Indicator 17.1.1

Contents

Indicator Name, Target and Goal

Indicator 17.1.1: Total government revenue as a proportion of GDP, by source

Target 17.1: Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection

Goal 17: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Definition and Rationale

Definition:

This indicator is defined as the share of total central government revenue expressed as a proportion of the GDP.

Concepts:

Revenue is defined in Chapter 4 (paragraph 4.23) of Government Finance Statistics Manual (GFSM) 2014 as an increase in net worth resulting from a transaction. It is a fiscal indicator for assessing the sustainability of fiscal activities. General government units have four types of revenue. The major types of revenue are taxes (GFS code 11), social contributions (GFS code 12), grants (GFS code 13), and other revenue (GFS code 14). Of these, compulsory levies and transfers are the main sources of revenue for most general government units. In particular, taxes are compulsory, unrequited amounts receivable by government units from institutional units. Social contributions are actual or imputed revenue receivable by social insurance schemes to make provision for social insurance benefits payable. Grants are transfers receivable by government units from other resident or nonresident government units or international organizations, and that do not meet the definition of a tax, subsidy, or social contribution. Other revenue is all revenue receivable excluding taxes, social contributions, and grants. Other revenue comprises: (i) property income; (ii) sales of goods and services; (iii) fines, penalties, and forfeits; (iv) transfers not elsewhere classified; and (v) premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes.

The transactions and the associated classifications are detailed in Chapter 5 of GFSM 2014 and are structured to demonstrate how general government (and public sector) units raise revenue. Only those taxes and social insurance contributions that are evidenced by tax assessments and declarations, customs declarations, and similar documents are considered to create revenue for government units. The analytic framework of GFSM 2014 (like that of the GFSM 2001) builds on the GFSM 1986 framework, and extends it by incorporating additional elements that are useful in assessing fiscal policy.

An important example is the treatment of nonfinancial assets, where the sale of such assets is no longer included in revenue. The disposal of a nonfinancial asset by sale or barter is not revenue because it has no effect on net worth. Rather, it changes the composition of the balance sheet by exchanging one asset (the nonfinancial asset) for another (the proceeds of the sale). Similarly, amounts receivable from loan repayments and loan disbursements are not revenue. In general, transactions that increase net worth result from current operations. Capital transfers are an exception. In GFSM 2014, capital transfers receivable are classified as revenue because they increase the recipient's net worth and they are often indistinguishable from current transfers in their effect on government operations.

In recording cash-based accounting revenue transactions, data representing the tax payments received by government, net of refunds paid out during the period covered should be reported. These data will include taxes paid after the original assessment, taxes paid or refunds deducted from taxes after subsequent assessments, and taxes paid or refunds deducted after any subsequent reopening of the accounts. Therefore, total tax revenue could be presented on a gross basis as the total amount of all taxes accrued, or on a net basis as the gross amount minus tax refunds. Revenue categories are presented gross of expense categories for the same or related category. In particular, interest revenue is presented gross rather than as net interest expense or net interest revenue. Similarly, social benefits and social contributions, grant revenue and expense, and rent revenue and expense are presented gross. Also, sales of goods and services are presented gross of the expenses incurred in their production. In cases of erroneous or unauthorized transactions, revenue categories are presented net of refunds of the relevant revenue, and expense categories are presented net of inflows from the recovery of the expense. For example, refunds of income taxes may be paid when the amount of taxes withheld or otherwise paid in advance of the final determination exceeds the actual tax due. Such refunds are recorded as a reduction in tax revenue. For this reason, tax revenue is presented net of non-payable tax credits (see GFSM 2014 paragraphs 5.29–5.32).

Rationale and Interpretation:

Fiscal policy is the use of the level and composition of the general government and public sectors' spending and revenue—and the related accumulation of government assets and liabilities—to achieve such goals as the stabilization of the economy, the reallocation of resources, and the redistribution of income. In addition to revenue mobilization, government units may also finance a portion of their activities in a specific period by borrowing or by acquiring funds from sources other than compulsory transfers—for example, interest revenue, incidental sales of goods and services, or the rent of subsoil assets. Indicator 17.1.1 supports understanding countries' domestic revenue mobilization in the form of tax and nontax sources. The indicator will provide analysts with a cross-country comparable dataset that highlights the relationship between the four main types of revenue as well as the relative "tax burden" (revenue in the form of taxes) and "fiscal burden" (revenue in the form of taxes plus social contributions).

Data Sources and Collection Method

Annual GFS series are normally compiled from accounting records, budget execution reports, and financial statements. In some instances, compilers may need surveys and other means of obtaining data where suitable accounting records, financial statements or budget execution reports are not available, for example, for data on local governments. Approaches using these sources are further outlined in Chapter 7 and 8 of the "Government Finance Statistics: Compilation Guide for Developing Countries", available at https://www.imf.org/external/pubs/ft/gfs/manual/gfs.htm. Staff of the IMF Statistics Department, Government Finance Division may be contacted for additional guidance.

Method of Computation and Other Methodological Considerations

Computation Method:

The indicator is expressed as annual GFS revenue as a percent of Gross Domestic Product (GDP).

"Classification of the GFSM 1986 Data to the GFSM 2014 Framework", available at https://www.imf.org/external/pubs/ft/gfs/manual/comp.htm, can be referenced with the aim of obtaining the key GFSM 2014 Revenue categories:

Total Revenue (% GDP)	of which : Taxes							of which : Social contributions	of which : Grants	of which : Other revenue
	Taxes on income, profits, and capital gains	Taxes on payroll and workforce	Taxes on property	Taxes on goods and services	Taxes on international trade and transactions	Other taxes	Total			

Section B of the document (pages 7-13) provides a detailed mapping. Experience gained through many years of GFS Training and Technical Assistance aimed at building the capacity of national authorities has demonstrated that all components related to GFSM 1986 total revenue and grants may be classified to the GFSM 2014 aggregate revenue, except for the sales of fixed capital assets, (strategic) stocks, and land and intangible assets, which are classified to the net investment in nonfinancial assets (disposals/sales).

Indicator 17.1.1 can be derived using series that are basic to the GFS reporting framework. Each revenue transaction is classified according to whether it is a tax or another type of revenue. GFS revenue aggregates are summations of individual entries and elements in this particular class of flows and allow for these data to be arranged in a manageable and analytically useful way. For example, tax revenue is the sum of all flows that are classified as taxes. Conceptually, the value for each main revenue aggregate is the sum of the values for all items in the relevant category.

Comments and limitations:

In principle, GFS should cover all entities that materially affect fiscal policies. Cross-country comparisons are ideally made with reference to the consolidated general government sector. However, for most developing and many emerging market economies, compiling data for the consolidated general government and its subsectors is problematic owing to limitations in the availability and/or timeliness of source data. For example, a country may have one central government; several state, provincial, or regional governments; and many local governments. Countries may also have social security funds. The GFSM 2014 recommends that statistics should be compiled for all such general government units.

Some countries report data for the consolidated general government with one or more sub-sectors not separately reported. Similarly, there are some countries that report "consolidated central government" without necessarily providing the budgetary central government subsector separately. For many emerging market and low-income countries with limited statistical capacity, budgetary central government is considered the most appropriate level of institutional coverage for comparison purposes. Budgetary central government, as described in GFSM 2014 (paragraph 2.81), is an institutional unit of the general government sector particularly important in terms of size and power, particularly the power to exercise control over many other units and entities. This component of general government is usually covered by the main (or general) budget. The budgetary central government's revenue (and expense) are normally regulated and controlled by a ministry of finance, or its functional equivalent, by means of a budget approved by the legislature.

Proxy, alternative and additional indicators: N/A

Data Disaggregation

The four types of revenue: Taxes, Social contributions, Grants and Other revenue can be further disaggregated, as outlined in Chapter 5, GFSM 2014.

References

Official SDG Metadata URL
https://unstats.un.org/sdgs/metadata/files/Metadata-17-01-01.pdf

Internationally agreed methodology and guideline URL
The GFSM 2014. Available at: http://www.imf.org/external/np/sta/gfsm/

Other references
IMF World Economic Outlook database. Available at: http://www.imf.org/external/ns/cs.aspx?id=28

Country examples
N/A

International Organization(s) for Global Monitoring