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Directorate C: National and European Accounts

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Ms Ludmila Benkovičová
President
Statistical Office of the Slovak Republic
Mileticova 3
SK - 82467 Bratislava

Subject: Change in method of recording taxes and social contributions

Ref.: Your letter no. 300-0524/2006 dated 5 December 2006

Dear Ms Benkovičová,

In respect to your letter dated on 5 December 2006 requesting Eurostat's agreement on a proposed change in method for the recording of taxes and social contributions in national accounts, I am in a position to reply to your request.

The case

Regulation 2516/2000 provides for two methods for accrual recording of taxes and social contributions with a view not to record amounts unlikely to be collected: (1) assessments and declarations and (2) time adjusted cash.

The Slovak Republic intends to move to the method of time adjusted cash for recording taxes and social contributions, pointing at the following inconveniences of the calculation of coefficient by the method of assessments and declarations currently used: (1) "risk of revisions of time series in case of calculation of coefficient not reflecting reality", (2) need for "data sources of a good quality for the calculation of coefficient" and (3) "involvement of many institutions in the calculation" ("requiring very good understanding of the issue by the compilers").

Analysis

Eurostat notes that the Regulation leaves compilers with the choice of method, without indicating first best option.

Eurostat analysed the time series provided by the Slovak authorities for the years 1997-2005 calculated using both above mentioned methods. Some differences were observed between the

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figures from year to year though broadly compensating over time. In addition, Eurostat takes note of the reasons put forward by the Slovak authorities to abandon the method of assessments and declarations, in particular the regular backward revisions of the time series it has implied.

Conclusion

Eurostat agrees with the proposed change in the calculation method, with recording taxes and social contributions using the time adjusted cash starting from the April 2007 EDP notification.

Please note that such a change requires revision of backwards time series in all related tables of the ESA95 transmission programme.

We would like to remind you that Eurostat is committed to adopting a fully transparent framework for its decisions on debt and deficit matters in line with the amended Council Regulation 3605/93 and the note on ex-ante advice, which has been presented to the CMFB and cleared by the Commission and the EFC. Eurostat intends, therefore, to publish all future official methodological advice (ex-ante and ex-post) given to Member States, on the Eurostat web site. In case you have objections concerning this specific case, we would appreciate if you let us know. In any case (regardless of whether you have objections or not) we would like to receive an answer from you on the issue no later than 28 March 2007.

Yours sincerely,



Laurs Nørlund
Director