

**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.

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:

This chapter is written well and has provided many examples to explain the more detailed classification of transfers.

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

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

Comment:

Yes the discussion is clear, helpful and well structured.

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:

The discussion is clear and helpful, we may still struggle with the practical elements of the proposal however.

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?

Comment:

No comments

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:

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.

Part III. Other specific comments

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.