



# *DISTINCTION BETWEEN A TAX, A SERVICE AND SIMILAR BOUNDARY CASES*

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# Introduction

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- Governments can achieve policy goals in different ways
- It is often difficult for statisticians to identify the “true nature of a transaction”
- Consequently, measures with a very similar economic impact can be recorded in completely different ways
- This raises the issue whether further guidance is needed on how to record specific transactions
- This GN provides an example in the area of environmental economic taxes
- However, the issue is much wider ... this may ask for more generic guidance



# Example: Cross-country comparability of data on environmental taxes

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- Definition of environmental taxes relies strongly on SNA concept of a tax, with its four distinctive features:
  - Compulsory payment,
  - Unrequited payment,
  - Payment in cash or in kind,
  - Payment levied by general government or, in case of EU, by the institutions of the European Union
- Voluntary payments, payments for a good or service and other transactions with similar economic and environmental effects but without direct payment to the government budget, would not fit the definition of taxes, even if under national tax legislation these payments are called taxes



# Example continued: Boundary cases

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- Licences
  - If licences are granted automatically on payment of amounts due, they are treated as taxes
  - If governments use the issue of licences to exercise some regulatory function, the payments are treated as purchases of services
- Payments linked to the extraction or use of natural resources
  - These are considered environmental taxes, as these activities deplete natural resources
  - However, all taxes designed to capture the resource rent from the extraction of natural resources should be excluded
- Distributive impacts of government regulation designed for environmental policy purposes
  - When a law results in higher prices, the resulting transaction could be partitioned into a 'normal payment', an imputed tax paid by the buyer and an imputed subsidy received by the seller
  - In practice it might be difficult to do this for each and every impact that government regulation has on the economy



# Recommendations

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- Important issue, but much wider than environmental-economic topics
- Given the wider implications, it is suggested to drop this issue from the list of topics of the Wellbeing and Sustainability Task Team
- The ISWGNA/AEG is asked to discuss whether they see merit in development of more generic approach for this topic, in that case probably led by colleagues from the GFS community with the involvement of people from other domains including SNA



## Questions for AEG

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- Do you agree that the issue of how to distinguish between a tax, a service and a property income payment (and for some transactions possibly other alternatives) may have wider implications than environmental-economic issues only?
- If you agree, do you prefer that a generic approach is developed on how to make this distinction in practice?  
Alternative is to only address relevant issues on an individual basis when they arise
- And, if so, do you have suggestions where to best address this?