



Government Finance Statistics IMF Statistics Department

Revenue

Content of Lecture

- **Definition of revenue**
- **Accrual recording of revenue**
- **Main types of revenue**
- **Characteristics of revenue transactions**
- **Principles for recording**
- **GFS classification of revenue**

Definition of Revenue

Revenue is a set of exchange and transfer
transactions that increase net worth

Accrual Recording of Revenue

- Revenue should be recorded when the activities, transactions, or other events occur that create the claims to receive the taxes or other types of revenue
 - Record entire amount of revenue to which general government unit has an unconditional claim, **except for**
 - taxes and social contributions
 - Only record amounts that are realistically expected to be collected (assessments, declarations)

Main Types of Revenue

(1/3)

- **Taxes**
 - **Compulsory transfers to general government sector**
 - **Excludes certain compulsory transfers, such as fines, penalties, and most social security contributions**
- **Social contributions**
 - **Actual or imputed receipts from contributors that secure entitlement to social benefits for the contributors, their dependents, or their survivors**

Main Types of Revenue

(2/3)

- **Grants**
 - Noncompulsory transfers received by government units from other government units or international organizations
- **Property income**
 - Received when government units place financial assets and/or nonproduced assets at disposal of other units (e.g., interest, dividends, rent)

Main Types of Revenue

(3/3)

- **Sales of goods and services (produced by govt.)**
 - Market, nonmarket, and imputed sales
 - Some fees are actually taxes (see later)
 - Are recorded gross (without deducting expenses)
- **Other types of nontax revenues**
 - Fines, penalties, forfeits, voluntary transfers other than grants, sales of *existing* goods, scrap materials, etc.

Characteristics of Revenue Transactions (1/2)

Type of transaction	Characteristic
Taxes	Compulsory unrequited transfers
Social contributions	Compulsory “requited” transfers
Grants	Voluntary unrequited transfers
Property income	Exchanges
Sales of goods & services	Exchanges

Characteristics of Revenue Transactions (2/2)

Type of transaction	Characteristic
Fines, penalties, forfeits	Compulsory unrequited transfers
Other voluntary transfers	Voluntary unrequited transfers

Principles for Recording of Taxes

(1/4)

- **Recorded on basis of assessments, not payments**
- **Recorded when activities giving rise to claim took place**
- **Unpaid taxes should be cancelled or written off**
- **Should be recorded net of refunds**
- **Refunds in excess of previous payments should be treated as expense**

Principles for Recording of Taxes

(2/4)

- **Should be recorded gross of collection costs**
- **Should exclude compulsory levies collected by nongovernmental bodies**
- **Attribution of taxes:**
 - **If one government unit collects a tax and transfers some or all to another government unit, in general, tax is attributed to unit that:**
 - **Exercises the authority to impose the tax**
 - **Has final discretion to set and vary the tax rate**
 - **Has final discretion over the use of the funds**

Principles for Recording of Taxes

(3/4)

- **Attribution of taxes (continued):**
 - Taxes collected by government A for and on behalf of government B, and B has authority to impose the tax, set and vary rate, and determine use of proceeds the:
 - Government A is acting as an **agent** for government B, and the tax is **reassigned**
 - Amounts **retained** by collecting government (A), e.g., under **tax sharing arrangement**, is recorded as a **current grant** from government B to A
 - Amounts **retained** by government A as **collection charge**, is exchange of **goods and services**

Principles for Recording of Taxes

(4/4)

- **Attribution of taxes (continued):**
 - If different governments jointly and equally set rate of tax, decide on distribution of proceeds, with no individual government having overriding authority
 - Attribute taxes to each government **according to** its respective **share of proceeds**
 - If one government allows one government unit overriding authority
 - Attribute **all** tax revenue to that unit

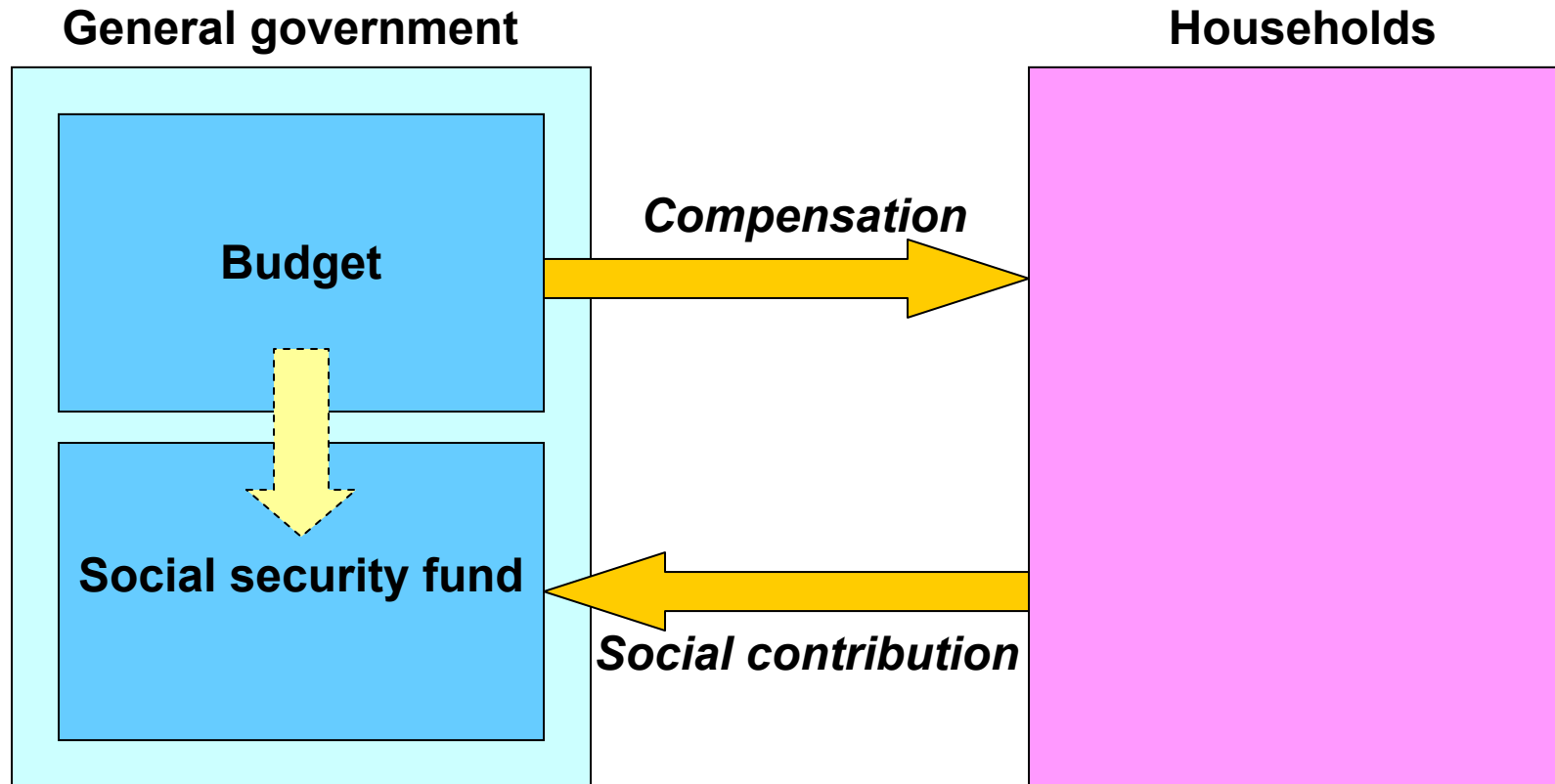
Licenses: A Tax of a Fee?

- **Administrative fees are sometimes clearly out of proportion to cost of the services provided**
 - **These “fees” are classified as taxes**
- **Government issues licenses to exercise regulatory function:**
 - **Little or no work to issue license, granted automatically upon payment of fee, then fee is a **device to raise taxes**, so **classify as a tax****
 - **If, e.g., checking competency / qualification of person concerned (i.e., more work involved, related to fee paid) then fee is **classified as sales of goods and services****

Recording of Social Contributions

- **Consist of:**
 - **all social security contributions, and**
 - **contributions to unfunded employer social insurance schemes that provide benefits other than retirement benefits**

Rerouting of Social Security Contributions by Govt as Employer



Recording of Grants

(1/2)

- **Grants received in cash**
 - recorded when government assumes control of the funds
- **Grants received in kind**
 - recorded when government takes delivery of goods or services
 - valued at current market prices or, if not available, use donor valuation
- **Forgiven loans are recorded as capital grants**

Recording of Grants

(2/2)

- **Grants for the acquisition of nonfinancial assets (including military facilities)**
 - recorded as capital grants
- **Grants not identified for a particular purpose**
 - recorded as current grants
- **Conditional grants**
 - recorded as grants only when conditions are met
 - recorded as liability (accounts payable) until conditions are met

Recording of Other Revenue

- **Requited current nontax transactions**
 - Property income (interest, dividends, rent, etc.)
 - Sales of goods and services
- **Unrequited current nontax transactions**
 - Fines, penalties, and forfeits
 - Current voluntary transfers other than grants
- **Unrequited capital nontax transactions**
 - Capital voluntary transfers other than grants

Classification of Revenue

(1/5)

- Different types of revenue are grouped into **four main components**:
 - 11 Taxes
 - 12 Social contributions
 - 13 Grants
 - 14 Other revenue

Classification of Revenue

(2/5)

11 Taxes

111 Taxes on income, profits, and capital gains

112 Taxes on payroll and workforce

113 Taxes on property

114 Taxes on goods and services

115 Taxes on international trade and transactions

116 Other taxes

Classification of Revenue

(3/5)

12 Social contributions

121 Social security contributions

122 Other social contributions

Classification of Revenue

(4/5)

13 Grants

131 From foreign governments

132 From international institutions

133 From other general government units

Classification of Revenue

(5/5)

14 Other revenue

141 Property income [GFS]

142 Sales of goods and services

143 Fines, penalties, and forfeits

144 Voluntary transfers other than grants

145 Miscellaneous and unidentified revenue