

# EUROPEAN PARLIAMENT

1999



2004

---

*Session document*

FINAL  
**A5-0073/2000**

22 March 2000

**\*\*\*I**

## **REPORT**

on the proposal for a European Parliament and Council regulation clarifying  
Council Regulation (EC) No 2223/96 as concerns principles for recording taxes  
and social contributions  
(COM(1999) 488 – C5-0220/1999 – 1999/0200(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Gorka Knörr Borràs



<b><i>Symbols for procedures</i></b>	<b><i>Abbreviations for committees</i></b>
<p>* Consultation procedure <i>majority of the votes cast</i></p> <p>**I Cooperation procedure (first reading) <i>majority of the votes cast</i></p> <p>**II Cooperation procedure (second reading) <i>majority of the votes cast, to approve the common position</i> <i>majority of Parliament's component Members, to reject or amend the common position</i></p> <p>*** Assent procedure <i>majority of Parliament's component Members except in cases covered by Articles 105, 107, 161 and 300 of the EC Treaty and Article 7 of the EU Treaty</i></p> <p>***I Codecision procedure (first reading) <i>majority of the votes cast</i></p> <p>***II Codecision procedure (second reading) <i>majority of the votes cast, to approve the common position</i> <i>majority of Parliament's component Members, to reject or amend the common position</i></p> <p>***III Codecision procedure (third reading) <i>majority of the votes cast, to approve the joint text</i></p> <p>(The type of procedure depends on the legal basis proposed by the Commission)</p>	<p>I. AFET Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy</p> <p>II. BUDG Committee on Budgets</p> <p>III. CONT Committee on Budgetary Control</p> <p>IV. LIBE Committee on Citizens' Freedoms and Rights, Justice and Home Affairs</p> <p>V. ECON Committee on Economic and Monetary Affairs</p> <p>VI. JURI Committee on Legal Affairs and the Internal Market</p> <p>VII. INDU Committee on Industry, External Trade, Research and Energy</p> <p>VIII. EMPL Committee on Employment and Social Affairs</p> <p>IX. ENVI Committee on the Environment, Public Health and Consumer Policy</p> <p>X. AGRI Committee on Agriculture and Rural Development</p> <p>XI. PECH Committee on Fisheries</p> <p>XII. REGI Committee on Regional Policy, Transport and Tourism</p> <p>XIII. CULT Committee on Culture, Youth, Education, the Media and Sport</p> <p>XIV. DEVE Committee on Development and Cooperation</p> <p>XV. AFCO Committee on Constitutional Affairs</p> <p>XVI. FEMM Committee on Women's Rights and Equal Opportunities</p> <p>XVII. PETI Committee on Petitions</p>



## CONTENTS

	Page
PROCEDURAL PAGE .....	4
LEGISLATIVE PROPOSAL .....	5
DRAFT LEGISLATIVE RESOLUTION .....	9
EXPLANATORY STATEMENT .....	10



## PROCEDURAL PAGE

By letter of 18 October 1999 the Commission submitted to Parliament, pursuant to Article 251(2) and Article 285 of the Treaty, the proposal for a European Parliament and Council regulation clarifying Council Regulation (EC) No 2223/96 as concerns principles for recording taxes and social contributions (COM(1999) 488 – 1999/0200(COD)).

At the sitting of 29 October 1999 the President of Parliament announced that she had referred this proposal to the Committee on Economic and Monetary Affairs (C5-0220/1999).

The Committee on Economic and Monetary Affairs appointed Gorka Knörr Borràs rapporteur at its meeting of 15 November 1999.

It considered the Commission proposal and draft report at its meetings of 7 December 1999, 27 January 2000, 29 February 2000 and 22 March 2000.

At the last meeting it adopted the draft legislative resolution by 30 votes with two abstentions.

The following were present for the vote: Christa Randzio-Plath, chairwoman; José Manuel García-Margallo y Marfil, vice-chairman, Gorka Knörr Borràs, rapporteur; Pervenche Berès, Hans Blokland, Ieke van den Burg (for Richard A. Balfe), Harald Ettl (for Hans Udo Bullmann), Jonathan Evans, Ingo Friedrich (for Staffan Burenstam Linder), Carles-Alfred Gasòliba i Böhm, Roger Helmer (for Charles Tannock pursuant to Rule 153(2)), Christopher Huhne, Pierre Jonckheer, Othmar Karas, Giorgos Katiforis, Piia-Noora Kauppi, Christoph Werner Konrad, Wilfried Kuckelkorn (for Robert Goebbels), Werner Langen (for Karl von Wogau), Jules Maaten (for Karin Riis-Jørgensen), Thomas Mann (for Astrid Lulling), Ioannis Marinos, Naranjo Escobar (for José Javier Pomés Ruiz), Mihail Papayannakis (for Ioannis Theonas), Fernando Pérez Royo, Alexander Radwan, Bernhard Rapkay, Olle Schmidt, Peter William Skinner, Marianne L.P. Thyssen, Bruno Trentin, Theresa Villiers.

The report was tabled on 22 March 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.



## LEGISLATIVE PROPOSAL

### **Proposal for a European Parliament and Council regulation clarifying Council Regulation (EC) No 2223/96 as concerns principles for recording taxes and social contributions (COM(1999) 488 – C5-0220/1999 – 1999/0200(COD))**

The proposal is amended as follows.

<u>Text proposed by the Commission <sup>1</sup></u>	<u>Amendments by Parliament</u>
<p>(Amendment 1) Title</p>	
Proposal for a <b>EUROPEAN PARLIAMENT AND COUNCIL REGULATION</b> <b><u>clarifying</u> Council Regulation (EC) No 2223/96 as concerns principles for recording taxes and social contributions</b>	Proposal for a <b>EUROPEAN PARLIAMENT AND COUNCIL REGULATION</b> <b><u>amending</u> Council Regulation (EC) No 2223/96 as concerns principles for recording taxes and social contributions</b>

*Justification:*

*The proposal doesn't only clarify but amends the regulation because it partly changes the concept.*

(Amendment 2)  
Recital 3

(3) The condition according to which the Commission cannot change underlying concepts is not, in the present case, clearly respected;

(3) The condition according to which the Commission cannot change underlying concepts is not, in the present case, clearly respected, because clear criteria need to be established which will make it possible for accounts in the various countries to be homogeneous;

*Justification:*

*The rapporteur's amendments go further than the proposal for a regulation. If their intention is to quantify the incorrect criteria used by some countries in the past, this is not the appropriate formula.*

---

<sup>1</sup> OJ C 021, 25.1.2000, p. 68.  
RR\232243EN.doc



(Amendment 3)

Recital 4

(4) It is therefore necessary to refer the clarifications concerning the recording of taxes and social contributions in ESA 95 to the European Parliament and to the Council;

(4) It is therefore necessary to refer the clarifications concerning the recording of taxes and social contributions in ESA 95 to the European Parliament and to the Council, for the purposes referred to in the previous recital;

*Justification:*

*The rapporteur's amendments go further than the proposal for a regulation. If their intention is to quantify the incorrect criteria used by some countries in the past, this is not the appropriate formula.*

(Amendment 4)

Recital 7a (new)

(7a) Article 8 of Regulation 2223/96 provides for ESA second edition to be used as the European system of integrated economic accounts for budgetary and own resource purposes as defined in Regulation (EEC, Euratom) No 1552/89, while Decision 94/728 (EC, Euratom) remains in force;

*Justification:*

*Existing legislation precludes the use of ESA 95 data in determining Member States VAT bases and as such VAT contributions paid by Member States based on ESA 95 would not be legal. The proposed technical amendment therefore, seeks to provide a legal basis for determining Member States VAT bases using ESA 95 data.*



(Amendment 5)  
Recital 7b (new)

(7b) ESA second edition data are no longer available in the level of detail required for the determination of the VAT own resource, whereas this does not affect the procedures agreed for the determination of the GNP own resource.

*Justification:*

*Existing legislation precludes the use of ESA 95 data in determining Member States VAT bases and as such VAT contributions paid by Member States based on ESA 95 would not be legal. The proposed technical amendment therefore, seeks to provide a legal basis for determining Member States VAT bases using ESA 95 data.*

(Amendment 6)  
Article 1 Purpose

The purpose of this Regulation is to establish common principles clarifying the content of ESA 95 as concerns taxes and social contributions in order to ensure comparability and transparency among the Member States.

The purpose of this Regulation is to establish common principles clarifying the content of ESA 95 as concerns taxes and social contributions in order to ensure comparability and transparency among the Member States and to ensure that ESA 95 data can be used for the determination of the VAT own resource.

*Justification:*

*Existing legislation precludes the use of ESA 95 data in determining Member States VAT bases and as such VAT contributions paid by Member States based on ESA 95 would not be legal. The proposed technical amendment therefore, seeks to provide a legal basis for determining Member States VAT bases using ESA 95 data.*



(Amendment 7)

Article 3 Treatment of taxes and social contributions in the accounts

a) If assessments and declarations are used, the amounts shall be adjusted by a coefficient reflecting assessments never collected. The coefficients shall be estimated on the basis of past experience in respect of assessed amounts never collected. They shall be specific to different types of taxes and social contributions. The determination of these coefficients shall be country specific, the method being cleared with the Commission (Eurostat) beforehand.

a) If assessments and declarations are used, the amounts shall be adjusted by a coefficient reflecting assessments never collected. Alternatively, a transfer of capital may be recorded to the sectors affected by the volume of such adjustments. The coefficients shall be estimated on the basis of past experience and present and future expectations in respect of assessed amounts never collected. They shall be specific to different types of taxes and social contributions. The determination of these coefficients shall be country specific, the method being cleared with the Commission (Eurostat) beforehand.

*Justification:*

*The intention is to make it possible for countries using the criterion of accrual to continue to do so.*

(Amendment 8)

Article 6 Implementation

The Commission, within 6 months of the adoption of the present Regulation, will introduce in the text of ESA 95, in the context of the procedure defined at the Article 2 (2) of the Regulation (CE) No 2223/96, the changes needed for the application of the present Regulation.

The Commission, within 6 months of the adoption of the present Regulations, will introduce in the text of the annex A of the Regulation (CE) No 2223/96, following the procedure in Article 4 of the Regulation (CE) No 2223/96, the changes needed for the application of the present Regulation.

*Justification:*

*The amendment clarifies the procedure and is more coherent than the original proposal.*



## **DRAFT LEGISLATIVE RESOLUTION**

**European Parliament legislative resolution on the proposal for a European Parliament and Council regulation clarifying Council Regulation (EC) No 2223/96 as concerns principles for recording taxes and social contributions (COM(1999) 488 – C5-0220/1999 – 1999/0200(COD))**

**(Codecision procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to the European Parliament and the Council (COM(1999) 488<sup>2</sup>),
  - having regard to Article 251(2) and Article 285 of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C5-0220/1999),
  - having regard to Rule 67 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A5-0073/2000),
1. Approves the Commission proposal as amended;
  2. Asks to be consulted again should the Commission intend to amend its proposal substantially or replace it with another text;
  3. Instructs its President to forward its position to the Council and Commission.

---

<sup>2</sup> OJ C 021, 25.1.2000, p. 68.



## EXPLANATORY STATEMENT

It is generally agreed that statistical data need to be not only reliable but also - and in particular – comparable and transparent, providing a high-quality statistical base which constitutes an effective aid to decision-making. The comparability/potential for standardisation of data is of particular significance when it comes to the actual work which European integration (and more explicitly, the single market) involves, and this applies both to the current context of 15 Member States and to the European Union of the future, enlarged to include the countries applying for membership.

Accordingly, we fully share the statements made in the explanatory memorandum on the proposal for a regulation clarifying Council Regulation (EC) No 2223/96 as concerns principles for recording taxes and social contributions submitted by the Commission, to the effect that the European System of Accounts ESA95, which of course replaced the previous systems dating from 1970 and 1979, 'is the tool used for calculating and comparing the Member States' economic accounts and aggregates' and we should follow this approach in the discussions between the Commission and Parliament in that the proposal amends the regulation rather than merely clarifying it.

That being said, and bearing in mind that we are dealing with a topic which centres on adjustments to ESA95, we should analyse whether the Commission proposal is the right one.

However, given that ESA95 is to be adjusted, it is worth briefly recalling the effects which stemmed from the adoption of the European System of Accounts ESA95 by comparison with ESA79.

ESA95 differs from ESA79 (in 1978 there appeared a new version with small changes) in both scope and concepts.

The main differences of scope include the following:

- (a) the inclusion of balance sheets;
- (b) the inclusion of other changes in assets accounts, i.e. the introduction of the concepts 'other changes in volume', 'nominal holding gains' and 'real holding gains';
- (c) the introduction of a subsectoring of households;
- (d) the introduction of a new concept of final consumption: actual final consumption;
- (e) the inclusion of the concept of purchasing power parities.

Some of the major differences in concepts are:

- (a) literary-artistic work is regarded as production, for which reason payments for literary-artistic work are payments for services rather than property income;
- (b) there is more detailed treatment of trade and transport margins;
- (c) the introduction of chain linking for calculating constant prices;
- (d) expenditure on computer software is regarded as capital formation rather than intermediate consumption;
- (e) capital consumption should also be recorded for infrastructural works of government such as roads, dykes, etc.;



- (f) identification of new financial instruments such as repurchase agreements and derivative financial instruments such as options.

Lastly, other major differences could be mentioned, such as:

1. the introduction of supply and use tables;
2. the clear choice in favour of valuing output at basic prices (under earlier accounting systems, valuation at producers' prices was also accepted);
3. the introduction of the concepts of economically active population and unemployment.

Having briefly summarised the main changes made to ESA95 by comparison with ESA79 and considered the texts proposed by the Commission, we shall now assess the proposal for clarification of Regulation (EC) No 2223/96 as concerns principles for recording taxes and social contributions.

The proposal submitted by the Commission *appears inclined* to give priority to the revenue actually collected rather than the taxes and social contributions due in each of the Member States.

We consider this to be a reasonable proposal, since it appears more logical to use the revenue collected as a basis for determining the actual percentage deficit.

It is common knowledge that there are occasions when a given administration records as due an amount which it will never actually collect - however many analyses of collectibility are made - which means that the administration concerned is implicitly falsifying its deficit.

Different situations may arise when the amounts due are calculated given the differing criteria used by various countries and the various Member States; in the case of revenue, nevertheless, the need for more homogeneous accounting is indisputable.

It might be pointed out that, in addition to the preference for giving priority to the revenue actually collected rather than the taxes due, the way is left open in Article 3 of the Commission proposal for the possibility of two options for calculating the amounts of taxes and social contributions recorded in the accounts, i.e. to use cash receipts or amounts evidenced by assessments and declarations.

Your rapporteur takes the view that, in offering two options concerning the form in which revenue is recorded in the accounts, the intention of Article 3 is not to distort the assessment of those amounts but, on the contrary, to arrive at the same figure in two different ways; one, in my view the more correct way, or at least the more academic way, is the criterion of income, with the corresponding provision concerning collectability, set out in paragraph (a) of Article 3; the other option, that set out in paragraph (b), is the criterion of cash receipts adjusted to take account of the time difference between the activity and cash tax receipt.

Both calculation procedures should result in the same figure, which will be the outcome of the tax in that particular financial year. It might be added that there is no other accounting method which would correctly record revenue in a budget.

The option of using either of the two accounting methods, as proposed by the Commission, offers the great advantage of making it possible for adjustments to be made as soon as application of these criteria is approved. An obligation to use one or other of the methods would create problems in those Member States which have not already been using that system, as is



generally the case where any well-established system is changed, i.e. a whole group of people responsible for carrying out such tasks would have to adapt to the new system and, in the majority of cases, changes would also have to be made to the computer programs used.

Consequently, your rapporteur takes the view that the Commission's proposal regarding the treatment of taxes and social contributions in the accounts is both correct and effective in view of the fact that it can be applied immediately, even though Article 3 of the Commission proposal should take account of the need to encourage Member States to gather statistical data, even aggregated data, concerning taxes on products by establishing a similar mechanism for recording and adjusting such taxation.

We therefore take a favourable view of the criterion which the Commission intends to set because we share its inclination to give priority to the revenue actually collected rather than the taxes and social contributions due in the Member States, and because it opens up the possibility of two methods of calculation which will make it possible for the systems used by the Member States to be adapted. A study of the Commission proposal shows that the treatment of taxes and social contributions in the accounts should indeed follow the two proposed methods; emphasis should also be placed on the importance of the calculation of non-collectability, which Article 3 presents as a coefficient reflecting amounts due but not collected, since failure to adopt that provision or coefficient would lead to the generation of a concealed structural deficit, a scenario which should be avoided and which would affect the reliability of macroeconomic figures.

Finally, consistent with the view expressed in this report that the Commission proposal is an amendment rather than a clarification, and that, moreover, it is an amendment which affects basic concepts, we consider that, instead of using the procedures under Article 2(2) of Council Regulation No 2236/96 of 25 June 1996 for the adoption of changes to the methodology intended to clarify and improve the content of ESA95, use should be made instead of the introduction procedure set out in Annex A of that regulation, following the procedure defined in Article 4 thereof.