

**Comments on draft SNA chapter:
Chapter 8: The redistribution of income accounts**

**Deadline for comments: 12 March 2007
Send comments to: sna@un.org**

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This three-part template allows you to record your comments on draft chapter 8 easily and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any one, any two, or all of the three parts of the template.

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Part I: General comments

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated (30 words or less).

Comment:

<p>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)..</p>

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 8, you may wish to devote particular attention to the passages listed below. There is space after each issue for any comment you wish to make.

8.5 The definition of transfers should also be incorporated in chapter 7, as distributive transactions are also transfers.

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:

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.

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).

8.49 Taxes versus fees

The end of the paragraph refers to 8.54c for further explanations. The correct reference is 8.58c.

8.54 Eurostat proposes an additional text at the end of this paragraph, concerning taxes – as well as social contributions – unlikely to be collected:

"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."

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.

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.

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.

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".

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.

Part III. Other specific comments

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comments directly on the PDF of the draft chapter.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make very detailed comments please send a message to sna@un.org requesting to receive a version of the draft chapter permitting you to comment. To optimize your commenting tools please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>