case of payable tax credits.

7. This paper incorporates the results of a questionnaire circulated among working team C of the TFHPSA¹ and the comments made during and after the task force meeting in Paris (2-3-4 March 2005). **The recommendations presented in this paper, in bold character, were elaborated after deep discussions and represent the view of the majority of the TFHPSA members. The intention is to use them as draft proposals for the updated SNA.**

¹ See the results of this consultation in Annex 1 (p. 12)

Part 1: DEFINITION OF TAX REVENUE

I.1. General definition

8. From a very general point of view, the definition of tax as “compulsory, unrequited payments” received by government units is relevant. However, it does not encompass some cases of transactions that may be recorded as tax, even though something is given in exchange (or “in return”) to the unit making the payment. To provide a more accurate definition, it is proposed to modify the wording of paragraphs 7.48 (see this paragraph in annex 2) by the following in Recommendation 1 and to examine some borderline cases in Recommendation 2.

Recommendation 1

9. **Taxes are compulsory, unrequited payments, in cash or in kind, made by institutional units to government units exercising their sovereign powers. In most cases, the compulsory payment of taxes is conditioned by another economic event, not compulsory by nature, such as the purchase of good or service (taxes on production and imports), and earning of income, or ownership of an asset (current taxes on income and wealth). Taxes are usually described as unrequited because, in most cases, the government provides nothing directly in exchange to the individual unit making the payment, or nothing commensurate, although governments may use the funds raised in taxes to provide goods and services and make transfers to individual units, or collectively to the community as a whole.**

10. **However, in certain cases, the government provides something to an individual unit against the payment, in the form of the direct granting of a permit or authorisation (see also below “Borderline with other transactions”). The payment to government is then part of a mandatory process that ensures proper ownership recognition and performance of activities.**

11. **The major categories of tax are the following:**

D.2: Taxes on production and imports

D.21: Taxes on products

D.29: Other taxes on production

D.5: Current taxes on income and wealth

D.51: Taxes on income

D.59: Other current taxes

D.91: Capital taxes

12. **A more detailed list of taxes is provided in annex (from table 900, disseminated by Eurostat and the OECD)².**

² This is provisional. The author intends to send another table to the AEG, showing the bridge between the table 0900 (SNA based) and the Revenue Statistics (OECD) and taxes in GFS (IMF), in accordance with the task force proposal.

13. **The main difference between current taxes on income and wealth (D.5) and capital taxes (D.91) is that the first ones are levied on a regular basis, periodically, whilst the latter are levied at irregular and infrequent intervals, usually based on exceptional events or resources.**

14. **Not all compulsory and unrequited payments are taxes. Some payments having these characteristics may be recorded as Other current transfers (D.7, e.g. fines and penalties), or as social contributions (D.61).**

Question: Does the AEG approve Recommendation 1?

Controversial point: The reference to the IPSAS concept of “non-exchange transaction” was rejected by the working team.

I.2. The borderline with other transactions

15. Reminder of the present SNA1993, §7.55 and 8.45: **Taxes versus fees**

“7.55. One of the regulatory functions of governments is to forbid the ownership or use of certain goods or the pursuit of certain activities, unless specific permission is granted by issuing a licence or other certificate for which a fee is demanded. If the issue of such licences involves little or no work on the part of government, the licences being granted automatically on payment of the amounts due, it is likely that they are simply a device to raise taxes, even though the government may provide some kind of certificate, or authorisation, in return. However, if the government uses the issue of licences to exercise some proper regulatory function – for example, checking the competence, or qualifications, of the person concerned, checking the efficient and safe functioning of the equipment in question, or carrying out some other form of control which it would otherwise not be obliged to do – the payments made should be treated as purchases of services from government rather than payments of taxes, unless the payments are clearly out of proportion to the costs of providing the services. The borderline between taxes and payments of fees for services rendered is not always clear cut in practice, however.”

This paragraph, broadly relevant, refers only to taxes and services and not to the case of non-financial non-produced assets. The task force proposes to clarify the implementation in treating the following cases in recommendation 2:

Recommendation 2

16. **The case of licences and permits delivered by the government:**

- **Record as tax: when, against the payment of an amount legally defined, a licence / permit is automatically granted by the government, exercising its sovereign powers, as a mandatory condition to perform an activity or acquire an asset / a good, and with the government unit performing little or no work – other than a minimum control of the legal capacity of the acquirer to do so (for instance, by not having been convicted of a crime) – the payment should be recorded as a tax.**

For example, most licences to own or use vehicles, boats or aircrafts, to hunt, shoot or fish, permits to open a café or restaurant etc., to the extent that their acquisition do not require a specific examination, test, check of competence (other than the minimum check of the legal capacity to do so) correspond to this definition.

When the purchaser receives in return a service, or an asset, the payment should be recorded as a requited transaction in the following way:

- **Record as purchase of service**: If the issuance of the licence or permit implies a proper regulatory function of the government – exercising control on the activity, checking competence or qualifications of the persons concerned etc. –, and when a service is provided in return to the payment, the payment should be recorded as the purchase of a service produced by the government, unless the payment is clearly out of proportion to the costs of producing the service³ for all or any of the entities benefiting from the services.

Examples: most driving or pilot licences, firearm licences (to the extent that, in many countries, they are subject of serious examination and control of the government), payments for passports, airport fees, court fees etc.

A common feature to licences and permits recorded either as tax or as purchase of a service is that, in principle, there is no limit to the number of licences and permits being granted.

Warning: The following proposal (initially the last paragraph of Recommendation 2, “Record as the purchase of an asset”) was submitted to the Canberra II group on the measurement of non-financial asset, meeting on 31 March – 1 April 2005. The Canberra group has expressed an opinion during this meeting, which is not disseminated now and not reflected below. This is still under discussion and to be confirmed in the next Canberra II group meeting (September 2005). Thus, this paragraph as such is not submitted to the AEG for decision, but for information (an opinion of the AEG would be welcome).

- **Record as purchase of a non-financial asset**: If the licence or permit meets all the conditions and characteristics of an economic asset (See SNA1993, §13.12), making it a “store of value”:

- over which ownership rights are enforced by institutional units
- from which economic benefits (in the form of income or holding gains) may be derived by the owner over a period of time,

the payment should be recorded as the purchase of an asset. One of the characteristics of the licences or permits to be recorded as assets is that their number is strictly limited.

Question: Does the AEG approve Recommendation 2 (only paragraphs in bold character)?

Recommendation 3

17. The case of certain fees:

In all cases where fees are directly linked to a service - the service is provided in return to the fee - the payment is to be recorded as a purchase of a service (consistently with SNA1993, §7.55 and 8.45:”Taxes versus Fees”). A few significant examples are:

- **Public museum or library admission fees (at a price which is usually not economically significant⁴): they are a typical case of payments made by households for a service provided by a government unit. They are not tax but payments for a non-market service. Other payments for non-market output may be: admissions to public universities, to public hospitals, to public concert halls etc.**

³ The extent to which this criterion (the proportionality test) applies to non-produced non-financial assets (as for produced assets) is under review.

⁴ In general, these payments rarely cover more than one third of the costs of producing the service.

- **Waste collection and garbage disposal:** as a consequence of the above recalled definition (SNA93, §7.55 and 8.45) fees collected by the government for assuming this task (whether or not this task is then sub-contracted to a corporation) should be analysed as a purchase of a service to the extent that:
 - . they are mainly assessed on the value of the work to be carried out and not to the value of the property as such
 - . it is possible to identify the value of the fees
- **Television and radio fees:** payments for the public service of radio-television are to be recorded as the purchase of a service made available to users (the fee payment is to the government or to a public corporation according to the sector classification of the public unit providing the service)
- **Road tolls:** they are normally to be recorded as the purchase of a service (the use of a road).

Question: Does the AEG approve Recommendation 3?

I.3. Tax burden and compulsory levies

18. International comparisons are often made on the “tax burden” or “total tax revenue” (OECD, Revenue Statistics) or on “compulsory levies” (European Commission, Eurostat). These concepts, identical in principle, are not defined in the present SNA. They are usually not considered SNA concepts. However, they are usually quantified on the base of SNA concepts, like the general government sector or, for the denominator of the ratio, the gross domestic product (GDP).

19. This is a controversial issue: To the question “Should such a definition be taken on board in the updated SNA?” the Working team C answered: Yes:11 – No:5. However, this proposal was rejected by the task force plenary meeting in Paris (2-3-4 March 2005). Therefore, the issue is not submitted for the SNA update.

Part II: THE ACCRUAL RECORDING OF TAXES

20. Reminder of the present SNA provisions:

- §2.64: “The general principle in national accounting is that transactions between institutional units have to be recorded when claims and obligations arise, are transformed or are cancelled – that is, on an accrual basis.”

- §3.99: “Following the general rule, distributive transactions are recorded at the moment the related claims arise. As a result, for example, compensation of employees, interest, rent on land, social contributions and benefits are all registered in the period during which the amounts are built up. Equally, entries for taxes are made at the moment on which the underlying transactions or other flows occur which give rise to the liability to pay. This implies that taxes on products and imports are recorded at the times the products in question are produced, imported or sold, depending on the basis for taxation. Current taxes on income are recorded when the income to which they pertain is earned although taxes deducted at source may have to be recorded when they are deducted. With respect to some distributive transactions, the time of accrual depends on the unit’s decision when to distribute income or make transfer. (...)”

21. **Task Force statement:** These basic principles are confirmed. However, the guidance provided in §7.59-60 (see in annex 2) and 8.49-50 for respectively taxes on production and current taxes on income and wealth appeared to be not sufficient. The task force’s proposal is to replace it by three new paragraphs

dealing with 1. the general definition of accrued taxes 2. the time of recording taxes 3. the amounts to be recorded.

NB: Even though this paper does not deal explicitly with the case of social contributions, the rationale and recommendations in this section for an accrual recording of taxes would be similar for social contributions.

Recommendation 4

Paragraph 1: **Accrued taxes**

22. Like most transactions in the SNA, taxes are to be recorded on an accrual basis (see also SNA chapter 3). Accrual recording means that flows are recorded when economic value is created, transformed, exchanged or extinguished and not when cash payments are made. If this principle would be understood as requiring to record *due amounts* of taxes (as the consequence of the underlying economic event, and under the existing tax law), this should not in any case lead to the recording of uncollectible taxes in the total revenue of the general government⁵.

23. Uncollectible taxes comprise two elements: one element (often referred to in public finance as the “tax gap”) can be described as the amounts of taxes due that the government is not aware of, due to the underground economy, fraud, evasion, non-compliance with the tax law and error. An additional element is the amount of tax due, expected to be collected under the tax law and known by the government, but that is not finally paid due to bankruptcy or to mutual agreement between the government and the debtor, as a consequence of economic difficulties affecting the situation of institutional units, including households, in the context of a recession for instance. This additional element is referred to hereafter as “taxes unlikely to be collected”. Taxes unlikely to be collected should not affect government net borrowing / net lending.

24. The implementation of the upper general recommendation for the recording of taxes on an accruals basis leads to the consideration, in turn, of the two questions:

- the time of recording (recommendations 5 and 6)
- the amounts to be recorded (recommendation 7)

Question: Does the AEG approve Recommendation 4?

Recommendation 5

Paragraph 2: **Time of recording**

25. Taxes should be recorded when the activities, transactions or other events occur which create the liability to pay taxes - in other words, when the taxable events occur - and not when the payments are actually made. This time usually is when income is earned or when a transaction (such as the purchase of goods and services etc.) generating the liability occurs, to the extent that the tax liability can reliably be measured.

Question: Does the AEG approve Recommendation 5?

⁵ The total revenue of the general government is understood as including capital transfers.

Recommendation 6

26. In practice, some flexibility is permitted in two cases where the tax assessment cannot be done in a reliable way before the time of assessment:

- **Parallel economy:** some activities, transactions or events escape the attention of the tax authorities, temporarily or permanently according to the particular economic and social context. It is then difficult to put in relation the liability to pay taxes and the taxable economic event. The amounts of tax to be recorded can be determined only when some tax assessment is made on another basis, and the time of the taxable event may never be determined. In this case, the relevant time of recording may be then the time of the tax assessment or payment.

- **Taxes on income:** taxes on income may be paid in the same time as the income is earned (this is normally the case of the pay-as-you-earn type of tax) except that a final settlement of the tax liability may be determined in the following accounting period.. In some other cases, the tax on income is paid at a later point in time, depending on the tax system, which may require first the set-up of a roll or another form of tax assessment. The liability to pay income taxes may be determined in an accounting period subsequent to that in which the income accrues and becomes taxable. The moment of the tax assessment is the time when the tax liability is measured and known in a reliable way, taking into account possible changes to the tax rates and the final settlements.

27. Therefore, in the case of parallel economy and when the tax liability is determined at a later point in time after income is paid, an acceptable time of recording the taxes may be the time when the taxes were assessed as due in a reliable way (and not the time when the economic event generated the obligation to pay taxes). This time is not necessarily the accounting period in which the payment is received.

Question: Does the AEG approve Recommendation 6?

Recommendation 7

Paragraph 3: Amounts to be recorded

28. The amount of accrued taxes may be understood as due amounts of taxes (or amounts of taxes due to be paid), especially when the amounts are available from tax assessments. However, recording accrued amounts of taxes - at the time they are due or generated - should not lead to recording amounts that are known to be uncollectible, or are unlikely to be collected. Furthermore, the balancing item of the general government sector should not be artificially improved by the recording of amounts of taxes which are never collected.

29. There are two basic methods of valuing accrued amounts of taxes:

1. The time-adjusted cash method: available amounts are amounts actually paid. Nevertheless, these cashed amounts of taxes should be recorded at, or shifted to, the time the tax liability was incurred, not the time the payment was actually made.

2. Methods based on assessments of due taxes: there are two statistical methods which may eliminate the effect of taxes unlikely to be collected on these assessments⁶. None of these methods should be using the other changes in the volume of assets account:

- **Net recording of tax: amounts assessed as due are to be adjusted by a coefficient reflecting the assessments in the recent periods that were never collected. Thus, the amounts of accrued tax are written down according to this adjustment, in such a way that taxes unlikely to be collected are not recorded as government revenue.**

- **Gross recording of tax: amounts assessed as due – based on realistic assessments - are entirely recorded as taxes. But the discrepancy between this due amount of tax and the actual cash receipts shall be treated as a capital transfer in favour of defaulting payers⁷.**

30. In particular, when retained at source by the employer (PAYE system), current taxes on income, wealth etc. should be included in the compensation of employees (wages and salaries) even if the employer did not in fact pass them on to the general government. The households sector is then shown as paying the full amount due on to the general government sector. The amounts actually not paid have to be neutralised by a capital transfer from general government to the employers' sectors.

31. In accordance with the general revision policy of national accounts, the amount of government tax revenue assessed for a given year may be revised subsequently, according to better information on actually collected taxes.

32. Finally, a combination of methods is possible, according to the different types of taxes. In principle, the statistical methods used to achieve accrual recording of tax should ensure that, in a long-term perspective, cumulative tax revenues (net of related capital transfers) are equal, whether compiled on the basis of cashed amounts or on the basis of assessed amounts. However, in practice, the shifting of recording tax backwards over time may have the consequence that cumulative tax revenue is higher on an accruals basis than on a pure cash basis, as a result of the general economic growth (in volume and in price).

33. Reminder (in the case of gross recording of due taxes based on assessments): the recording of due amounts of taxes in the non-financial accounts is to be balanced by an Other receivable (F.7) entry in the financial account, differently to cashed taxes, balanced by an entry in F.2.

Question: Does the AEG approve Recommendation 7?

Part III: THE RECORDING OF TAX CREDITS

Recommendation 8

1. **Definition**: the tax credit as a specific type of tax relief

34. Most tax systems include elements of social redistribution, through the tax schedule (increasing tax rate), the choice of tax unit (individual or family taxation) and tax relief. Tax relief aimed at

⁶ In the same spirit, the IPSAS recommends to disclose information on the tax gap, but not include it in the amount of tax revenue.

⁷ The recording of a capital transfer – rather than a current transfer – is logical with the cancellation of a financial asset, the tax claim – tax due but not yet paid - recorded as Other accounts receivable (AF.7) in the government account. See also the treatment of debt cancellation by mutual agreement.

redistribution may be designed to reduce the amount of tax that households pay according to certain characteristics, such as the number of children. Moreover, tax relief may also be designed to encourage certain activities, such as participation in the labour force or investment in research and development.

35. Tax relief can generally take the form of a tax allowance, exemption or deduction - which is subtracted from the tax base, - or of a tax credit – which is subtracted directly from the tax liability (otherwise due). Tax credits can sometimes be payable, in the sense that any amount of the credit that exceeds the tax liability (otherwise due) will be paid to the taxpayer (or non-taxpayer). In contrast, some tax credits are non-payable, and so are limited to the size of the tax liability (otherwise due).

36. Corporations may also benefit from the granting of tax credits.

Question: Does the AEG approve Recommendation 8?

Illustration of a common tax arrangement and wording:

+ Gross income (or declarable income)	
- Tax exemptions	<u>Tax relief</u> refer to all exemptions, allowances and credits
= Net income tax base	
- Tax allowances	
= taxable income	
* tax rate	
= Tax claim / liability (otherwise due)	
- Tax credits	
= Tax revenue	

Recommendation 9

2. The recording of tax credits: general recommendation

37. A tax relief that is embedded in the tax system should be recorded as reducing tax revenues. This is the case of tax allowances, exemptions and deductions, as they enter directly into the calculation of the tax liability. This is also the case for non-payable tax credits, as their value to the taxpayer is limited to the size of their tax liability (otherwise due).

Question: Does the AEG approve Recommendation 9?

Recommendation 10

3. The special case of payable tax credit

38. Payable tax credits occur in cases where the total amount of the credit exceeds the amount of tax liability (otherwise due) and so the element of the credit in excess is paid by the government to the taxpayer. The amount actually paid by the government is to be recorded as government expenditure (as subsidy D.39, or social benefit D.62), while the rest is reducing the tax liability (otherwise due). Actual government payments due in the context of tax credits will not, in any case, be deducted from the reporting of global tax revenue.

Question: Does the AEG approve Recommendation 10?

The issue of recording “payable tax credits” is controversial: a global alternative proposal - minority view in the TFHPSA, but majority view in the IPSAS Board - is to gross up the tax revenue of government and to record all “expenses paid through the tax system” (IPSAS) as expenditure⁸.

Recommendation 11:

Conditions and criteria:

39. The recording of a tax credit as negative tax in national accounts should meet some conditions and criteria reflecting basically that the tax credit is embedded in the tax system and that there is a close relation between the subject of the tax credit and the category of tax:

1. The tax credit measure must appear as part of the tax law, tax calculation and of tax statements (tax consistency).

2. Could be deducted only from a given tax liability (otherwise due), amounts that are calculated on the same base as the tax - usually the income – and over the same period of time. For example, possible VAT reimbursements to specific categories of the population, should not be recorded in national accounts as a deduction from their tax on income.

3. The amount recorded as negative tax – to be deducted from tax (otherwise due) – cannot exceed the amount of tax due by the beneficiaries on an individual (household or corporation) basis. Thus, individual tax information must be used in order to calculate the amount of credit to be expensed. The element due in excess is an expenditure of government, and will not be deducted in the reporting of global tax revenue (individual character of tax credits).”

Question: Does the AEG approve Recommendation 11?

Recommendation 12:

40. Clarification in the case of certain transactions (social benefits):

To draw the line between tax credits and social benefits paid through the tax administration, it is made clear that social benefits that come in replacement of the labour income (income substitutes) should systematically be recorded as government expenditure, even if granted through the tax administration. Would be always recorded this way the following social benefits: old age pensions, disability pensions and unemployment allowances.

41. The rationale of this recommendation is that these social benefits are not an element of social redistribution embedded in the tax system and do not meet the conditions and criteria listed above to be recorded as tax credits (reducing tax). Recording these benefits as tax reducing would distort the assessment of relevant aggregates (public social expenditure, tax burden) and damage international comparisons.

⁸ Eurostat has organised a consultation in the European Union in May 2005 on this issue, the result of which has been made available. A majority (12 out of 22 respondents) expressed support to the present TFHPSA proposal (called “split” method, part of the tax credit being recorded as expenditure), whilst a minority (8) supported the “gross recording” method (the whole tax credit being recorded as expenditure).

Question: Does the AEG approve Recommendation 12?

ANNEX 1

QUESTIONNAIRE ON TAX REVENUE AND TAX CREDITS

SUMMARY OF REPLIES

In February 2005, 17 replies (see below) were collected from the Working Team C of the Task Force on the two first parts of the questionnaire, whilst 13 replies were collected for the third part (recording of tax credits). This brief summary of the replies intends to provide an indication of the opinions in Working Team C. It was not always easy to express an opinion under “Yes” or “No”: a minority of replies expressed a partial agreement with the draft proposals. In these cases, I have shared the point (0,5 for Yes and 0,5 for No). In rare cases, no answer was made to the question.

Part 1 and 2: 17 replies were collected, from Austria (NSI), Portugal (NSI), Korea (CB), Sweden (MoF), Bulgaria (MoF), UK (MoF), UK (NSI), Canada (NSI), USA (BEA), New Zealand (NSI), Israël (NSI), Denmark (NSI), Hungary (MoF), Australia (MoF), OECD (Revenue Statistics), IMF (STA-GFD), IMF (J.Pitzer)

Part 1: Definition of tax revenue	YES	NO
Question 1 (general presentation of the section)	17	0
Question 2 (draft of the basic definition)	15	2
Question 3 (to use IPSAS concept of “Non-exchange transaction”)	5	12
Question 4 (to provide in annex the full table 900 list of taxes)	13,5	2,5
Question 5 (borderline between tax and licences - permits)	11	6
Question 6 (borderline between tax and certain fees)	15	2
Part 2: The accrual recording of taxes		
Question 7 (general presentation: 3 new § instead of 1)	13,5	2,5
Question 8a (draft §1: definition of accrual)	13,5	3,5
Question 8b (draft §2: recommendation for time of recording)	15	0
Question 9 (draft §2: recommendation for some flexibility)	10,5	6,5
Question 10 (tax gap)	11	3
<i>NB: Question 10 was ambiguous (in 2 parts). Therefore, replies may be also ambiguous (or not provided).</i>		
Question 11 (draft §3: recommendation for amounts to be recorded)	10,5	5,5
Question 12a (accrual adjustment to revenue better than through expenditure) ¹²		3
Question 12b (compulsory levies to be defined in updated SNA)	11	5

Part 3: 13 replies were collected on 31 January 2005, from Bulgaria (MoF), UK (NSI), UK (MoF), New Zealand (NSI), Sweden (MoF), Australia (NSI), USA (BEA), Denmark (NSI), Korea (CB), Hungary (MoF), Israël (NSI), OECD (Revenue Statistics), IMF (STA-GFD)

Part 3: The recording of tax credits:	YES	NO
Question 13: (Definition a): tax credit and tax relief)	7,5	5,5
Question 14 (b)Recording of payable tax credits)	9,5	3,5
Question 15 (Relevant conditions and criteria)		
	a) 10	1
	b) 11	0
	c) 9	2
	d) 10	1
Question 16 (supplementary criterion: case of income substitutes)	7	5

ANNEX 2: The 1993 SNA

- 7.48. Taxes are compulsory, unrequited payments, in cash or in kind, made by institutional units to government units. They are described as unrequited because the government provides nothing in return to the individual unit making the payment, although governments may use the funds raised in taxes to provide goods or services to other units, either individually or collectively, or to the community as a whole.

Taxes versus fees

- 7.55. One of the regulatory functions of governments is to forbid the ownership or use of certain goods or the pursuit of certain activities, unless specific permission is granted by issuing a licence or other certificate for which a fee is demanded. If the issue of such licences involves little or no work on the part of government, the licences being granted automatically on payment of the amounts due, it is likely that they are simply a device to raise taxes, even though the government may provide some kind of certificate, or authorization, in return. However, if the government uses the issue of licences to exercise some proper regulatory function - for example, checking the competence, or qualifications, of the person concerned, checking the efficient and safe functioning of the equipment in question, or carrying out some other form of control which it would otherwise not be obliged to do - the payments made should be treated as purchases of services from government rather than payments of taxes, unless the payments are clearly out of all proportion to the costs of providing the services. The borderline between taxes and payments of fees for services rendered is not always clear cut in practice, however.

The accrual basis of recording

- 7.59. In contrast to the GFS and similar systems that require taxes to be recorded when they are actually paid, all taxes should be recorded on an accrual basis in the SNA, i.e., when the activities, transactions or other events occur which create the liabilities to pay taxes. However, some economic activities, transactions or events, which under tax legislation ought to impose on the units concerned the obligation to pay taxes, permanently escape the attention of the tax authorities. It would be unrealistic to assume that such activities, transactions or events give rise to financial assets or liabilities in the form of payables and receivables. For this reason the amounts of taxes to be recorded in the System are determined by the amounts due for payment only when evidenced by tax assessments, declarations or other instruments such as sales invoices or customs declarations, which create liabilities in the form of clear obligations to pay on the part of taxpayers. Nevertheless, in accordance with the accrual principle, the times at which the taxes should be recorded are the times at which the tax liabilities arise. For example, a tax on the sale, transfer or use of output should be recorded when that sale, transfer or use took place, which is not necessarily the same time as that at which the tax authorities were notified, at which a tax demand was issued, at which the tax was due to be paid or the payment was actually made.
- 7.60. In some countries, and for some taxes, the amounts of taxes eventually paid may diverge substantially and systematically from the amounts due to be paid to the extent that not all of the latter can be effectively construed as constituting financial liabilities as these are understood within the System. In such cases, it may be preferable for analytic and policy purposes to ignore unpaid tax liabilities and confine the measurement of taxes within the System to those actually paid. Nevertheless, the taxes actually paid should still be recorded on an accrual basis at the times at which the events took place which gave rise to the liabilities.

Questionnaire "SNA 93 / ESA 95"

Table 0900: Detailed tax and social contribution receipts by type of tax or social co

country:
currency:
prices:

code of transactions	code of sectors	General government
		SES13
TRD2	TAXES ON PRODUCTION AND IMPORTS	
TRD21	Taxes on products	
TRD211	Value added type taxes	
TRD212	Taxes and duties on imports excluding VAT	
TRD2121	Import duties	
TRD2122	Taxes on imports, excluding VAT and import duties	
TRD2122A	Levies on imported agricultural products	
TRD2122B	Monetary compensatory amounts on imports	
TRD2122C	Excise duties	
TRD2122D	General sales taxes	
TRD2122E	Taxes on specific services	
TRD2122F	Profits of import monopolies	
TRD214	Taxes on products, except VAT and import taxes	
TRD214A	Excise duties and consumption taxes	
TRD214B	Stamp taxes	
TRD214C	Taxes on financial and capital transactions	
TRD214D	Car registration taxes	
TRD214E	Taxes on entertainment	
TRD214F	Taxes on lotteries, gambling and betting	
TRD214G	Taxes on insurance premiums	
TRD214H	Other taxes on specific services	
TRD214I	General sales or turnover taxes	
TRD214J	Profits of fiscal monopolies	
TRD214K	Export duties and monetary comp. amounts on exports	
TRD214L	Other taxes on products n.e.c.	
TRD29	Other taxes on production	
TRD29A	Taxes on land, buildings or other structures	
TRD29B	Taxes on the use of fixed assets	
TRD29C	Total wage bill and payroll taxes	
TRD29D	Taxes on international transactions	
TRD29E	Business and professional licences	
TRD29F	Taxes on pollution	
TRD29G	Under-compensation of VAT (flat rate system)	
TRD29H	Other taxes on production n.e.c.	
TRD5	CURRENT TAXES ON INCOME, WEALTH, ETC.	
TRD51	Taxes on income	
TRD51A+TRD51B	Taxes on individual or household income including holding gains	
TRD51A	Taxes on individual or household income excluding holding gains	
TRD51C1	Taxes on individual or household holding gains	
TRD51B+TRD51C2	Taxes on the income or profits of corporations including holding gains	
TRD51B	Taxes on the income or profits of corporations excluding holding gains	
TRD51C2	Taxes on holding gains of corporations	
TRD51C3	Other taxes on holding gains	
TRD51C	Taxes on holding gains (1)	
TRD51D	Taxes on winnings from lottery or gambling	
TRD51E	Other taxes on income n.e.c.	
TRD59	Other current taxes	
TRD59A	Current taxes on capital	
TRD59B	Poll taxes	
TRD59C	Expenditure taxes	
TRD59D	Payments by households for licences	
TRD59E	Taxes on international transactions	
TRD59F	Other current taxes n.e.c.	
TRD91	CAPITAL TAXES	
TRD91A	Taxes on capital transfers	
TRD91B	Capital levies	
TRD91C	Other capital taxes n.e.c.	
TRD2+TRD5+TRD91	TOTAL TAX RECEIPTS	