

**Comments on draft SNA chapter:  
Chapter 7: The distribution of income accounts**

**Deadline for comments: 15 April 2007  
Send comments to: [sna@un.org](mailto:sna@un.org)**

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Submission date:	March 2007

This three-part template allows you to record your comments on draft chapter 7 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](mailto: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:*

<ol style="list-style-type: none"><li>1. The chapter is too long. For example the two sections, compensation of employees and taxes each have 8 pages. By contrast, the structure of the distribution of income account - the prime subject - is 7 pages in length.</li><li>2. It is suggested to replace the four accounts recording the income accounts: two accounts c) and d) are part of b) the allocation of income account. The four accounts would be:<ol style="list-style-type: none"><li>a) the generation of income account, as now a)</li><li>b) the allocation of primary income account, as now b), c) and d) combined</li><li>c) New: the use of disposable income account.</li></ol></li><li>3. The secondary distribution of income account describes how the balance of primary income for each institutional sector is allocated by distribution, through taxes such as taxes on income, social contributions and benefits and other current transfers.</li><li>4. The use of disposable income account describes how disposable income is split between final consumption expenditure and saving. The balancing item in this account is gross saving.</li><li>5. Paragraph 7.3: Delete “very” in last sentence and add the following at the end of the sentence “which shows the household sector as a recipient of primary income”. Add here that taxes on production and imports are also shown as a use by the production sectors in this account, but not as a resource of government.</li><li>6. Paragraph 7.3: To add a cross-reference to the industry dimension, in the supply and use tables.</li><li>7. One problem with having data in the tables is when it is not clear intuitively how the accounting conventions work. For example, in Table 7.1: Where is the identity</li></ol>
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between total resources (gross value added) and total uses (gross value added)? How are the data for gross operating surplus derived in this table? Where in Table 7.2 is the identity between total resources and total uses?

8. In Table 7.1, please include total uses (gross value added) plus a line: "After deduction of fixed capital consumption", before operating surplus, net. And, please include in Table 7.2, the lines: total uses (gross value added) plus a line: "After deduction of fixed capital consumption" and complete the table with "balance of primary income, net".
9. Paragraph 7.8 refers to a balancing item, but such a term is not shown in the tables.
10. Paragraph 7.12: Prefer to say that the "operating surplus is the income which units obtain from their own use of the production facilities".
11. In paragraph 7.16, for completeness should there be references to property incomes from: interest; distributed income of corporations; reinvested earnings on direct foreign investment; and property income attributed to insurance policy holders?
12. There are a number of subjective observations which could be deleted. For example: paragraph 7.15, second part of first sentence; paragraph 7.18 (b) use of "small"; paragraph 7.25, first sentence; paragraph 7.105, use of timing in first sentence; and last two sentences of paragraph 7.97.
13. The treatment of fees on securities lending, as agreed by the AEG, does not seem to be explicitly mentioned? "The AEG agreed that fees on securities lending and reversible gold transactions should be recorded entirely as interest."
14. The concepts of "bank interest" and "SNA interest" sound a bit weird, as suggesting that the SNA would not reflect reality. Maybe one could speak of "interest charged by banks" as opposed to "interest income", the latter obviously excluding FISIM?

## **Part II: Comments on specific draft paragraphs or passages (*to follow soon*)**

In your review of draft chapter 7, 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. There are some changes in the text of section B on compensation of employees received from the ILO. Do you have any questions on the changes?

*Comment:*

No, but the text is very long and detailed and consideration should be given to include in a compilation guide.

2. In sections C and D, there are some changes in the text on taxes and subsidies suggested by the IMF and OECD staff responsible for classifying tax statistics. Do you have any questions on the changes?

*Comment:*

No, but the text is very long and detailed and consideration should be given to include in a compilation guide.

3. Section E, on property income, is expanded in keeping with AEG recommendations (see the Note by the editor). Do you find the new text clear enough? It is proposed to

introduce a heading, Investment income, under property income (equal to property income less rent) to facilitate consistency with the BPM. Do you have any comments on this proposal?

*Comment:*

A key issue is to agree the definition of interest (paragraph 7.101). See also specific comments.  
A second is the use of the term “super-dividends” which needs a more user-friendly title like “Excess dividends”.

4. It is proposed (section E.5) to use the expression “after-tax rent” instead of “net rent” to facilitate consistency with the SEEA. Do you have any comments on this?

*Comment:*

No

### **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](mailto: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>

Paragraph 7.2: It might be better to elaborate a little bit more on the several types of income and their relationships to each other. I would prefer to speak about ‘net acquisition of financial assets’ instead of lending. The term ‘financial resources’ is unclear.

Why not to explain the four accounts here?

P 7.3 and 7.4: Partly repetitive.

P. 7.5: Instead of ‘charges’, ‘uses’.

Ps. 7.2, 7.8, 7.12 or 7.15: Treatment of financial assets and land should be separated.

P 7.14: Content should be presented earlier.

P 7.15: Not sure whether this paragraph is needed.

P 7.18 (b): Should be dropped following recent UNSC decision.

P 7.24 is repetitive.

Ps 7.50 to 7.52: Why to have this detailed explanation here? Most of the text could be included into a compilation guide, and even part of it could go to the description of financial derivatives.

P 7.50: A stock option is ‘not similar to a financial derivative’; it is a financial derivative.

Ps 7.54 to 7.61: The text of these paragraphs might have to be modified based recent developments and accounting example. Not sure whether parts of the text should be shown here, in the pension chapter or in a compilation guide.

P 7.60: Not sure that the imputed contribution should be attributed exclusively to the employer.

P 7.61: Not clear what is meant and which basis such an imputed contribution should be compiled.

Ps 7.62ff: I would have a preference to show most of the section C in a compilation guide. The rest like the classification of taxes would be better placed in the government chapter. Not clear why so many references to the IMF and OECD manuals.

Ps 7.72 to 7.74: Should the SNA not determine the general guidelines how to classify taxes, etc.? Having said this is there a need to refer so often to other classifications/manuals? Again, issues like the links with IMF and OECD tax classifications might be better treated within the government chapter (similarly to the ROW chapter which covers the link between the ROW and the bop/iip).

Ps 7.96 and 7.97: I would prefer to use the term 'financial investment income' instead of 'investment income' which is too vague.

P 7.99: Instead of interest I would use 'interest receivable' or 'interest income' because interest is too vague (is also used for interest rate).

The terminology of 'Investment income disbursement' is not 'very user-friendly'. If we have to 'invent' a new terminology I would be in favor to use 'investment fund income', 'life insurance investment income', etc. Following almost the financial asset/liability classification I would not be in favor to show investment fund income together with insurance and pension investment income.

In this context it might be useful to mention the close link between financial asset classification and type of financial investment income.

Ps 7.100 and 7.101: Concerning the definition of interest (receivable and payable) I would link the definition to the interest income receivable/payable based on the different financial assets (which are monetary gold, SDRs, deposits, loans (excluding RIE), debt securities, receivables/payables). Only the 'theoretical' definition does not help the compiler. It would also be nice to show a from-whom-to-whom matrix of interest receivables/payables between institutional sectors. Also the issue of 'time of recording' should be discussed here, not only in the context of dividends.

P 7.101: Drafting suggestion for the definition of interest: Refer to "interest income", stating at the end of the definition something like: "Interest income excludes any services charged by banks on loans and deposits, to be recorded as FISIM."

P 7.103: This definition of dividends looks too wide. The paragraph 10.23 of the draft BPM6 looks more appropriate.

P 7.104: Last sentence is not very clear: The meaning of to "capitalise own funds" is not obvious. Maybe one could speak of the transformation of reserve assets and undistributed profits into shares?

P 7.106: Replace "notionally" by "usually"?

P 7.106: The term super-dividends should be reconsidered (excess dividends).

P 7.106: Is "distributable income" the same as "distributable earnings"? If yes, maybe more simple to use the same term twice?

P 7.107: States that the treatment applied also to quasi-corporations. However, P 7.108 shows a different approach for quasi-corporations, i.e. referring to "withdrawal of income". Maybe useful to clarify how P 7.107 and P 7.108 fit together?

P 7.109 states that withdrawals of income exclude those from capital gains. But dividends do include any amount distributed, even though it may come from a capital gain. Why should there be here a different treatment?

P 7.112: Last sentence is not clear. Does it intend to state that "In practice, the great majority of direct investment enterprises are completely controlled by their parent corporations or owners"?

P 7.112: What about sustainability factors as observed in various countries?

P 7.115: Drafting proposal for the second sentence: "These resources are used

P 7.118: Second sentence: "Carried through to saving" may be too much "jargon"?

Ps 7.119 to 7.122: Should be included into the pension chapter.

P 7.129 First sentence: Useful to explain the logic, or refer to an explanation provided elsewhere in the Manual?