

**Comments on draft SNA chapter:  
Chapter 8: The secondary distribution of income account**

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

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**Part I: General comments**

**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.

*Comment:*

8.11 end of paragraph : prefer the wording of "social security *units*" rather than "social security *funds*". The term "fund" is confusing for systems that are mostly unfunded. This remark applies to many paragraphs.

8.14 "between resident and non resident households" and not "between different households". In the SNA, transfers between resident households are, in practice, consolidated.

8.29 add a last sentence to justify the inclusion of the word "direct" in the definition: "Thus these benefits for households are not considered a *direct* counterpart of the original transaction but only an *indirect* one." This would explain the inclusion of the word "direct" in the definition.

8.31 last sentence: The wording of this entry "net equity of households in life insurance reserves and pension funds" has been changed in favour of: "life insurance technical provisions and pension entitlements"

8.32 This new paragraph is quite inappropriate. We should not say, as you seem to do, that we do not recommend treating most pension as saving schemes. In fact we do: this is the essence of the change of the SNA towards recognising a liability for all employer schemes, even pay as you go! This is why I suggest a significant re-writing. Note that it is particularly difficult to do this re-writing because of the contradiction between the two positions (this contradiction implied, as I had proposed, to present the D8 adjustment as an *alternative* presentation, and not as the *central* one, but I had strangely no support in

the ISWGNA). In particular it seems very strange to use the argument that the pension scheme is on a pay as you go basis to not treat it as a saving scheme: it is in total contradiction with the argument that we used to decide to recognise liabilities for all employer schemes, even those funded on a pay as you go basis. Recognise a liability for a pension schemes exactly means treating it like a saving scheme!

Here is therefore the redrafting that I propose: Proposal of paragraph: *The issue whether pension schemes should be treated as functioning in a manner similar to life insurance schemes (or, more generally, to individual saving scheme), where pension contributions are saving and pension benefits dis-saving, or rather in a manner similar to non-life insurance, implying that pension contributions and pension benefits are current transfers, is a difficult one. Guidelines on this choice can be found in chapter 17, which contains a table where all pension schemes are treated as saving schemes. However, even when the SNA recommends treating a pension scheme as a saving scheme, there are still some reasons to show pension contributions and pension benefits as current transfers. The main reason is that, in other economic applications, such as surveys of income and expenditure, pension contributions are regarded as negative income and pension benefits as positive (and stable) income. Thus, all pension schemes, even those treated as saving schemes, also appear in the SNA accounts as treated similarly to non saving schemes and thus as part of the social insurance schemes. The contradiction involved by this double treatment is resolved by the imputed transaction D8 (see paragraph ...).*

8.33 Fourth sentence: add "or liability" in the sentence: Secondly, a transfer in cash is capital when it is linked to, or conditional on, the acquisition of an asset (other than inventories) *or a liability* by one of or both parties...". Indeed, debt assumption (exchange of liabilities) implies a capital transfer.

8.36 first sentence: add the word "direct" in "direct counterpart", following your new definition.

8.37 second sentence: "social security unit"

8.38 We do not understand why the paragraphs 8.34 to 8.37 of the 1993 SNA have been redrafted, as they are not affected by any of the 44 issues. Apparently, the only change in substance is the mention, that when there is, as explained in new paragraph 8.38, a free provision of good of service (transfer in kind), some imputed recordings of cash should occur in the financial accounts. This is quite strange, as, by definition no cash is exchanged in this example of transaction. It is explained however, in the new paragraph 8.38, that a financial entry might be necessary if the transfer does not happen at the same moment than the provision of the good and service. However, as by definition, all the transactions are imputed, it is hardly possible that there is a gap in timing between the two transactions. Overall, the changes introduced seem to reflect the traditional French motto: why not make things complicated, if they are too simple.

8.48 add "and in paragraphs 21.115 to 21.125 of Chapter XXI"

8.49 Include after last sentence (AEG decision): *Another case is the one where the licence provides exclusive rights to perform an activity to one or a small number of operators implying the existence of an underlying asset (a produced asset or a natural resource). In this case, the licence can be treated as the sale of an asset.*

8.53 you should check whether GFSM 2001 has not now adopted accrual accounting for taxes.

8.53 The following sentence should be added (referring to paragraph 120 of chapter 21, accepted by the AEG): *It may even happen that a tax payment occurs before the time*

where, apparently, the event generating the tax will occur, thus necessitating the recording of a liability of the government towards the tax payer. However, such a liability will be recorded only when the government can be committed to refund to the payer for the totality or for even a part of pre-paid amounts. In the opposite case, the event generating the payment will be considered to be the time of the payment."

Other possible solution: Include: "The specific case of pre-payment of taxes is covered in paragraph 120 of Chapter XXI".

8.53 last sentence: suppress "deducted at source" and replace "(see paragraph 8.52 below) by (see paragraph 8.56 below)"

8.54 end of second sentence: add: "or, if they they remain included, to record a negative capital transfer, in order that government net lending/borrowing is realistic (see paragraphs 122-123 of Chapter XXI)."

8.56 after second sentence, include: *The treatment of tax credits is described in paragraphs 124-125 of Chapter XXI.*

8.56 penultimate sentence, add: "In particular, " at the beginning of the sentence.

8.56 (c) Add the following reference to the AEG discussion: "The inclusion of taxes on holding gains as a current transfer may seem strange, because this entails that the tax is deducted from income while the tax base (the realised holding gains) are not included in the SNA definition of income. However, several reasons justify this situation, of which the fact that this tax is generally embedded in the income tax. "

8.59 In the next paragraphs, the terms "social assistance" is explicitly or implicitly used before any definition of it is given. One must wait for 8.79 to have some sort of definition. Please add therefore immediately after the definition of social insurance in paragraph 8.9, this sentence which would immediately help the reader to understand the difference between social insurance and social assistance: "Social insurance schemes differ from social assistance mainly by the fact that, for the latter, there is no actual or imputed social contribution paid by the possible benefitors or their employers (see paragraph 8.79)."

8.66 last sentence, replace "unfunded" by "non autonomous". The funded/unfunded distinction is not an important criterion in the SNA 93 rev 1.

8.67 (a) The second sentence of the definition is wrong (*benefits under these schemes are often not related to levels of salary of the beneficiary or history of employment*). This applies in the SNA for social assistance schemes but not for social security schemes. In many social security schemes, benefits are related to salary. For example, for social security pension schemes in continental Europe, pension benefits are as related to salary than for any other defined benefit scheme. This second sentence should be suppressed. Social security schemes should be therefore simply defined in the SNA as (1) social insurance schemes (2) covering the entire (or large sections) of the community, (3) that are imposed, controlled and financed by government units. That's all.

8.67 (b) In the logic of my previous remark, the title of this second category "employment related schemes" is not appropriate. Indeed, it leads to conclude that "social security" is not employment related. We propose to use the following: "Other employment related social insurance schemes". The result is that all social insurance schemes are employment related. Those which are not employment related should be classified as "social assistance".

8.67 (b) You should add here for clarification that "The term "other employment related

schemes" covers both schemes that are autonomous from the employer (employer pension funds, schemes in which the social contributions are paid to other parties such as insurance corporations, schemes managed by insurance corporations on behalf of employers or groups of employees) as well as schemes that are non autonomous from the employer (directly managed by the employer)."

8.67 last sentence, replace: "employment related schemes" by "other employment related schemes".

8.68 second sentence: definitions should be consistent: prior to this paragraph it was said of social security that it was "imposed, controlled and financed", by government units. Let us therefore keep the same qualifications here, and add "and financed".

8.68 the term "fund" in "social security funds" is particularly inappropriate as these units are generally very largely unfunded. The term "social security units" should be preferred to "social security funds". This applies several times in this paragraph.

8.69 title of section, prefer to use: "other employment related social insurance schemes" (see our remark on 8.67 b). This remark applies several times in this and other paragraphs.

8.69 end of first sentence, add: "or by representatives of a group of employees"

8.69 second sentence: replace the "funds" by the "schemes", and add at the end, " or of the group of employees".

8.70 This paragraph says that "*any discrepancies are recorded in the financial accounts under other accounts receivable/payable.*" This statement should be discussed at the AEG, because it may be better suited to record any underfunding of pension funds as pension liabilities (F6) rather than as "other accounts/receivable/payable".

8.71 first sentence: start with "In the SNA, all social contributions to social insurance schemes are shown as made by households".

8.71 second sentence: all social contributions are not "paid" (there are imputed ones), thus replace "amounts paid" by "these amounts".

8.71 fifth sentence: social contributions paid by households do not only concern pension, thus add "pensions and other social benefits"

8.71 seventh sentence: one correction, one deletion : A third element consists of contribution supplements, or imputed payments by households, which represent the actual or imputed return to the pension fund, earned on the start of year pension entitlement and which was attributed to households in the allocation of primary income account and, like the employers' contributions, was included in the balance of primary incomes for households.

Deleted: of the property income

8.77 This definition is wrong. The amount of service charge should be subtracted from the amount of property income. Replace this sentence by: "*This imputed item is equal as that recorded in the allocation of primary income account and described in chapter 7 paragraph XXXX minus any imputed estimate of fees charged by the administrators of the scheme.*"

8.78 The subsequent paragraphs lead to implicitly delete the 1993 aggregate "D62: social benefits other than social transfers in kind". This aggregate constituted the first section of the previous SNA. We see no reason that this aggregate is abandoned. It should be reintroduced.

8.80 Add here, end of paragraph : "*On the contrary, all benefits whether in kind or in cash payable under schemes that are neither social assistance nor social security are classified as "social benefits other than social benefits in kind (D62)"*"

8.82 Same remark as before, replace by : "*Other employment related social insurance benefits*".

8.82 Add for clarification: "*These include all social benefits whether in cash or in kind payable by all other employment related social insurance schemes, whether autonomous or not*".

8.85 first sentence, suppress "*and social insurance benefits*". Social assistance differs from social insurance essentially because of the existence of specific contributions or not. The benefits are the same.

8.90 AEG decision: include after "the remainder is described as net non life insurance premiums": "*These are the expected amounts available to provide cover against the various events or accidents listed above. Net non-life insurance premiums can also be compiled directly as equal to adjusted claims plus the difference between actual premium supplements and adjusted premium supplements.*"

8.92: Insert after second sentence (AEG decision): "*They are called claims incurred. Non life insurance claims incurred can be split between expected claims and non expected claims. Non expected claims is the difference between total claims incurred and expected claims.*"

8.94 Add at the end: "*Profit sharing, in the case of non life reinsurance, and bonuses, in the case of non life insurance direct insurance, are treated as miscellaneous current transfers (D45) between the insurance or reinsurance corporations and policy holders.*"

8.95 last sentence: replace "that specialises in insurance" by "*that is specialised or not in reinsurance*". Indeed, some direct insurers are also reinsurers...

8.97 ISWGNA decision, add to end of paragraph: "*This applies only for fees that are explicitly paid. No current transfer is recorded when government is applying non economically significant fees, except if the government itself records a provision for those standardised guarantees.*"

8.99 Add additional paragraph: "*Current transfers within general government need to be consolidated when compiling the supplementary consolidated account for the general government (see Chapter XXI).*"


**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.

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