

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

**Deadline for comments: 15 April 2007
Send comments to: sna@un.org**

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Submission date:	Click here and enter your submission date

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

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:

- Para. 7.4

To make the writing more consistent with other paras. of this chapter and those of chapter 6 on production account (para. 6.64) where GDP, GNI are prominent, it is better not to have this sentence in the para. as there is no need for this assumption in the system.

For simplicity, it will be assumed that value added is measured net, except when the context requires gross value added to be referred to explicitly.

This is also in line with Para 7.11

As already noted, value added should be measured net, that is, after deducting consumption of fixed capital. However, provision has to be made in the accounts of the System for value added, and hence all subsequent balancing items that depend on value added, to be measured gross or net of consumption of fixed capital because of the practical difficulty of measuring the latter. Operating surplus and mixed income may therefore both be expressed as gross or net.

- Para. 7.10 and other Paras.

It is recommended that **gross domestic product (GDP) at market prices** be replaced by **gross domestic product (GDP)** since there is only one concept of GDP

- Para 7.15

Enterprises may invest surplus funds in financial assets or even land, especially in times of

uncertainty and high interest rates.

Is this true in all circumstances? It is better to delete this sentence.

- Para. 7.59 on defined benefit scheme

The imputed contribution by the employer is calculated as a residual. It must be such that the sum of the employer's actual contribution plus the sum of any contribution by the employee plus the imputed contribution by the employer is equal to the increase in benefit due to current period employment plus the costs of operating the scheme.

The formula misses the investment earnings made on the investment of actual contributions.

- Para. 7.75 (editorial)

However, some economic activities, transactions or events, which under tax legislation ought to ~~impose on the units concerned the obligation to~~ pay taxes, permanently escape the attention of the tax authorities.

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:

Para. 7.25

Some persons who in labour statistics may be included with the self-employed, in particular some owners of quasi-corporations and owner-managers of corporations, are recorded in the System as receiving compensation of employees.

This sentence is inconsistent with the SNA which treats income of self-employed persons as mixed income, not compensation of employees. Does this sentence reflect the position of the ILO? Please check on it.

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:

Click here and start typing.

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:

No. We do not agree with the new term. 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.

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:

In the SNA, rent always meant "net rent". Similarly interest means "pure interest" or "SNA-interest" as a new term coined by Anne. In general, rent or interest used in the SNA excludes any costs incurred to the asset owners in generating rent or interest.

In business accounting, net rent or net income have the same meaning as in the SNA. After-tax net rent or after-tax net income are concepts used in business accounting when income taxes are deducted from them.

I do not see why we need the new term in the SNA. Taxes referred to in para. 7.128 are taxes on production paid by the user of the asset. "After-tax rent" is nothing else than rent in the SNA. So why introduce something new in the SNA that may create confusion. The SNA does not need to be compatible with SEEA. It should be the reverse.

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>