



STATISTICS

Recording of Government Support to Businesses and Households in the National Accounts

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Novel Government Transfers to Mitigate COVID-19 Impacts

Many governments are channeling large transfer payments to businesses and households to support employment, incomes and future production readiness

- Some schemes provide direct support to businesses, with support feeding through indirectly to households through employees
- Other schemes make payments directly to households

Distinct to other measures – *loans, capital injections, boosts to health expenditure*

The range and structure of schemes is nuanced, country-specific and evolving, requiring careful review to ensure the correct recording of flows in the sequence of accounts both within and across countries:

- Key: apparently similar schemes—in name or nature of provision—may be GDP neutral or non-neutral depending on the detail, so care is needed to avoid biasing estimates

Novel Government Transfers to Mitigate COVID-19 Impacts

Schemes to date have been classified into six broad categories in a guidance note produced by the members of the International Statistical Working Group on National Accounts (ISWGNA), including the IMF, the OECD and Eurostat, available at:

- <https://www.imf.org/~media/Files/Publications/covid19-special-notes/en-special-series-on-covid-19-government-support-to-businesses-and-households.ashx?la=en>

This presentation summarizes the six different types of government support so far identified in the note and discusses each of the worked examples.

Guidance may be updated if and when new schemes evolve, and in all cases should be adapted where needed to fit the specific country context.

- *Consider this note an initial tool to assess how to record different schemes rather than a definitive guide.*

Four Principles to Consider When Analyzing Schemes

I. Recording of transactions should be **comprehensive** and should not **unduly distort balancing items**

II. Recording should be **consistent** with other statistical domains (e.g. GFS, labor market, BOP)

III. Recording should reflect the scheme's **intent**, which may differ from its superficial form – who primarily benefits?

IV. Recording should be **practical** - is re-routing essential, or does the simple cash flow capture the economic impacts effectively?

Broad Categories of Government Support to Date

- Employers** ➤ Payroll subsidies (D.39)
- Self-Employed** ➤ Subsidies on mixed income (D.39)
- Employers** ➤ Changes to tax liabilities (D.29)
- Households** ➤ Extra social benefits (D.62)
- Households** ➤ Payments outside of social benefits (D.75)
- Households** ➤ Changes to tax liabilities (D.5)
 - Also some corporate tax relief schemes (D.5)

1. Employer Support via Payroll Subsidies (D.39)

INTENT: to keep employees on payroll and the business on standby to resume production at short-notice: should be recorded as D.39 – other subsidies on production

EXAMPLE: Subsidy of 100 given to employer to boost D. 11 compensation of employees

Corporation Receives 100 in Subsidy			Employees' Household Income		
	Without Govt Support	With Govt Support		Without Govt Support	With Govt Support
B1. Gross value added	25	25	B2. Gross operating surplus/ B3. Mixed income	0	0
Less:			D1. Compensation of employees	10	110
D1. Compensation of employees	10	110	D4. Property income, receipts less payments	20	20
D11. Wages and salaries	10	110	Less: D5. Current taxes on income and wealth, paid	5	5
D12. Employers social contributions	0	0	Less: Social contributions, paid	0	0
D29. Other taxes on production	10	10	D62. Social benefits (cash), receipts less payments	0	0
Less: D.39 Other subsidies on production	0	100	D7. Other current transfers, receipts less payments	0	0
=B2. Gross operating surplus/B3. Mixed income	5	5	= Household disposable income	25	125

2. Self-Employed Business Support via Production Subsidies (D.39)

INTENT: to keep small, unincorporated business from folding and ready to resume production – classification as D.39 based on regarding recipients as self-employed, not households. Impact on mixed income as COE not separable

EXAMPLE: Subsidy on production of 100 given to sole/joint-partnerships to boost mixed income

Self-Employed Business (100 in Subsidy)			Self-Employed Household Income		
	Without Govt Support	With Govt Support		Without Govt Support	With Govt Support
B1. Gross value added	25	25	B2. Gross operating surplus/ B3. Mixed income	15	115
Less:			D1. Compensation of employees	0	0
D1. Compensation of employees	0	0	D4. Property income, receipts less payments	20	20
D11. Wages and salaries	0	0	Less: D5. Current taxes on income and wealth, paid	5	5
D12. Employers social contributions	0	0	Less: Social contributions, paid	0	0
D29. Other taxes on production	10	10	D62. Social benefits (cash), receipts less payments	0	0
Less: D.39 Other subsidies on production	0	100	D7. Other current transfers, receipts less payments	0	0
=B2. Gross operating surplus/B3. Mixed income	15	115	= Household disposable income	30	130

3. Employer Support via Temporarily Reduced Tax Obligations (D.29)

INTENT: to keep employees on payroll and the business on standby to resume production at short-notice: should be recorded as D.29 – other subsidies on production; D.11

EXAMPLE: Govt reduces production tax rate to zero, which boosts D.11

Business liable to zero rate on Other Taxes on Production			Employees' household income		
	Without Govt Support	With Govt Support		Without Govt Support	With Govt Support
B1. Gross value added	25	25	B2. Gross operating surplus/ B3. Mixed income	0	0
Less:			D1. Compensation of employees	10	20
D1. Compensation of employees	10	20	D4. Property income, receipts less payments	20	20
D11. Wages and salaries	10	20	Less: D5. Current taxes on income and wealth, paid	5	5
D12. Employers social contributions	0	0	Less: Social contributions, paid	0	0
D29. Other taxes on production	10	0	D62. Social benefits (cash), receipts less payments	0	0
Less: D.39 Other subsidies on production	0	0	D7. Other current transfers, receipts less payments	0	0
=B2. Gross operating surplus/B3. Mixed income	5	5	= Household disposable income	25	35

6. Household Support via Temporarily Reduced Tax Obligations (D.5)

INTENT: to boost household disposable income (*or corps if reduction in e.g tax on profits)

EXAMPLE: Govt lowers income tax rate to zero, which reduces D.5 – taxes on income and wealth

Household Disposable Income (Government Decreases Income Tax Rate to Zero)		
	Without Govt Support	With Govt Support
B2. Gross operating surplus/ B3. Mixed income	0	0
D1. Compensation of employees	10	10
D4. Property income, receipts less payments	20	20
Less: D5. Current taxes on income and wealth, paid	5	0
Less: Social contributions, paid	0	0
D62. Social benefits (cash), receipts less payments	0	0
D7. Other current transfers, receipts less payments	0	0
= Household disposable income	25	30

Some Common Features of the Different Schemes

Schemes largely do not impact on B.2/B.3 – Operating Surplus and Mixed Income; also B.6 neutrality/‘restoration’ principle

- Remember first principle: ‘... should not unduly distort balancing items’
- For self-employed, COE not separate to capital returns so unavoidable impact

Schemes impacting on D.1, D.29, D.39 may impact on GDP; D.5, D.6, D.7 do not

All schemes ultimately boost disposable income

- Mostly for the household sector
- But could be for corporate sector if reduced tax on profits, capital gains etc.

All schemes reduce government saving

- They all represent exceptional transfers from the government sector to the corporate and/or household sectors

Summary of Scheme Impacts on National Account Aggregates

AGGREGATE	SCHEME	Employer - Payroll Subsidy	Self-Employed - Production Subsidy	Employer - Reduced Production Tax Obligations	Household - Social Benefit Payment	Household - Non-Social Benefit Payment	Household - Reduced Income/Wealth Tax Obligations
Operating surplus (B.2) of employers		—	—	—	—	—	—
Mixed income (B.3) of self-employed		—	▲	—	—	—	—
Wages and salaries (D.11)		▲	—	▲	—	—	—
Current taxes on production (D.29)		—	—	▼	—	—	—
Current subsidies on production (D.39)		▲	▲	—	—	—	—
Current taxes on income and wealth, paid (D.5)		—	—	—	—	—	▼
Social benefits (D.62)		—	—	—	▲	—	—
Current transfers to households (D.75)		—	—	—	—	▲	—
Household disposable income (B.6)		▲	▲	▲	▲	▲	▲
Government saving (B.8)		▼	▼	▼	▼	▼	▼

Practical Considerations

Guidance here is neither final nor exhaustive and will need to react to:

- New schemes
- Revised scheme designs/rules

Maintain dialogue with BOP/GFS colleagues, other countries, IMF and other orgs to:

1. Monitor change
2. Consider impacts on aggregates consistently/holistically
3. Ensure harmonization of treatments where feasible

Care needed to understand scheme intent versus outcome; timing

- Does assistance directly provided to employers benefit employees by law, or is there employer discretion? Ratios? Equability (income dist.)?
 - Could be less impact on D.11, offsetting rise in B.2
- Is scheme operating as intended? Start/end dates; timing for accrued transactions

Practical Considerations

Transfers versus loans

- E.g. US Paycheck Protection Program for small businesses (<500 emps)
- Sounds like but is not D.39 – other production (payroll) subsidy
- Loan Liability(PNFCs) > capital transfer if ultimately forgiven; or
- Loan asset (FINCOs)/Liability (PNFCs) > debt assumption by govt if govt is guarantor
- BUT – argument to record as transfer if non-repayment of principal is the norm

Other schemes, scheme interactions, measurement difficulties

- Getting rapid, accurate admin and/or business survey data may be hard
- Confusion and flux – mistaken payouts, fraud, rule changes

Users' needs:

- Ensure any changes from support schemes are described in releases material
 - Footnotes to tables
 - Explanatory/methodological notes
 - Revisions analysis
- Reference to the ISWGNA Guidance Note may provide clarity and independent support to decisions, particularly for schemes that *de facto* operate differently than suggested by their names or popular understanding
- BUT – recognized that you do the best you can with available resources

Questions?

Thank you for your participation!

Link to all IMF COVID-19 special notes

<https://www.imf.org/en/Publications/SPROLLs/covid19-special-notes>

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