

COMMISSION DELEGATED REGULATION (EU) 2019/280**of 3 December 2018****amending Regulation (EC) No 138/2004 of the European Parliament and of the Council as regards references to the European system of national and regional accounts in the European Union****(Text with EEA relevance)**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 138/2004 of European Parliament and Council of 5 December 2003 on the economic accounts for agriculture in the Community ⁽¹⁾, and in particular Article 2(2) and Article 3(3) thereof,

Whereas:

- (1) Regulation (EU) No 549/2013 of the European Parliament and the Council ⁽²⁾ ('ESA 2010') 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 Union.
- (2) The economic accounts for agriculture are satellite accounts of national accounts, as defined by ESA 2010, with the purpose of obtaining results that are harmonised and comparable between the Member States in order to draw up the accounts for the purposes of the Union.
- (3) Since ESA 2010 is a revision of ESA 95, the introduction of new references in Annexes I and II to Regulation (EC) No 138/2004 is required.
- (4) Annexes I and II to Regulation (EC) No 138/2004 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Annex I to Regulation (EC) No 138/2004 is amended in accordance with Annex I to this Regulation.

Annex II to Regulation (EC) No 138/2004 is amended in accordance with Annex II to this Regulation.

*Article 2*This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

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

Done at Brussels, 3 December 2018.

For the Commission
The President
Jean-Claude JUNCKER

⁽¹⁾ OJ L 33, 5.2.2004, p. 1.

⁽²⁾ Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (OJ L 174, 26.6.2013, p. 1).

ANNEX I

Annex I to Regulation (EC) No 138/2004 is amended as follows:

(1) throughout the Annex:

- (a) 'ESA 95' is replaced by 'ESA 2010';
- (b) 'SNA 93' is replaced by '2008 SNA'.

(2) the 'Contents' section is amended as follows:

- (a) in point III. F. 3. 'Rents (on land and underground deposits)' is replaced by 'Rents (on land and subsoil assets)';
- (b) in point III. F. 4. 'Property income attributed to insurance policy holders (not covered by the EAA)' is replaced by 'Investment income attributable to insurance policy holders (not covered by the EAA)';
- (c) in point VI. B. 4. 'Calculation of value added at constant prices' is replaced by 'Calculation of value added at fixed year prices'.

(3) the 'Foreword' section is replaced by the following:

FOREWORD

The revision of the European system of accounts (ESA 2010) (*) has led to some revisions of the basic methodology used for the EAA, to guarantee consistency with the ESA to allow harmonisation of the EAA both between Member States and with the central framework of the national accounts and to ensure that the changes to be made were feasible. This manual has been drawn up with these considerations in mind as, in addition to the concepts, principles and basic rules for compiling the EAA, it also refers to any adaptations to specific characteristics in the field of agriculture.

(*) European System of National and Regional Accounts — ESA 2010, Luxembourg 2013.

(4) Section I is amended as follows:

(a) in paragraph 1.02, footnote (2) is replaced by the following:

'(2) System of National Accounts, 2008. Joint publication by the United Nations, European Commission, International Monetary Fund, OECD and World Bank.';

(b) in paragraph 1.03 the last sentence is replaced by the following:

'The ESA 2010 is characterised by the use of two types of unit and two corresponding ways of subdividing the national economy.';

(c) in paragraph 1.08 the last sentence is replaced by the following:

'These two types of income (income generated by agricultural production and the income of agricultural households) are measured for two distinct purposes, which require two distinct methods of breaking down the economy: the first, for the EAA, is based on production units, which are defined by reference to an economic activity; the second is based on households (i.e. institutional units) whose main source of income is independent agricultural activity.';

(d) paragraph 1.09 is replaced by the following:

'1.09. In order to analyse flows occurring in the process of production and in the use of goods and services, it is necessary to choose units which emphasise relationships of a technico-economic kind. This requirement means that as a rule institutional units must be partitioned into smaller and more homogeneous units with regard to the kind of production. Local kind-of-activity units (local KAUs) are intended to meet this requirement as an operational approach (ESA 2010, 2.147) (*).

(*) It should be pointed out that, although the ESA gives preeminence to local KAUs, the unit best suited to analyses of the production process is the unit of homogeneous production (UHP). This unit is used to analyse inputs and outputs, since it corresponds exactly to a type of activity. Institutional units are thus divided into as many UHPs as there are activities (other than ancillary). By grouping these UHPs it is possible to break down the economy into "pure" (homogeneous) branches. A UHP cannot, as a rule, be directly observed. Therefore, the accounts of homogeneous branches cannot be compiled on the basis of groups of UHPs. The ESA describes a method for compiling these accounts. It involves attributing secondary production and the corresponding costs of activity branches to the appropriate homogeneous branches (ESA 2010, 2.153-2.156, 9.52 to 9.63).';

(e) paragraph 1.10 is replaced by the following:

'1.10. The local kind-of-activity unit (local KAU) is the part of a KAU which corresponds to a local unit. The local KAU is called an establishment in the 2008 SNA and ISIC Rev.4. A KAU groups all the parts of an institutional unit in its capacity as a producer contributing to the performance of an activity at class level (four digits) of the NACE Rev. 2 (the reference classification for economic activities, cf. 1.55) and corresponds to one or more operational subdivisions of the institutional unit. The institutional unit's information system must be capable of indicating or calculating for each local KAU at least the value of production, intermediate consumption, compensation of employees, the operating surplus and employment and gross fixed capital formation (ESA 2010, 2.148). The local unit is an institutional unit, or part of an institutional unit, producing goods or services situated in a geographically identified place.;

(f) paragraph 1.11 is replaced by the following:

'1.11. Although a local KAU may correspond to an institutional unit or part of an institutional unit in its capacity as a producer, it can never belong to two distinct institutional units. Since, in practice, most institutional units producing goods and services are involved in a number of different activities at once (a principal activity and one or more secondary activities), they can be broken down into the same number of local KAUs, if necessary information is available. Ancillary activities (purchases, sales, marketing, accounting, transport, warehousing, maintenance, etc.; cf. 1.27), however, cannot lead to the creation of a local KAU, unless they are carried out in a separate location, located in a region other than the local KAU they serve (ESA 2010, 3.13).;

(g) paragraph 1.12 is replaced by the following:

'1.12. Basically, as many local KAUs should be recorded as there are secondary activities, but it can happen that statistical (accounting) information does not make it possible to separate a local KAU's secondary activities or parts of those activities from its principal activities. If an institutional unit producing goods or services contains a principal activity and also one or several secondary activities, it is subdivided into the same number of KAUs, and the secondary activities are classified under different headings from the principal activity. The ancillary activities are not separated from the principal or secondary activities. But KAUs falling within a particular heading of the classification system can produce products outside the homogeneous group on account of secondary activities connected with them which cannot be separately identified from available accounting documents. Thus a KAU may carry out one or several secondary activities. (ESA 2010, 2.149).;

(h) paragraph 1.13 is replaced by the following:

'1.13. An activity can be said to take place when resources such as equipment, labour, manufacturing techniques, information networks or products are combined, leading to the creation of specific goods or services. An activity is characterised by an input of products (goods and services), a production process and an output of products. The principal activity of a local KAU is the activity where the value added of such activity exceeds that of any other activity carried out within the same unit. The classification of the principal activity is determined by reference to NACE rev. 2, first at the highest level of the classification and then at more detailed levels (ESA 2010, 3.10).;

(i) in paragraph 1.14 the last sentence is replaced by the following:

'At the most detailed level of classification, as defined by ESA 2010, 2.150, an industry includes all local KAUs in the same class (four digit level) of NACE Rev. 2 and therefore engaged in the same principal activity as that defined in NACE Rev. 2.;

(j) point (ii) of paragraph 1.16 is replaced by the following:

'(ii) non-agricultural inseparable secondary activities of agricultural units.;

(k) in paragraph 1.17 the last two sentences are replaced by the following:

'The strict application of the ESA rule to units and their group should in fact result in a division of the agricultural holding into several separate local KAUs in cases where several activities of the NACE Rev. 2 four-digit class are performed on the same holding and the information required according to paragraph 1.10 is available. The adoption of the agricultural holding as the local KAU of the agricultural industry in the national accounts and EAA is based on a statistical approach.;

- (l) in paragraph 1.19 the first sentence is replaced by the following:

'Since, according to ESA 2010, an industry comprises a group of units which carry out as their principal activity the same or similar types of activity, the definition of the agricultural industry in the EAA depends on the identification of the characteristic activities and units in that industry.');

- (m) in paragraph 1.20 the introductory phrase is replaced by the following:

'The agricultural industry is treated as a grouping of all KAUs at local level which perform the following economic activities, as principal or secondary activity (cf. 1.60 to 1.66 for the precise definition of the agricultural industry).';

- (n) paragraph 1.24 is replaced by the following:

'1.24. Since the purpose of the EAA is to measure, describe and analyse the formation of income from agricultural economic activity (which, in the EU Member States, is almost exclusively a commercial activity), it was decided to exclude units for which the agricultural activity represents solely a leisure (*) activity. In contrast, units engaged in subsistence farming are included in the EAA. It should be pointed out that agricultural output for own final consumption by agricultural holdings must be recorded in the EAA.

(*) These are small units producing for own consumption, not for selling, carrying out agricultural activities without depending economically on these activities.');

- (o) paragraph 1.25 is replaced by the following:

'1.25. The use of the local KAU as the basic unit for the agricultural industry entails recording non-agricultural secondary activities where they cannot be isolated from the main agricultural activity.');

- (p) paragraph 1.26 is replaced by the following:

'1.26. Inseparable non-agricultural secondary activities of local agricultural KAUs are defined in the EAA as activities closely linked to agricultural production for which information on any of output, intermediate consumption, compensation of employees, labour input or GFCF cannot be separated from information on the main agricultural activity during the period of statistical observation.');

- (q) in paragraph 1.27 the second and third indent are replaced by the following:

— they must not be ancillary activities. Ancillary activities are not isolated to form distinct entities or separated from the principal or secondary activities or entities they serve. Accordingly, ancillary activities must be integrated with the local KAU they serve, unless they are organised in separate units and located in another region. Ancillary activities remain in the same industry as the local KAU they serve. Ancillary activities are supplementary activities (e.g. sales, marketing, warehousing, transport for own account; see ESA 2010, 3.12 and 3.13, and 2008 SNA, 5.35 to 5.44) carried out by an enterprise in order to create the conditions for conducting the main or secondary activities. Typically, the output of ancillary activities appears as input in the different types of productive activity.

— by convention, they may not include production of GFCF of non-agricultural products (such as buildings or machines) for own account. The production for own final consumption is presumed to be a separable activity and is recorded as the production of an identifiable local KAU. Accommodation services made available to employees as remuneration in kind must be treated in a similar manner (they are recorded as remuneration in kind in the generation of income account).';

- (r) paragraph 1.29 is replaced by the following:

'1.29. Two main types of inseparable non-agricultural secondary activity may be distinguished:

1. Activities which represent a continuation of agricultural activity and which use agricultural products. This type of activity can be found in most of the EU Member States. The processing of agricultural products is the typical activity of this group:

Processing of agricultural products

— milk into butter, cream, cheeses, yoghurts and other dairy products,

— fruit and vegetables into fruit juices, tinned foods, alcoholic beverages and other products,

- grapes, must and wine into alcoholic products (e.g. sparkling wine, such as Champagne, and spirits, such as Cognac),
- plaiting of vegetable material/textiles/wool,
- production of pâtés, foie gras and other processed meat products,
- processing of other agricultural products,

Grading and packaging of agricultural products, e.g. eggs and potatoes

2. Activities involving the agricultural holding and its means of agricultural production (equipment, installations, buildings, workforce). These activities are basically the following:

- agro-tourism — camping, catering, hotels, various kinds of accommodation, etc.,
- farm shops — retail trade activities concerning products other than those from the holding. Direct sales of agricultural products, raw or processed, are recorded in the output of the products concerned,
- sports and rural recreation — the use of land for activities such as golf, horse-riding, hunting, fishing, etc.,
- services for third parties — e.g. the renting and repair of agricultural machinery, irrigation projects, agricultural advisory services, product storage, maintenance of farm buildings, commercial services relating to agricultural products, transport of agricultural products, etc. These services are recorded as secondary activities, only if they are performed for a third party. When performed for own account, they are ancillary activities, which are not recorded in the accounts (cf. 1.27),
- landscaping services — grass-mowing, hedge-trimming, snow-clearing, laying out, planting and maintenance of green areas and the like,
- fish-farming,
- other activities involving the use of the land and the means of agricultural production. These other activities will include R & D, if not performed by separate local KAUs and if possible to be estimated.;

(s) paragraph 1.33 is replaced by the following:

'1.33. According to the ESA 2010, the output of the industry represents all of the products produced over the accounting period in question by all the units of the industry except for goods and services produced and consumed over the same accounting period by the same unit. The measurement of agricultural output is based on an adaptation of this ESA rule, with the inclusion in agricultural output of part of the output consumed by the agricultural units themselves (cf. 2.032 to 2.036). Thus in the EAA, agricultural output represents the sum of output by all units in the industry (excluding output for intermediate consumption by the same unit), plus output used as intermediate consumption by the same unit, provided this output concerns two different basic activities (such as crop products intended for use as animal feedingstuffs) and it meets certain criteria (set out in 2.055).';

(t) paragraph 1.37 is replaced by the following:

'1.37. The EAA are based on a sequence of interconnected accounts. In the ESA 2010, the full sequence of accounts includes current accounts, accumulation accounts and balance sheets (ESA 2010, 1.113 to 1.115). These different accounts make it possible to record transactions and other flows linked to specific aspects of the economic cycle (for example, production) in an ordered framework. These transactions range from the generation of income through income accumulation in the form of assets, to its distribution and redistribution. The balancing items which are deducted from them are then used as aggregates for measuring economic performance.';

(u) paragraph 1.38 is replaced by the following:

'1.38. The current accounts deal with the production and related generation, distribution and redistribution of income and its use in the form of final consumption; they make it possible to calculate "savings", which is the essential component of accumulation. Accumulation accounts analyse the various components of changes in the assets and liabilities of units and make it possible to record changes in net worth (the difference between assets and liabilities). The balance sheets show the total assets and liabilities of the various units at the beginning and end of the accounting period, together with their net worth. The flows for each asset and liability item recorded in the accumulation accounts are seen again in the "changes in balance sheets" account (ESA 2010, 8.02 to 8.09 and Table 8.1).';

(v) paragraph 1.39 is replaced by the following:

1.39. The sequence of accounts referred to above applies to institutional units, sectors and subsectors, and the total economy. The ESA 2010 assumes that there is no point in compiling a full sequence of accounts for a local KAU and an industry because such units rarely have the capacity to retain goods or assets in their own name or to receive and distribute income.;

(w) in paragraph 1.43 Tables 1 to 4 are replaced by the following:

'A. Current accounts

Table 1: Production account

Uses			Resources		
P.2	Intermediate consumption	50	P.1	Output	100
B.1g	Gross value added	50			
P.51c	Consumption of fixed capital	10			
B.1n	Net value added	40			

Table 2: Generation-of-income account

Uses			Resources		
D.1	Compensation of employees	10	B.1n	Net value added	40
D.29	Other taxes on production	5			
D.39	Other subsidies on production	- 10			
B.2n/B.3n	Operating surplus, net/Mixed income, net	35			

Table 3: Entrepreneurial income account

Uses			Resources		
D.4	Property income	10	B.2n/B.3n	Operating surplus, net/Mixed income, net	35
D.41	Interest	5			
D.45	Rent	5	D.4	Property income	1
			D.41	Interest	1
			D.42	Distributed income of corporations	
			D.43	Reinvested earnings on foreign direct investment	
			D.44	Other investment income	
			D.45	Rent	
B.4n	Entrepreneurial income, net	26			

B. Accumulation accounts

Table 4: Capital account

Changes in assets			Changes in liabilities and net worth		
B.101	Change in net worth due to saving and capital transfers		B.8n	Saving, net	
			D.9r	Capital transfers, receivable	10
			D.92r	Investment grants, receivable	5
			D.99r	Other capital transfers, receivable	5
			D.9p	Capital transfers, payable	
			D.91p	Capital taxes, payable	
			D.99p	Other capital transfers, payable	
P.51g	Gross fixed capital formation (GFCF)	100	B.101	Changes in net worth due to saving and capital transfers	
P.511	Acquisition less disposals of fixed assets (GFCF in fixed assets)	89			
P.511a	GFCF in plantations	10			
P.511b	GFCF in livestock	15			
P.511c	GFCF in machines and equipment	20			
P.511d	GFCF in transport equipment	20			
P.511e	GFCF in farm buildings	20			
P.511f	GFCF in other works except land improvements (other buildings, structures, etc.)	0			
P.511g	Major improvements to land	4			
P.511h	Research and development	0			
P.511i	Other GFCF (e.g. computer programmes, production rights)	0			
P.512	Costs of ownership transfer on non-produced assets (land, etc.)	1			
P.51c	Consumption of fixed capital	10			
P.52	Changes in inventories	5			
P.53	Acquisitions less disposals of valuables				
NP	Acquisitions less disposals of non-produced assets (land, etc.)				
B.9	Net lending(+)/Net borrowing(-)				
K.1	Economic appearance of assets				
K.2	Economic disappearance of non-produced assets'				

(x) Paragraph 1.44 is replaced by the following:

'1.44. It should be borne in mind that transactions and stocks set out in italics in Tables 3 and 4 are items which:

- are not relevant for the EAA because the industry concept is used and the sequence of accounts is incomplete. The headings concerned are headings D.42 Distributed income of corporations, D.43 Reinvested earnings on direct foreign investment, D.44 Other investment income and D.45 Rent under Resources of Table 3 and headings B.8n Saving, net, B.101 Changes in net worth due to saving and capital transfers and B.9 Net lending(+)/Net borrowing(-) in Table 4 or
- are not recorded, either for lack of reliable information or because they are currently of limited interest for EAA purposes. The headings in question are D.9p Capital transfers, payable, D.91p Capital taxes, payable and D.99p Other capital transfers, payable P.53 Acquisitions less disposals of valuables, NP Acquisitions less disposals of non-produced assets (land and other non-produced assets), K.1 Economic appearance of assets, K.2 Economic disappearance of non-produced assets, in Table 4. Some of these (e.g. D.91, K.1, K.2) may be recorded in the EAA at some later date.;

(y) in paragraph 1.46 the last two sentences are replaced by the following:

'In the case of unincorporated enterprises in the households sector, the balancing item of this account implicitly contains an element corresponding to remuneration for work carried out by the owner or members of the family. This income from self-employment has characteristics of wages and salaries, and characteristics of profit due to work carried out as an entrepreneur. This income, neither strictly wages nor profits alone, is referred to as "mixed income" (ESA 2010, 8.19).;

(z) paragraph 1.59 is replaced by the following:

'1.59. According to ESA 2010, the industry corresponds to the group of local KAUs engaged in the same or similar principal activity. At the most detailed level of classification, an industry includes all local KAUs in the same class (four digits) of NACE Rev. 2 and which are therefore engaged in the same activity as defined in this nomenclature (ESA 2010, 2.150). A definition of the field of the agricultural industry therefore requires a precise statement of:

- its characteristic activities,
- the characteristic units of the EAA.;

(aa) paragraph 1.60 is replaced by the following:

'1.60. The agricultural industry, as described in the EAA, corresponds, in principle, to Division 01 in NACE Rev. 2 with differences shown in following paragraphs 1.62 to 1.66.;

(bb) paragraph 1.63 is replaced by the following:

'1.63. The list of characteristic agricultural activities of the EAA corresponds to these seven groups of activities (01,1 to 01,7), but with the following differences:

- inclusion of the production of wine and olive oil (exclusively using grapes and olives grown by the same holding),
- exclusion of certain activities which, in NACE Rev. 2, are considered as agricultural services (e. g. the operation of irrigation systems — only agricultural contract work is taken into account here).;

(cc) in paragraph 1.78 the third sentence is replaced by the following:

'Therefore, flows accruing to farmers from such activities must be excluded from the EAA.;

(dd) paragraph 1.93 is replaced by the following:

'1.93. The EAA agricultural industry, as defined in Sections 1.62 to 1.66, differs in some respects from the branch as defined for national accounts purposes. The differences relate to the definition of both characteristic activities and units. They can be summarised as follows:

EAA agricultural industry = NA agricultural branch (Nace Rev.2 Division 01)

- Production of units providing associated agricultural services other than agricultural contract work (e.g. the operation of irrigation systems)

- Units for which the agricultural activity represents solely a leisure activity and which are included in national accounts, cf. ESA 2010, 3.08
- + Production of units producing wine and olive oil (exclusively using grapes and olives grown by the same unit (grouping of producers, cooperatives, etc.))
- + Separable secondary agricultural activities of units whose principal activity is not agricultural (cf. 1.18)'.

(5) Section II is amended as follows:

(a) paragraph 2.008 is replaced by the following:

'2.008. The ESA 2010 (1.101-1.105) records flows (especially transactions in products and distributive transactions) on an accrual basis, in other words, at the time when an economic value, amount due or claim is created, transformed, cancelled or ceases to exist, and not at the time when payment is actually made.';

(b) paragraph 2.010 is replaced by the following:

'2.010. In the ESA 2010, production is treated as a continuous process in which goods and services are converted into other goods and services. This process may take place over different periods depending on the products, and the periods may exceed an accounting period. This characterisation of production, combined with the accrual principle, therefore results in the recording of output in the form of work in progress. Thus, according to the ESA 2010 (3.54), the output of agricultural products is recorded as being produced continuously over the entire period of production (and not only when the crops are harvested or animals slaughtered). Growing crops, standing timber and stocks of fish or animals reared for the purposes of food are treated as inventories of work-in-progress during the production process and transformed into inventories of finished products when the process is completed. Output excludes any changes in uncultivated biological resources, e.g. growth of animals, birds, fish living in the wild or uncultivated growth of forests, but it includes catches of animals, birds, fish living in the wild.';

(c) paragraph 2.011 is replaced by the following:

'2.011. Recording output as work in progress is both desirable and necessary for economic analysis when the production process occurs over a period exceeding the accounting period. This allows consistency to be maintained between the recording of costs and that of output in order to obtain meaningful data on value added. Since the EAA are based on the calendar year, the recording of work in progress can be assumed to apply only to products whose production process was not completed at the end of the calendar year (but also in cases where the general price level undergoes very rapid changes during the accounting period).';

(d) in paragraph 2.014 the last sentence is replaced by the following:

'During the production process, the value to be recorded each year as output under work in progress can be obtained by distributing the expected value of the finished product in proportion to the costs incurred each period (2008 SNA, 6.112).';

(e) in paragraph 2.017 the second sentence is replaced by the following:

'When it is possible to differentiate between young animals according to their future use, animals intended for use as factors of production should be recorded as GFCF right from their birth (own-account GFCF, which is recorded when it is produced) i.e. they are considered as work in progress and their growth is registered as output, cf. ESA 2010, 3.134).';

(f) in the heading to part B '(cf. ESA 95, 3.07 to 3.58)' is replaced by

'(cf. ESA 2010, 3.07 to 3.54)';

(g) paragraph 2.032 is replaced by the following:

'2.032. Output is the total of products created during the accounting period (ESA 2010, 3.14). It is important to keep the distinction between the term "output" and the term "production", while output denotes the resulting goods and services, production denotes the process.';

- (h) in paragraph 2.033 the last sentence is replaced by the following:
- ‘They are therefore not recorded as part of the output or as intermediate consumption of that local KAU.’;
- (i) in paragraph 2.036 the first sentence is replaced by the following:
- ‘Although it is not proposed by the ESA 2010, the rule adopted in the EAA is provided for by the SNA because of the special nature of agriculture, and by the FAO methodological manual (’);’;
- (j) paragraph 2.041 is replaced by the following:
- ‘2.041. Following ESA 2010, there are three types of losses that can be incurred by producers: recurrent losses in inventories (ESA 2010, 3.147), exceptional losses in inventories (ESA 2010, 6.13.e) and catastrophic losses (ESA 2010, 6.08 and 6.09)’;
- (k) paragraph 2.059 is replaced by the following:
- ‘2.059. Under the heading of processing by producers recorded are quantities produced for further processing by agricultural producers (e.g. milk processed to make butter or cheese, apples processed to make apple must or cider) but only in the framework of processing activities which are separable from the main agricultural activity (on the basis of accounting documents, cf. 1.26). Only the raw products (e.g. raw milk, apples) should be recorded and not the processed products manufactured from them (e.g. butter, apple must and cider). In other words, the work incorporated in the processing of agricultural products is not taken into consideration under this heading.’;
- (l) in paragraph 2.065 the second sentence is replaced by the following:
- ‘It should be noted that sales of animals classed as fixed assets, which are taken out of the productive herd (exports or slaughterings) are not recorded as sales.’;
- (m) paragraph 2.077 is replaced by the following:
- ‘2.077. The “total output” concept for measuring the output of agricultural activity includes trade in agricultural goods and services between agricultural units as well as intra-unit consumption of livestock feed products (marketable or not).’;
- (n) a new paragraph 2.080.1 is inserted:
- ‘2.080.1 According to ESA 2010, 3.82 Research and development (R & D) is creative work undertaken on a systematic basis to increase the stock of knowledge, and use of this stock of knowledge for the purpose of discovering or developing new products, including improved versions or developing new products, including improved versions or qualities of existing products, or discovering or developing new or more efficient processes of production. R & D of a significant size relative to the principal activity is recorded as secondary activity of a local KAU. A separate local KAU is distinguished for R & D where possible, which is not allocated to agricultural industry. For units having also R & D activities, if they cannot be allocated to a separate local KAU and if it is possible to estimate R & D expenditure on agricultural activities, these estimations should be recorded as agricultural output as “other inseparable non-agricultural secondary activities” (own account production) and as GFCF.’;
- (o) paragraph 2.081 is replaced by the following:
- ‘2.081. In accordance with the definition of the output of the agricultural industry (cf. 1.16), the output of the agricultural industry is made up of the sum of the output of agricultural products (cf. 2.076 to 2.077) and of the goods and services produced in inseparable non-agricultural secondary activities (cf. 2.078 to 2.080.1).’;
- (p) paragraph 2.082 is replaced by the following:
- ‘2.082. Output is to be valued at the basic price. 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 (i.e. taxes on products) payable on that unit as a consequence of its production or sale plus any subsidy (i.e. subsidies on products) receivable on that unit as a consequence of its production or sale. The basic price excludes any transport charges invoiced separately by the producer. It also excludes holding gains and losses on financial and non-financial assets (cf. ESA 2010, 3.44).’;

- (q) in paragraph 2.085 the first sentence is replaced by the following:
- 'The price obtained by the producer corresponds to the producer price (not including invoiced VAT) as defined in the 2008 SNA, 6.51 to 6.54 (i.e. the ex-farm price).';
- (r) in the heading to part C '(cf. ESA 95, 3.69 to 3.73)' is replaced by the following:
- '(cf. ESA 2010, 3.88 to 3.92).';
- (s) paragraph 2.089 is replaced by the following:
- '2.089. Intermediate consumption represents the value of all goods and services used as inputs in the production process, excluding fixed assets whose consumption is recorded as fixed capital consumption. The goods and services concerned are either transformed or used up in the production process (cf. ESA 2010, 3.88). In a detailed classification by different categories of items, intermediate consumption shows the interlocking of agriculture with other branches of the economy brought about by inputs. Intermediate consumption is also used as an entry in the calculation of factor intensities (i.e. the ratio of two factors of production, for example of intermediate consumption and labour input).';
- (t) paragraph 2.090 is replaced by the following:
- '2.090. Intermediate consumption excludes new or existing acquired fixed assets which have been produced in the economy or imported: they are recorded as GFCF (cf. 2.109 (c) to (f)). This concerns items which are non-agricultural fixed assets, such as buildings or other structures, machines and equipment, as well as agricultural fixed assets such as plantations and productive animals. The acquisition of non-produced assets such as land is likewise excluded from intermediate consumption. Inexpensive tools used for common operations such as saws, hammers, screwdrivers, spanners, wrenches and other hand tools, small devices such as pocket calculators are recorded as intermediate consumption.';
- (u) paragraph 2.094 is replaced by the following:
- '2.094. Trade in livestock, which is similar to stocks of work in progress (such as piglets and eggs for hatching) and is carried out between agricultural units, and imports of livestock, are not recorded as intermediate consumption (or as any type of output) (cf. 2.066 to 2.070).';
- (v) paragraph 2.107.1 is replaced by the following:
- '2.107.1. In accordance with the convention of ESA 2010, the value of financial intermediation services indirectly measured (FISIM) used by the agricultural industry should be recorded as intermediate consumption of the agricultural industry (cf. ESA 2010, Chapter 14).';
- (w) paragraph 2.108 is amended as follows:
- (i) point (a) is replaced by the following:
- '(a) rental paid, either directly or as a component of a tenancy agreement, for use of non-residential buildings and other capital assets (whether tangible or intangible) such as the hire of machines and equipment without operating staff (cf. 1.23) or computer software. However, if no distinction can be made between the renting of non-residential buildings by a local agricultural KAU and the renting of land, the whole item is recorded as renting of land in the enterprise's income account (cf. 3.082).';
- (ii) point (d) is replaced by the following:
- '(d) purchases of services of market research and advertising, expenditure on staff training and similar services.';
- (iii) point (o) is replaced by the following:
- '(o) payments made to public bodies for the purpose of obtaining licences or permits to carry out commercial or professional activities, if the permits are subject to a thorough scrutiny for regulatory purposes (unless the charges are disproportionate to the benefits of the services concerned, cf. 3.048(e), and ESA 2010, 4.80(d)).';

- (iv) point (p) is replaced by the following:
- ‘(p) purchases of inexpensive small tools, working clothing, spare parts and durable equipment used to perform relatively simple operations (ESA 2010 3.89 (f) (1) and 2008 SNA, 6.225);’
- (v) point (q) is replaced by the following:
- ‘(q) fees for short-term contracts, leases and licences recorded as non-produced assets; this excludes the outright purchase of such non-produced assets.’;
- (x) paragraph 2.109 is amended as follows:
- (i) in point (b) the last sentence is replaced by the following:
- ‘Nonetheless, employers are considered to need this type of service to attract and keep their employees (which they would normally have to pay for themselves anyway) and not due to the needs of the production process itself (cf. 2008 SNA, 7.51);’
- (ii) in point (f) the first sentence is replaced by the following:
- ‘(f) purchases of services connected with the acquisition of ownership of land, buildings and other existing fixed capital goods, such as fees for intermediaries, solicitors, surveyors, engineers, etc. as well as fees for entries in the land register (cf. ESA 2010, 3.133).’;
- (y) in paragraph 2.111 the last sentence is replaced by the following:
- ‘The purchaser price also includes any transport charges paid separately by the purchaser to take delivery at the required time and place; after deductions for any discounts for bulk or off-peak purchases from standard prices or charges; excluding interest or service charges added under credit arrangements; excluding any extra charges incurred as a result of failing to pay within the period stated at the time the purchases were made (ESA 2010, 3.06).’;
- (aa) in the heading of Section D ‘(cf. ESA 95 3.100 to 3.116)’ is replaced by
- ‘(cf. ESA 2010 3.122 to 3.157);’
- (bb) paragraph 2.115 is replaced by the following:
- ‘2.115. Gross capital formation comprises:
- GFCF (P.51g),
 - changes in inventories (P.52),
 - acquisitions less disposals of valuables (P.53).’;
- (cc) paragraph 2.117 is replaced by the following:
- ‘2.117. Gross capital formation is measured gross of consumption of fixed capital (P.51c).
- Net capital formation (P.51n) is obtained by deducting consumption of fixed capital from gross capital formation. Fixed capital consumption is the value of the depreciation of fixed capital goods as a result of normal wear and tear in the course of the production process (cf. 3.099).’;
- (dd) in Section D, the subheading ‘1. GFCF’ is replaced by the following:
- ‘1. **Gross fixed capital formation (GFCF)**;’
- (ee) paragraph 2.118 is replaced by the following:
- ‘2.118. GFCF consists of resident producers’ acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units (ESA 2010 3.125 to 3.129). Fixed assets are produced assets used in production for more than one year (cf. ESA 2010, 3.124 and Annex 7.1).’;

- (ff) paragraph 2.122 is replaced by the following:
- ‘2.122. The determination of the GFCF of sectors or branches of the economy is based on the criterion of ownership (acquisition, disposal) and not on that of the use of the goods. It should be noted that fixed assets acquired by financial leasing (but not those simply on hire) are treated as assets of the lessee if the lessee is a producer) and not of the lessor, who keeps a financial asset equivalent to a notional claim (cf. 2.109(d) and Chapter 15 of the ESA 2010 on the distinction between the different forms of hire of durable goods) (¹).’;
- (gg) in paragraph 2.123 the first sentence is replaced by the following:
- ‘Application of the ownership criterion depends on the statistical system on the basis of which the GFCF is calculated.’;
- (hh) paragraph 2.124 is replaced by the following:
- ‘2.124. Acquisitions of fixed assets comprise new or existing fixed assets which have been acquired (purchased, acquired in barter transactions, received as capital transfers in kind or acquired as a financial lease), fixed assets produced and retained for the producer’s own use, major improvements to fixed assets and to non-produced tangible assets, natural growth in agricultural assets (livestock and plantations) and costs associated with the transfer of ownership of non-produced assets (cf. ESA 2010, 3.125 (a)).’;
- (ii) paragraph 2.125 is deleted.
- (jj) in paragraph 2.126 the first sentence is replaced by the following:
- ‘The purchase or production for own account of a set of durable goods needed for an initial installation constitutes fixed capital formation.’;
- (kk) paragraph 2.129 is replaced by the following:
- ‘2.129. The 2008 SNA specifies that improvements made to fixed assets should be determined either by the magnitude of the changes in the characteristics of the fixed assets — i.e. by major changes in their size, shape, performance, capacity or anticipated service life — or by the fact that improvements are not the kinds of changes that are observed to take place routinely in other fixed assets of the same kind, as part of ordinary maintenance and repair programmes (cf. 2008 SNA, 10.43 and 10.46).’;
- (ll) paragraph 2.130 is replaced by the following:
- ‘2.130. Disposals of fixed assets comprise the sale, demolition, scrapping or destruction of fixed assets by their owner, or their surrender in barter or as capital transfers in kind (cf. ESA 2010, 3.125 (b) and 3.126). These disposals should normally lead to a change in ownership and have a direct economic purpose (therefore fixed assets which are demolished, scrapped or destroyed by their owner in order to be put to no further economic use are not included in these disposals) (cf. 2008 SNA, 10.38). However, some disposals may be kept within the same institutional unit, as in the case of animals slaughtered by a farmer and consumed by his family.’;
- (mm) in paragraph 2.134 the second sentence is replaced by the following:
- ‘As defined in the balance sheets (cf. ESA 2010, 7.12 and 7.13) the change in the value of an asset between the end and beginning of an accounting period can be described as follows:’;
- (nn) in paragraph 2.136 the last indent is replaced by the following:
- ‘— changes in classification or structure of fixed assets: e.g. changes in the economic purpose of agricultural land, dairy livestock intended for meat production (cf. 2.149, footnote 2) or agricultural buildings which have been altered for private or other economic use.’;
- (oo) paragraph 2.138 is replaced by the following:
- ‘2.138. The ESA 2010 distinguishes between several elements which should be recorded as GFCF (cf. ESA 2010, 3.127):
- dwellings,
 - other buildings and structures including major improvements to land,
 - machinery and equipment, such as ships, cars and computers

- weapons systems,
- cultivated biological resources, e.g. trees and livestock
- costs of ownership transfer of non-produced assets like land, contracts, leases and licences,
- R & D, including the production of freely available R & D,
- mineral exploration and evaluation,
- computer software and databases,
- entertainment and literary or artistic originals,
- other intellectual property rights.;

(pp) paragraph 2.139 is replaced by the following:

'2.139. For the EAA, a distinction is made between the following types of elements of GFCF:

- plantations yielding repeat products,
- fixed asset livestock,
- fixed assets other than agricultural assets:
 - machines and other capital goods,
 - transport equipment,
 - farm buildings (non-residential),
 - other structures with the exception of land improvement (other buildings and structures, etc.),
 - other (computer software, etc.),
- major improvements to land,
- costs associated with the transfer of ownership of non-produced assets such as land and production rights,
- R & D, covering research and development from specialised units and research and development for own production.;

(qq) point (j) is replaced by the following:

'(j) Plantations yielding repeat products';

(rr) paragraph 2.141 is replaced by the following:

'2.141. According to ESA 2010 (3.125) GFCF in plantations corresponds to the value of acquisitions less disposals of natural assets yielding repeat products (such as fruit trees) which have reached maturity, plus the natural growth of such natural assets until they reach maturity (i.e. generate a product), during the accounting period concerned.;

(ss) paragraph 2.144 is replaced by the following:

'2.144. Disposals of plantations (recorded as negative GFCF) may take two forms: they may be sales of standing plantations to other (agricultural) units, in which case only the costs associated with the transfer of ownership are entered in the EAA. The other possibility is for the plantations to have been felled. In this case, however, according to the general definition of disposals, felled plantations must have a direct economic use; in other words, a counter-entry is required in the form of a use in goods and services (such as a sale to an enterprise specialising in the sale of timber ⁽¹⁾). In this second case, disposals of plantations to be recorded as negative GFCF should represent a modest amount.;

(tt) paragraph 2.148 is replaced by the following:

'2.148. Work in cultivated crop assets, i.e. plantations, is recorded either as sales, by enterprises specialising in such kind of agricultural contract work (with soil preparation, supply of machines, plant, labour, etc.), or as output of own-account produced fixed capital goods (cf. 1.75).;

(uu) paragraph 2.151 is replaced by the following:

'2.151. Measuring the GFCF for livestock only constitutes one element of the change in the value of assets. In fact, GFCF for livestock can only be measured via the change in the number of livestock valued at the average price for the calendar year for each livestock category (quantitative method), if the following conditions are met:

- no nominal holding gains or losses (i.e. a regular trend in prices and livestock population numbers),
- no other changes in volume (i.e. no losses due to natural disasters and no changes in classification, etc.),

Another method of calculation (direct method) consists of measuring the flows of entries and withdrawals for each livestock category, at the corresponding prices: apart from acquisitions and disposals, this method has to take into account entries (in particular births) and withdrawals on the holdings.;

(vv) in paragraph 2.152 the following sentence is added at the end of the paragraph:

'This is a deviation from the ESA 2010.;

(ww) paragraph 2.153 is replaced by the following:

'2.153. In the SNA, theoretically, consumption of fixed capital should be calculated for livestock (*). In actual fact, consumption of fixed capital for livestock corresponds to a measurement of the anticipated decline in productivity of livestock when used for production purposes, a reduction which in turn is reflected in the updated value of future income from this livestock. However, in view of the practical difficulties in evaluating consumption of fixed capital (the definition of the calculation parameters are very complex, cf. 3.105 and 3.106), no consumption of fixed capital should be calculated for productive livestock.

(* The 2008 SNA (10.94), unlike the ESA 2010 (3.140), considers that consumption of fixed capital should be calculated for livestock.;

(xx) point (l) is replaced by the following:

'(l) Fixed assets other than agricultural assets';

(yy) paragraph 2.162 is replaced by the following:

'2.162. Fixed assets other than agricultural assets (plantations and livestock) comprise the following elements:

- machines and other capital goods,
- transport equipment,
- farm buildings (non-residential),
- other (other buildings and structure, computer software, etc.);

(zz) point (m) is replaced by the following:

'(m) Major improvements to land';

(aaa) paragraph 2.166 is replaced by the following:

'2.166. Major improvements in non-produced tangible assets correspond mainly to land improvement (better quality of land and higher yield through irrigation, drainage and flood prevention measures, etc.) and should be treated like any other GFCF (ESA 2010, 3.128).;

(bbb) in paragraph 2.167 the last sentence is replaced by the following:

'This concerns in particular expenditure on infrastructure works such as clearance, levelling, drainage, irrigation and consolidation (cf. ESA 2010, 3.128 and 2008 SNA, 10.79 to 10.81).;

(ccc) the following paragraph 2.168.1 is inserted:

‘(o) Research and development

2.168.1. Research and development consists of the value of expenditure on creative work undertaken on a systematic basis in order to increase the stock of knowledge, and use of this stock of knowledge to devise new applications. Unless the value can be reasonably estimated it is, by convention, valued as the sum of the costs, including those of unsuccessful research and development (cf. ESA 2010 Annex 7.1).’;

(ddd) paragraph 2.169 is amended as follows:

(i) point (a) is replaced by the following:

‘(a) small tools, working clothes, spare parts and equipment, even if these goods have a normal useful life of over one year; because they are renewed regularly, and to conform with business accounting practice, these purchases of goods are considered to be intermediate consumption (cf. 2.105 and 2.106).’;

(ii) point (c) is replaced by the following:

‘(c) services of advertising, market research, etc. Purchases of these services are included in intermediate consumption (cf. 2.108(d)).’;

(eee) in paragraph 2.176 the last sentence is replaced by the following:

‘Alternatively, the value of the entries of work in progress can be estimated by the value of the production cost with a mark-up for expected operating surplus or (estimated) mixed income (cf. ESA 2010, 3.47 and 3.48).’;

(fff) in paragraph 2.178 the last sentence is replaced by the following:

‘This problem which is specific to agriculture is recognised by the ESA 2010 (cf. 3.153 (c)).’;

(ggg) paragraph 2.186 is replaced by the following:

‘2.186. Another method of evaluating stocks of seasonal products is that of examining the trend in the prices of stocked goods. The price of a good may change during storage for at least three reasons (2008 SNA, 6.143):

- the production process is sufficiently long that discounting factors should be applied to work put in place significantly long before delivery,
- its physical qualities may improve or deteriorate with time,
- there may be seasonal factors influencing its supply or demand, thus resulting in regular and predictable changes in its price over the year, even though its physical qualities may not otherwise change.’;

(hhh) paragraph 2.187 is replaced by the following:

‘2.187. The difference between the price at which products are put into stock and the price at which they are withdrawn should reflect the additional output value produced during storage (2008 SNA, 6.143), since products withdrawn from storage several months after harvest are different, in economic terms, from those which have been stored. This type of increase in the value of products should not be counted as a nominal holding gain.’.

(6) Section III is amended as follows:

(a) paragraph 3.009 is replaced by the following:

‘3.009. Gross wages and salaries and actual social contributions (for account of employers) are recorded during the period in which the work was performed, although premiums and other exceptional payments are recorded at the time they become due (cf. ESA 2010, 4.12).’;

(b) paragraph 3.010 is replaced by the following:

‘3.010. Taxes on production are recorded at the time when the activities, transactions or other events giving rise to a fiscal obligation take place (cf. ESA 2010, 4.26). Similarly, subsidies on production are recorded at the time when the transaction or other event (production, sale, import, etc.) which gives rise to the subsidy occurs (cf. ESA 2010, 4.39).’;

- (c) paragraph 3.011 is replaced by the following:
- '3.011. Interest is recorded during the accounting period in which it is due, irrespective of whether it is actually paid (cf. ESA 2010, 4.50 and following). This is done continuously for the amount of capital in question. Rents are also recorded for the period in which they are due (cf. ESA 2010, 4.75).';
- (d) paragraph 3.012 is replaced by the following:
- '3.012. Capital transfers (investment grants or other transfers) are recorded at the time when payment is due (or, in the case of transfers in kind, when ownership of the asset is transferred or when the debt is cancelled) (cf. ESA 2010, 4.162 and 4.163).';
- (e) in the heading of part C '(cf. ESA 95, 4.02 to 4.13)' is replaced by the following:
- '(cf. ESA 2010, 4.02 to 4.13)';
- (f) in paragraph 3.015 the first sentence is replaced by the following:
- 'The compensation of employees is defined as total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period (cf. ESA 2010, 4.02).';
- (g) in paragraph 3.018 point (c) is replaced by the following:
- '(c) goods and services purchased by employers, provided that these purchases fulfil the definition of wages in kind (i.e. when they do not constitute intermediate consumption). In particular, the transport of employees between their place of work and home is part of their wages in kind, unless the journeys take place during the employer's time. This category includes purchased accommodation services and children's crèches, etc. (cf. ESA 2010, 4.05).';
- (h) in paragraph 3.020 the last sentence is replaced by the following:
- 'All these items are recorded in the intermediate consumption of employers (cf. ESA 2010, 4.07).';
- (i) paragraph 3.023 is replaced by the following:
- '3.023. Employers' imputed social contributions represent the counterpart to other social insurance benefits, paid directly by employers to their employees or former employees and other eligible persons without involving an insurance enterprise or autonomous pension fund (*) (cf. ESA 2010, 4.10). These contributions are recorded during the period in which the work is performed (if they are the counterpart of compulsory social benefits) or when the benefits are provided (if they are the counterpart of voluntary social benefits). Employers' imputed social contributions is split into two categories: (a) Employers' imputed pension contributions and (b) Employers' imputed non-pension contributions (ESA 2010, 4.10 and 4.97).
- (*) They correspond in particular to wages and salaries which employers continue to pay on a provisional basis to their employees in the event of illness, maternity, accidents at the workplace, invalidity or redundancy, in so far as the amounts concerned can be separately identified.;
- (j) in the heading of part D. '(cf. ESA 95, 4.14 to 4.29)' is replaced by the following:
- '(cf. ESA 2010, 4.14 to 4.29)';
- (k) in paragraph 3.025, the last sentence is replaced by the following:
- 'These taxes are payable whether or not profits are made (cf. ESA 2010, 4.14).';
- (l) paragraph 3.026 is replaced by the following:
- '3.026. Taxes on production and imports are divided into:
- taxes on products (D.21):
 - VAT-type taxes (D.211),
 - taxes and duties on imports excluding VAT (D.212), and
 - taxes on products, except VAT and import taxes (D.214)
 - other taxes on production (D.29);

- (m) in paragraph 3.027, the last sentence is replaced by the following:
'They may be equivalent to a monetary amount determined per unit of the good or service or calculated ad valorem as a fixed percentage of the unit price or value of the good or service (cf. ESA 2010, 4.16).';
- (n) in paragraph 3.028, the first sentence is replaced by the following:
'VAT-type taxes are taxes on goods and services collected in stages by enterprises and ultimately charged in full to the final purchaser (cf. ESA 2010, 4.17).';
- (o) paragraph 3.029 is replaced by the following:
'3.029 Taxes and duties on imports excluding VAT comprise compulsory payments levied by general government, or by the institutions of the European Union, on imported goods, excluding VAT, in order to admit them to free circulation on the economic territory, and on services provided to resident units by non-resident units (cf. ESA 2010, 4.18).';
- (p) in paragraph 3.030 the first sentence is replaced by the following:
'They include import duties and other taxes such as levies on imported agricultural products, monetary compensatory amounts levied on imports, excise duties, etc.';
- (q) paragraph 3.031 is replaced by the following:
'3.031. Taxes on products, except VAT and import taxes, consist of taxes on goods and services produced by resident enterprises and payable as a result of the production, export, sale, transfer, leasing or delivery of those goods or services, or as a result of their use for own final consumption or own capital formation (cf. ESA 2010, 4.19 and 4.20).';
- (r) in paragraph 3.035 the first sentence is replaced by the following:
'The description in the ESA 2010 (4.17) refers to the standard VAT system under which each enterprise is allowed to deduct from the amount of VAT due on its own sales the amount of tax it has paid on its purchases of intermediate inputs or capital goods.';
- (s) in Paragraph 3.038 the first sentence is replaced by the following:
'The provisions of the ESA 2010, 4.17 lay down a single method of recording VAT.';
- (t) paragraph 3.044 is replaced by the following:
'3.044. Other taxes on production comprise all taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold (cf. ESA 2010, 4.22). They may be payable on land, fixed assets or labour employed in the production process or on certain activities or transactions.';
- (u) in paragraph 3.050 point (b) is replaced by the following:
'(b) fines and penalties and the costs imposed in connection with collection and recovery should not be recorded with the taxes to which they relate, unless they cannot be distinguished from them (cf. ESA 2010, 4.133).';
- (v) in the heading of part E '(cf. ESA 95, 4.30 to 4.40)' is replaced by the following:
'(cf. ESA 2010, 4.30 to 4.40)';
- (w) in paragraph 3.051 the last sentence is replaced by the following:
'By convention, subsidies on products are not recorded in non-market output (P.13) (cf. ESA 2010, 4.30).';
- (x) paragraph 3.052 is replaced by the following:
'3.052 Subsidies are classified into:
— subsidies on products (D.31):
— import subsidies (D.311),
— other subsidies on products (D.319), and
— other subsidies on production (D.39).';

- (y) in paragraph 3.053 the last sentence is replaced by the following:
'By convention, subsidies on products can only pertain to market output (P.11) or to output for own final use (P.12) (cf. ESA 2010, 4.33).';
- (z) in paragraph 3.054 the last sentence is replaced by the following:
'They may include losses, incurred as a matter of deliberate government policy, by government trading organisations whose function is to purchase products from non-residents and then resell them at lower prices to residents (cf. ESA 2010, 4.34).';
- (aa) paragraph 3.058 is replaced by the following:
'3.058. Other subsidies on production consist of subsidies other than subsidies on products, which resident producer units may receive as a consequence of engaging in production. For their other non-market output, other non-market producers can receive other subsidies on production only if these payments from general government depend on general regulations applicable to both market and non-market producers (cf. ESA 2010, 4.36). The ESA 2010 refers to four other subsidies on production (cf. ESA 2010, 4.37): subsidies on payroll or workforce, subsidies to reduce pollution, grants for interest relief, and over-compensation of VAT. These payments relate mainly to the assumption of production costs or support for changes in the method of production.';
- (bb) in paragraph 3.064, in the second indent, the first sentence is replaced by the following:
'— grants for interest relief (cf. ESA 2010, 4.37(c)) made to resident producer units, even when they are intended to encourage capital formation (*).'
(*). However, when a grant serves the dual purpose of financing both the amortisation of the debt and the payment of interest on it, and when it is not possible to apportion it between the two elements, the whole of the grant is treated as an investment grant.';
- (cc) paragraph 3.067 is amended as follows:
(i) in the second indent the first two sentences are replaced by the following:
'— current transfers to agricultural producer units by a market-regulatory agency. These should be recorded as components of output of the product in respect of which the transfer is paid insofar as the market-regulatory agency is involved only in the purchase, sale or storage of the goods.';
(ii) in the fifth indent the second and third sentences are replaced by the following:
'Whether made in cash or in kind, they should result in a commensurate change in the financial, or non-financial, assets shown in the balance sheets of one or both parties to the transaction (cf. ESA 2010, 4.145). Capital transfers cover capital taxes, investment grants and other capital transfers (cf. ESA 2010, 4.147).';
- (dd) point (d) is replaced by the following:
'(d) Market-regulatory agencies';
- (ee) paragraph 3.068 is replaced by the following:
'3.068. In a breakdown of the economy, market-regulatory agencies are assigned as follows:
(a) where concerned exclusively with the purchase, sale or storage of goods:
(i) by industry, to trade; this activity is deemed by convention to be the output of non-financial market services;
(ii) by sector, to non-financial corporate and quasi-corporate enterprises, if these market-regulating agencies are considered as institutional units within the meaning of the ESA 2010, and if not, to the sector to which the larger unit belongs;
(b) where concerned exclusively with the payment of subsidies:
(i) by industry, to the branches of non-market output of general government, since only the government (apart from institutions of the European Union) can pay subsidies according to ESA 2010 ruling;
(ii) by sector, to the sector general government (cf. preceding indent);

- (c) where concerned with both purchase, sale and storage of goods and the payment of subsidies:
- (i) by industry, to the branch trade, as regards their units of production (of the local KAU type) which buy, sell or store goods, and to the branches of non-market output of general government, together with its production units;
 - (ii) by sector, to the sector general government, since only general government can pay subsidies. Assignment to another sector would mean that the subsidies paid by the market-regulating agency no longer constituted subsidies within the meaning of the ESA 2010.;

(ff) in paragraph 3.069 the second sentence is replaced by the following:

'In particular, if market-regulatory agencies are assigned to the sector general government, subsidies paid to the agencies in connection with market-regulating processes (purchase, storage and resale) appear as "Uses" but also as "Resources" in the sector general government.';

(gg) in the heading of part F '(cf. ESA 95, 4.41 to 4.76)' is replaced by the following:

'(cf. ESA 2010, 4.41 to 4.76);

(hh) paragraph 3.070 is replaced by the following:

'3.070. Property income is the income receivable by the owner of a financial asset or tangible non-produced asset in return for providing funds to, or putting the tangible non-produced asset at the disposal of, another institutional unit (ESA 2010, 4.41).';

(ii) paragraph 3.071 is replaced by the following:

'3.071. The ESA 2010 classifies property incomes in the following way:

- interest (D.41),
- distributed incomes of corporations (dividends and withdrawals from income of quasi-corporations) (D.42),
- reinvested earnings on foreign direct investment (D.43),
- other investment income (D.44): investment income attributable to insurance policy holders (D.441), investment income payable on pension entitlements (D.442); investment income attributable to collective investment funds shareholders (D.443),
- rents (D.45).';

(jj) paragraph 3.073 is replaced by the following:

'3.073. Only three types of property income can be of relevance to the EAA:

- interest (D.41), rents (D.45) and investment income attributable to insurance policy holders (D.441).';

(kk) the subheading '2. Interest' is replaced by the following:

2. Interest

(ESA 2010, 4.42- 4.52);

(ll) paragraph 3.077 is replaced by the following:

'3.077. Interest receivable in connection with agricultural activities by units belonging to corporate agricultural enterprises should also be recorded. Interest receivable by individual enterprises is excluded from the measure of entrepreneurial income of the agricultural industry, since it was felt that the majority of interest-bearing assets are not linked to the agricultural activity of the units and because it is very difficult to distinguish family assets from assets used in production (*).

(*). Interest receivable corresponds to "Other accounts receivable" (F.8) in the financial account.;

(mm) in paragraph 3.079 the last sentence is replaced by the following:

'The costs are regarded as remuneration for services rendered by financial intermediaries to their clients and not as an interest payment (see 2.107.1 and 2.108(i); ESA 2010, 4.51).';

(nn) subheading '3. Rents (on land and subsoil assets)' is replaced by the following:

'3. Rents (on land and subsoil assets)

(ESA 2010, 4.72 – 4.76);

(oo) in paragraph 3.080 the first sentence is replaced by the following:

'Rents correspond to payments made to the owner of non-produced tangible assets (land and subsoil assets) in return for making assets available to another unit.';

(pp) in paragraph 3.082 the last sentence is replaced by the following:

'This rule is an adapted version of the ESA recommendation (cf. ESA 2010, 4.73) (?).';

(qq) subheading '4. Property income attributed' is replaced by the following:

'4. Investment income attributable to insurance policy holders (not covered by the EAA);'

(rr) in paragraph 3.086 the first sentence is replaced by the following:

'Investment income attributable to insurance policy holders corresponds to total primary incomes received from the investment of insurance technical reserves and pension funds (cf. ESA 2010, 4.68).';

(ss) in paragraph 3.087 the first sentence is replaced by the following:

'Investment income attributable to insurance policy holders is not covered by the EAA.';

(tt) in the heading of part G '(cf. ESA 95, 4.145 to 4.167)' is replaced by the following:

'(cf. ESA 2010, 4.145 to 4.167).';

(uu) paragraph 3.089 is replaced by the following:

'3.089. Investment grants are capital transfers, in cash or kind, effected by general government or the rest of the world to other resident or non-resident institutional units with the aim of financing, in part or in full, the cost of acquiring fixed capital goods (cf. ESA 2010, 4.152). Investment grants from the rest of the world comprise those granted directly by the institutions of the European Union via the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).';

(vv) in paragraph 3.091 the first sentence is replaced by the following:

'The most important types of other grants made by the EAGF, EAFRD and investment grants for agriculture are:';

(ww) paragraph 3.092 is replaced by the following:

'3.092. Investment grants in cash should be recorded when payment is due to be made. Investment grants in kind are recorded when the ownership of the asset is transferred (cf. ESA 2010, 4.162).';

(xx) paragraph 3.093 is replaced by the following:

'3.093. Other capital transfers cover transfers other than investment grants and capital taxes which do not themselves redistribute income but redistribute saving or wealth among the different sectors or subsectors of the economy or the rest of the world. They can be made in cash or in kind (cases of debt assumption or debt cancellation) and correspond to voluntary transfers of wealth (ESA 2010, 4.164).';

(yy) in paragraph 3.095 the last sentence is replaced by the following:

'They also include transfers from general government to cover losses accumulated over several financial years or exceptional losses from causes beyond the control of the enterprise (cf. ESA 2010, 4.165).';

(zz) paragraph 3.096 is replaced by the following:

‘3.096. In the case of agriculture, other capital transfers also include:

- grants for the permanent abandonment of orchards or vineyards,
- grants for the cessation or reduction of milk production (in so far as they affect, explicitly or implicitly, the value of quotas),
- compensation for exceptional and catastrophic losses of fixed capital goods used in the production of agricultural goods (e.g. animals and equipment) (cf. 2.045 and 3.067),
- start-up grants to young farmers for purposes other than financing the acquisition of assets,
- grants to compensate for reduction of the value of assets or to reduce debts,
- major payments in compensation for damage or injuries not covered by insurance policies (except payments by general government or by the rest of the world described in ESA 2010 under 4.165 (a)) awarded by courts of law or settled out of court, for example payments for compensation for damage caused by major explosions, oil spillages, etc. (ESA 2010, 4.165 (h)).’;

(aaa) in the heading of part H ‘(cf. ESA 95, 6.02 to 6.05)’ is replaced by the following:

‘(cf ESA 2010, 3.139- 3.145);’

(bbb) in paragraph 3.106 the last sentence is replaced by the following:

‘This treatment also ensures compatibility between the EAA and the ESA 2010 (cf. ESA 2010, 3.140) and microeconomic accounts of the farm accountancy data network and obviates the need to distinguish between livestock having the character of fixed capital goods and livestock having the character of stock.’.

(7) In Section IV, in paragraph 4.06 the first sentence is replaced by the following:

‘A description of what total hours worked include and exclude can be found in ESA 2010 (11.27 and 11.28).’.

(8) Section V is amended as follows:

(a) in paragraph 5.03 the table is replaced by the following:

‘Production account		Generation of income account		Entrepreneurial income account	
P.1	Output	B.1n	Net value added	B.2n B.3n	Net operating surplus/net mixed income
P.2	– Intermediate consumption	D.1	– Compensation of employees	D.41	+ Interest receivable (*)
P.51c	– Consumption of fixed capital	D.29	– Other taxes on production	D.41	– Interest payable
		D.39	+ Other subsidies on production	D.45	– Rent paid
B.1n	= Net value added	B.2n B.3n	= Net operating surplus/net mixed income	B.4n	= Net entrepreneurial income
D.29	– Other taxes on production				
D.39	+ Other subsidies on production				
	= Net value added at factor cost/factor income				

(*) Only interest received by agricultural units organised as companies.’;

(b) paragraph 5.16 is replaced by the following:

'5.16. For analysis of the long-term trend, the indices and rates of change of the income indicators for the European Union are calculated on the basis of the EU aggregates expressed in euro at fixed exchange rates: for values expressed in real terms (i.e. after deduction of the effect of the average rise in prices), the deflators used are also based on a fixed base year.'

(9) Section VI is amended as follows:

(a) in the heading of part A '(cf. ESA 95, Chapter 10)' is replaced by the following:

'(cf. ESA 2010, Chapter 10)';

(b) in paragraph 6.01 the second sentence is replaced by the following:

'The ESA 2010 (10.13 to 10.23) clearly states that the price component should only include changes relating to prices and that all other changes should be included in the volume component.';

(c) in paragraph 6.02 the last sentence is replaced by the following:

'The other difference in quality, important for the EAA, is that of a shift in sales of a product between two differently priced markets, e.g. domestic and external, industrial use and sales to consumers (cf. ESA 2010, 10.13 to 10.18).';

(d) in paragraph 6.04 the last sentence is replaced by the following:

'In this case, the ESA 2010 (10.32) states that it is preferable to deflate the value for the current year by a suitable price index to estimate changes in volume (ESA 2010, 10.01).';

(e) in paragraph 6.06 the last sentence is replaced by the following:

'This means that each and every change in the value of a given flow must be attributed to either a price change or a change in volume or a combination of the two (cf. ESA 2010, 10.12).';

(f) paragraph 6.08 is deleted;

(g) in paragraph 6.09 the first sentence is replaced by the following:

'In accordance with ESA 2010 (10.20), in the EAA, changes in volume are measured using Laspeyres-type indices and changes in price are measured using Paasche-type indices.';

(h) paragraph 6.13 is replaced by the following:

'6.13. The year used for submitting and presenting data at constant prices can be different from the base year; it is called the reference year. In a series of indices, the reference year is the one that takes the value 100.';

(i) paragraph 6.14 is replaced by the following:

'6.14. Series of volume indices in the prices of a reference year are obtained by chaining indices calculated in the prices of the preceding year (cf. ESA 2010, 10.20).';

(j) paragraph 6.16 is replaced by the following:

'6.16. Example:

Let us consider two homogeneous elementary products, A and B. The following series are based on the price structure for the preceding year:

	$n P_n$	$n - n + 1$ volume index	$n + 1 P_n$	$n - n + 1$ price index	$n + 1 P_{n + 1}$	$n + 1 - n + 2$ volume index	$n + 2 P_{n + 1}$	$n + 2 - n + 1$ price index	$n + 2 P_{n + 2}$
A	100	105,0	105	110,0	115	102,0	117	108,0	126
B	300	110,0	330	95,0	314	90,0	283	105,0	297
Total	400	108,8	435	98,6	429	93,2	400	105,8	423

The volume and price indices for the whole (A + B) depend on the weighting given to each product, A and B.

If these series are expressed in relation to a fixed reference year (e.g. n), the only way to retain the same n/n-1 volume indices is to chain the indices separately. This gives the following series (base equal to 100 in n):

	n	n + 1	n + 2
A	100	105,0	107,1
B	100	110,0	99,0
Total	100	108,8	101,4

$$(101,4 = 108,8 * 93,2/100)$$

The values at constant prices expressed in relation to the reference year n are:

	n	n + 1	n + 2
A	100	105	107,1
B	300	330	297,0
Total	400	435	405,6

$$(405,6 = 400 * 101,4/100)$$

As a result, the account is no longer additive. Adding the values at constant prices for A and B gives the following series:

	n	n + 1	n + 2
A + B	400	435	404,1

Other than in the year following the reference year, the re-referenced series are not additive.;

- (k) in paragraph 6.17, the first sentence is replaced by the following:

‘According to ESA 2010 (10.23), the non-additive constant price data are published without any adjustment (*).

(*) This does not preclude the possibility that there may be circumstances in which compilers may judge it preferable to eliminate the discrepancies in order to improve the overall consistency of the data.’;

- (l) in point 4 of Section B, the heading is replaced by the following:

‘4. Calculation of value added at fixed year prices’;

- (m) in paragraph 6.18 the last sentence is replaced by the following:

‘The theoretically correct method for calculating value added at fixed year prices is to carry out “double deflation” (cf. ESA 2010, 10.31-10.32).’;

- (n) paragraph 6.20 is replaced by the following:

‘6.20. Example:

A series of current values and values in the prices of the preceding year (volumes) concerning output and intermediate consumption is set out below:

	n P n	n + 1 P n	n + 1 P n + 1	n + 2 P n + 1	n + 2 P n + 2
Output	150	160	170	180	200
Intermediate consumption	40	30	35	40	45

The value added in volume terms is obtained by deducting the volume of intermediate consumption from the volume of output. The following series is derived:

	$n P n$	$n + 1 P n$	$n + 1 P n + 1$	$n + 2 P n + 1$	$n + 2 P n + 2$
Gross value added	110	130	135	140	155

In this way, the following volume indices in the prices of the preceding year are obtained:

	$n + 1$	$n + 2$
Gross value added	118,2	103,7

$$(118,2 = 130/110 * 100) \quad (103,7 = 140/135 * 100)$$

The gross value added of a particular year in prices of year n (fixed year prices) is derived by multiplying the current value for n by the volume chain index.

$$VA_{n+1} \text{ (in n prices)} = 110 * 1,182 = 130$$

$$VA_{n+2} \text{ (in n prices)} = 110 * 1,182 * 1,037 = 135.$$

—

ANNEX II

Annex II to Regulation (EC) No 138/2004 is amended as follows:

(1) Item 32.2 is replaced by the following:

		‘Transmission concerning reference year n		
		a	b	c
Item	List of variables	November year n (EAA estimates)	January year n + 1 (EAA estimates)	September year n + 1 (final EAA data)
32.2	GFCF IN LIVESTOCK	—	—	X'

(2) Item 33.3 is replaced by the following:

		‘Transmission concerning reference year n		
		a	b	c
Item	List of variables	November year n (EAA estimates)	January year n + 1 (EAA estimates)	September year n + 1 (final EAA data)
33.3	OTHER GFCF (including major improvement of land and R & D)	—	—	X'