On approval of Methodology of calculating gross domestic product with the income approach

Unofficial translation

Order of the Chairman of the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan dated September 20, 2017 No. 131. Registered with the Ministry of Justice of the Republic of Kazakhstan on October 6, 2017 No. 15859

Unofficial translation

In accordance with subparagraph 5) of Article 12 of the Law of the Republic of Kazakhstan of March 19, 2010 "On State Statistics" and subparagraph 258) of paragraph 17 of the Regulation on the Ministry of National Economy of the Republic of Kazakhstan, approved by resolution No. 1011 of the Government of the Republic of Kazakhstan dated September 24, 2014, I hereby ORDER:

1. To approve the attached Methodology of calculating gross domestic product with the income approach.

2. In accordance with the procedure established by the legislation, the department of national accounts together with the Legal department of the Committee on statistics of the Ministry of National Economy of the Republic of Kazakhstan shall:

1) provide the state registration of this order with the Ministry of Justice of the Republic of Kazakhstan;

2) within ten calendar days from the date of state registration of this order, direct its copy in paper and electronic forms in the Kazakh and Russian languages to the Republican State Enterprise with the Right of Economic Management “Republican Center of Legal Information ” for official publication and inclusion in the Reference Control Bank of Regulatory Legal Acts of the Republic of Kazakhstan;

3) within ten calendar days after the state registration of this order, direct a copy of it for official publication in periodicals;

4) place this order on the Internet resource of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan.

3. Control over the execution of this order shall be entrusted to the Deputy Chairman of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan (G. Kerimkhanov).

4. This order shall be enforced upon expiry of ten calendar days after the date of its first official publication.

Chairman
of the Committee on Statistics
of the Ministry of National Economy
of the Republic of Kazakhstan *N. Aydapkelov*

Approved
by order No.131
of the Chairman
of the Committee on Statistics
of Ministry of National Economy
of the Republic of Kazakhstan
dated September 25, 2017

Methodology of calculating gross domestic product with the income approach

Chapter 1. General Provisions

1. The methodology of calculating gross domestic product with the income approach (hereinafter the Methodology) refers to the statistical methodology formed in accordance with international standards and approved in accordance with the Law of the Republic of Kazakhstan "On State Statistics" dated March 19, 2010.

2. This Methodology is applied by the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan to calculate the gross domestic product with the income approach in accordance with international standards and is used for the purposes of the System of National Accounts (hereinafter - SNA).

3. The 2008 SNA prepared by the International Monetary Fund, the Organization for Economic Cooperation and Development, the Statistical Office of the European Communities , the United Nations and the World Bank is used as the methodological basis.

4. The following definitions are used in this Methodology:

1) gross value added (hereinafter - GVA) - characterizes the end result of the production activity and represents the value, added by processing in this production process. It is estimated at the level of industries as the difference between the output of goods and services and intermediate consumption, includes the value of fixed capital consumed in the production process;

2) gross domestic product (hereinafter - GDP) -is one of the most important indicators of the system of national accounts, which characterizes the final result of the country's economic activity;

3) institutional unit - an economic entity that is capable, in its own right, of owning assets, incurring in liabilities and engaging in economic activities and in transactions with other institutional entities;

4) non-resident - an institutional unit that is not a resident;

5) a resident - an institutional unit whose predominant center of economic interests is located in the economic territory of a given country, that is, it is engaged for a relatively long period (a year or more) in economic activity in this territory;

6) unincorporated household enterprises - household units engaged in production of goods and services for the purpose of their sale, but not being legal entities.

Chapter 2. Gross domestic product with the income approach in the System of national accounts

5. The GDP estimated with the income approach determines its structure on the basis of primary incomes: payment of salaries to hired employees, net taxes on production and imports, profits, and mixed income.

6. GDP with the income approach is formed on the basis of the SNA generation of income account. This account reflects the payment of primary income by resident institutional units engaged in the production of goods and services. Appendix 1 to this Methodology illustrates an example of generation of income account.

7. The value of GVA is recorded in the resource part of the account. GVA value is transferred from the production account. In the use the following costs of producers from the value added are reflected:

payment of salaries;

net taxes on production and imports (taxes minus subsidies).

8. The balancing item of the income account is gross profit and gross mixed income, which are reflected in the use side.

Chapter 3. Calculation of gross domestic product with the income approach

9. Calculation of GDP with the income approach is made on the following formula:

GDP = COE + NT + GOS + GMI, (1)

where:

GDP – is gross domestic product;

COE – compensation of employees, wages;

NT - net taxes on production and imports;

GOS - gross operating surplus (gross profit);

GMI - gross mixed income.

10. The labor remuneration of employees includes two main components:

wages and salaries;

amounts of employers social insurance contributions.

11. The following components are not included in the salaries of hired employees and are considered as intermediate consumption:

expenses of employers for goods and services that are not in the interests of the workers using them, but in the interests of the employers;

remuneration of non-staff members (employees of other enterprises or self-employed persons) for performing one-time work;

expenses for cultural and recreational activities.

12. Information sources for the formation of wages are data from national statistical observations on labor, on the financial and economic activities of an enterprise, on the activities of a small enterprise and on a sample survey of the population employment.

13. Net taxes on production and imports are determined by the following formula:

$NT = T - S$, (2)

where:

NT –is net taxes on production and imports;

T - taxes on production and imports;

S - subsidies for production and imports.

14. Information sources for the generation of net taxes on production and imports are administrative data of administrative sources.

15. Taxes on production and imports include taxes on products listed in the List of taxes on products in accordance with Appendix 2 to this Methodology, and other taxes on production given in the List of other taxes on production in accordance with Appendix 3 to this Methodology.

16. Subsidies for production and import include subsidies on products and other subsidies for production.

17. Subsidies for products are paid per unit of goods produced or services: in proportion to the quantity or value of goods and services produced, sold or imported by residents.

Food subsidies include:

regular reimbursement to enterprises from the state budget of permanent losses resulting from the fact that the sales price of the products they produce is set below the average production costs;

subsidies for regular reimbursement to enterprises from the budget of the losses arising as a result of their sale of products and services at below-market prices (for example, at government regulated retail prices);

import subsidies, payable when the goods cross the territory of the Republic of Kazakhstan or when non-residents provide services to residents;

export subsidies, payable by the government when the goods leave the territory of the Republic of Kazakhstan or when services are provided to non-residents.

18. Other subsidies for production consist of subsidies received by enterprises from state administration bodies for the use of factors of production.

Other production subsidies include the following main types of subsidies:

subsidies paid in connection with the use of labor of a special contingent of persons;

subsidies associated with the use of other factors of production;

subsidies to reduce environmental pollution.

19. The balancing item of the income generation account measures the gross profit derived from production to the accounting of incomes from property and gross mixed income

of unincorporated household enterprises producing unpaid labor costs and containing an element of remuneration for work inseparable from the income of the owner or entrepreneur.

20. Gross profit and gross mixed income are calculated on the formula:

GOS + GMI = GVA - COE - (Tp - Sp), (3)

where:

GOS – is gross operating surplus (gross profit);

GMI - gross mixed income;

GVA – gross value added;

COE - compensation of employees (wages);

Tp - other taxes on production;

Sp - other subsidies on production.

21. At the final stage, the obtained results are coordinated with the GDP calculated by the production method.

Appendix 1
To Methodology of calculating
gross domestic product
with the income approach

Example of generation of income account

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Operations and balancing items	Total
Resources	
Gross value added	
Use	
Salaries	
Net taxes on production and import	
Gross profit	
Gross mixed income	

Appendix 2
to Methodology of calculating
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List of taxes on products

1. Value Added Tax;
2. Excises;
3. Payment for the use of surface water resources;
4. Rental tax on exports, excluding revenues from oil sector organizations;
5. Rental tax on exports from oil sector organizations;
6. Collections from auctions;

7. Collections for motor vehicles passage on the territory of the Republic of Kazakhstan;
8. Payment for outdoor (visual) advertisement placement;
9. Tax on gambling business;
10. Customs payments;
11. Special, anti-dumping, countervailing duties;
12. Special protective, antidumping and countervailing duties that are not distributable.

Appendix 3
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List of other taxes on production

1. Social tax;
2. Property tax of legal entities and individual entrepreneurs;
3. Land tax;
4. Tax on vehicles from legal entities;
5. Payment for emissions into the environment;
6. Fixed tax;
7. Incomes from the recovery of losses of agricultural and forestry production at the removal of agricultural and forest lands for their use in purposes unrelated to agriculture and forestry;
8. Payment for servitude on land plots that are in the republic's ownership;
9. Payment for servitude on land plots that are in communal ownership;
10. Incomes received from the transfer of units of the established quantity and management of the reserve volume of quotas of the national plan on the distribution of quotas for greenhouse gas emissions.