



Proposed Recommendations Document:

1.5 Treatment of External Assets and Related Income Declared Under Tax Amnesty in External Sector Statistics

Summary Details

Links to Related Guidance/Discussion/Issue Notes and Latest Manuals:

[B.9 Treatment of external assets and related income declared under tax amnesty in external sector statistics](#)

[Draft 2025 SNA](#) and [Draft BPM7](#)

Global Consultation(s):

BP Consultation: [February 2021](#)

Discussions at the Advisory Expert Group on National Accounts (AEG) / Balance of Payments Committee (BOPCOM) Meeting(s):

BOPCOM: [April 2021](#)

Discussions at GFSAC Meeting(s):

To be determined

Summary of Proposed Recommendations:

The proposed recommendation is to make no conceptual changes to the *GFSM 2014* in the context of tax amnesties. The *BPM* guidance note recommends that the updated *SNA* and *BPM* follow accrual principles for the time of recording of transactions and stock positions related to tax amnesties. This is in accordance with the current text in the *GFSM 2014* which explains that the time of recording and measurement of tax revenue arising from tax amnesties will be in accordance with accrual principles and will depend on the nature of amnesty granted and whether the revenue has been previously accrued. Although no conceptual changes are proposed to the *GFSM*, it is proposed to add a clarifying sentence on the application of the accrual principles to previously undisclosed transactions, events and/or assets.

Background and Issues

1. International statistical standards such as the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* do not provide specific guidance on the treatment of cross-border assets and income declared under tax amnesties in external sector statistics. Clarity was

therefore sought on how external assets and income reported under tax amnesties should be treated in external sector statistics (ESS).

2. Many countries have implemented tax amnesties on external assets and related income in recent years. In general, a tax amnesty is a limited-time opportunity for a specified group of taxpayers (households and corporations) to report undeclared income and assets relating to an earlier tax period or periods, and pay a defined amount (that may include specific penalties and interest) in exchange for forgiveness of the tax liability, without fear of criminal prosecution. Governments use tax amnesties to repatriate undeclared external assets, to collect some revenue out of the taxes accrued but unpaid, to speed up payment of taxes, and to capture revenue from transactions or events that had previously escaped the attention of the tax authorities (see *GFSM 2014*, para. 5.19).

3. The scope of tax amnesties varies by country, typically covering undisclosed domestic/external assets (e.g., currency, real estate) and associated income (e.g., interest, dividends). The current practice shows that countries have divergent approaches for capturing these in ESS including no change in the ESS, recording only in the current period, and recording in both current and previous periods.

4. Transactions and stock positions related to tax amnesties should be recorded in accordance with accrual principles. This supports the current text in the *GFSM 2014* which explains that the time of recording and measurement of tax revenue arising from tax amnesties will be in accordance with accrual principles and will depend on the nature of amnesty granted and whether the revenue has been previously accrued.

5. Importantly, in accordance with the accrual principle, if a tax amnesty establishes tax obligations for previously undisclosed transactions, events, and/or assets, then the tax revenue in government accounts should be recorded when the tax obligation is established and not to a period prior to the tax amnesty.

Proposed Recommendations

6. The *GFSM 2014* is already consistent with the *SNA/BPM* recommendations and therefore no conceptual changes are required for the update, although additional clarifying text may be considered as described in para. 8 below.

Rationale for Proposed Recommendations

7. A key objective of the *GFSM 2014* update is to harmonize the updated GFSM with the 2025 *SNA* and *BPM7*. As the conceptual text in the *GFSM 2014* is already consistent with the *SNA/BPM* recommendations no changes are required.

Proposed Text for GFSM Update

8. In order to clarify the application of the accrual principle cited in the *GFSM 2014*, the updated GFSM should add the draft 2025 *SNA* (para. 8.89) and *BPM7* (para. 13.18) text:

8.89 Government may establish tax amnesty programmes. Two broad types of such programmes can be distinguished: (i) amnesties to speed up, or encourage, payment of taxes which have been accrued but are unpaid (i.e., relating to already disclosed transactions, events, and/or assets); and (ii) amnesties to capture revenue from economic activities and/or assets that have previously escaped the attention of the tax authorities (i.e., relating to previously undisclosed transactions, events, and/or assets). The time of

recording and measurement of revenue arising from tax amnesties will depend on the exact nature of the amnesty granted and whether the revenue has been previously accrued. However, in accordance with the accrual principle, if a tax amnesty establishes tax obligations for previously undisclosed transactions, events or assets, then the tax revenue should be recorded when the tax obligation is established and not to a period prior to the tax amnesty.