



THE OECD CLASSIFICATION OF TAXES AND INTERPRETATIVE GUIDE

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THE OECD CLASSIFICATION OF TAXES

1000 *Taxes on income, profits and capital gains*

1100 Taxes on income, profits and capital gains of individuals

1110 On income and profits

1120 On capital gains

1200 Corporate taxes on income, profits and capital gains

1210 On income and profits

1220 On capital gains

1300 Unallocable as between 1100 and 1200

2000 *Social security contributions*

2100 Employees

2110 On a payroll basis

2120 On an income tax basis

2200 Employers

2210 On a payroll basis

2220 On an income tax basis

2300 Self-employed or non-employed

2310 On a payroll basis

2320 On an income tax basis

2400 Unallocable as between 2100, 2200 and 2300

2410 On a payroll basis

2420 On an income tax basis

3000 *Taxes on payroll and workforce*

4000 *Taxes on property*

4100 Recurrent taxes on immovable property

4110 Households

4120 Other

4200 Recurrent taxes on net wealth

4210 Individual

4220 Corporate

4300 Estate, inheritance and gift taxes

4310 Estate and inheritance taxes

4320 Gift taxes

4400 Taxes on financial and capital transactions

4500 Other non-recurrent taxes on property

4510 On net wealth

4520 Other non-recurrent taxes

4600 Other recurrent taxes on property

5000 *Taxes on goods and services*

5100 Taxes on production, sale, transfer, leasing and delivery of goods and rendering of services

5110 General taxes

- 5111 Value added taxes
- 5112 Sales taxes
- 5113 Other general taxes on goods and services
- 5120 Taxes on specific goods and services
 - 5121 Excises
 - 5122 Profits of fiscal monopolies
 - 5123 Customs and import duties
 - 5124 Taxes on exports
 - 5125 Taxes on investment goods
 - 5126 Taxes on specific services
 - 5127 Other taxes on international trade and transactions
 - 5128 Other taxes on specific goods and services
- 5130 Unallocable as between 5110 and 5120
- 5200 Taxes on use of goods, or on permission to use goods or perform activities
 - 5210 Recurrent taxes
 - 5211 Paid by households in respect of motor vehicles
 - 5212 Paid by others in respect of motor vehicles
 - 5213 Other recurrent taxes
 - 5220 Non-recurrent taxes
- 5300 Unallocable as between 5100 and 5200
- 6000 Other taxes
 - 6100 Paid solely by business
 - 6200 Paid by other than business or unidentifiable

THE OECD INTERPRETATIVE GUIDE

A. Coverage

General criteria

1. In the OECD classification the term ‘taxes’ is confined to compulsory, unrequited payments to general government. Taxes are unrequited in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments.
2. The term ‘tax’ does not include fines unrelated to tax offences and compulsory loans paid to government. Borderline cases between tax and non-tax revenues in relation to certain fees and charges are discussed in §9–13.
3. General government consists of the central administration, agencies whose operations are under its effective control, state and local governments and their administrations, certain social security schemes and autonomous governmental entities, excluding public enterprises. This definition of government follows that of the *System of National Accounts 1993* (Brussels/Luxembourg, New York, Paris, Washington D.C., 1993).¹ In that publication, the general government sector and its sub-sectors are delineated in chapter IV, section E, pages 101-105.
4. Compulsory payments to supra-national bodies and their agencies are no longer included as taxes as from 1998, with some exceptions. However, custom duties collected by EU Member States on behalf of the European Union are still identified as memorandum items and included in overall tax revenue amounts in the country tables (Part III) of the country in which they are collected. (See § 97). In countries where the church forms part of general government church taxes are included, provided they meet the criteria set out in §1 above. As the data refer to receipts of general government, levies paid to non-government bodies, welfare agencies or social insurance schemes outside general government, trade unions or trade associations, even where such levies are compulsory, are excluded. Compulsory payments to general government earmarked for such bodies are, however, included, provided that the government is not simply acting in an agency capacity.² Profits from fiscal monopolies are distinguished from those of other public enterprises and are treated as taxes because they reflect the exercise of the taxing power of the state by the use of monopoly powers (see §62–64), as are profits received by the government from the purchase and sale of foreign exchange at different rates (see §70).
5. Taxes paid by governments (e.g., social security contributions and payroll taxes paid by governments in their capacity as an employer, consumption taxes on their purchases or taxes on their property) are not excluded from the data provided. However, where it is possible to identify the amounts of revenue involved,³ they are shown in section III.C of this Report.
6. The relationship between this classification and that of the System of National Accounts (SNA) is set out in Sections G and I below. Because of the differences between the two classifications, the data shown in national accounts are sometimes calculated or classified differently from the practice set out in this guide. These and other differences are mentioned where appropriate (e.g., in §13 and §26 below) but it is not possible to refer to all of them. There may also be some differences between this classification and that employed domestically by certain national administrations (e.g., see §10 below), so that OECD and

national statistics data may not always be consistent: any such differences, however, are likely to be very slight in terms of amounts of revenues involved.

Social security contributions

7. Compulsory social security contributions, as defined in §35 below, paid to general government, are treated here as tax revenues. Being compulsory payments to general government they clearly resemble taxes. They may, however, differ from other taxes in that the receipt of social security benefits depends, in most countries, upon appropriate contributions having been made, although the size of the benefits is not necessarily related to the amount of the contributions. Better comparability between countries is obtained by treating social security contributions as taxes, but they are listed under a separate heading so that they can be distinguished in any analysis.

8. Social security contributions which are either voluntary or not payable to general government (see §1) are not treated as taxes, though in some countries, as indicated in the country footnotes, there are difficulties in eliminating voluntary contributions and certain compulsory payments to the private sector.

Fees, user charges and licence fees

9. Apart from vehicle licence fees, which are universally regarded as taxes, it is not easy to distinguish between those fees and user charges which are to be treated as taxes and those which are not, since, whilst a fee or charge is levied in connection with a specific service or activity, the strength of the link between the fee and the service provided may vary considerably, as may the relation between the amount of the fee and the cost of providing the service. Where the recipient of a service pays a fee clearly related to the cost of providing the service, the levy may be regarded as required and under the definition of §1 would not be considered as a tax. In the following cases, however, a levy could be considered as 'unrequited':

- a) where the charge greatly exceeds the cost of providing the service;
- b) where the payer of the levy is not the receiver of the benefit (e.g., a fee collected from slaughterhouses to finance a service which is provided to farmers);
- c) where government is not providing a specific service in return for the levy which it receives even though a licence may be issued to the payer (e.g., where the government grants a hunting, fishing or shooting licence which is not accompanied by the right to use a specific area of government land);
- d) where benefits are received only by those paying the levy but the benefits received by each individual are not necessarily in proportion to his payments (e.g., a milk marketing levy paid by dairy farmers and used to promote the consumption of milk).

10. In marginal cases, however, the application of the criteria set out in §1 can be particularly difficult. The solution adopted — given the desirability of international uniformity and the relatively small amounts of revenue usually involved — is to follow the predominant practice among tax administrations rather than to allow each country to adopt its own view as to whether such levies are regarded as taxes or as non-tax revenue.⁴

11. A list of the main fees and charges in question and their normal⁵ treatment in this publication is as follows:

Non-tax revenues: court fees; driving licence fees; harbour fees; passport fees; radio and television licence fees where public authorities provide the service.

Taxes within heading 5200: permission to perform such activities as distributing films; hunting, fishing and shooting; providing entertainment or gambling facilities; selling alcohol or tobacco; permission to own dogs or to use or own motor vehicles or guns; severance taxes.

12. In practice it may not always be possible to isolate tax receipts from non-tax revenue receipts when they are recorded together. If it is estimated that the bulk of the receipts derive from non-tax revenues, the whole amount involved is treated as a non-tax revenue; otherwise, such government receipts are included and classified according to the rules provided in §28 below.

13. Two differences between the OECD classification and SNA regarding the borderline between tax and non-tax revenues are:

- a) SNA classifies a number of levies as indirect taxes if paid by enterprises, but as non-tax revenues if paid by households, a distinction which is regarded as irrelevant in this classification for distinguishing between tax and non-tax revenues.⁶
- b) Predominant practice among most OECD tax administrations, which is occasionally used in this classification for distinguishing between tax and non-tax revenues, is not a relevant criterion for SNA purposes.

Royalties

14. Royalty payments for the right to extract oil and gas or to exploit other mineral resources are normally regarded as non-tax revenues since they are property income from government-owned land or resources.

Fines and penalties

15. Receipts from fines and penalties paid for infringement of regulations identified as relating to a particular tax and interest on payments overdue in respect of a particular tax are recorded together with receipts from that tax. Other kinds of fines identifiable as relating to tax offences are classified in the residual heading 6000. Fines not relating to tax offences (e.g., for parking offences), or not identifiable as relating to tax offences, are not treated as taxes.

B. Basis of reporting

Accrual reporting

16. The data reported in this publication for recent years are predominantly recorded on an accrual basis, i.e. recorded at the time that the tax liability was created. The years and countries to which this applies are detailed in the Special feature S.1.

17. However, data for earlier years are still predominantly recorded on a cash basis, i.e. at the time at which the payment was received by government. Thus, for example, taxes withheld by employers in one year but paid to the government in the following year and taxes due in one year but actually paid in the following year are both included in the receipts of the second year. Corrective transactions, such as refunds, repayments and drawbacks, are deducted from gross revenues of the period in which they are made.

18. Data on tax revenues are recorded without offsets for the administrative expenses connected with tax collection. Similarly, where the proceeds of tax are used to subsidise particular members of the community, the subsidy is not deducted from the yield of the tax, though the tax may be shown net of subsidies in the national records of some countries.

19. As regards fiscal monopolies (heading 5122), only the amount actually transferred to the government is included in government revenues. However, if any expenditures of fiscal monopolies are considered to be government expenditures (e.g., social expenditures undertaken by fiscal monopolies at the direction of the government) they are added back for the purpose of arriving at tax revenue figures (see §62 below).

The distinction between tax and expenditure provisions⁷

20. Because this publication is concerned only with the revenue side of government operations, no account being taken of the expenditure side, a distinction has to be made between tax and expenditure provisions. Normally there is no difficulty in making this distinction as expenditures are made outside the tax system and the tax accounts and under legislation separate from the tax legislation. In borderline cases, cash flow is used to distinguish between tax provisions and expenditure provisions. Insofar as a provision affects the flow of tax payments from the taxpayer to the government, it is regarded as a tax provision and is taken into account in the data shown in this publication. A provision which does not affect this flow is seen as an expenditure provision and is disregarded in the data recorded in this publication.

21. Tax allowances, exemptions and deductions against the tax base clearly affect the amount of tax paid to the government and are therefore considered as tax provisions. At the other extreme, those subsidies which cannot be offset against tax liability and which are clearly not connected with the assessment process, do not reduce tax revenues as recorded in this publication. Tax credits are amounts deductible from tax payable (as distinct from deductions from the tax base). Two types of tax credits are distinguished, those (referred to here as wastable tax credits) which are limited to the amount of the tax liability and therefore cannot give rise to a payment by the authorities to the taxpayer, and those (referred to as non-wastable tax credits) which are not so limited, so that the excess of the credit over the tax liability can be paid to the taxpayer.⁸ A wastable tax credit, like a tax allowance, clearly affects the amount of tax paid to the government, and is therefore considered as a tax provision. The practice followed for non-wastable tax credits⁹ is to distinguish between the 'tax expenditure component',¹⁰ which is that portion of the credit that is used to reduce or eliminate a taxpayer's liability, and the 'transfer component', which is the portion that exceeds the taxpayer's liability and is paid to that taxpayer. Reported tax revenues should be reduced by the amount of the tax expenditure component but not by the amount of the transfer component. In addition, the amounts of the tax expenditure and transfer components should be reported as memorandum items in the country tables. Countries that are unable to distinguish between the tax expenditure and transfer components should indicate whether or not the tax revenues have been reduced by the total of these components, and provide any available estimates of the amounts of the two components. Further information is given in section C of Part I of the Report, which illustrates the effect of alternative treatments of non-wastable tax credits on tax/GDP ratios.

Calendar and fiscal years

22. National authorities whose fiscal years do not correspond to the calendar year show data, where possible, on a calendar year basis to permit maximum comparability with the data of other countries. There remain a few countries where data refer to fiscal years. For these the GDP data used in the comparative tables also correspond to the fiscal years.

C. General classification criteria

The main classification criteria

23. The classification of receipts among the main headings (1000, 2000, 3000, 4000, 5000 and 6000) is generally governed by the base on which the tax is levied: 1000 income, profits and capital gains; 2000 and 3000 earnings, payroll or number of employees; 4000 property; 5000 goods and services; 6000 multiple bases, other bases or unidentifiable bases. Where a tax is calculated on more than one base, the receipts are, where possible, split among the various headings (see §28 and §78). The headings 4000 and 5000 cover not only taxes where the tax base is the property, goods or services themselves but also certain related taxes. Thus, taxes on the transfer of property are included in 4400¹¹ and taxes on the use of goods or on permission to perform activities in 5200. In headings 4000 and 5000 a distinction is made in certain sub-headings between recurrent and non-recurrent taxes: recurrent taxes are defined as those levied at regular intervals (usually annually) and non-recurrent taxes are levied once and for all (see also §44–§46, §49–50, and §76–77 for particular applications of this distinction).

24. Earmarking of a tax for specific purposes does not affect the classification of tax receipts. However, as explained in §35 on the classification of social security contributions, the conferment of an entitlement to social benefits is crucial to the definition of the 2000 main heading.

25. The way that a tax is levied or collected (e.g., by use of stamps) does not affect classification.

Classification of taxpayers

26. In certain sub-headings distinctions are made between different categories of taxpayers. These distinctions vary from tax to tax:

1. Between individuals and corporations in relation to income and net wealth taxes

The basic distinction is that corporation income taxes, as distinct from individual income taxes, are levied on the corporation as an entity, not on the individuals who own it, and without regard to the personal circumstances of these individuals. The same distinction applies to net wealth taxes on corporations and those on individuals. Taxes paid on the profits of partnerships and the income of institutions, such as life insurance or pension funds, are classified according to the same rule. They are classified as corporate taxes (1200) if they are charged on the partnership or institution as an entity without regard to the personal circumstances of the owners. Otherwise, they are treated as individual taxes (1100). Usually, there is different legislation for the corporation taxes and for the individual taxes.¹² The distinction made here between individuals and corporations does not follow the sector classification between households, enterprises, and so on of the System of National Accounts for income and outlay accounts. The SNA classification requires certain unincorporated businesses¹³ to be excluded from the household sector and included with non-financial enterprises and financial institutions. The tax on the profits of these businesses, however, cannot always be separated from the tax on the other income of their owners, or can be separated only on an arbitrary basis. No attempt at this separation is made here and the whole of the individual income tax is shown together without regard to the nature of the income chargeable.

b) Between households and others in relation to taxes on immovable property

Here the distinction is that adopted by the SNA for the production and consumption expenditure accounts. The distinction is between households as consumers (i.e. excluding non-incorporated business) on the one hand and producers on the other hand. However, taxes on dwellings

occupied by households, whether paid by owner-occupiers, tenants or landlords, are classified under households. This follows the common distinction made between taxes on domestic property versus taxes on business property. Some countries are not, however, in a position to make this distinction.

c) Between households and others in relation to motor vehicle licences

Here the distinction is between households as consumers on the one hand and producers on the other, as in the production and consumption expenditure accounts of the SNA.

d) Between business and others in relation to the residual taxes (6000)

The distinction is the same as in c) above between producers on the one hand and households as consumers on the other hand. Taxes which are included under the heading 6000 because they involve more than one tax base or because the tax base does not fall within any of the previous categories but which are identifiable as levyable only on producers and not on households are included under 'business'. The rest of the taxes which are included under the heading 6000 are shown as 'other' or non-identified.

Surcharges

27. Receipts from surcharges in respect of particular taxes are usually classified with the receipts from the relevant tax whether or not the surcharge is temporary. If, however, the surcharge has a characteristic which would render it classifiable in a different heading of the OECD list, receipts from the surcharge are classified under that heading separately from the relevant tax.

Unidentifiable tax receipts and residual sub-headings

28. A number of cases arise where taxes cannot be identified as belonging entirely to a heading or sub-heading of the OECD classification and the following practices are applied in such cases:

- a)* The heading is known, but it is not known how receipts should be allocated between sub-headings: receipts are classified in the appropriate residual sub-heading (1300, 2400, 4520, 4600, 5130, 5300 or 6200).
- b)* It is known that the bulk of receipts from a group of taxes (usually local taxes) is derived from taxes within a particular heading or sub-heading, but some of the taxes in the group whose amount cannot be precisely ascertained may be classifiable in other headings or sub-headings: receipts are shown in the heading or sub-heading under which most of the receipts fall.
- c)* Neither the heading nor sub-heading of a tax (usually local) can be identified: the tax is classified in 6200 unless it is known that it is a tax on business in which case it is classified in 6100.

D. Commentaries on items of the list

1000 — *Taxes on income, profits and capital gains*

29. This heading covers taxes levied on the net income or profits (i.e. gross income minus allowable tax reliefs) of individuals and enterprises. Also covered are taxes levied on the capital gains of individuals and enterprises, and gains from gambling.

30. Included in the heading are:

- a) taxes levied predominantly on income or profits, though partially on other bases. Taxes on various bases which are not predominantly income or profits are classified according to the principles laid down in §28 and §78;
- b) taxes on property, which are levied on a presumed or estimated income as part of an income tax (see also §43(a), (c) and (d));
- c) compulsory payments to social security fund contributions that are levied on income but do not confer an entitlement to social benefits. When such contributions do confer an entitlement to social benefits, they are included in heading 2000 (see §35);
- d) receipts from integrated schedular income tax systems are classified as a whole in this heading, even though certain of the schedular taxes may be based upon gross income and may not take into account the personal circumstances of the taxpayer.

31. The main subdivision of this heading is between levies on individuals (1100) and those on corporate enterprises (1200). Under each subdivision a distinction is made between taxes on income and profits (1110 and 1210), and taxes on capital gains (1120 and 1220). If certain receipts cannot be identified as appropriate to either 1100 or 1200, or if in practice this distinction cannot be made (e.g., because there are no reliable data on the recipients of payments from which withholding taxes are deducted) they are classified in 1300 as not-allocable.

Treatment of credits under imputation systems

32. Under imputation systems of corporate income tax, a company's shareholders are wholly or partly relieved of their liability to income tax on dividends paid by the company out of income or profits liable to corporate income tax. In countries with such systems,¹⁴ part of the tax on the company's profits is available to provide relief against the shareholders' own tax liability. The relief to the shareholder takes the form of a tax credit, the amount of which may be less than, equal to, or more than the shareholder's overall tax liability. If the tax credit exceeds this tax liability the excess may be payable to the shareholder. As this type of tax credit is an integral part of the imputation system of corporate income tax, any payment to the shareholders is treated as a repayment of tax and not as expenditure (compare the treatment of other tax credits described in §21).

33. As the tax credit under imputation systems (even when exceeding tax liability) is to be regarded as a tax provision, the question arises whether it should be deducted from individual income tax receipts (1110) or corporate income tax receipts (1210). In this Report, the full amount of corporate income tax paid is shown under 1210 and no imputed tax is included under 1110. Thus, the full amount of the credit reduces the amount of 1110 whether the credit results in a reduction of personal income tax liability or whether an actual refund is made because the credit exceeds the income tax liability. (Where, however, such tax credits are deducted from corporation tax in respect of dividends paid to corporations the amounts are deducted from the receipts of 1210.)

1120 and 1220 — *Taxes on capital gains*

34. These sub-headings comprise taxes imposed on capital gains, 1120 covering those levied on the gains of individuals and 1220 those levied on the gains of corporate enterprises, where receipts from such taxes can be separately identified. In many countries this is not the case and the receipts from such taxes are then classified with those from the income tax. Heading 1120 also includes taxes on gains from gambling.

2000 — *Social security contributions*

35. Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes (1100) or taxes on payroll and workforce (3000). Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here but are classified according to their respective bases because they generally confer no entitlement to social security benefits.

36. Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

37. Contributions may be based on earnings or payroll ('on a payroll basis') or on net income after deductions and exemptions for personal circumstances ('on an income tax basis'), and the revenues from the two bases should be separately identified if possible. However, where contributions to a general social security scheme are on a payroll basis, but the contributions of particular groups (such as the self-employed) cannot be assessed on this basis and net income is used as a proxy for gross earnings, the receipts may still be classified as being on a payroll basis. In principle, this heading excludes voluntary contributions paid to social security schemes. When separately identifiable these are shown in the memorandum item on the financing of social security benefits. In practice, however, they cannot always be separately identified from compulsory contributions, in which case they are included in this heading.

38. Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes are not considered as social security contributions. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes. When contributions to these schemes are compulsory or quasi-compulsory (e.g., by virtue of agreement with professional and union organisations) they are shown in the memorandum item (refer Section III.B of the Report).

39. Contributions by government employees and by governments in respect of their employees, to social security schemes classified within general government are included in this heading. Contributions to separate schemes for government employees, which can be regarded as replacing general social security schemes, are also regarded as taxes.¹⁵ Where, however, a separate scheme is not seen as replacing a general scheme and has been negotiated between the government, in its role as an employer, and its employees, it is not regarded as social security and contributions to it are not regarded as taxes, even though the scheme may have been established by legislation.

40. This heading excludes 'imputed' contributions, which correspond to social benefits paid directly by employers to their employees or former employees or to their representatives (e.g., when employers are legally obliged to pay sickness benefits for a certain period).

41. Contributions are divided into those of employees (2100), employers (2200), and self-employed or non-employed (2300), and then further sub-divided according to the basis on which they are levied. Employees are defined for this purpose as all persons engaged in activities of business units, government bodies, private non-profit institutions, or other paid employment, except the proprietors and their unpaid family members in the case of unincorporated businesses. Members of the armed forces are included, irrespective of the duration and type of their service, if they contribute to social security schemes. The contributions of employers are defined as their payments on account of their employees to social security schemes. Where employees or employers are required to continue the payment of social security contributions when the employee becomes unemployed these contributions, data permitting, are shown in 2100 and 2200 respectively. Accordingly, the sub-heading 2300 is confined to contributions paid by the self-employed and by those outside of the labour force (e.g., disabled or retired individuals).

3000 — Taxes on payroll and workforce

42. This heading covers taxes paid by employers, employees or the self-employed either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969–1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.

4000 — Taxes on property

43. This heading covers recurrent and non-recurrent taxes on the use, ownership or transfer of property. These include taxes on immovable property or net wealth, taxes on the change of ownership of property through inheritance or gift and taxes on financial and capital transactions. The following kinds of tax are excluded from this heading:

- a) taxes on capital gains resulting from the sale of a property (1120 or 1220);
- b) taxes on the use of goods or on permission to use goods or perform activities (5200); see §73;
- c) taxes on immovable property levied on the basis of a presumed net income which take into account the personal circumstances of the taxpayer. They are classified as income taxes along with taxes on income and capital gains derived from property (1100);
- d) taxes on the use of property for residence, where the tax is payable by either proprietor or tenant and the amount payable is a function of the user's personal circumstances (pay, dependants, and so on). They are classified as taxes on income (1100);
- e) taxes on building in excess of permitted maximum density, taxes on the enlargement, construction or alteration of certain buildings beyond a permitted value and taxes on building construction. They are classified as taxes on permission to perform activities (5200);
- f) taxes on the use of one's own property for special trading purposes like selling alcohol, tobacco, meat or for exploitation of land resources (e.g., United States severance taxes). They are classified as taxes on permission to perform activities (5200).

4100 — Recurrent taxes on immovable property

44. This sub-heading covers taxes levied regularly in respect of the use or ownership of immovable property. These taxes are levied on land and building, in the form of a percentage of an assessed property value based on a national rental income, sales price, or capitalised yield; or in terms of other characteristics of real property, such as size, location, and so on, from which are derived a presumed rent or capital value.

Such taxes are included whether they are levied on proprietors, tenants, or both. Unlike taxes on net wealth, debts are not taken into account in their assessment.

45. Taxes on immovable property are further sub-divided into those paid by households (4110) and those paid by other entities (4120), according to the criteria set out in §26(b) above.

4200 — *Recurrent taxes on net wealth*

46. This sub-heading covers taxes levied regularly (in most cases annually) on net wealth, i.e. taxes on a wide range of movable and immovable property, net of debt. It is sub-divided into taxes paid by individuals (4210) and taxes paid by corporate enterprises (4220) according to the criteria set out in §26(a) above. If separate figures exist for receipts paid by institutions, the tax payments involved are added to those paid by corporations.

4300 — *Taxes on estates and inheritances and gifts*

47. This sub-heading is divided into taxes on estates and inheritances (4310) and taxes on gifts (4320).¹⁶ Estate taxes are charged on the amount of the total estate whereas inheritance taxes are charged on the shares of the individual recipients; in addition the latter may take into account the relationship of the individual recipients to the deceased.

4400 — *Taxes on financial and capital transactions*

48. This sub-heading comprises, *inter alia*, taxes on the issue, transfer, purchase and sale of securities, taxes on cheques, and taxes levied on specific legal transactions such as validation of contracts and the sale of immovable property. The heading does not include:

- a) taxes on the use of goods or property or permission to perform certain activities (5200);
- b) fees paid to cover court charges, charges for birth, marriage or death certificates, which are normally regarded as non-tax revenues (see §9);
- c) taxes on capital gains (1000);
- d) recurrent taxes on immovable property (4100);
- e) recurrent taxes on net wealth (4200);
- f) once-and-for-all levies on property or wealth (4500).

4500 — *Other non-recurrent taxes on property*¹⁷

49. This sub-heading covers once-and-for-all, as distinct from recurrent, levies on property. It is divided into taxes on net wealth (4510) and other non-recurrent taxes on property (4520). Heading 4510 would include taxes levied to meet emergency expenditures, or for redistribution purposes. Heading 4520 would cover taxes levied to take account of increases in land value due to permission given to develop or provision of additional local facilities by general government, any taxes on the revaluation of capital and once-and-for-all taxes on particular items of property.

4600 — *Other recurrent taxes on property*

50. These rarely exist in OECD Member countries, but the heading would include taxes on goods such as cattle, jewellery, windows, and other external signs of wealth.

5000 — *Taxes on goods and services*

51. All taxes and duties levied on the production, extraction, sale, transfer, leasing or delivery of goods, and the rendering of services (5100), or in respect of the use of goods or permission to use goods or to perform activities (5200) are included here. The heading thus covers:

- a) multi-stage cumulative taxes;
- b) general sales taxes — whether levied at manufacture/production, wholesale or retail level;
- c) value-added taxes;
- d) excises;
- e) taxes levied on the import and export of goods;
- f) taxes levied in respect of the use of goods and taxes on permission to use goods, or perform certain activities;
- g) taxes on the extraction, processing or production of minerals and other products.

52. Borderline cases between this heading and heading 4000 (taxes on property) and 6100 (other taxes on business) are referred to in §43, §48 and §75. Residual sub-headings (5300) and (5130) cover tax receipts which cannot be allocated between 5100 and 5200 and between 5110 and 5120, respectively; see §28.

5100 — *Taxes on the production, sale, transfer, leasing and delivery of goods and rendering of services*

53. This sub-heading consists of all taxes, levied on transactions in goods and services on the basis of their intrinsic characteristics (e.g., value, weight of tobacco, strength of alcohol, and so on) as distinct from taxes imposed on the use of goods, or permission to use goods or perform activities, which fall under 5200.

5110 — *General taxes*

54. This sub-heading includes all taxes, other than import and export duties (5123 and 5124), levied on the production, leasing, transfer, delivery or sales of a wide range of goods and/or the rendering of a wide range of services, irrespective of whether they are domestically produced or imported and irrespective of the stage of production or distribution at which they are levied. It thus covers value-added taxes, sales taxes and multi-stage cumulative taxes. Receipts from border adjustments in respect of such taxes when goods are imported are added to gross receipts for this category, and repayments of such taxes when goods are exported are deducted. These taxes are subdivided into 5111 value-added taxes, 5112 sales taxes, 5113 other general taxes on goods and services.

55. Borderline cases arise between this heading and taxes on specific goods (5120) when taxes are levied on a large number of goods, for example, the United Kingdom purchase tax (repealed in 1973) and the Japanese commodity tax (repealed in 1988). In conformity with national views, the former United Kingdom purchase tax is classified as a general tax (5112) and the former Japanese commodity tax as excises (5121).

5111 — *Value-added taxes*

56. All general consumption taxes charged on value-added are classified in this sub-heading, irrespective of the method of deduction and the stages at which the taxes are levied. In practice, all OECD countries with value-added taxes normally allow immediate deduction of taxes on purchases by all but the final consumer and impose tax at all stages. In some countries the heading may include certain taxes, such as those on financial and insurance activities, either because receipts from them cannot be identified separately from those from the value-added tax, or because they are regarded as an integral part of the value-added tax, even though similar taxes in other countries might be classified elsewhere (e.g., 5126 as taxes on services or 4400 as taxes on financial and capital transactions).

5112 — Sales taxes

57. All general taxes levied at one stage only, whether at manufacturing or production, wholesale or retail stage, are classified here.

5113 — Other general taxes on goods and services

58. This sub-heading covers multi-stage cumulative taxes (also known as 'cascade taxes') where tax is levied each time a transaction takes place without deduction for tax paid on inputs, and also those general consumption taxes where elements of value-added, sales or cascade taxes are combined.

5120 — Taxes on specific goods and services

59. Excises, profits generated and transferred from fiscal monopolies, and customs and imports duties as well as taxes on exports, foreign exchange transactions, investment goods and betting stakes and special taxes on services, which do not form part of a general tax of 5110, are included in this category.

5121 — Excises

60. Excises are taxes levied on particular products, or on a limited range of products, which are not classifiable under 5110 (general taxes), 5123 (import duties) and 5124 (export duties). They may be imposed at any stage of production or distribution and are usually assessed by reference to the weight or strength or quantity of the product, but sometimes by reference to value. Thus, special taxes on, for example, sugar, beetroot, matches, chocolates, and taxes at varying rates on a certain range of goods, as well as those levied in most countries on tobacco goods, alcoholic drinks and hydrocarbon oils and other energy sources, are included in this sub-heading.

61. Excises are distinguished from:

- a) 5110 (general taxes). This is discussed in §54-55;
- b) 5123 (import duties). If a tax collected principally on imported goods also applies, or would apply, under the law by which the tax is imposed to comparable home-produced goods, the receipts therefrom would be classified as excises (5121). This principle applies even if there is no comparable home production or no possibility of it (see also §65);
- c) 5126 (taxes on services). The problem here arises in respect of taxes on electricity, gas and energy. All of these are regarded as taxes on goods and are included under 5121.

5122 — *Fiscal monopolies*

62. This sub-heading covers that part of the profits of fiscal monopolies which is transferred to general government or which is used to finance any expenditures considered to be government expenditures (see §19). Amounts are shown when they are transferred to general government or used to make expenditures considered to be government expenditures

63. Fiscal monopolies reflect the exercise of the taxing power of government by the use of monopoly powers. Fiscal monopolies are non-financial public enterprises exercising a monopoly in most cases over the production or distribution of tobacco, alcoholic beverages, salt, matches, playing cards and petroleum or agricultural products (i.e. on the kind of products which are likely to be, alternatively or additionally, subject to the excises of 5121), to raise the government revenues which in other countries are gathered through taxes on dealings in such commodities by private business units. The government monopoly may be at the production stage or, as in the case of government-owned and controlled liquor stores, at the distribution stage.

64. Fiscal monopolies are distinguished from public utilities such as rail transport, electricity, post offices, and other communications, which may enjoy a monopoly or quasi-monopoly position but where the primary purpose is normally to provide basic services rather than to raise revenue for government. Transfers from such other public enterprises to the government are considered as non-tax revenues. The traditional concept of fiscal monopoly has not been extended to include state lotteries, the profits of which are accordingly regarded as non-tax revenues. Fiscal monopoly profits are distinguished from export and import monopoly profits (5127) transferred from marketing boards or other enterprises dealing with international trade.

5123 — *Customs and import duties*

65. Taxes, stamp duties and surcharges restricted by law to imported products are included here. Also included are levies on imported agricultural products which are imposed in Member countries of the European Union and amounts paid by certain of these countries under the Monetary Compensation Accounts (MCA) system.¹⁸ Starting from 1998, customs duties collected by European Union Member states on behalf of the European Union are no longer reported under this heading in the country tables (in Part III of the Report). Excluded here are taxes collected on imports as part of a general tax on goods and services, or an excise applicable to both imported and domestically produced goods.

5124 — *Taxes on exports*

66. In the 1970s, export duties were levied in Australia, Canada and Portugal as a regular measure and they have been used in Finland for counter-cyclical purposes. Some Member countries of the European Union pay, as part of the MCA system, a levy on exports (see note 18 to §65). Where these amounts are identifiable, they are shown in this heading. This heading does not include repayments of general

consumption taxes or excises or customs duties on exported goods, which should be deducted from the gross receipts under 5110, 5121 or 5123, as appropriate.

5125 — *Taxes on investment goods*

67. This sub-heading covers taxes on investment goods, such as machinery. These taxes may be imposed for a number of years or temporarily for counter-cyclical purposes. Taxes on industrial inputs which are also levied on consumers [e.g., the Swedish energy tax which is classified under (5121)] are not included here.

5126 — *Taxes on specific services*

68. All taxes assessed on the payment for specific services, such as taxes on insurance premiums, banking services, gambling and betting stakes (e.g., from horse races, football pools, lottery tickets), transport, entertainment, restaurant and advertising charges, fall into this category. Taxes levied on the gross income of companies providing the service (e.g., gross insurance premiums or gambling stakes received by the company) are also classified under this heading.

69. Excluded from this sub-heading are:

- a) taxes on services forming part of a general tax on goods and services (5110);
- b) taxes on electricity, gas and energy (5121 as excises);
- c) taxes on individual gains from gambling (1120 as taxes on capital gains of individuals and non-corporate enterprises) and lump-sum taxes on the transfer of private lotteries or on the permission to set up lotteries (5200);¹⁹
- d) taxes on cheques and on the issue, transfer or redemption of securities (4400 as taxes on financial and capital transactions).

5127 — *Other taxes on international trade and transactions*

70. This sub-heading covers revenue received by the government from the purchase and sale of foreign exchange at different rates. When the government exercises monopoly powers to extract a margin between the purchase and sales price of foreign exchange, other than to cover administrative costs, the revenue derived constitutes a compulsory levy exacted in indeterminate proportions from both purchaser and seller of foreign exchange. It is the common equivalent of an import duty and export duty levied in a single exchange rate system or of a tax on the sale or purchase of foreign exchange. Like the profits of fiscal monopolies and import or export monopolies transferred to government, it represents the exercise of monopoly powers for tax purposes and is included in tax revenues.

71. The sub-heading covers also the profits of export or import monopolies, which do not however exist in OECD countries, taxes on purchase or sale of foreign exchange, and any other taxes levied specifically on international trade or transactions.

5128 — *Other taxes on specific goods and services*

72. This is a residual sub-heading for unidentifiable receipts from taxes on specific goods and services.

5200 — Taxes on use of goods or on permission to use goods or perform activities

73. This sub-heading covers taxes which are levied in respect of the use of goods as distinct from taxes on the goods themselves. Unlike the latter taxes – reported under 5100 –, they are not assessed on the value of the goods but usually as fixed amounts. Taxes on permission to use goods or to perform activities are also included here, as are pollution taxes not based upon the value of particular goods. It is sometimes difficult to distinguish between compulsory user charges and licence fees which are regarded as taxes and those which are excluded as non-tax revenues. The criteria which are employed are noted in §9–10.

74. Although the sub-heading refers to the ‘use’ of goods, registration of ownership rather than use may be what generates liability to tax, so that the taxes of this heading may apply to the ownership of animals or goods rather than their use (e.g., race horses, dogs and motor vehicles) and may apply even to unusable goods (e.g., unusable motor vehicles or guns).

75. Borderline cases arise with:

- a) taxes on the permission to perform business activities which are levied on a combined income, payroll or turnover base and, accordingly, are classified following the rules in §78;
- b) taxes on the ownership or use of property of headings 4100, 4200 and 4600. The heading 4100 is confined to taxes on the ownership or tenancy of immovable property and – unlike the taxes of 5200 – they are related to the value of the property. The net wealth taxes and taxes on chattels of 4200 and 4600 respectively are confined to the ownership rather than the use of assets, apply to groups of assets rather than particular goods and again are related to the value of the assets

5210 — Recurrent taxes

76. The principal characteristic of taxes classified here is that they are levied at regular intervals and that they are usually fixed amounts. The most important item in terms of revenue receipts is vehicle licence taxes. This sub-heading also covers taxes on permission to hunt, shoot, fish or to sell certain products and taxes on the ownership of dogs and on the performance of certain services, provided that they meet the criteria set out in §9–10. The sub-divisions of 5210 are user taxes on motor vehicles paid by households (5211) and those paid by others (5212).²⁰ Sub-heading 5213 covers dog licences and user charges for permission to perform activities such as selling meat or liquor when the levies are on a recurring basis. It also covers recurrent general licences for hunting, shooting and fishing where the right to carry out these activities is not granted as part of a normal commercial transaction (e.g., the granting of the licence is not accompanied by the right to use a specific area which is owned by government).

5220 — Non-recurrent taxes

77. Non-recurrent taxes levied on the use of goods or on permission to use goods or perform activities and taxes levied each time goods are used are included, but not taxes levied recurrently which fall under heading 5210. Thus, once-and-for-all payments for permission to sell liquor or tobacco or to set up betting shops are included here, provided they meet the criteria set out in §9–10.

6000 — Other taxes

78. Taxes levied on a base, or bases, other than those described under headings 1000, 3000, 4000 and 5000, or on bases of which none could be regarded as being predominantly the same as that of any one of these headings, are covered here. As regards taxes levied on a multiple base, if it is possible to estimate receipts related to each base (e.g., the Austrian and German ‘Gewerbesteuer’) this is done and the separate

amounts included under the appropriate headings. If the separate amounts cannot be estimated, but it is known that most of the receipts are derived from one base, the whole of the receipts are classified according to that base. If neither of these procedures can be followed, they are classified here. The sub-headings may also include receipts from taxes which governments are unable to identify or isolate (see §28). Included here also are fines and penalties paid for infringement of regulations relating to taxes but not identifiable as relating to a particular category of taxes (see §15). A subdivision is made between taxes levied wholly or predominantly on business (6100) and those levied on others (6200).

E. Memorandum item on the financing of social security benefits

79. In view of the varying relationship between taxation and social security contributions and the cases referred to in §35–41, a memorandum item collects together all payments earmarked for social security-type benefits, other than voluntary payments to the private sector. Data are presented as follows (refer section III.B of the Report):

- a) Taxes of 2000 series.
- b) Taxes earmarked for social security benefits.
- c) Voluntary contributions to the government.
- d) Compulsory contributions to the private sector.

Guidance on the breakdown of (a) to (d) above is provided in §35–41.

F. Memorandum item on identifiable taxes paid by government

80. Identifiable taxes actually paid by government are presented in a memorandum item classified by the main headings of the OECD classification of taxes. In the vast majority of countries, only social security contributions and payroll taxes paid by government can be identified. These are, however, usually the most important taxes paid by governments (refer section III.C of the Report).

G. Relation of OECD classification of taxes to national accounting systems

81. A system of national accounts (SNA) seeks to provide a coherent framework for recording and presenting the main flows relating respectively to production, consumption, accumulation and external transactions of a given economic area, usually a country or a major region within a country. Government revenues are an important part of the transactions recorded in SNA. The *System of National Accounts 1993* (1993 SNA) have been jointly published by five international organisations: the United Nations, the International Monetary Fund, the European Union, the Organisation for Economic Co-operation and Development, and the World Bank. The *System* is a comprehensive, consistent and flexible set of macroeconomic accounts. It is designed for use in countries with market economies, whatever their stage of economic development, and also in countries in transition to market economies. In the classification of taxes in this publication, important parts of the conceptual framework of 1993 SNA, and the latter's definitions of the various sectors of the economy have been adhered to, and in the absence of specific indications to the contrary, 1993 SNA distinctions have been followed.

82. There remain, however, some differences between the OECD classification of taxes and 1993 SNA concepts, which derive from the fact that the aim of the former is to provide the maximum disaggregation of statistical data on what are generally regarded as taxes by tax administrations. Thus the *OECD Revenue Statistics* unlike 1993 SNA:

- a) includes social security contributions with taxes (§7–8 above);
- b) has a different point of view from 1993 SNA on some levies and fees (§9–10 above);

- c) unlike 1993 SNA includes taxes on estates, inheritances and gifts, and non-recurrent taxes on property as taxes (§47 and §49);
- d) excludes imputed taxes or subsidies resulting from the operation of official multiple exchange rates;

83. As noted in §1–2, headings 1000 to 6000 of the OECD list of taxes cover all unrequited payments to general government, other than compulsory loans and fines. Such unrequited payments including fines, but excluding compulsory loans can be obtained from adding together the following figures in 1993 SNA

value-added type taxes (D.211);
taxes and duties on imports, excluding VAT (D.212)
export taxes (D.213);
taxes on products, excluding VAT, import and export taxes (D.214);
other taxes on production (D.29);
other taxes on production (D.29);
other current taxes (D.59
social contributions (D.61), excluding voluntary contributions;
capital taxes (D.91).

H. Relation of OECD classification of taxes to the international monetary fund system

84. The classifications are almost identical, with the exception that the International Monetary Fund subdivides OECD heading 5000 into 5.0 (Domestic taxes on goods and services) and 6.0 (Taxes on international trade and transactions). This reflects the fact that while the latter usually yield insignificant amounts of revenue in OECD countries, this is not the case in many non-OECD countries. Whilst the OECD data include all taxes collected, the IMF data excludes all identifiable taxes collected from government. The amounts involved are identified in section III.C of this Report.²¹

I. Comparison of the OECD classification of taxes with other international classifications

85. This section compares the OECD classification of taxes item by item with the classification of taxes in the:

- i. System of National Accounts (1993 SNA);
- ii. European System of Accounts (1995 ESA);
- iii. IMF *Government Finance Statistics* (IMF).

86. Since 1995 ESA closely follows the classification of 1993 SNA, the focus is on the comparison of the OECD classification on the one hand, and the classifications of 1993 SNA and the IMF on the other.

	OECD Classification	1993 SNA *)	1995 ESA	IMF
1000	Taxes on income, profits and capital gains	D.51	D.51	1. Taxes on income, profits and capital gains
	1100 Individuals			1.1 Individuals/households
	1110 Income/profits	D.51-8.52(a)		
	1120 Capital gains	D.51-8.52(c)		
	1130 Lotteries/gambling	D.51-8.52(d)		
	1200 Corporations			1.2 Corporate or other enterprises
	1210 Income/profits	D.51-8.52(b)		
	1220 Capital gains	D.51-8.52(c)		
	1300 Unallocable as between 1100 and 1200			1.3 Unallocable
2000	Social security contributions	separate flow (D.61)	Separate Flow (D.12)	2. Social security contributions
	2100 Employees			2.1 Employees
	2200 Employers			2.2 Employers
	2300 Self-employed, non-employed			2.3 Self-employed, non-employed
	2400 Unallocable as between 2100, 2200 and 2300			2.4 Unallocable
3000	Taxes on payroll and workforce	D.29-7.70(a)	D.29	3. Taxes on payroll and workforce
4000	Taxes on property			4. Taxes on property
	4100 Recurrent taxes on immovable property			4.1 Recurrent taxes on immovable property
	4110 Households	D.59-8.53(a)	D.59	
	4120 Other	D.29-7.70(b)	D.29	
	4200 Recurrent net wealth taxes			4.2 Recurrent taxes on net wealth
	4210 Individual	D.59-8.53(b)	D.59	
	4220 Corporations			
	4300 Estate, inheritance and gift taxes	separate flow (D.91)	Separate Flow (D.91)	4.3 Estate, inheritance and gift taxes
	4310 Estate and inheritance taxes			
	4320 Gift taxes			
	4400 Taxes on financial and capital transactions	D.21-7.69(d)	D.214	4.4 Taxes on financial and capital transactions
	4500 Other non-recurrent taxes on property	separate flow (D.91)	Separate flow (D.91)	4.5 Non-recurrent taxes on property
	4600 Other recurrent taxes on property	D.59-8.53(c)	D.59	4.6 Other recurrent taxes on property
5000	Taxes on goods and services	D.2		5. Domestic taxes on goods and services
	5100 Taxes on production, sale and transfer of goods and services	D.21	D.21	5.1 General sales taxes, turn-over, value-added taxes
	5110 General sales taxes			
	5111 Value-added taxes	D.211	D.211	
	5112 Sales taxes	D.214	D.214	
	5113 Other general taxes			

OECD Classification	1993 SNA *)	1995 ESA	IMF
5120 Taxes on specific goods and services			
5121 Excises	D.214	D.214	5.2 Excise taxes
5122 Profits of fiscal monopolies	D.214	D.214	5.3 Fiscal monopolies
5123 Customs/import duties	D.2121	D.2121	6.1 Import duties
5124 On exports	D.213	D.214	6.2 Export duties
5125 On investment goods			
5126 On specific services	D.214	D.214	5.4 Taxes on specific services
5127 Other taxes on international trade and transactions	D.2122 D.29-7.70(g) D.59-8.54(d)	D.2122 D.29 D.214	6.3-6.6 Profits and other taxes on international trade and transactions
5128 Other taxes on specific goods and services			5.6 Other taxes on specific goods and services
5130 Unallocable as between 5110 and 5120			
5200 Taxes on use of goods	D.29-7.70(c,d)		5.5 Taxes on use of goods
5210 Recurrent taxes			
5211 Motor vehicle taxes households	D.59-8.54(c)	D.59	5.5.2 Motor vehicle taxes
5212 Motor vehicles taxes others	D.29-7.70(d)	D.29	
5213 Other recurrent taxes	D.29-7.70(c)	D.29	5.5.1 Licenses 5.5.3 Other taxes
5220 Non-recurrent taxes			
5300 Unallocable as between 5100 and 5200			
6000 Other taxes			7. Other taxes
6100 Paid solely by business			
6200 Paid by other than business, or unidentifiable			
<i>Not separately identified by OECD (and included in 6000):</i>			
Poll tax	D.59-8.54(a)	D.59	7.1
Stamp taxes	D.29-7.70(e)	D.214	7.2
Expenditure taxes	D.59-8.54(b)	D.59	7.3

*) Codes in this column refer to the type of transaction (D = distributive transaction) and in a number of cases (for separate taxes) to the relevant section of 1993 SNA.

J. Attribution of tax revenues by sub-sectors of general government

87. The OECD classification requires a breakdown of tax revenues by sub-sectors of government. The definition of each sub-sector and the criteria to be used to attribute tax revenues between these sub-sectors are set out below.

Sub-sectors of general government to be identified

a) Supra-national Authorities

88. This sub-sector covers the revenue-raising operations of supra-national authorities within a country. In practice, the only relevant supra-national authority in the OECD area is that of the institutions of the European Union. As from 1998, supra-national authorities are no longer included in the *Revenue Statistics*, because the 1993 SNA definition of general government excludes these and it was decided to adopt this definition.

b) Central Government

89. This sub-sector includes all governmental departments, offices, establishments and other bodies which are agencies or instruments of the central authority whose competence extends over the whole territory, apart from the central administration of social security funds.

c) State, Provincial or Regional Government

90. This sub-sector consists of intermediate units of government and includes all units of government exercising a competence independently of central government in a part of a country's territory encompassing a number of smaller localities, apart from state, provincial or regional administrations of social security funds. In unitary countries, regional governments may be considered to have a separate existence where they have substantial autonomy to raise a significant proportion of their revenues from sources within their control and their officers are independent of external administrative control in the actual operation of the unit's activities. Intermediate units of government are at present identified in federal countries only, the revenues of regional governments in unitary countries being included with those of local governments.

d) Local Government

91. This sub-sector includes all other units of government exercising an independent competence in part of the territory of a country, apart from local administrations of social security funds. It encompasses various urban and/or rural jurisdictions (e.g., local authorities, municipalities, cities, boroughs, districts).

e) Social Security Funds

92. Social security funds form a separate sub-sector of general government. The social security sub-sector is defined by 1993 SNA to include:

“Special kinds of institutional units which may be found at any level of government — central, state or local. Before defining social security funds, it is necessary to give a brief description of social insurance schemes in general. Social insurance schemes are intended to provide social benefits to members of the community, or to groups of individuals such as the employees of an enterprise and their dependants, out of funds derived mainly from social contributions. Social

security schemes are social insurance schemes covering the community as whole or large sections of the community that are imposed and controlled by government units. They generally involve compulsory contributions by employees or employers or both, and the terms on which benefits are paid to recipients are determined by government units. The schemes cover a wide variety of programmes, providing benefits in cash or in kind for old age, invalidity or death, survivors, sickness and maternity, work injury, unemployment, family allowance, health care, and so on. There is usually no direct link between the amount of the contribution paid by an individual and the risk to which that individual is exposed. Social insurance schemes have to be distinguished from pension schemes or other social insurance schemes which are determined by mutual agreement between individual employers and their employees, the benefits being linked to contributions” (section 4.111 of 1993 SNA).

“Social security funds may be distinguished by the fact that they are separately organised from the other activities of government units and hold their assets and liabilities separately from the latter. They are separate institutional units because they are autonomous funds; they have their own assets and liabilities and engage in financial transactions on their own account” (section 4.112 of 1993 SNA).

“The social security funds sub-sector (of general government) consists of the social security funds operating at all levels of government. Such funds are social insurance schemes covering the community as a whole or large sections of the community that are imposed and controlled by government units” (section 4.130 of 1993 SNA).

93. This definition of social security funds is followed in this classification, although schemes imposed by government and operated by bodies outside the general government sector, as defined in this manual, and schemes to which all contributions are voluntary are excluded.

Attribution of tax revenues

94. When a government collects taxes and pays them over in whole or in part to other governments, it is necessary to determine whether the revenues should be considered to be those of the collecting government which it distributes to others as grants, or those of the beneficiary governments which the collecting government receives and passes on only as their agent. As constitutional provisions vary widely in different countries it is not possible to formulate a single rule by which taxes may be attributed to either the collecting or beneficiary government in all countries.

95. As a general guide tax revenues are attributed to non-collecting beneficiary governments:

- a) when they have exercised some influence or discretion over the setting of the tax or distribution of its proceeds; or
- b) when under provisions of the legislation they automatically and unconditionally receive a given percentage of the tax collected or arising in their territory; or
- c) when they receive tax revenue under legislation leaving no discretion to the collecting government.

96. A number of more specific rules may be set down as guidelines for the attribution of tax collection among collecting and beneficiary governments:

- a) The revenue of taxes not distributed to any government other than that collecting it should be shown as tax revenue of the collecting government.

- b) The revenue of taxes which a government collects and unilaterally earmarks at its discretion for distribution to another government should be shown as tax revenue of the collecting government.
- c) The revenue of taxes which a government collects on behalf of another government with the beneficiary government unilaterally determining the amount of the tax or distribution of its proceeds, should be shown as tax revenue of the beneficiary government.
- d) The revenue of taxes collected by one government and transferred to another with the amount of the tax or distribution of its proceeds decided upon jointly by both governments, or on the basis of the tax collected or arising in the territory of the beneficiary government is to be shown as tax revenue of the ultimate beneficiary government.
- e) If a central or regional government authorises or requires local collection of a particular tax, a part or all of which is automatically retained by the collecting government, the local share is shown as tax revenue of the collecting government.

97. The levies paid by the Member States of the EU take the form of specific levies and VAT own resources. The specific levies include custom duties and levies on agricultural goods (5123), gross monetary compensation accounts (5123 if relating to imports and 5124 if relating to exports), and steel, coal, sugar and milk levies (5128). Of these various levies custom duties collected by Member States on behalf of the European Union most clearly conform to the attribution criterion *iii*) above. Consequently, as from 1998 for the EU Member States, customs duties are no longer shown in the country tables (in Part III) under heading 5123. However, the amounts involved remain included in the grand totals of tax revenues reported on the top line of EU Member State country tables and they are footnoted as a memorandum item to those tables.

98. The VAT own resources, which are determined by applying a rate not exceeding 1 per cent to an assessment basis specified in the Sixth Directive,²² are more of a borderline case. They have some of the characteristics of a transfer (they are not derived from a clearly identifiable source of funds that are actually collected) and some of a tax (the amount of the transfer is determined by the receiving sub-sector of government). In this publication they are *not* shown as a tax of the European Union (but as a tax of the EU Member States), though the amounts involved are footnoted in the tables contained in Part IV.

NON-TAX REVENUE, CAPITAL REVENUE AND GRANTS – GFSM2001

Government receipts, other than the proceeds of borrowing and repayments of previous government lending, comprise tax revenue, current non-tax revenue, capital revenue and grants. Up to the present page, this publication has provided data on tax revenue which for all countries provide the bulk of revenue. In this part summary information, on the basis of data collected by the International Monetary Fund, is provided on current non-tax revenue, capital revenue and grants in order to have a more complete view of the different ways in which OECD governments finance their expenditures.

The source of the data is the International Monetary Fund's (IMF) *Government Finance Statistics Yearbook* and the concepts used — many of which have been developed in co-operation with the OECD — are set out in the IMF's *Government Finance Statistics Manual 2001*, to which readers should refer for definitions of the entries in the following tables. The OECD and the IMF have, over a number of years, worked together to develop a joint classification and a joint reporting system of tax revenue. Whereas the OECD reporting system is limited to tax revenue, that of the IMF covers all receipts and payments of governments. Both the OECD and the IMF use the same basic concepts including the borderline between taxes and non-tax revenue (see §9–13 of the Interpretative guide in Annex 1) so that the IMF data are consistent with those of the OECD.

As the data reported here are from a separate source and do not form a part of the collection and review process carried out by Working Party No.2 of the Committee on Fiscal Affairs, they are presented separately from the data on tax revenue. Whereas the previous parts of the publication provide very detailed information on tax revenue, this part presents summary data on the main sources of other revenue and grants.

Previous editions of this Report have reported data that corresponded to the concepts used by the IMF before the 2001 revision of its manual. The IMF has now stopped collecting data on that basis and is now collecting data on the basis of the 2001 manual. As the changes in the concepts used by the IMF are substantial, the new data series are not consistent with earlier data. This edition, therefore, only reports data collected on the basis of the 2001 manual and takes the opportunity to re-design the layout of the tables.

The conceptual changes made in the 2001 manual include the change from cash reporting to accrual reporting. They also include a number of more detailed conceptual changes. One that is particularly relevant to this Report is that revenue from the 'sales of goods and services' is now reported on a gross basis, without deduction of costs. As these costs can represent a significant proportion of the revenue, these revenues cannot be regarded in total as funds available for governments to finance their general activities. This contrasts with tax revenues, where collection costs are usually a small proportion of revenue, so that they can be regarded as generally available funds. This difference implies that it is not economically meaningful to add together tax and non-tax as part of a calculation of generally available funds.

In previous editions of this Report, Part VI presented tables that added together tax and non-tax revenue. In view of the conceptual difference explained in the preceding paragraph, these tables would be open to serious misinterpretation. Part VI has therefore been removed from this edition.

In the following tables a blank indicates that the data are not available, a ‘-’ that the amounts are zero or insignificant. The tables are reproduced in original language only. A bilingual version of the standard headings is as follows:

Current non-tax revenue, capital revenue and grants in OECD countries	
General (Central +State+Local)	Administrations publiques (centrale+États+locales)
Non-tax revenue	Recettes non fiscales
Property income	Revenue de la propriété
Sales of goods and services	Ventes des biens et services
Fines, penalties, and forfeits	Amendes, pénalités et forfaits
Other social contributions	Autres contributions sociales
Miscellaneous and unidentified revenue	Divers et recettes non identifiées
Capital revenue	Recettes en capital
Central	Administration centrale
Non-tax revenue	Recettes non fiscales
Property income	Revenue de la propriété
Sales of goods and services	Ventes des biens et services
Fines, penalties, and forfeits	Amendes, pénalités et forfaits
Other social contributions	Autres contributions sociales
Miscellaneous and unidentified revenue	Divers et recettes non identifiées
Capital revenue	Recettes en capital
Grants	Dons
State	Administrations États
Non-tax revenue	Recettes non fiscales
Property income	Revenue de la propriété
Sales of goods and services	Ventes des biens et services
Fines, penalties, and forfeits	Amendes, pénalités et forfaits
Other social contributions	Autres contributions sociales
Miscellaneous and unidentified revenue	Divers et recettes non identifiées
Capital revenue	Recettes en capital
Grants	Dons
Local	Administrations locales
Non-tax revenue	Recettes non fiscales
Property income	Revenue de la propriété
Sales of goods and services	Ventes des biens et services
Fines, penalties, and forfeits	Amendes, pénalités et forfaits
Other social contributions	Autres contributions sociales
Miscellaneous and unidentified revenue	Divers et recette non identifiée
Capital revenue	Recettes en capital
Grants	Dons

NOTES AND REFERENCES

1. All references to SNA are to the 1993 edition.
2. See section J of this guide for a discussion of the concept of agency capacity.
3. It is usually possible to identify amounts of social security contributions and payroll taxes, but not other taxes paid by government.
4. If, however, a levy which is considered as non-tax revenue by most countries is regarded as a tax — or raises substantial revenue — in one or more countries, the amounts collected are footnoted at the end of the relevant country tables, even though the amounts are not included in total tax revenues.
5. Names, however, can frequently be misleading. For example, though a passport fee would normally be considered a non-tax revenue, if a supplementary levy on passports (as is the case in Portugal) were imposed in order to raise substantial amounts of revenue relative to the cost of providing the passport, the levy would be regarded as a tax under 5200.
6. There are practical difficulties in operating the distinction made by 1993 SNA.
7. A more detailed explanation of this distinction can be found in the special feature, ‘Current issues in reporting tax revenues’, in the 2001 edition of the Revenue Statistics.
8. Sometimes the terms ‘non-refundable’ and ‘refundable’ are used, but it may be considered illogical to talk of ‘refundable’ when nothing has been paid.
9. A different treatment, however, is accorded to non-wastable tax credits under imputation systems of corporate income tax (§32–34).
10. This is not strictly a true tax expenditure in the formal sense. Such tax expenditures require identification of a benchmark tax system for each country or, preferably, a common international Benchmark. In practice it has not been possible to reach agreement on a common international benchmark.
11. Unless based on the profit made on a sale, in which case they would be classified as capital gains taxes under 1120 or 1220.
12. In some countries the same legislation applies to both individual and corporate enterprises for particular taxes on income. However, the receipts from such taxes are usually allocable between individuals and enterprises and can therefore be shown in the appropriate sub-heading.
13. For example, “those that are important and large, as well as keep complete accounts” (1993 SNA, section 4.50).

14. In Canada — a country also referred to as having an imputation system — the (wastable) tax credit for the shareholder is in respect of domestic corporation tax deemed to have been paid whether or not a corporation tax liability has arisen. As there is no integral connection between the corporation tax liability and the credit given against income tax under such systems, these credits for dividends are treated, along with other tax credits, on the lines described in §21.
15. This may also apply where a scheme for government employees existed prior to the introduction of a general social security scheme.
16. In 1993 SNA these are regarded as capital transfers and not as taxes (see section G).
17. In 1993 SNA these are regarded as capital transfers and not as taxes (see section G).
18. This is the system by which the European Union adjusts for differences between the exchange rates used to determine prices under the Common Market Agricultural Policy and actual exchange rates. Payments under the system may relate to imports or exports and where these amounts are separately identifiable they are shown under the appropriate heading (5123 or 5124). In this Report, these amounts are shown gross (i.e. without deducting any subsidies paid out under the MCA system).
19. Transfers of profits of State lotteries are regarded as non-tax revenues (see also §64).
20. See §26(c) as regards this distinction.
21. See §5 for treatment under the OECD Interpretative guide.
22. At the Edinburgh Summit (1992) EU Member countries have decided to gradually reduce this percentage from 1.4 to 1, and to effectuate this reduction between years 1995 and 1999. During the period 1970–1983 this percentage also amounted to 1.