



METHODOLOGICAL EXPLANATION

THEORETICAL VALUE ADDED TAX AND VAT GAP

This methodological explanation relates to the data release:

- Theoretical value added tax and VAT gap, Slovenia, annually (SiStat Database)

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1 PURPOSE

The purpose of the release is to provide the estimation of theoretical value added tax (VAT) and its comparison with VAT actually collected. Data show non-deductible VAT, i.e. final payments of VAT according to categories of final payers, and the VAT gap.

2 LEGAL BASIS

- [Annual Programme of Statistical Surveys \(LPSR\)](#) (*only in Slovene*)
- [National Statistics Act](#) (OJ RS, No. 45/95 and 9/01)
- [Regulation \(EU\) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union \(CELEX 32013R0549\)](#)
- [Commission Decision 98/527/EC of 24 July 1998 on the treatment for national accounts purposes of VAT fraud \(the discrepancies between theoretical VAT receipts and actual VAT receipts\) \(CELEX 31998D0527\)](#)

Data are internationally comparable and contribute to European statistics.

3 UNIT DESCRIBED BY THE PUBLISHED DATA

The unit described by the published data is non-deductible VAT, i.e. final payments of VAT.

4 SELECTION OF OBSERVATION UNIT

The calculation covers all activities following the concept of production by the System of National Accounts (SNA) and the European System of Accounts (ESA).

5 SOURCES AND METHODS OF DATA COLLECTION

The sources of data are detailed SURS's national accounts data which are calculated and published within the field Gross domestic product, other aggregates of national accounts and employment and the field Input-output tables, supply and use tables. Descriptions of data are available in the methodological explanations for these fields.

6 DEFINITIONS

Theoretical VAT is the amount of VAT which would have been received if all the actors in the economy paid VAT according to the legislation. Theoretical VAT and **VAT actually received** by the tax authority differ because of non-deliberate or deliberate omissions by VAT payments (VAT fraud) and irrecoverable VAT, which together form the so-called VAT gap. In national accounts the amount of actually received VAT in accounting period, i.e. accrual VAT is registered. But the calculation of theoretical VAT

is necessary in order to check the exhaustiveness and completeness of GDP calculations.

Theoretical VAT is calculated from national accounts data. It is calculated by determining all taxable purchases/uses and final payers of VAT in the economy, and then considering the prescribed tax rates for these transactions. Final payers of VAT are those who bear the fiscal burden. VAT is for them non-deductible and they are not allowed to turn it over to another economic actor.

Final payers of VAT, i.e. sectors and categories where theoretical non-deductible VAT is allocated, are:

- Households' final consumption expenditures as the most important category;
- Sector S.13 General government: included is non-deductible VAT in intermediate consumption, transfers in kind of market goods and services to households via market producers and in gross fixed capital formation. The calculation considers that governmental units can carry out also taxed secondary activities for which VAT is deductible;
- Sector S.15 Non-profit institutions serving households (NPISH): included is non-deductible VAT in intermediate consumption and gross fixed capital formation. As in general government, the part of activities that are taxed and for which VAT is deductible is considered;
- Other VAT exempt activities and products:
 - o Intermediate consumption and gross fixed capital formation in other exempt activities, the products of which are not taxed and these activities cannot deduct input VAT. Included are exempt activities of the business sector as primary or secondary activity. Among these activities are financial and insurance activities, education, health and social services, associations, culture and sports activities, gambling industry, housing services, etc.;
 - o Own account construction of houses by households;
 - o Small enterprises outside the VAT system: included is VAT in their intermediate consumption and gross fixed capital formation. These units do not charge VAT on their products. This is considered in final household consumption where products of these units are treated as VAT exempt products.
 - o Expenditures in the business sector for products for which VAT cannot be deducted: expenses for hotel and restaurant services, representation expenses, etc.

- Expenditures for acquisitions of business cars, costs of their fuel consumption and their repair and maintenance costs in the business sector, for which VAT cannot be deducted, are treated separately.

7 EXPLANATIONS

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8 PUBLISHING

Data are published:

Annually:

- SiStat Database: Economy – National Accounts – [Gross domestic product, annually data \(ESA 2010\)](#). Data are published in absolute values and shares, at current prices.

9 REVISION OF THE DATA

9.1 PUBLISHING OF PRELIMINARY AND FINAL DATA

Revision policy of national accounts is stipulated with ESA 2010, so data are not determined the status of preliminary or final.

Data for year t are first published at t + 32 months and are afterwards revised on a yearly basis in case of revisions of national accounts data.

9.2 BREAKS IN TIME SERIES

There are no breaks in time series, so all points in time are comparable.

Methodological explanation on revision of statistical data is available on <https://www.stat.si/dokument/5299/RevisionOfStatisticalDataMEgeneral.pdf>.

10 OTHER METHODOLOGICAL MATERIALS

- European System of Accounts ESA2010
<http://ec.europa.eu/eurostat/documents/3859598/5925693/KS-02-13-269-EN.PDF/44cd9d01-bc64-40e5-bd40-d17df0c69334>
- Methodological explanation Gross domestic product, other aggregates of national accounts and employment
<https://www.stat.si/StatWeb/File/DocSysFile/8059/03-019-ME.pdf>
- Methodological explanation Input-output tables, supply and use tables
<https://www.stat.si/StatWeb/File/DocSysFile/8106/03-076-ME.pdf>