

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

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

Your name:	Cor Gorter
Your country/organization:	Statistics Department, International Monetary Fund
Contact (e.g. email address):	cgorter@imf.org
Submission date:	March 12, 2007

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.

Save this template and send it as an attachment to the following e-mail address: sna@un.org

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:

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.

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.

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?

Comment:

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.

2. In section B, the discussion of transfers has been extended. Is this discussion clear and helpful?

Comment:

Yes, on the whole the next text is helpful. It may be considered to transfer the examples in section B6 to an Annex.

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).

Please also note that the current text still retains a few contradictions in this respect (paragraphs 8.17 third sentence and paragraph 8.103).

NOTE: In sections E and F at present relate only to pensions. There is discussion on other social insurance benefits in chapter 17. Eventually, some of the implications will be incorporated in chapter 8 (but leaving the main discussion in chapter 17).

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?

Comment:

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 overturns 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.

4. Section G includes text added for reinsurance, standardized 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?

Comment:

No.

5. 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?

Comment:

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

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>

Other specific comments:

Paragraph 8.5

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.

Paragraph 8.20 ad (a).

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.

Paragraph 8.38, graphs

For didactical reasons, it may be considered to delete “/sale” mentioned in the Production account. This account does not record sales.

Paragraph 8.41

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.

Paragraph 8.42, first sentence

More to the point would be: “... is actually provided to a household ~~as a social transfer in kind paid for by government.~~”

Paragraph 8.56, first section, sentence starting with “Some flexibility is therefore needed” 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.

This will depend on individual circumstances, in particular on whether or not the tax yield shows a stable and predictable pattern over time.”

Paragraph 8.107

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.”