

Methodological summary: VALUE ADDED TAX (VAT)

Objectives and contents of the statistics

INTRODUCTION

Since the year 1999, each year, the State Tax Administration Agency (AEAT), belonging to the Ministry of the Treasury, compiles statistical information with the periodical VAT statements-settlements. This is research, of a census nature, based on the information supplied by the economic agents subject to the Value Added Tax through the "Annual Summary" VAT statements, forms 390 and 392. Information is provided regarding the main components, of both the economic variables (sales, purchases, investment and foreign trade), and the tributary values that determine the balance of VAT by statement, and the main tributary parameters of the tax (average rates of sales and purchases, etc.).

OBJECTIVES

This is a state tax governed by harmonised regulations, and whose collection is indirectly connected to the evolution of the relevant economic magnitudes of the economy.

The final objective is to analyse the tax corresponding to the final domestic consumption, through the indirect analysis provided by the statements-settlements of the same. That is, the tax corresponding to the breakdown of the added values included in production, by all economic units of the system (units filing returns).

CONTENTS

The statistical tables are presented in the following information groups:

- **Collection** and elements comprising it: this is the whole of the VAT quotas of different signs. This establishes a set of collection concepts linked to the different phases of configuration of the production account of companies, for the purpose of relating the final VAT collection with a Theoretical Tax Base consisting of the value of Domestic consumption.
- The basic **economic magnitudes** contained in the statements of the persons liable of the Tax: Sales, Current purchases, Investment, Added Value and Trade balance.
- The Persons filing returns by **taxation scheme** broken down by Autonomous Community and sector of activity

Reference scope

GEOGRAPHICAL SCOPE

Section 1 of article 3 of Law 37/92, of the Value Added Tax, establishes as a spatial scope of the tax, the Spanish territory, including the adjacent islands, the territorial sea to a limit of 12 nautical miles, and the air space corresponding to said territory. Section 2 of article 3 of this Law, states as exclusions from the scope of application of the tax, those transactions carried out in Canarias, Ceuta and Melilla.

The regulations on the tax establish some specific norms that regulate the special scheme on the territory, affecting the historical territories of País Vasco and Comunidad Foral de Navarra.

In these cases, the tax will be required in accordance with that which is set out in this VAT Law, and in the regulating norms of the Agreement and Economic agreement schemes in force. The basic application conditions of the tax are the following:

- When transactions of a value of less than 3,005,060.52 euros (500 million pesetas) are carried out in the previous exercise, this shall be taxed solely in the territory in which the fiscal domicile is located, irregardless of where the transactions take place.
- When the figure of 3,005,060.52 euros is exceeded in the previous exercise, and it operates only in one territory, it shall be taxed in this territory, irregardless of where its fiscal domicile is located.
- When the figure of 3,005,060.52 euros is exceeded in the previous year, and it operates in both territories, it shall be taxed in each Tax Administration in the proportion that each one represents in comparison with the total, irregardless of where its fiscal domicile is located. In this case, the annual VAT summary statement should include the entirety of its transactions during the calendar year.

As a result of the above, the annual tax summary shall not include the transactions of those subjects that are taxed exclusively by the Territorial Administrations of País Vasco and Navarra.

POPULATION SCOPE

The current statistics are a census study of the companies that present an annual VAT statement.

All those persons liable of the VAT who have the obligation of presenting periodical statements-settlements of the tax shall present an annual-summary statement, whether monthly or quarterly, as well as those persons liable ascribed to the joint statement procedure.

The coverage of the statements will be scarce within the scope of the transactions of the Public Administration, given that the activities provided that are not for profit are not subject to VAT.

This also includes a group of persons liable, considered to be businesspersons only for the purposes of application of the VAT Law, and this is comprised of the lessees of business premises.

TIME SCOPE

The current use includes the annual statements of the Value Added Tax.

Target variables

CLASSIFICATION VARIABLES

Autonomous Community

The Delegation of the Tax Agency corresponding to the fiscal domicile of the person liable provides the geographical location, which in general coincides with the place from which the company is directed and administered, which allows for classifying companies by Autonomous Community.

Excluded from the statistics are País Vasco and Navarra, due to their provincial territory nature with their own management and regulations, and Canarias, Ceuta and Melilla, due to being outside the scope of application of the VAT.

Class

Considering certain settlement features and specific tax regulations that condition the collection behaviour of persons liable, these are grouped into:

Simplified scheme: Specific and differentiated statement procedure. This category includes all persons submitting a statement whose VAT result is solely due to activities in the simplified scheme, and who do not carry out any activity within the general scheme.

General Scheme: *Activities with reduced rates* (activities that are significantly integrated with VAT rates supported in current transactions higher than the VAT rates paid that carry out transactions in which a reduced or super-reduced VAT rate is paid); *Special deduction scheme* (grouping all persons filing returns applicable for the special deduction scheme) *General deduction scheme* (category including the rest of the persons filing returns in the general scheme).

Group

According to the causes of the sign of the annual Tax settlement, those filing returns are grouped into the following categories or groups:

Positive group. These shall be all those persons liable whose VAT statements to not incur in any of the causes that imply generating a negative balance, in other words, advancing the VAT collection of the Treasury, thus becoming a creditor of the same.

Negative group. Within this group, we distinguish between:

Exporter group. Those persons filing returns whose collection balance is converted into negative as a result of foreign sales. The collection derived from current transactions, including the resulting balance after deducing the VAT quotas for investment, leads to a positive amount, however, if we eliminate the amount of the VAT quotas considered as collected VAT in the analysis of the current transactions as regards foreign sales, this is when the negative balance appears. This group is comprised of all those subjects whose negative balance is justified by carrying out foreign transactions.

Investor group. Those persons filing returns whose collection balance becomes negative as a result of the deductions due to investment transactions. The collection derived from the current transactions is positive, but not enough to absorb the quotas dealt with in the acquisitions of investment goods. This is, therefore, a group whose negative balance is justified by the act of making investments.

Activity group. This is the group whose collection balance due to current transactions already shows negative figures. This negative balance may be caused because the quotas affected are so at a reduced or super-reduced rate, and nevertheless, they deal with quotas at the general rate, without obtaining a margin or added value in the activity that covers the difference. Likewise, a negative balance is obtained when a negative added value is generated, the current purchases are greater than the sales: cases of operating losses or cases of the beginning of the activity. In any case, in this group, the causes of the negative balance may be of a different nature, but always a result of the specific features of the activity carried out by the person liable.

Economic Sector

The main activity of each company is obtained from the annual VAT statement, from the information of sections of the annual economic activities tax and from the main activity assigned in the Large Companies Census, information which is more than enough to determine the economic sector. Depending on this activity, companies are classified into 10 sectoral groupings: Energy and water; Industry; Construction and Real estate services; Trade; Transport and Communications;

Accommodation and Catering; Financial and insurance companies; Services provided to companies; Education and Health; Other and unclassified.

Variables of analysis

COLLECTION MAGNITUDES

These comprise the settlement of the tax. The analysis of the collection is carried out through the process of configuration of the real VAT collection by the application of the regulations in force.

The configuration of the collection of the exercise, in practice, should be analysed not in the annual summary computation, but rather in its integration of periodical statements-settlements. That is, the VAT is settled through quarterly or monthly statements, according to whether the company is small or medium-sized in the first case, or large in the second case. The final collection is comprised of several elements of a contrary sign, that is: income, returns (monthly or annual) and compensations

ECONOMIC MAGNITUDES

These are grouped in the following aggregates:

Sales. The concept of sales that is used in statistics coincides conceptually with the volume of operations defined in Article 121 of Law 37/1992 regarding VAT, and which requests in section 108 of the annual statement, which corresponds to the total value (VAT excluded) of the deliveries of goods and provision of services by the businessperson during the calendar year, including those that are exempt from the tax. This does not include the atypical income due to financial transactions, real estate sales or investment sales. Given the multitude of schemes and the non-response that affects that part of the statement, it is necessary to delimit the elements that will integrate the definition of this magnitude.

Current Purchases. The concept of a current purchase used implicitly in the VAT Law includes, in terms of the General Accounting Plan, those "purchases and work carried out by other companies" of subgroup 60, and expenditure on R&D, on leases and cannons, on repairs and preservation, on professional services, on transport, on advertising, supplies and others services including those banking services that do not have the condition of financial expenses.

Net investment. This is obtained by the difference between the purchases of investment goods and the sales of this same nature, the latter consigned in section 107 according to article 108 of the VAT Law. Investment goods are considered to be corporal goods, furniture, livestock or real estate that, due to

their nature and function, are normally intended to be used for a period of time longer than one year, as work instruments or operation means.

Added value. This is a derived magnitude that is obtained as the difference between one sales variable and one current purchases variable, both referring to the same set of transactions. For this reason, as many definitions of added value are distinguished as different groups of activities are considered in the analysis of these statistics. A distinction is made between the added value of activities in the general scheme, and the added value in the special schemes.

Balance of the trade balance. The importance, on an economic level, of the exit of the Foreign balance and the possibility of obtaining figures on foreign activity developed by companies that submit VAT statements, makes it relevant to include data on intracommunity exports and deliveries, and intracommunity imports and acquisitions.

SETTLEMENT OF THE TAX

Through the settlement, we obtain the collection of the period as a base and a weighted average rate. The base, in turn, is integrated by aggregation of the different components (sales, current purchases, investment, intracommunity acquisitions and foreign sales), and a specific tax rate corresponds to each one of them.