

II

(Acts whose publication is not obligatory)

COMMISSION

COMMISSION DECISION

of 22 February 1994

on measures to be taken for the implementation of Council Directive 89/130/EEC, Euratom on the harmonization of the compilation of gross national product at market prices

(94/168/EC, Euratom)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to the Treaty establishing the European Atomic Energy Community,

Having regard to Council Directive 89/130/EEC, Euratom of 13 February 1989 on the harmonization of the compilation of gross national product at market prices⁽¹⁾,

Whereas Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 on the definitive uniform arrangements for the collection of own resources accruing from value added tax⁽²⁾ stipulates that:

- the VAT own resources base shall be calculated by using national accounts figures (Article 4),
- the Commission shall ascertain that the data used and calculations made are appropriate (Article 11),
- Member States shall provide the Commission with the necessary information (Article 12);

Whereas Council Regulation (EEC, Euratom) No 1552/89 of 29 May 1989 implementing Decision 88/376/EEC, Euratom on the system of the Communities' own resources⁽³⁾ stipulates that the Commission shall each year inspect the aggregates provided for errors in compilation and that Member States shall take all steps required to facilitate inspection measures;

Whereas the declaration by the Council and the Commission, recorded in the minutes of the Council, on the occasion of the adoption of Directive 89/130/EEC, Euratom, has indicated that the committee set up by Article 6 of the said Directive, hereinafter called the 'GNP Committee', should concentrate its work on improving the degree of coverage of the so-called parallel economy in the national accounts;

Whereas the coverage of economic activity carried on in contravention of tax and social security legislation in Member States' estimates of gross national product at market prices, hereinafter called 'GNPmp', is at present non-uniform;

Whereas the notion of the population of production units is relevant for the calculation of GNPmp, irrespective of which of the three approaches to gross domestic product at market prices, hereinafter called 'GDPmp', is applied;

Whereas the notion of the employment underlying GDPmp is pertinent to GDPmp compilations from the output and the income side; whereas all the Member States apply at least one of these two approaches to GDPmp;

Whereas demographic sources (population censuses, the Community labour force survey) constitute an efficient means of validating the employment underlying GDPmp;

Whereas nine Member States have conducted population censuses in 1990/91 and the other Member States were able to submit comparable data based on registers and/or sample surveys;

⁽¹⁾ OJ No L 49, 21. 2. 1989, p. 26.

⁽²⁾ OJ No L 155, 7. 6. 1989, p. 9.

⁽³⁾ OJ No L 155, 7. 6. 1989, p. 1.

Whereas the labour force survey has been conducted in a consistent manner in the 12 Member States since 1987 ;

Whereas the direct interviewing applied in the labour force survey may lead, and in some cases has been shown to lead, to the disclosure of employment in excess of that recorded by population censuses ;

Whereas personal and corporate income tax and value added tax systems, together with corresponding fiscal audit mechanisms, exist in all the Member States ;

Whereas information from fiscal audits may be used to make adjustments for evasion in tax data and misreporting in surveys ;

Whereas in some Member States information from fiscal audits is already used to this end ;

Whereas in accordance with the principle of subsidiarity the measures to improve the exhaustiveness of GNPmp are programmes that can only be undertaken efficiently at Community level ; whereas those measures will be applied in each Member State under the authority of the bodies and institutions in charge of compiling official statistics ;

Whereas the GNP Committee has been consulted and has not rejected the measure provided for in this Decision,

HAS ADOPTED THIS DECISION :

TITLE I

Purpose and scope

Article 1

1. The purpose of this Decision is to improve the exhaustiveness of GDPmp as a major component of the GNPmp of the Member States as regards economic activity within the production boundary of the European system of integrated economic accounts ('ESA'). This includes economic activity which is legal in itself but which is not carried on in conformity with tax and social security regulations.

2. Economic activity which is illegal as such according to national legislation is outside the scope of the measures provided for by this Decision.

3. The first results of the programmes stipulated under Titles III, IV, V and VI shall be integrated in the Member States' GNP estimates not later than 30 September 1995.

TITLE II

Definition of terms

Article 2

GNP and GDP estimates are exhaustive when they cover not only production, primary income and expenditure which are directly observed in statistical surveys or administrative files, but include production, primary income and expenditure which are not directly observed. The latter relate, *inter alia*, to one or more of the following phenomena :

- absence of registered and economically active units from statistical files,
- evasion of the payment of taxes and/or social security premiums,
- exemption from the obligation to submit information to the tax and social security authorities.

Absence from statistical files includes the non-recording in statistical files of economically active units registered with the fiscal or social security authorities, and has a counterpart in the recording in statistical files of units which are no longer economically active.

Evasion of the payment of taxes and social security premiums includes the submission of figures to tax or social security authorities which contain omissions or are falsified and includes the non-submission of compulsory tax or social security returns, for example on the part of clandestine production units.

Exemption from the obligation to submit information to the tax and social security authorities is related, *inter alia*, to minimum thresholds for the compulsory registration of certain activities or transactions. It includes exemption for specific groups of persons or enterprises and the submission of partial returns which do not infringe the regulations governing tax and social security systems.

Employment shall be understood as that of the domestic occupied population according to ESA paragraphs 808 to 814.

TITLE III

Descriptions of calculations and adjustments ensuring exhaustiveness of present GNP estimates

Article 3

Member States shall draw up a description of all the calculations and adjustments which are considered to capture the production, primary income and expenditure which are not directly observable in accordance with Article 2. The calculations and adjustments are either explicit or implicit. Examples of implicit adjustments are

quantity-price calculations and estimates derived from the demand side using surveys of purchasers of goods and services. As far as possible the descriptions shall provide a breakdown of the adjustments and calculations concerned into those for:

1. absence of registered and economically active units from statistical files;
2. evasion of the payment of taxes and/or social security premiums:
 - 2.1. clandestine production units;
 - 2.2. other evasion, in particular misreporting and non-reporting by registered enterprises;
3. exemption of registration at the fiscal or social security authorities:
 - 3.1. due to bottom thresholds for registration;
 - 3.2. other reasons for exemption of registration.

The description shall refer to a recent year for which final estimates are available.

Article 4

Member States applying the output approach to GDP shall draw up a table of all such adjustments and calculations by branch following NACE-CLIO R44 or, if this is not possible, at the level of aggregation used for their calculations and at least at the level of NACE-CLIO R25 (see ESA, section on classifications and coding). The table shall:

- describe the type of adjustment (for example, the reason for the adjustment, whether it is an implicit or explicit adjustment, the size of the registration, threshold, etc.),
- describe the data source(s) used for the adjustment (type, year, relation to scope of activity in NACE-CLIO-class),
- describe the method of calculation (variables used, assumptions, giving a concrete example of the calculation method),
- for explicit adjustments: show the value of the adjustment in absolute terms and as a percentage of gross value added (for which the final estimate after all modifications and integration should be used),
- for implicit adjustments: explain why they are to be regarded as such and if possible provide proof of the validity of the assumptions made.

The format of this table is set out in Annex I.

Article 5

Member States applying the income approach to GDP shall establish a description of all such adjustments and

calculations in respect of compensation of employees, gross operating surplus of unincorporated enterprises and gross operating surplus of incorporated enterprises. The table used for this description shall, proceeding by sector or by branch, show:

- the type of adjustment (as set out in Article 4),
- the data sources for the adjustment (as set out in Article 4),
- the methods of calculation (as set out in Article 4),
- for explicit adjustments: the absolute and relative size (as set out in Article 4),
- for implicit adjustments: the rationale (as set out in Article 4).

The format of this table is set out in Annex II.

Article 6

Member States applying the expenditure approach to GDP shall, in all cases where the expenditure figures are based on the sales or purchases of producer units (for instance, retail sales or purchases of capital goods by producers), prepare a description of all such adjustments and calculations. The table used for this description shall show at the level of aggregation used for the calculations:

- the type of adjustment (as set out in Article 4),
- the data sources for the adjustment (as set out in Article 4),
- the method of calculation (as set out in Article 4),
- for explicit adjustments: the absolute and relative size of the adjustment, the size being expressed as a percentage of the expenditure (for which the final estimate after all modifications shall be used),
- for implicit adjustments: the rationale (as set out in Article 4).

The format of the table for this description is set out in Annex III.

Article 7

If in estimating GNP no adjustments or only partial adjustments are made for absence, evasion or exemption, Member States shall put forward proposals for a programme of action to remedy those deficiencies.

Article 8

All the information referred to in Articles 3 to 7 shall be sent to the Statistical Office of the European Communities no later than 30 June 1994. They shall be discussed by the GNP Committee during the second half of 1994.

TITLE IV

Validation of employment underlying present GNP estimates*Article 9*

Member States shall compare employment data according to demographic sources with the employment underlying present GNP estimates. The concept of employment to be applied is that of the domestic occupied population. If a demographic data source does not comply with this concept of employment, first a table shall be drawn up which shows the modifications to be made to attain such compliance. The table shall show, as far as possible and according to national practice :

- the reason for the modification,
- the data source used for the modification and their main features,
- the method of calculation (variables, assumptions and a concrete example of a calculation),
- the size of the modification (absolute and as a percentage of the volume of labour).

The format for the table is set out in Annex IV. For the labour force survey figures, modifications have to be made, for example, for people living in institutional households and cross-border workers. As the labour force survey is a sample survey, the procedure for grossing up to the national total shall also be described (data sources and method of calculation). Member States are asked to provide information on margins of error in the population census and the labour force survey. Tables shall also be drawn up to show the modifications by branch. The classification to be used is NACE-CLIO R44 for services and NACE-CLIO R25 for the other branches. The format for this table is set out in Annex V.

Article 10

For the year 1990 or 1991, Member States shall draw up a branch-by-branch table of the total number of employees and self-employed persons according to the population census, the labour force survey and the national accounts. The classification to be used is NACE-CLIO R44 for services and NACE-CLIO R25 for the other branches. The source for the employment figures underlying the national accounts and the way in which they are related to figures for value added and factor incomes shall be described. The data from the labour force survey shall specify :

- the full-time and part-time jobs for employees,
- the number of first jobs,
- the average number of hours worked in first jobs,
- the number of second jobs,
- the average number of hours worked in second jobs,
- and the full-time equivalents for first and second jobs.

The format for this table is set out in Annex VI. Moreover, any available official estimates of the number of clandestine immigrants and their activity shall be provided.

The conversion from number of jobs to full-time equivalents shall be described. The description shall include the data sources, the variables, the assumptions and a concrete example of the calculation of full-time equivalents. The conversion shall take account of phenomena like temporary jobs, seasonal work, apprentices and clandestine immigrants.

When for some economic activities significant differences manifest themselves, the Member States shall furnish the required information at the most detailed level of the national classification of economic activities.

Article 11

Member States having at their disposal work-place censuses, enhanced labour-force surveys, time-budget surveys, specially targeted household-expenditure surveys or any other data shedding light on employment in general and secondary activities in particular may provide supplementary tables including this information. In particular :

- Member States for which a work-place census (a job-count based on a register) is available may prepare a table by branch of the number of jobs carried out by employees and self-employed persons according to the work-place census,
- Member States holding enhanced labour-force surveys asking supplementary questions, time-budget surveys or specially targeted household-expenditure surveys may draw up tables showing the number of second jobs implied by these sources.

Article 12

The information indicated in Articles 9, 10 and 11 shall be sent to the Statistical Office of the European Communities no later than 30 June 1994. It shall be discussed by the GNP Committee during the second half of 1994.

TITLE V

*Article 15***Description of regulations and statistical adjustments pertaining to income in kind and tips or gratuities***Article 13*

1. Member States shall draw up a survey of tax rules in force concerning each of the following items:

- business cars used for private purposes,
- employers' contributions to the running costs of canteens, including the cost of the food served, and the remuneration of canteen staff but excluding rents, cleaning, heating, electricity and other costs connected with running the premises,
- meal vouchers provided by employers to employees,
- food and accommodation provided free of charge or at reduced prices to employees in hotels, catering establishments and agriculture,
- rent-free dwellings and dwellings let to employees at below-market rents,
- the value of the interest forgone by employers when they provide loans to employees at reduced, or even zero, rates of interest,
- travel tickets supplied free of charge or at reduced prices to employees,
- electricity and coal supplied free of charge or at reduced prices to employees,
- free telephone (at home),
- traders' consumption from his own traded goods and services,
- all other items that are quantitatively important.

Member States shall describe for each of these items the procedures used to ensure that both the part which is taxable income and the part which is tax-exempt are treated as remuneration of employees or gross operating surplus of unincorporated enterprises (and not as intermediate consumption). If adjustments for specific items are made, the data sources, method of calculation and the size of the adjustment shall be described.

2. Member States shall compare their estimates of income in kind with the results of the four-yearly Community labour cost survey as the latter include also information on income in kind. This comparison shall be described by the Member States.

Article 14

The calculations applied in respect of tips or gratuities shall be described. This shall include the main features of the data source used (type, year, etc.).

If the descriptions referred to in Articles 13 and 14 make clear that any of the said components of income in kind or tips and gratuities are not adequately treated in the compilation of GNP, Member States shall put forward proposals for the inclusion of this part of income.

Article 16

The descriptions and proposals shall be submitted to the Statistical Office of the European Communities not later than 30 June 1994. They shall be discussed by the GNP Committee during the second half of 1994.

TITLE VI

Investigating the use of information from fiscal audits for improving the exhaustiveness of GNP estimates*Article 17*

Member States shall submit a report not later than 30 June 1994 to the Statistical Office of the European Communities on the feasibility of the use of fiscal audits to improve the exhaustiveness of GNP estimates. The report shall cover in particular:

- the type of information which is available (whether the audits are casual or regular, the years concerned, the criteria for selecting the audited units and the variables used),
- the accessibility of this information. This includes the calculations which could be carried out by statistical offices obtaining access to anonymized data from fiscal records. It also covers the calculations which would have to be performed by the fiscal authorities themselves, owing to data-protection regulations,
- the usefulness of this information for improving the exhaustiveness of the Member States' GNP estimates.

The reports shall be discussed by the GNP Committee during the second half of 1994.

Article 18

This Decision is addressed to the Member States.

Done at Brussels, 22 February 1994.

For the Commission

Henning CHRISTOPHERSEN

Vice-President

ANNEX I

Table supplementing Article 4 : the description of calculations and adjustments that capture absence, evasion or exemption for the output approach.

NACE-CLIO code	Type of adjustment	Data sources for the adjustment	Method of calculation	Absolute size of the adjustment in 19..	Relative size of the adjustment in 19..

ANNEX II

Table supplementing Article 5 : description of calculations and adjustments that capture absence, evasion or exemption for the income approach.

Type of income	NACE-CLIO code/sector	Type of adjustment	Data sources for the adjustment	Method of calculation	Absolute size of the adjustment in 19..	Relative size of the adjustment in 19..
Compensation of employees						
Gross operating surplus of unincorporated enterprises						
Gross operating surplus of incorporated enterprises						

ANNEX III

Table supplementing Article 6 : the description of calculations and adjustments that capture absence, evasion or exemption for the expenditure approach.

Type of expenditure	NACE-CLIO code/sector	Type of adjustment	Data sources for the adjustment	Method of calculation	Absolute size of the adjustment in 19..	Relative size of the adjustment in 19..

