

**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:

Chapter 8 could be concise and the structure more efficient, by way of clearer section heads and sequential numbering.

The chapter headings should follow in exact description the headings given in the table and by "resources" - social benefits; and other current transfers and "uses" - current taxes on income, wealth; social contributions; social benefits other than social transfers in kind; and other current transfers.

I consider numbers in the tables hinder rather than facilitate user-friendliness.

Some sections - for example, the section on disposable income and the links with economic concepts (paragraphs 8.16 to 8.19) - are better for a compilation guide. This would enable 2. Disposable income, paragraph 8.15, to include paragraph 8.20 and then encompass Section 4. Adjusted disposable income, paragraphs 8.26 to 8.28.

The recording of transfers 2 plus pages (paragraphs 8.36 to 8.46) belongs in a compilation guide. And, also the accounting rules for the recording of taxes (paragraphs 8.49 to 8.55) which includes the links with IMF and OECD tax classifications.

Some examples highlight the lack of accessibility. The title of the chapter is the Redistribution of income accounts of which 1 is The secondary distribution and 3. is The redistribution of income in kind account. The balancing item is gross disposable income which is referred to in 2. The concept of a transfer is not explained in A., but in B and, the first contents index differs from the chapter headings, e.g., B1 The distinction between

current and capital transfers is numbered as 5. in the text; GI. Insurance-related activities, as 19.

The description of transfers in paragraph 8.29 repeats paragraph 8.6, but the ensuing description in paragraphs 8.29 to 8.32 debates the pros and cons of coverage which will leave the reader uncertain over the classification which it thought from an earlier reading it had clear in its mind. Suggest this is best left to a compilation guide.

Similarly, although the distinction between capital and current transfers is set out in paragraph 8.5, the same terminology is not used in paragraphs 8.33 to 8.35 of Section 5. The distinction, and this is another section best left to a compilation guide.

The title of the chapter could be "The secondary distribution of income account."

In section F. Social benefits consists of four small paragraphs: 8.78 to 8.81 and misses a distinction between private funded social benefits and unfunded employee social benefits, in resources.

The paragraphs on taxes and general government social insurance should be part of the general government chapter. Details should go into the compilation guide.

There might be an overlapping with the pension scheme chapter which is difficult to assess. In this context the paragraphs on social insurance might have to be redrafted based on recent developments.

To compile the supplementary table on pensions as agreed by the UNSC all pension related contributions and benefits have to be separated as already shown as a draft in the various sub-items under contributions and benefits.

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.

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>

Paragraphs 8.1 to 8.4 (introduction) could say simply:

"8.1. This account describes how the balance of primary income for each institutional sector is

allocated by redistribution: through transfers such as taxes on income, social contributions and benefits and other current transfers. It excludes social transfers in kind. The redistribution of income in kind account takes the process of income redistribution one stage further; it shows how the gross disposable income of Households and non-profit institutions serving households are transformed into adjusted disposable income by the receipt and payment of social transfers in kind.

8.2. The balancing item of this account is gross disposable income which reflects current transactions and excludes capital transfers, real holding gains and losses and the consequences of events such as natural disasters.

8.3 Transfers are made by one unit to another. They may be current transfers or capital transfers. The most important types of transfers are taxes, social contributions and benefits."

P 8.18: The text describes three instances of imputation in the property income account of households where (as is in the nature of imputation) the household is not free to spend the income. But the text seems confusing to me. I would suggest:

'8.18 Several kinds of property income flows are imputed to households, although the recipient is not free to spend the income. The first arises from an adjustment for indirectly measured financial service charges (FISIM), and is confined to interest on bank deposits and loans. Thus a deposit pays (for example) 2%; the FISIM adjustment imputes a further 1% to interest income, increasing household disposable income, and then imputes a corresponding amount to consumption expenditure as spending on financial services. A similar adjustment reduces interest payable on bank loans, reducing household interest outgoings on property income account but adding to consumption expenditure. The second case concerns income on reserves of non-life insurance corporations and social insurance schemes: the income is deemed to be paid out to policy-holders or beneficiaries, through an imputed receivable in the property income account, and then put back by them into the fund as an extra contribution recorded as an imputed current transfer. Disposable income (which is calculated after current transfers) is not affected. The third case concerns undistributed income on the reserves of life insurance corporations and annuity and pension funds and investment funds: the whole income on the reserves is deemed to be distributed to policy-holders, beneficiaries or holders of the investment fund's shares or units, and the undistributed part is deemed to be reinvested in the life policy, annuity or fund with a corresponding imputed entry in the financial account. Here the effect is to increase household disposable income, saving, and net acquisition of financial assets.

Not only households are receivers of such imputed income.

P 8.29 is repetitive.

P 8.37 If the transfers are in cash it should be reflected in cash which is always a financial asset (an increase or a decrease of cash). The last sentence could be dropped.

Ps 8.38 and 8.39: What is imputed cash? Would it not be better to record it in F.7 (receivables/payables)?

P 8.50 is a repetition of a paragraph in chapter 7.

P 8.71: The statement that all contributions to social insurance schemes are made by households might be correct in accounting terms (based on imputed transactions) but does not comply with the 'economic reality.'

P 8.82: To compile the supplementary table on pensions pension related contributions and benefits have to be separated as indicated in the various sub-items under contributions and benefits.