


Chapter 8: The redistribution of income accounts - Overview

Chapter posted:

Deadline: 12-Mar-07

Number of comments received: 14

Comments overview:

Date	Country/AEG member	Internal: format
02/03/2007	OECD	
02/03/2007	Denmark	
	Eurostat	
	Germany	
	Hong Kong	
	UNSD	
	Sweden	
	Netherlands	
	Australia	
	Czech Republic	
	ECB	
	IMF	
	USA	
	Israel	

Chapter 8: The redistribution of income account - Part I: General comments

Comment	
Country	
Eurostat	Eurostat welcomes this chapter in which new recommendations are clearly incorporated.
	We support the four categories presented for social contributions, considering they represent an improvement, but Table 8.3 should be made consistent with these categories.
	We propose additional texts to clarify the treatment of taxes and social contributions unlikely to be collected and the borderline between social assistance benefits in kind and transfers of individual non-market goods and services (see below)..
Germany	In general we are quite satisfied with this chapter. Some specific comments are presented on the following pages. Please cross-check the references (e.g. at the end of para 8.53 is said "see para. 8.52 below").
Hong Kong	This chapter provides examples to illustrate the coverage and method of recording current transfers in the redistribution of income accounts. This facilitates a better understanding of the issue.
UNSD	Please see detailed comments. The numbering of subtitles from part B on is all wrong.
Netherlands	We agree with Anne Harrison that the breakdown of social contributions should be reconsidered. The same is true for social benefits, where the distinction between (and terminology of) private funded social benefits and unfunded employee social benefits may need further consideration. Furthermore, we would prefer the inclusion of some more clarifications on the delineation between taxes on the one hand and permits and government licenses on the other hand. There has been a lot of discussion (and conclusions) on this subject and it may be useful to reflect this outcome in the update of the SNA. Or will this be done in a different part of the updated SNA? If so, reference to this text should be made in chapter 8.
Australia	This chapter is written well and has provided many examples to explain the more detailed classification of transfers.
Czech Republic	We do not have essential comments to hitherto results of revision of Chapter 8 of 1993 SNA. Endeavour to shorten the text was successful as follows from comparison of Chapter 8V2 with Chapter7V0. Where the text was extended it contributed to better understanding (e.g. in paragraph 8.32). We recommend such adjustment of the text where the text-table would be allocated in the place where its content is commented. In the end of paragraph 8.53, the reference to 8.52 should obviously be pointed to 8.56. It is welcome that the description of taxes is supplemented with references to OECD classification but also to GFSM2001. To the paragraph 8.83: It is true that sometimes can be difficult to distinguish payments by employers to their employees of social benefits if they have a form of continued payments of wages and salaries in time of their sickness, maternity etc. An instruction for compilers of national accounts would be desirable whether they should prefer using even unprecise estimates to distorting distinguishing between primary and secondary income.

Chapter 8: The redistribution of income account - Part I: General comments

Country	Comment
ECB	<p>Chapter 8 could be concise and the structure more efficient, by way of clearer section heads and sequential numbering.</p> <p>The chapter headings should follow in exact description the headings given in the table and by "resources" - social benefits; and other current transfers and "uses" - current taxes on income, wealth; social contributions; social benefits other than social transfers in kind; and other current transfers.</p> <p>I consider numbers in the tables hinder rather than facilitate user-friendliness.</p> <p>Some sections - for example, the section on disposable income and the links with economic concepts (paragraphs 8.16 to 8.19) - are better for a compilation guide. This would enable 2. Disposable income, paragraph 8.15, to include paragraph 8.20 and then encompass Section 4. Adjusted disposable income, paragraphs 8.26 to 8.28. The recording of transfers 2 plus pages (paragraphs 8.36 to 8.46) belongs in a compilation guide. And, also the accounting rules for the recording of taxes (paragraphs 8.49 to 8.55) which includes the links with IMF and OECD tax classifications.</p> <p>Some examples highlight the lack of accessibility. The title of the chapter is the Redistribution of income accounts of which 1 is The secondary distribution and 3. is The redistribution of income in kind account. The balancing item is gross disposable income which is referred to in 2. The concept of a transfer is not explained in A., but in B and, the first contents index differs from the chapter headings, e.g., B1 The distinction between current and capital transfers is numbered as 5. in the text; G1. Insurance-related activities, as 19.</p> <p>The description of transfers in paragraph 8.29 repeats paragraph 8.6, but the ensuing description in paragraphs 8.29 to 8.32 debates the pros and cons of coverage which will leave the reader uncertain over the classification which it thought from an earlier reading it had clear in its mind. Suggest this is best left to a compilation guide.</p> <p>Similarly, although the distinction between capital and current transfers is set out in paragraph 8.5, the same terminology is not used in paragraphs 8.33 to 8.35 of Section 5. The distinction, and this is another section best left to a compilation guide.</p> <p>The title of the chapter could be "The secondary distribution of income account."</p> <p>In section F. Social benefits consists of four small paragraphs: 8.78 to 8.81 and misses a distinction between private funded social benefits and unfunded employee social benefits, in resources.</p> <p>The paragraphs on taxes and general government social insurance should be part of the general government chapter. Details should go into the compilation guide.</p> <p>There might be an overlapping with the pension scheme chapter which is difficult to assess. In this context the paragraphs on social insurance might have to be redrafted based on recent developments.</p> <p>To compile the supplementary table on pensions as agreed by the UNSC all pension related contributions and benefits have to be separated as already shown as a draft in the various sub-items under contributions and benefits.</p>
IMF	<p>We think this chapter is in a very good shape. As far as the update issues have been incorporated, this has been done in a clear way.</p>

Chapter 8: The redistribution of income account - Part I: General comments

	Comment
Country	
Israel	<p>The additions to the chapter are helpful and well linked. As in the other chapters the addition of explicit definitions is very useful.</p> <p>In a few instances the explanations (f.ex. of social security schemes) could perhaps be arranged in a different manner to increase the understanding.</p> <p>To my regret haven't had enough time to go through the chapter as thoroughly as needed, but have a few specific comments (see PDF).</p>

Chapter 8: The redistribution of income account - Part II.1: Comments on specific draft paragraphs or passages

1. The title of the chapter has been changed from “The secondary distribution of income account” to “The redistribution of income accounts.” The new title reflects that the chapter also covers the redistribution of income account. This change is followed through in the first three paragraphs of section. Are you comfortable with the change in title? Are these paragraphs clear and helpful?

Country	Comment
Germany	Yes.
Hong Kong	Agreed.
UNSD	<p>Para. 8.31. " The process is one of the insurance corporation managing funds on behalf of a named household." This sentence is hard to understand. It seems that the Editor wants to say that "The process is one of the functions of the insurance corporation in managing funds on behalf of a named household."</p> <p>Para. 8.32. This para. is a rewrite of para 8.30, however the SNA para is better in providing the reasons why the recording of pension in the system is different from life insurance and therefore it is better to use the original SNA para. First, the SNA states clearly that in principle pension should be treated in the same way as life insurance; which is not stated in the rewrite. Second, the SNA states that due to households' wide perception that pension benefits are income so they are recorded as such in the system but an adjustment is needed to ensure overall consistency of the system, which means that saving of households remain as it should be. These reasons are not stated in the rewrite. See also the original SNA para below:</p> <p>SNA: Households participating in funded pension schemes also own the pension reserves so that, in principle, pension contributions and benefits should also be treated in the same way as life insurance premiums and benefits. However, because the payment of pension contributions and the receipt of pensions are widely perceived by the households concerned and others as being transfers, and to avoid treating them differently from state pensions received under social security schemes, they are recorded in the secondary distribution of income accounts as if they were current transfers. In consequence, it is necessary to introduce an adjustment item in the use of income account (see Introduction to chapter IX) in order to ensure overall consistency between the income accounts and the financial accounts of the System.</p>

Rewrite: It could be argued that pension schemes function in a manner similar to life insurance schemes and that they should be treated as savings schemes of individual households. There are three reasons in the System why the designation of social insurance scheme is used to cover employment-related pensions, a designation that brings with it the recording of contributions and benefits as transfers. One reason is that some pension schemes are funded on a pay-as-you-go basis. parallel to a non-life insurance policy than to a life insurance policy. The second reason is that pensions provide a regular and stable source of funding post-retirement. In other economic applications, such as surveys of income and expenditure, pensions are regarded as income rather than dis-saving. The third reason for treating pensions as income rather than dissaving is that they frequently cease when the pensioner (or surviving partner) dies. In this pension entitlements are distinct from other financial assets that are unaffected by the death of the owner.

Para. 8.38. The table at the end of this para shows how the provision of goods and services free to NPISH in para. 8.38 is treated in the SNA is not correct. The production of these goods and services is correctly recorded with the enterprise. The resulting income received by the enterprise for an imputed purchase by benefactors is cancelled by an imputed current transfer from the enterprise to the NIPISH. Thus no cash (or any type of financial asset) is involved in the imputed transaction and therefore the financial accounts are not affected. No transactions should be imputed to the financial accounts of the NPISH and the enterprise. The current SNA also treats this as described above (SNA, para 8.36). This is similar to the treatment of social transfers in kind by the government as described in para. 8.42 and the associated table.

Para. 8.59: The definition of social insurance schemes should be made clearer. It should include the characteristics that social insurance schemes must be organized collectively for groups of workers or be available by law to all workers...mentioned later in para 8.63-8.64. The current definition in para. 8.59, standing alone, may allow for treating social assistance benefits as social benefits.

Para. 8.67 (a), second sentence "...Benefits under these schemes are often not related to levels of salary of the beneficiary or history of employment." "not related to" should be changed to "related but not proportional to".

Para. 8.67 (b) is incomplete. Social insurance schemes should also include life and nonlife insurance schemes in addition to pension as long as they satisfy the conditions of being social insurance schemes.

Para. 8.71. "These payments may be made by employees, self-employed persons or non-employed persons." Does the words "non-employed persons" contradict the term employment-related social insurance?

Sweden
Australia

Yes.

We are comfortable with the change in title and found the chapter helpful particularly in assisting understanding of boundaries.

IMF

We have no objection against the new title of the chapter.

Rather than to the chapter title, we feel that the problem of inadequate labels concerns the two accounts discussed in the Chapter: “secondary distribution of income account” and, particularly, the “redistribution of income in kind account.” See also our comment on transfers in kind below.

Israel

Yes., and they are helpful.

**Chapter 8: The redistribution of income account - Part II.2: Comments on specific draft paragraphs or pas
2. In section B, the discussion of transfers has been extended. Is this discussion clear and helpful?**

Country	Comment
Germany	<p>8.38: We wonder why the presentation in the overview has been extended to include an impact on the financial accounts. Is this really true?</p> <p>8.53 f.: We would prefer to mention, that in practice different methods exist to arrive at accrual data (one is the corrected taxes due, another one the time adjusted tax receipts).</p> <p>8.68: Please check the use of terms social security funds, insurance and schemes. Particularly the term funds may be confusing in the case of PAYE-systems.</p>
Hong Kong UNSD	<p>It would be helpful if some examples on capital transfers can be provided.</p> <p>The distinction between social security scheme and employment related social insurance schemes is acceptable, but the latter should be changed to other employment-related social insurance schemes since social security is also employment related.</p>
Australia IMF	<p>Yes the discussion is clear, helpful and well structured.</p> <p>Yes, on the whole the next text is helpful. It may be considered to transfer the examples in section B6 to an Annex.</p> <p>Although we appreciate that the draft chapter brings more consistency than the current SNA text does, we think it is inadequate to have the distinction “in kind” versus “in cash” depend on the sector classification of units. We consider it therefore both conceptually incorrect and unnecessarily complicated to impute cash transfers followed by sales in respect of provisions in kind made by other sectors than general government or NPISHs (paragraph 8.38).</p>
Israel	<p>Please also note that the current text still retains a few contradictions in this respect (paragraphs 8.17 third sentence and paragraph 8.103).</p> <p>It is important to have a discussion and clear guidelines, so the extension is a good thing. As mentioned in the specific comments, have a bit of a problem with the distinction between capital transfers and current transfers.</p>

Chapter 8: The redistribution of income account - Part II: Comments on specific draft paragraphs or passages

3. In section E, the text on social contributions has been amended. Please see the note from the editor on the classification of social contributions as regards self-and non-employed persons. Do you agree that what is proposed is more practicable than what had been included in the 1993 SNA?

Country	Comment
Hong Kong	Agreed
Sweden	<p>Comments on section D and E 8.68-8.70</p> <p>The definition of social security schemes needs to be elaborated to be useful for classifying actual cases. Governments in several countries have reformed the social security schemes so that there is a more direct link between premiums and benefits especially when it comes to pensions and thereby making the government costs more predictable.</p> <p>If there is a sharp distinction between legally founded systems and employment-related negotiated systems, so that the former are social security whereas the latter are social insurance schemes, this should be emphasized in the paragraph. The criteria for separating these main types of systems should be made explicit to reduce uncertainty in classifying a system.</p> <p>What is really meant with the concept controlled? What is being controlled? Premium payments, the benefits or the general conditions of the pension system? What is meant by controlled has a decisive impact on how to classify the government unit as part of the Social security sector or as a social insurance scheme.</p> <p>So, instead of retaining the old description we would be more helped with a description which is up to date, i.e. takes into consideration the new forms of social security/insurance schemes developed in the last 20 years. 8.73-8.75</p> <p>There is a contradiction between the text in paragraph 8.73 and paragraphs 8.74-8.75. D61 Employers' social contributions with the fee excluded cannot be exactly the same as D12 Employers' social contributions. This is a case of potential misunderstanding and should be avoided. The difference between these two items is the income households receive to be paid as insurance fees and end up as part of household consumption expenditure.</p>
Australia	The discussion is clear and helpful, we may still struggle with the practical elements of the proposal however.

IMF

On the whole we are happy with section E.

However, the reference to “make provision for social benefits to be paid” in the new definition of social contributions (paragraphs 8.11 and 8.73) is difficult to understand and brings all sorts of overtones with other concepts of “provisions.” We strongly prefer the more widely used SNA formulation “in order to secure entitlement to social insurance benefits.” This wording is, by the way, included in paragraph 8.59 of the new text.

Chapter 8: The redistribution of income account - Part II: Comments on specific draft paragraphs or passages

4. Section G includes text added for reinsurance, standardised guarantees, and new items for personal transfers and remittances from abroad. The last are in line with new BOP items. Do you have any comments?

Country	Comment
Germany	<p>8.94: This new paragraph deals with the treatment of large claims in the case of exceptional events like hurricanes etc. The decisive point is that recording claims in this way has no impact on the output any more. We would prefer to mention this explicitly.</p> <p>8.96: Treating reinsurance business like direct insurance business is consequent from a conceptual point of view. The former simplified version (“balance of all flows”) may have had some merits for a closed economy but not for the globalized reinsurance business of today. At the conceptual level we therefore agree to the new treatment, although the implementation will not be easy.</p> <p>8.97: This new paragraph on standardized guaranties is extremely brief for a fundamental change. We would prefer to mention the principal implications. One would be that these (government) units create insurance-technical reserves and a second implication is that debt releases will decrease or even not exist any longer.</p> <p>8.97: Please introduce some connecting word before the word “non-life insurance” in the first sentence.</p>
Hong Kong	<p>Paragraph 8.104 stated that “In addition, memorandum items in the balance of payments are suggested for personal remittances and total remittances.” However, according to Summary of Discussions for the 19th Meeting of the IMF Committee on Balance of Payments Statistics held during 23-26 Oct 2006, “personal remittances” and “total remittances” are supplementary items.</p> <p>It is important to maintain consistency between the revised SNA and the revised Balance of Payments Manual.</p>
IMF	No.

Chapter 8: The redistribution of income account - Part II: Comments on specific draft paragraphs or passages. Section G, in paragraph 8.106, describes the SNA treatment of lotteries and gambling. An endnote mentions that those working on the BOP Manual query this treatment because some very big payouts are made in the form of annuities such that there are financial claims and liabilities existing between winners and the lottery organizers. This issue will be brought to the AEG meeting in late March. Do you have views?

Country	Comment
----------------	----------------

Australia	
-----------	--

	Australia does not have this kind of annuity arrangement for big lottery winnings so it is not something we have given much consideration. However it seems appropriate to us that the total amount of winnings are recorded in the period in which they occur. In subsequent periods appropriate financial transactions then need to be recorded.
--	--

IMF	
-----	--

	This issue does not seem overly complicated, but we would accept a proposal to put it on the research agenda.
--	---

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
OECD	8.11 end of paragraph : prefer the wording of "social security units" rather than "social
	security funds". The term "fund" is confusing for systems that are mostly unfunded. This
	remark applies to many paragraphs.
	8.14 "between resident and non resident households" and not "between different
	households". In the SNA, transfers between resident households are, in practice,
	consolidated.
	8.29 add a last sentence to justify the inclusion of the word "direct" in the definition:
	Thus these benefits for households are not considered a direct counterpart of the
	original transaction but only an indirect one. This would explain the inclusion of the word
	direct in the definition.
	8.31 last sentence: The wording of this entry "net equity of households in life insurance
	reserves and pension funds" has been changed in favour of: "life insurance technical
	provisions and pension entitlements"
	8.32 This new paragraph is quite inappropriate. We should not say, as you seem to do,
	that we do not recommend treating most pension as saving schemes. In fact we do: this
	is the essence of the change of the SNA towards recognising a liability for all employer
	schemes, even pay as you go! This is why I suggest a significant re-writing. Note that it is
	particularly difficult to do this re-writing because of the contradiction between the two
	positions (this contradiction implied, as I had proposed, to present the D8 adjustment as
	an alternative presentation, and not as the central one, but I had strangely no support in
	the ISWGNA). In particular it seems very strange to use the argument that the pension
	scheme is on a pay as you go basis to not treat it as a saving scheme: it is in total
	contradiction with the argument that we used to decide to recognise liabilities for all
	employer schemes, even those funded on a pay as you go basis. Recognise a liability for
	a pension schemes exactly means treating it like a saving scheme!
	Here is therefore the redrafting that I propose: Proposal of paragraph: The issue whether
	pension schemes should be treated as functioning in a manner similar to life insurance
	schemes (or, more generally, to individual saving scheme), where pension contributions
	are saving and pension benefits dis-saving, or rather in a manner similar to non-life
	insurance, implying that pension contributions and pension benefits are current transfers,
	is a difficult one. Guidelines on this choice can be found in chapter 17, which contains a
	table where all pension schemes are treated as saving schemes. However, even when
	the SNA recommends treating a pension scheme as a saving scheme, there are still
	some reasons to show pension contributions and pension benefits as current transfers.

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	The main reason is that, in other economic applications, such as surveys of income and expenditure, pension contributions are regarded as negative income and pension benefits as positive (and stable) income. Thus, all pension schemes, even those treated as saving schemes, also appear in the SNA accounts as treated similarly to non saving schemes and thus as part of the social insurance schemes. The contradiction involved by this double treatment is resolved by the imputed transaction D8 (see paragraph ...).
	8.33 Fourth sentence: add "or liability" in the sentence: Secondly, a transfer in cash is capital when it is linked to, or conditional on, the acquisition of an asset (other than inventories) or a liability by one of or both parties...". Indeed, debt assumption (exchange of liabilities) implies a capital transfer.
	8.36 first sentence: add the word "direct" in "direct counterpart", following your new definition.
	8.37 second sentence: "social security unit"
	8.38 We do not understand why the paragraphs 8.34 to 8.37 of the 1993 SNA have been redrafted, as they are not affected by any of the 44 issues. Apparently, the only change in substance is the mention, that when there is, as explained in new paragraph 8.38, a free provision of good of service (transfer in kind), some imputed recordings of cash should occur in the financial accounts. This is quite strange, as, by definition no cash is exchanged in this example of transaction. It is explained however, in the new paragraph 8.38, that a financial entry might be necessary if the transfer does not happen at the same moment than the provision of the good and service. However, as by definition, all the transactions are imputed, it is hardly possible that there is a gap in timing between the two transactions. Overall, the changes introduced seem to reflect the traditional French motto: why not make things complicated, if they are too simple.
	8.48 add "and in paragraphs 21.115 to 21.125 of Chapter XXI"
	8.49 Include after last sentence (AEG decision): Another case is the one where the licence provides exclusive rights to perform an activity to one or a small number of operators implying the existence of an underlying asset (a produced asset or a natural resource). In this case, the licence can be treated as the sale of an asset.
	8.53 you should check whether GFSM 2001 has not now adopted accrual accounting for taxes.
	8.53 The following sentence should be added (referring to paragraph 120 of chapter 21, accepted by the AEG): It may even happen that a tax payment occurs before the time where, apparently, the event generating the tax will occur, thus necessitating the

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	recording of a liability of the government towards the tax payer. However, such a liability will be recorded only when the government can be committed to refund to the payer for the totality or for even a part of pre-paid amounts. In the opposite case, the event generating the payment will be considered to be the time of the payment."
	Other possible solution: Include: "The specific case of pre-payment of taxes is covered in paragraph 120 of Chapter XXI".
	8.53 last sentence: suppress "deducted at source" and replace "(see paragraph 8.52 below) by (see paragraph 8.56 below)"
	8.54 end of second sentence: add: "or, if they they remain included, to record a negative capital transfer, in order that government net lending/borrowing is realistic (see paragraphs 122-123 of Chapter XXI)."
	8.56 after second sentence, include: The treatment of tax credits is described in paragraphs 124-125 of Chapter XXI.
	8.56 penultimate sentence, add: "In particular, " at the beginning of the sentence.
	8.56 (c) Add the following reference to the AEG discussion: "The inclusion of taxes on holding gains as a current transfer may seem strange, because this entails that the tax is deducted from income while the tax base (the realised holding gains) are not included in the SNA definition of income. However, several reasons justify this situation, of which the fact that this tax is generally embedded in the income tax. "
	8.59 In the next paragraphs, the terms "social assistance" is explicitly or implicitly used before any definition of it is given. One must wait for 8.79 to have some sort of definition. Please add therefore immediately after the definition of social insurance in paragraph 8.9, this sentence which would immediately help the reader to understand the difference between social insurance and social assistance: "Social insurance schemes differ from social assistance mainly by the fact that, for the latter, there is no actual or imputed social contribution paid by the possible benefitors or their employers (see paragraph 8.79)".
	8.66 last sentence, replace "unfunded" by "non autonomous". The funded/unfunded distinction is not an important criterion in the SNA 93 rev 1.
	8.67 (a) The second sentence of the definition is wrong (benefits under these schemes are often not related to levels of salary of the beneficiary or history of employment). This applies in the SNA for social assistance schemes but not for social security schemes. In many social security schemes, benefits are related to salary. For example, for social security pension schemes in continental Europe, pension benefits are as related to salary than for any other defined benefit scheme. This second sentence should be suppressed. Social security schemes should be therefore simply defined in the SNA as

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	(1) social insurance schemes (2) covering the entire (or large sections) of the community, (3) that are imposed, controlled and financed by government units. That's all.
	8.67 (b) In the logic of my previous remark, the title of this second category employment related schemes is not appropriate. Indeed, it leads to conclude that "social security" is not employment related. We propose to use the following: "Other employment related social insurance schemes". The result is that all social insurance schemes are employment related. Those which are not employment related should be classified as "social assistance".
	8.67 (b) You should add here for clarification that "The term "other employment related schemes" covers both schemes that are autonomous from the employer (employer pension funds, schemes in which the social contributions are paid to other parties such as insurance corporations, schemes managed by insurance corporations on behalf of employers or groups of employees) as well as schemes that are non autonomous from the employer (directly managed by the employer)."
	8.67 last sentence, replace: "employment related schemes" by "other employment related schemes".
	8.68 second sentence: definitions should be consistent: prior to this paragraph it was said of social security that it was "imposed, controlled and financed", by government units. Let us therefore keep the same qualifications here, and add "and financed".
	8.68 the term "fund" in "social security funds" is particularly inappropriate as these units are generally very largely unfunded. The term "social security units" should be preferred to "social security funds". This applies several times in this paragraph.
	8.69 title of section, prefer to use: "other employment related social insurance schemes" (see our remark on 8.67 b). This remark applies several times in this and other paragraphs.
	8.69 end of first sentence, add: "or by representatives of a group of employees"
	8.69 second sentence: replace the "funds" by the "schemes", and add at the end, " or of the group of employees".
	8.70 This paragraph says that "any discrepancies are recorded in the financial accounts under other accounts receivable/payable." This statement should be discussed at the AEG, because it may be better suited to record any underfunding of pension funds as pension liabilities (F6) rather than as "other accounts/receivable/payable".
	8.71 first sentence: start with "In the SNA, all social contributions to social insurance schemes are shown as made by households".
	8.71 second sentence: all social contributions are not "paid" (there are imputed ones),

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	thus replace “amounts paid” by “these amounts”.
	8.71 fifth sentence: social contributions paid by households do not only concern pension, thus add “pensions and other social benefits”
	8.71 seventh sentence: one correction, one deletion : A third element consists of contribution supplements, or imputed payments by households, which represent the actual or imputed return to the pension fund earned on the start of year pension entitlement and which was attributed to households in the allocation of primary income account and , like the employers' contributions, was included in the balance of primary incomes for households.
	8.77 This definition is wrong. The amount of service charge should be subtracted from the amount of property income. Replace this sentence by: "This imputed item is equal to that recorded in the allocation of primary income account and described in chapter 7 paragraph XXXX minus any imputed estimate of fees charged by the administrators of the scheme."
	8.78 The subsequent paragraphs lead to implicitly delete the 1993 aggregate "D62: social benefits other than social transfers in kind". This aggregate constituted the first section of the previous SNA. We see no reason that this aggregate is abandoned. It should be reintroduced.
	Deleted: of the property income
	8.80 Add here, end of paragraph : "On the contrary, all benefits whether in kind or in cash payable under schemes that are neither social assistance nor social security are classified as "social benefits other than social benefits in kind (D62)"
	8.82 Same remark as before, replace by : "Other employment related social insurance benefits".
	8.82 Add for clarification: "These include all social benefits whether in cash or in kind payable by all other employment related social insurance schemes, whether autonomous or not".
	8.85 first sentence, suppress "and social insurance benefits". Social assistance differs from social insurance essentially because of the existence of specific contributions or not. The benefits are the same.
	8.90 AEG decision: include after "the reminder is described as net non life insurance premiums": These are the expected amounts available to provide cover against the various events or accidents listed above. Net non-life insurance premiums can also be compiled directly as equal to adjusted claims plus the difference between actual premium supplements and adjusted premium supplements.
	8.92: Insert after second sentence (AEG decision): They are called claims incurred. Non

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	life insurance claims incurred can be split between expected claims and non expected claims. Non expected claims is the difference between total claims incurred and expected claims.
	8.94 Add at the end: Profit sharing, in the case of non life reinsurance, and bonuses, in the case of non life insurance direct insurance, are treated as miscellaneous current transfers (D45) between the insurance or reinsurance corporations and policy holders.
	8.95 last sentence: replace "that specialises in insurance" by " that is specialised or not in reinsurance". Indeed, some direct insurers are also reinsurers...
	8.97 ISWGNA decision, add to end of paragraph: This applies only for fees that are explicitly paid. No current transfer is recorded when government is applying non economically significant fees, except if the government itself records a provision for those standardised guarantees.
	8.99 Add additional paragraph: Current transfers within general government need to be consolidated when compiling the supplementary consolidated account for the general government (see Chapter XXI).
Denmark	8.5 The wording of this defition of capital transfers differs from the wording in chapter 10
	8.8 We find that it would be very appropriate to mention the word accrual somewhere here
	8.8 These formulations could lead to the (wrong) conclusion that if the amounts were actually paid this would not be visible in the financial accounts
	Table 8.5 The equality between net premiums and claims was a distinct feature in the old SNA. In the future, where the service charge to the insurance cooperations are calculated as premiums less EXPECTED claims, there might be a difference between the net premiums and the actual claims. We belive it would be more illustrative if the two figures were different.
	8.13 We are not sure on why the word "insurance" is inserted here. We propose either to delete or to explain why it is here. (Also further down in the paragraph)
	8.18 It should be made clear that we are talking about NA-interest flows, which for deposits typically will be higher than the traditional interest flows because it includes FISIM. The higher income flow is offset by a consumption expenditure on FISIM in the use of income account. See also general note
	8.18 Amend text as follows :
	Some of these income flows the interest flow on deposits may be attributed to indirectly measured financial service charges financial intermediation services indirectly measured, recorded in the production account. The remaining part of the flow is shown as receivable in the allocation of primary income account. These income

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	8.18 Not "remaining part", see first note to this paragraph
	8.21 We propose to arrange the examples so that the connection to the categories in table 8.1 becomes clearer
Eurostat	<p>8.5 The definition of transfers should also be incorporated in chapter 7, as distributive transactions are also transfers.</p> <p>The definition of capital transfers should be improved because the borderline with current transfers is not clear enough. In addition, it is important to distinguish between capital transfers in kind and capital transfers in cash. We would propose the following definitions:</p> <p>A capital transfer in kind consists of the transfer of ownership of an asset (other than inventories and cash), or the cancellation of a liability by a creditor, without any counterpart being received in return.</p> <p>A capital transfer in cash consists of the transfer of cash that the first party has raised by disposing of an asset, or assets (other than inventories), or that the second party is expected, or required, to use for the acquisition of an asset, or assets (other than inventories). The second party, the recipient, is often obliged to use the cash to acquire an asset, or assets, as a condition on which the transfer is made (ESA 95, § 4.146).</p>
	<p>8.49 Taxes versus fees</p> <p>The end of the paragraph refers to 8.54c for further explanations. The correct reference is 8.58c.</p>
	<p>8.54 Eurostat proposes an additional text at the end of this paragraph, concerning taxes – as well as social contributions – unlikely to be collected:</p> <p>"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. When retained at source by the employer, current taxes on income (or social contributions) should be included in wages and salaries even if the employer did not in fact pass them on to the general government. The households sector is then shown as paying the full amount on to the general government sector, and the amounts actually unpaid have to be neutralized as a capital transfer from general government to the employers' sectors."</p>
	<p>8.57a Current taxes on land and buildings payable by owner – occupiers of dwellings are treated in ESA95 as other taxes on production and not as current taxes on capital. This divergence between the present SNA and ESA 95 had been asked by European countries, considering that the owner-occupiers act as producers of dwellings (ESA 95, § 4.23a). We would suggest incorporating the ESA 95 solution in SNA 93 Rev.1.</p>

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	8.67b The compromise on pensions schemes should be reflected in this section, and cross-references made in other chapters as necessary.
	8.82 Employment – related social insurance benefits: the definition of these benefits should precise that they might be in cash or in kind.
	<p>8.114 and 8.115 As the text is unchanged, the borderline between social assistance benefits in kind and transfers of individual non-market goods or services remains unclear.</p> <p>The solution found in ESA95 could be transferred here: when social transfers in kind made outside social security funds correspond to social risks or needs, they have to be treated as social assistance benefits in kind. ESA95 gives examples: "are included, if not covered by a social insurance scheme, social housing, dwelling allowances, day nurseries, professional training, reduction on transport prices (provided that there is a social purpose) and similar goods and services in the context of social risks or needs".</p> <p>On the contrary, transfers of individual non-market goods or services includes non-market goods or services not linked to social risks or needs, such as transfers having a cultural, recreational or sportive purpose.</p>
Netherlands	General remark: The numbering of the “subsections” seems to have gone wrong. As distinct from the table of contents, it runs from 1 to 26.
	Para. 8.8: In the final sentence, it is suggested that the relevant transaction is not to be recorded in the current account. We suggest a small rephrasing: change “... are shown ...” into “... are also recorded ...”.
	Para. 8.13: We suggest to delete the part “... other than those provided by the ... social assistance benefits” in the beginning of the paragraph, as this is repeated later on. Furthermore, in the following sentence, we suggest to change “... are therefore ...” into “... as such they are ...”. Finally, we do not understand the rationale for adding “... in its capacity as an employer” at the end of the paragraph.
	Para. 8.14: We suggest to change “... transfers to NPISHs ...” to “... transfers to and from NPISHs ...”.
	<p>Para. 8.18: In our opinion, the addition of this paragraph may not be very helpful, especially for outsiders. If we agree that text on this subject is to be added, then we should agree to add more text in order to be able to explain it in more detail. At least, a clear distinction should be made between FISIM, social insurance and life insurance.</p> <p>Furthermore, in our opinion, the addition of investment funds may be irrelevant here; instead of comparing it to life insurance, we feel that investment fund shares show more resemblance with saving deposits.</p>
	Para. 8.25: The text between brackets suggests that social transfers in kind are to be valued at costs of production. This is not true, however, as a small part of the provided goods and services may be paid for in cash (e.g. tuition fees).
	Para. 8.27: Change at the end of the paragraph “... government units and households ...” into “... government units, NPISHs and households ...”.

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	<p>Para. 8.28: The definition (or interpretation) of adjusted disposable income hardly differs from that of disposable income. In our opinion, text is needed here to address the specific differences between disposable income and adjusted disposable income, mainly from an analytical point of view. Furthermore, we do not understand the final part of this paragraph, i.e. "... for the purpose, given ... provided to households".</p>
	<p>Para. 8.30: What is the rationale for adding this paragraph?</p>
	<p>Para. 8.32: We agree to address this subject in the updated SNA. However, in our opinion, the main reason for including transactions related to pension schemes in the distribution of income, as distinct from transactions related to life insurance, are twofold: their collective and redistributive character, and the point that most policy holders (also) look upon the receipts as current income and contributions as part of current expenditures. A "pay-as-you-go" system may be an indication that there is a large redistributive element in the scheme. However, this is not necessarily the case, as a "pay-as-you-go" system is first and foremost a financing construction (cf. unfunded pension schemes). Furthermore, we fail to see the relevance of the third reason, as this seems to be true for many life insurance policies as well.</p>
	<p>Para. 8.67: In part (b), employment related schemes are put on a par with the provision of pension entitlements. The relevant schemes may however cover much more; see also para. 8.82.</p>
	<p>Para. 8.70: Here, it is stated that employment-related social insurance contributions are always recorded as if the schemes are adequately funded. Apart from putting employment-related schemes on a par with pension schemes (see previous remark), this does only hold when the employer is responsible for the underfunding (or overfunding) of the scheme. If this is not the case, e.g. in the case of multi-employer schemes or in the case of specific (legal) arrangements, then only contributions actually paid may need to be recorded here.</p>
	<p>Para. 8.71: In the first sentence, we suggest to change "... schemes are made by households ..." into "... schemes are recorded as being made by households ...". Furthermore, as in previous paragraphs, social insurance schemes are put too much on a par with pension schemes.</p>
	<p>Para. 8.74 up to 8.77: See general remarks. Furthermore, one may consider the inclusion of social security contributions as a separate item (cf. the breakdown of social benefits).</p>
	<p>Para. 8.82 up to 8.86: See general remarks. Furthermore, note that breakdown in the text is not according to the breakdown in table 8.4. (The same is of course true for table 8.3.)</p>
	<p>Para. 8.91: What is the rationale for adding this paragraph?</p>

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	Section G. Other current transfers: One may want to include “contributions to international organizations” as a (sub-)item of other current transfers in the text and/or the classification of transactions. In the EU, this item is quite substantial and has a high political relevance, because of the contributions of Member States to the European Union.
	Para. 8.106: The amounts paid for lottery tickets may contain three elements. Apart for the two elements mentioned, a lot of lotteries explicitly support charities etc., at least in the Netherlands. A substantial part of the payments for lottery tickets is explicitly set aside and is used to make transfers to NPISHs. In our opinion, one should make explicit reference to this element as well.
	Para. 8.110: At the end of the paragraph, change “... social assistance benefits and transfers of individual goods and services” into “... social assistance benefits in kind and transfers of individual non-market goods and services”.
	Para. 8.115: Similar transfers as described in the definition may be part of social benefits in kind. The relevant transfers should be explicitly excluded from the definition.
Australia	8.5 We found the definitions of current and capital transfers slightly confusing and were required to read on further into the chapter to understand them fully. To allow the definitions to stand alone we suggest extending the definition of a capital transfer to include text from 8.33. Thus 'A capital transfer is one in which the ownership of an asset (other than inventories) is transferred; or when a transfer of cash is linked to, or conditional on, the acquisition or disposal of an asset (other than inventories) by one or both parties.' This definition could also replace the proposed definition of capital transfers in chapter 10.
	8.16 While we understand that for practical reasons countries may choose to use gross recording it should be noted in the text that the net concept of disposable income is preferred conceptually.
	8.48 We are not sure why the material from chapter 7 needs to be repeated, it is not hard to find.
	8.96 We understand that reinsurance is to be recorded on the same basis as other types of insurance - i.e. a gross recording of flows – this could perhaps be clarified.
	8.102 states that transfers of used articles from households do not have a market value - they do have a market value, but it may be negative or insignificant - it is more by convention that the transfers do not feature in the accounts.
	Footnote i - after discussion internally on the recording of over-or-under-funding of pension schemes we have concluded that our preferred recording would be via an equity position within technical reserves in the financial accounts. For example where the amount held in the pension scheme is larger than the amount owed as employee pensions this over-funding would be recorded as an equity asset of the employer and a liability of the pension scheme (and vice versa for under-funding). We considered various other options but found them unsuitable.

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
ECB	<p>Paragraphs 8.1 to 8.4 (introduction) could say simply: "8.1. This account describes how the balance of primary income for each institutional sector is allocated by redistribution: through transfers such as taxes on income, social contributions and benefits and other current transfers. It excludes social transfers in kind. The redistribution of income in kind account takes the process of income redistribution one stage further; it shows how the gross disposable income of Households and non-profit institutions serving households are transformed into adjusted disposable income by the receipt and payment of social transfers in kind. 8.2. The balancing item of this account is gross disposable income which reflects current transactions and excludes capital transfers, real holding gains and losses and the consequences of events such as natural disasters. 8.3 Transfers are made by one unit to another. They may be current transfers or capital transfers. The most important types of transfers are taxes, social contributions and benefits."</p>
	<p>P 8.18: The text describes three instances of imputation in the property income account of households where (as is in the nature of imputation) the household is not free to spend the income. But the text seems confusing to me. I would suggest: '8.18 Several kinds of property income flows are imputed to households, although the recipient is not free to spend the income. The first arises from an adjustment for indirectly measured financial service charges (FISIM), and is confined to interest on bank deposits and loans. Thus a deposit pays (for example) 2%; the FISIM adjustment imputes a further 1% to interest income, increasing household disposable income, and then imputes a corresponding amount to consumption expenditure as spending on financial services. A similar adjustment reduces interest payable on bank loans, reducing household interest outgoings on property income account but adding to consumption expenditure. The second case concerns income on reserves of non-life insurance corporations and social insurance schemes: the income is deemed to be paid out to policy-holders or</p>
	<p>P 8.29 is repetitive.</p>
	<p>P 8.37 If the transfers are in cash it should be reflected in cash which is always a financial asset (an increase or a decrease of cash). The last sentence could be dropped</p>
	<p>Ps 8.38 and 8.39: What is imputed cash? Would it not be better to record it in F.7 (receivables/payables)?</p>
	<p>P 8.50 is a repetition of a paragraph in chapter 7.</p>
	<p>P 8.71: The statement that all contributions to social insurance schemes are made by households might be correct in accounting terms (based on imputed transactions) but does not comply with the 'economic reality.'</p>

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	P 8.82: To compile the supplementary table on pensions pension related contributions and benefits have to be separated as indicated in the various sub-items under contributions and benefits.
IMF	<p>Paragraph 8.5</p> <p>This paragraph, which contains formal definitions of capital and current transfers, is difficult to read and partially also deviates in wording from the current SNA texts and those of the draft BPM6 (paras 12.13 and 12.14). We would prefer a definition that includes references to savings and disposable income to indicate the economic intent of the distinction. In this context, the wording on disposable income and the influence on consumption could be brought forward to paragraph 8.5.</p>
	<p>Paragraph 8.20 ad (a).</p> <p>This statement (all current transfers) is incorrect. Current transfers include taxes on production and imports and subsidies, which form part of the value of gross or net national income.</p>
	<p>Paragraph 8.38, graphs</p> <p>For didactical reasons, it may be considered to delete “/sale” mentioned in the Production account. This account does not record sales.</p>
	<p>Paragraph 8.41</p> <p>This paragraph may mention the reason why the System records the cost of the education services in the government's use of income account. This would give a more even-handed discussion in view of the critical first sentence of paragraph 8.42 and clarify that statistics on both “who pays” and “who uses up” have analytical relevance.</p>
	<p>Paragraph 8.42, first sentence</p> <p>More to the point would be: “... is actually provided to a household as a social transfer in kind paid for by government.”</p>
	<p>Paragraph 8.56, first section, sentence starting with “Some flexibility is therefore needed”</p> <p>This sentence is way too permissive and could be interpreted that no effort needs to be undertaken to come to a proper accrual-base recording of taxes. Suggestion: “For the sake of convenience, some flexibility in making the estimates may therefore be permissible.</p> <p>This will depend on individual circumstances, in particular on whether or not the tax yield shows a stable and predictable pattern over time.”</p>
	<p>Paragraph 8.107</p> <p>We propose to drop the second half of the last sentence, starting with “... and ex gratia payments made by government units...” It is unclear how the government current transfers to households in connection with, for instance, the 2005 Katrina hurricane should be divided over “payments of compensation” and “social assistance benefits.”</p>
USA	8.1 Delete "the"
	8.5 This definition doesn't precisely fit the inheritance tax, which doesn't oblige one to dispose of an asset.

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	8.13 Possibly mention as a rationale to avoid recording a consumption expenditure by an enterprise. (compare paragraph 8.39)
	8.18 suggested deletion and suggest dropping "pre-committed saving" and adding "because they contribute to the change in net wealth of the unit."
	8.20 Sentence dropped about transfers from non-residents treated as if cash.
	8.30 This last sentence (presumption of equality over the long run) may not always hold -- suggest weakening it; maybe say amounts disbursed may be constrained by amounts received
	8.29 suggest changing "transfers" to "social contributions or taxes"
	8.29 Suggest adding a brief overview paragraph, saying that the types of transfers are taxes, social transfers (social contributions and social benefits), and other current transfers.
	8.30 Describing taxes and insurance as "essentially distribute in nature" seems like an oversimplification. You can make the point that they include distributive features without implying that's their only function.
	8.32 suggested deletion and suggest changing "surviving partner" to "survivor," since some pensions provide benefits to persons other than a spouse or domestic partner (for example, minor children).
	8.32 This paragraph points to problems with the treatment of pension benefits as part of disposable income.
	8.32 The last sentence is applicable to defined benefit schemes, but not to defined contribution schemes
	8.34 delete "very" from last sentence
	8.36 "ordinary transfers in kind" is not defined in SNA classification of transactions. Suggest "Other current transfers that are provided in the form of goods or services."
	8.56 or withholding in 6th sentence
	8.56 (d) suggest "sales" instead of "turnover" (for the benefit of our American readers)
	8.67 (a) Benefits may or may not be related to levels of salary..
	8.71 ...recorded as if made by households (note that the actual payment is often made by the employer).
	8.72 There is some question about netting of service fees - they need to be part of income from which consumption expenditures are made.
	8.82 replace "(d)" with "(e)" and "(e)" with "(f)"
	8.87 It would help the reader to list them here (insurance-related transfers, current transfers within general government, current international cooperation, and miscellaneous current transfers).
	19. heading replace "activities" with "transfers" (or "transactions")
	8.88 should this be "non-life insurance"?
	8.89 policies are also taken out by general government and NPISH
	8.91I don't understand the first sentence in this paragraph.
	8.91This paragraph is unclear

Chapter 8: The redistribution of income account – Part III: Comments on specific draft paragraphs or p

Country	Comment
	8.92 The last sentence in this paragraph doesn't seem to be necessary.
	8.97 after "level" maybe add "or probability"
	8.97 Our readers found this paragraph to be unclear.
	8.102 The sentence saying used articles do not have market value appears to be new, and I don't agree with it as a general principle. For example, transfers of used cars to NPISHs is quite common in the United States. Shouldn't the guidance be to record these transfers only when important?
Israel	8.5 The wording of the definition here is a bit different and more clearcut than the one in chapter 10 (par. 10.16). If this one is preferred, it could be copied in chapter 10. That being said, it does not seem quite clear that the origin of funds can be connected to the flow between two parties. While cases of donations for explicit purposes of capital formation are quite common, it is difficult to think of cases, where the donor is obliged to sell assets in order to give a transfer to another unit, and it seems that the criteria is not used in practice.
	8.11 first sentence to add that these schemes are explained in section D.
	8.11 second sentence The explanation here could be shorter, since the issues are explained fully later on.
	8.13 The paragraph 8.7 in the former SNA explained the two kinds of social benefits. Since it is left out here, the mentioning of social insurance benefits comes as a surprise. Seems a good idea to leave the former 8.7 in.
	8.27 As I understand it transfers between the sectors cancel out at the level of the total economy, so it does not seem an issue of relevance. The two last sentences in this paragraph could be omitted. If they are not omitted NPISH should be added
	8.29 Seems confusing to mention non-life insurance premiums here, since they are not transfers as explained later in 8.31.
	8.31 one could mention that they are buying services of risk management.