

**Fifth Meeting of the Advisory Expert Group on National Accounts
19 – 23 March 2007, New York**

**Substantive Comments on the Draft Chapters of the 1993 System of
National Accounts Revision 1**

Chapter 7: The Distribution of Income Accounts

Prepared by Intersecretariat Working Group

Comments on Chapter 7: The Distribution of Income Accounts

Comments received as of 12 March 2007¹ from:

Countries (1)	ISWGNA (4)	Others (1)
Australia	OECD EUROSTAT UNSD IMF	European Central Bank

Comments from OECD

7.16 (d) The editor has chosen, for drafting reasons, to create a category "investment income" which regroups Interest, dividends, and other property income. While we agree it is useful for explanatory purposes, we do not think it is a useful statistical aggregate. We note that there is no investment aggregate shown in table 7.8 and agree that there should be none and hence no change in the coding and classification of the transactions D41 (Interest), D42 (Distributed income of corporations), D43 (reinvested earnings), D44 (property income insurance).

Comments from UNSD

7.16 (d) We do not agree with the new term "investment income". The creation of this new category may create confusion with the term "investment income" or "premium supplement" used for insurance in the SNA. Investment income or premium supplement also include also rent. If BPM wants to keep its own term, it should create a bridge with the SNA.

Question to AEG

- 1. The editor has proposed to introduce a new heading "Investment income" under property income (equal to property income less rent) to facilitate consistency with the BPM. Do you think that the introduction of this new category "Investment income" is appropriate for the SNA?**

Comments from OECD

7.37 (b) and 7.56 The editor has changed the classification of compensation of employees by including a subcategory "contributions to social security schemes". This is not useful, because, the SNA, employers have no relationship with the schemes. They are supposed to pay all social contributions to their employees (who themselves then pay back to the social insurance schemes). So it is not necessary to split between "social security schemes" and "other schemes". The current SNA distinguishes only actual social contributions (D121) and imputed social contributions (D122). This is sufficient. Changes to classifications should be limited to what is absolutely necessary. This new category is not necessary.

Question to AEG

- 2. Do think it is appropriate to create a new entry for social security, under compensation of employees, or do you think that the entries of the current SNA, namely actual social contributions (D121) and imputed social contributions (D122) are sufficient?**

¹ All comments on this chapter received as of 12 March 2007 can be found at the 1993 Update website.

Comments from Eurostat

7.76 The new AEG recommendation on taxes unlikely to be collected is not well reflected in this paragraph. In fact this paragraph is left unchanged, starting by "In some countries and for some taxes....". This gives the impression of an exceptional problem whereas this phenomenon is more or less common to all countries. We propose to include the following sentence: "In practice, taxes (and social contributions) evidenced by declarations and assessments but unlikely to be collected should be neutralized in the same accounting period by subtracting their amounts from the total amounts of taxes (and social contributions) or by a capital transfer from general government to the relevant sectors".

Question to AEG

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| 3. Do you think that more emphasis should be given to treatment of taxes unlikely to be collected? Is the sentence proposed by Eurostat appropriate? |
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Comments from OECD

7.101 I agree that the definition of "SNA interest" should be included here. However, I hope that you will keep in the next version all the many paragraphs on interest that you have deleted. An explanation of what is accrual interest in the system is essential and these old paragraphs 7.94 to 7.111 are to be reintroduced.

Questions to AEG

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| 4. Do you think that chapter 7 should contain a description of the recording of accrued interest by various financial instruments as in the current version of SNA? |
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The issue of the definition of SNA interest is for information of the AEG and not for decision. This issue will be taken up again in the drafting.
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