

Glossary: Government revenue and expenditure

Statistics Explained

The GFS presentation

In order to achieve consistency between on the one hand the [national accounts](#) logic (expressed in the sequence of accounts for production, generation, distribution, redistribution and use of income, accumulation and financing) and on the other hand a government budget perspective (government spending and receipts), two additional concepts about national accounts categories are defined in the [European system of national and regional accounts \(ESA 2010\)](#) - government **total revenue** and government **total expenditure** .

This alternative presentation to the national accounts **sequence of accounts** , at the core of which is the harmonised definition of total revenue and total expenditure is in many ways better suited to the particular analytical requirements of fiscal analysts. This presentation is commonly called the government finance statistics presentation (**GFS**). Both presentations are complementary, with two tables in the GFS part of the national accounts transmission programme allowing for a full or near full presentation of both concepts. The key balancing item of the GFS non-financial accounts is net lending (+)/ net borrowing (-) or more commonly the surplus/ deficit. It is alternatively derived through the sequence of accounts or through the difference between total revenue and total expenditure.

Net lending (+)/ net borrowing (-) = Government surplus / deficit (net lending/ borrowing under EDP) = gross saving (defined as gross disposable income less final consumption expenditure) less net capital transfers less gross acquisitions less disposals of non-financial [assets](#) , or = **total revenue less total expenditure** = (conceptually) net acquisition of financial assets less net incurrence of liabilities

Total revenue

Total revenue is the aggregate of all transactions recorded under resources in the ESA framework, including subsidies receivable in the current accounts and capital transfers receivable recorded in the capital account. Total expenditure is an aggregate of all transactions recorded under positive uses, and subsidies payable, in the current accounts as well as transactions (gross capital formation, acquisition less disposals of non-financial non-produced assets plus capital transfers payable) in the capital account.

A **revenue** transaction is one that increases net worth. Revenue is presented in the tables as the sum of taxes, net social contributions, sales (defined as market output, output for own final use and payments for non-market production), other current revenues and capital transfer revenues. Total taxes are composed of taxes on production and imports (so-called indirect taxes), current taxes on income and wealth (direct taxes), and capital taxes (some classifications of taxes include capital taxes as a component of direct taxes). Net social contributions consist of actual social contributions by employers and households collected as well as imputed social contributions, households' social contribution supplements and social insurance scheme service charges. 'Other current revenues' consist of the categories property income earned, other subsidies on production received and other current transfers. While this latter category is often dominated by other current transfers between different levels of government, these must be consolidated when presenting data for the whole general government.

Total expenditure

Total **expenditure** is calculated as the sum of transactions in the following categories: compensation of employees, intermediate consumption, interest, subsidies, social benefits, other current expenditure, capital transfers and capital investments. The categories 'compensation of employees' and 'intermediate consumption' form part of the cost of production incurred by the government as a producer. The category 'compensation of employees' includes 'wages and salaries paid' and the 'employers' social insurance contributions' (including imputed social contributions). 'Intermediate consumption' contains the goods and services consumed by the government during its production process. Social benefits consist of social benefits other than social transfers in kind (mainly cash transfers) and of social transfers in kind purchased via market producers (such as the provision, paid by government, of medical services by health care providers classified outside the general government sector). The recording of social benefits expenditure does not include social transfers in kind provided by non-market producers within general government, such as medical services provided by hospitals classified within general government or certain types of social housing. This is to avoid counting such expenditures twice (once as social transfers and once as a cost of production) in the calculation of total expenditure. The category 'interest' includes payments on government liabilities on an accrual basis. Interest expenditure does not include fees and charges made under the service component of interest payments; such expenditures are recorded as 'intermediate consumption'. The category 'other current expenditure' is composed of 'other taxes on production', 'property income other than interest', 'current taxes on income, wealth, etc.', 'other current transfers' and the 'adjustment for the change in pension entitlements'. 'Capital transfers' comprise 'investment grants' and 'other capital transfers'. Last in the sequence, the category 'capital investments' includes 'gross fixed capital formation' among other capital transactions. Disposals of non-financial assets are included as negative investments in this category and not on the revenue side.

In summary

- **government revenue** is the sum of:
 - "sales" consisting of:
 - * **market output**
 - * output for own final use
 - * payments for **non-market output** ,
 - **taxes on production and imports** ,
 - other **subsidies on production** ,
 - property income, receivable
 - current taxes on income and wealth etc., receivable,
 - **social contributions** ,
 - other current **transfers** , receivable and
 - capital transfers, receivable.

- **Government expenditure** is the sum of:
 - **intermediate consumption** ,
 - **gross capital formation** ,
 - compensation of employees,
 - other taxes on production, payable
 - **subsidies** payable,
 - property income (including interest) payable,
 - current taxes on income, wealth etc., payable,
 - **social benefits** other than **social transfers** in kind,
 - social transfers in kind - purchased market production,
 - other current transfers payable,
 - adjustment for the change in pension entitlements,

- capital transfers, payable and
- acquisitions less disposals of [non-financial non-produced assets](#) .

By convention, the internal transactions inside the general government sector are partially consolidated; this is left out of government revenue and expenditure: those transactions between different subsectors or between different general government units belonging to the same subsector related to property income, other current transfers and capital transfers.

Related concepts

- [Total general government expenditure](#)
- [Total general government revenue](#)

Statistical data

- [Government finance statistics](#)
- [Government finance statistics - quarterly data](#)