

**COMMISSION REGULATION (EC) No 995/2001
of 22 May 2001**

**implementing Regulation (EC) No 2516/2000 of the European Parliament and of the Council
modifying the common principles of the European system of national and regional accounts in the
Community (ESA 95) as concerns taxes and social contributions**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to the Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (ESA 95) ⁽¹⁾, as last amended by Regulation (EC) No 2516/2000 of the European Parliament and of the Council ⁽²⁾, and in particular Articles 2(2) and 3(2) thereof,

Having regard to Regulation (EC) No 2516/2000 modifying the common principles of the ESA 95 as concerns taxes and social contributions, and in particular Article 5 thereof,

Whereas:

- (1) Regulation (EC) No 2223/96 on the ESA 95 contains the reference framework of common standards, definitions, classifications and accounting rules for drawing up the accounts of the Member States for the statistical requirements of the Community, in order to obtain comparable results between Member States.
- (2) Regulation (EC) No 2516/2000 ensures comparability and transparency among the Member States in the recording of taxes and social contributions in ESA 95 for the excessive deficit procedure. Net lending/net borrowing of general government shall not include amounts of taxes and social contributions unlikely to be collected.
- (3) For the application of Regulation (EC) No 2516/2000 and within six months of its adoption, the Commission

shall introduce in the text of Annex A to Regulation (EC) No 2223/96 the changes needed.

- (4) Articles 2(2) and 3(2) of Regulation (EC) No 2223/96 lay down the conditions under which the Commission may adopt amendments to the ESA 95, in particular the changes needed in Annex B to the abovementioned Regulation.
- (5) The Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), set up by Council Decision 91/115/EEC ⁽³⁾, amended by Decision 96/174/EC ⁽⁴⁾, has been consulted.
- (6) The measures provided for in this Regulation are in accordance with the opinion of the Statistical Programme Committee (SPC), set up by Council Decision 89/382/EEC, Euratom ⁽⁵⁾,

HAS ADOPTED THIS REGULATION:

Article 1

Annexes A and B to Regulation (EC) No 2223/96 shall be amended in accordance with the Annex to this Regulation.

Article 2

This Regulation shall enter into force on the 20th day following its publication in the *Official Journal of the European Communities*.

This Regulation shall not apply during the transitional period that may be granted to Member States in accordance with Article 7(2) of Regulation (EC) No 2516/2000.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 22 May 2001.

For the Commission

Pedro SOLBES MIRA

Member of the Commission

⁽¹⁾ OJ L 310, 30.11.1996, p. 1.
⁽²⁾ OJ L 290, 17.11.2000, p. 1.

⁽³⁾ OJ L 59, 6.3.1991, p. 19.
⁽⁴⁾ OJ L 51, 1.3.1996, p. 48.
⁽⁵⁾ OJ L 181, 28.6.1989, p. 47.

ANNEX

AMENDMENTS TO ANNEX A TO REGULATION (EC) No 2223/96

1.57

	<p><i>Insert after 'However, in some cases ... to use approximations.'</i></p> <p>'Additional to this flexibility as regards time of recording, it was necessary for practical reasons linked to the excessive deficit procedure to define a particular recording of taxes and social contributions payable to the government sector, so that net lending/borrowing of general government (and of counterpart sectors) shall not include amounts of taxes and social contributions unlikely to be collected. By derogation to the general principle of recording transactions, taxes and social contributions payable to the general government can either be recorded net of the part unlikely to be collected or, if this part is included, it should be neutralised in the same accounting period by a capital transfer from the general government to the relevant sectors.'</p>
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3.48

	<p><i>Insert in the definition of the basic price of reference to point 4.27:</i></p> <p>'The basic price is the price receivable by the producers from the purchaser for a unit of a good or service produced as output, minus any tax payable (see point 4.27) on that unit as a consequence of its production or sale (i.e. taxes on products), plus any subsidy receivable on that unit as a consequence of its production or sale (i.e. subsidies on products).'</p>
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4.17

	<p><i>Insert in the last sentence a reference to point 4.27:</i></p> <p>'For the total economy, VAT is equal to the difference between total invoiced VAT and total deductible VAT (see point 4.27).'</p>
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4.27

<p><i>Delete:</i></p> <p>'Taxes evidenced by tax assessments but which are never paid (for instance, because of bankruptcy) are treated as if they had been paid; there are two eventualities:</p> <p>(a) the writing-off of bad debt by the government, which recognises that its claim can no longer be collected; this writing-off is recorded in the other changes in the volume of assets accounts of the government and the defaulting debtor;</p> <p>(b) the cancellation of the debt by mutual agreement between the government and the debtor. This cancellation is treated as a capital transfer from the government to the debtor in the capital account, with a simultaneous extinction of a claim in the financial account.'</p>	<p><i>Replace by:</i></p> <p>'Taxes recorded in the accounts may be derived from two sources: amounts evidenced by assessments and declarations or cash receipts.</p> <p>(a) If assessments and declarations are used, the amounts shall be adjusted by a coefficient reflecting assessed and declared amounts never collected. As an alternative treatment, a capital transfer, to the relevant sectors could be recorded equal to the same adjustment. The coefficients shall be estimated on the basis of past experience and current expectations in respect of assessed and declared amounts never collected. They shall be specific to different types of taxes.</p> <p>(b) If cash receipts are used, they shall be time-adjusted so that the cash is attributed when the activity took place to generate the tax liability. This adjustment may be based on the average time difference between the activity and cash tax receipt.'</p>
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4.82

Delete:

'Taxes evidenced by tax assessments but which are never paid (for instance, because of bankruptcy) are treated as if they had been paid; there are two eventualities:

- (a) the writing-off of bad debt by the government, which recognises that its claim can no longer be collected; this writing-off is recorded in the other changes in the volume of assets accounts of the government and the defaulting debtor;
- (b) the cancellation of the debt by mutual agreement between the government and the debtor. This cancellation is treated as a capital transfer from the government to the debtor in the capital account, with a simultaneous extinction of a claim in the financial account.'

Replace by:

'Taxes recorded in the accounts may be derived from two sources: amounts evidenced by assessments and declarations or cash receipts.

- (a) If assessments and declarations are used, the amounts shall be adjusted by a coefficient reflecting assessed and declared amounts never collected. As an alternative treatment, a capital transfer to the relevant sectors could be recorded equal to the same adjustment. The coefficients shall be estimated on the basis of past experience and current expectations in respect of assessed and declared amounts never collected. They shall be specific to different types of taxes.
- (b) If cash receipts are used, they shall be time-adjusted so that the cash is attributed when the activities, transactions or other events took place to generate the tax liability (or when the amount of tax was determined, in the case of some income taxes). This adjustment may be based on the average time difference between the activities, transactions or other events (or the determination of the amount of tax) and cash tax receipt.

When retained at source by the employer, current taxes on income, wealth, etc. should be included in 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 on to the general government sector. The amounts actually unpaid have to be neutralised under D.995 as a capital transfer from general government to the employers' sectors.'

4.96

Insert at the end of the paragraph:

'Social contributions payable to the general government sector recorded in the accounts may be derived from two sources: amounts evidenced by assessments and declarations or cash receipts.

- (a) If assessments and declarations are used, the amounts shall be adjusted by a coefficient reflecting assessed and declared amounts never collected. As an alternative treatment, a capital transfer to the relevant sectors could be recorded equal to the same adjustment. The coefficients shall be estimated on the basis of past experience and current expectations in respect of assessed and declared amounts never collected. They shall be specific to different types of social contributions.
- (b) If cash receipts are used, they shall be time-adjusted so that the cash is attributed when the activity took place to generate the social contribution liability (or when the liability is created). This adjustment may be based on the average time difference between the activity (or the creation of the liability) and cash receipt.

When retained at source by the employer, social contributions payable to the general government sector should be included in 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 on to the general government sector. The amounts actually unpaid have to be neutralised under D.995 as a capital transfer from general government to the employers' sectors.'

4.150

Delete paragraph 4.150:

'Time of recording: capital taxes are recorded at the time when the tax liabilities arise.'

Replace by a new paragraph: 4.150:

'Taxes recorded in the accounts may be derived from two sources: amounts evidenced by assessments and declarations or cash receipts.

- (a) If assessments and declarations are used, the amounts shall be adjusted by a coefficient reflecting assessed and declared amounts never collected. As an alternative treatment, a capital transfer to the relevant sectors could be recorded equal to the same adjustment. The coefficients shall be estimated on the basis of past experience and current expectations in respect of assessed and declared amounts never collected. They shall be specific to different types of taxes.
- (b) If cash receipts are used, they shall be time-adjusted so that the cash is attributed when the activity took place to generate the tax liability (or when the amount of tax was determined). This adjustment may be based on the average time difference between the activity (or the determination of the amount of tax) and cash tax receipt.'

4.165

Add at the end of the first sentence of part (f) a reference to new part (j):
'— except the particular case of taxes and social contributions payable to the general government sector (see 4.165 (j)).'

Insert at the end of the point:

- '(j) When taxes and social contributions payable to the general government sector are recorded on the basis of assessments and declarations, the part unlikely to be collected has to be neutralised in the same accounting period. This can be done by an "Other capital transfer" (D.99), inside the specific line D.995, between general government and the relevant sectors. This D.995 flow has to be subdivided according to the coding of the different taxes and social contributions concerned.'

5.129

Insert at the end of the paragraph:

'The amounts of taxes and social contributions payable to the general government to be included under AF.79 should not include the part of these taxes and social contributions which is unlikely to be collected, and which therefore represents a general government claim that has no real value.'

6.27

Insert at the end of point (d):

'By derogation from the general principle, this heading does not include taxes and social contributions payable to the general government that the general government unilaterally recognises as unlikely to be collected. Taxes and social contributions payable to the general government and unlikely to be collected are, in the same accounting period which has generated the liability, neutralised in the calculation of the net lending/net borrowing of the general government sector and of the counterpart sectors (see point 1.57).'

7.61

Insert at the end of the paragraph:

'The amounts of taxes and social contributions payable to the general government to be included under AF.79 should not include the part of these taxes and social contributions which is unlikely to be collected, and which therefore represents a general government claim that has no real value.'

9.47

Delete the first sentence:

'Taxes and subsidies on products are the amounts due for payment only when evidenced by tax assessments, declarations, etc. or the amounts actually paid (see point 4.27).'

Delete in point (b)(2):

'this should be recorded as another change in the volume of financial assets and liabilities, i.e. not in the supply and use table'.

Replace the first sentence by:

'The way of recording taxes and subsidies on products is defined in points 4.27 and 4.40 respectively.'

Annex IV — Classifications and accounts

Inside classification of transactions and other flows, after 'D.99 — Other capital transfers', the following list of codes should be added:

- D.995 Capital transfers from general government to relevant sectors representing taxes and social contributions assessed but unlikely to be collected
- D.99521 Taxes on products assessed but unlikely to be collected
- D.99529 Other taxes on production assessed but unlikely to be collected
- D.99551 Taxes on income assessed but unlikely to be collected
- D.99559 Other current taxes assessed but unlikely to be collected
- D.9956111 Employers' actual social contributions assessed but unlikely to be collected
- D.9956112 Employees' social contributions assessed but unlikely to be collected
- D.9956113 Social contributions by self- and unemployed persons assessed but unlikely to be collected
- D.99591 Capital taxes assessed but unlikely to be collected'

AMENDMENTS TO ANNEX B TO REGULATION (EC) No 2223/96

Table 2: Main aggregates of general government

	<p><i>At the end of the table the following code shall be added:</i></p> <p>'D.995 Capital transfers from general government to relevant sectors representing taxes and social contributions assessed but unlikely to be collected'</p>
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Table 9: Detailed tax receipts by sector

	<p><i>At the end of the table the following flow D.995 and its subdivisions, without splitting into receiving sub-sectors, shall be added:</i></p> <p>'D.995 Capital transfers from general government to relevant sectors representing taxes and social contributions assessed but unlikely to be collected</p> <p>D.99521 Taxes on products assessed but unlikely to be collected</p> <p>D.99529 Other taxes on production assessed but unlikely to be collected</p> <p>D.99551 Taxes on income assessed but unlikely to be collected</p> <p>D.99559 Other current taxes assessed but unlikely to be collected</p> <p>D.9956111 Employers' actual social contributions assessed but unlikely to be collected</p> <p>D.9956112 Employees' social contributions assessed but unlikely to be collected</p> <p>D.9956113 Social contributions by self- and unemployed persons assessed but unlikely to be collected</p> <p>D.99591 Capital taxes assessed but unlikely to be collected</p> <p>D.2 + D.5 + D.91 + D.611 – D.995</p> <p>Total receipts from taxes and social contributions after deduction of amounts assessed but unlikely to be collected.'</p>
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