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ANNEX A

EUROPEAN SYSTEM OF ACCOUNTS
ESA 1995

CHAPTER 4

DISTRIBUTIVE TRANSACTIONS

SOCIAL CONTRIBUTIONS AND BENEFITS (D.6)

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|-------|--------------------|--|
| 4.83. | <i>Definition:</i> | Social benefits are transfers to households, in cash or in kind, intended to relieve them from the financial burden of a number of risks or needs, made through collectively organized schemes, or outside such schemes by government units and NPISHs; they include payments from general government to producers which individually benefit households and which are made in the context of social risks or needs. |
|-------|--------------------|--|
- 4.84. The list of risks or needs which may give rise to social benefits is, by convention, fixed as follows:
- (a) sickness;
 - (b) invalidity, disability;
 - (c) occupational accident or disease;
 - (d) old age;
 - (e) survivors;
 - (f) maternity;
 - (g) family;
 - (h) promotion of employment;
 - (i) unemployment;
 - (j) housing⁽¹⁾;
 - (k) education;
 - (l) general neediness.
- 4.85. Social benefits include:
- (a) current and lump-sum transfers from schemes which receive contributions, cover the entire community or large sections of the community and are imposed and controlled by government units (social security schemes);

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- (b) current and lump sum transfers from schemes organized by enterprises on behalf of their employees, ex-employees or dependants (private funded and unfunded enterprises' schemes). Contributions may be made by employees or employers; they may also be made by self-employed persons;
 - (c) current transfers from government units and NPISHs which are not conditional on previous payment of contributions (assistance).
- 4.86. Social benefits exclude:
- (a) insurance claims based on policies taken out solely on the own initiative of the insured, independently of his employer or government;
 - (b) insurance claims on policies taken out with the sole purpose of obtaining a discount, even if those policies follow from a collective agreement.
- 4.87. In order for an individual policy to be treated as part of a social insurance scheme, the eventualities or circumstances against which the participants are insured must correspond to the risks or needs listed in paragraph 4.84 above, and in addition, one or more of the following conditions must be satisfied:
- (a) participation in the scheme is obligatory either by law for a specified category of worker, whether employees, self- or non-employed, or under the terms and conditions of employment of an employee, or group of employees;
 - (b) the scheme is a collective one operated for the benefit of a designated group of workers, whether employees, self- or non-employed, participation being restricted to members of that group;
 - (c) an employer makes a contribution (actual or imputed) to the scheme on behalf of an employee, whether or not the employee also makes a contribution.
- 4.88. Social insurance schemes are schemes in which workers are obliged, or encouraged, by their employers or by general government to take out insurance against certain eventualities or circumstances that may adversely affect their welfare or that of their dependants.

Social insurance schemes may be classified according to the following types:

- (a) social security schemes, covering the entire community, or large sections of the community, that are imposed, controlled and financed by government units;
- (b) private funded schemes, which consist of:
 1. schemes in which the social contributions are paid to third parties (insurance enterprises, autonomous pension funds);
 2. schemes in which employers maintain special reserves which are segregated from their other reserves, even though such schemes do not constitute separate institutional units from the employers. These are referred to as non-autonomous pension funds. The reserves are treated as assets that belong to the beneficiaries and not the employers;
- (c) unfunded schemes in which employers pay social benefits to their employees, ex-employees or their dependants out of their own resources without creating special reserves for the purpose.

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4.89. Social insurance schemes organized by government units for their own employees are classified as private funded schemes or unfunded schemes as appropriate and not as social security schemes.

4.90. Social contributions may be divided into actual contributions payable under the first two categories of schemes mentioned in paragraph 4.88 above and imputed contributions payable under unfunded schemes.

4.91. Social contributions may be divided into those that are compulsory by law and those that are not.

SOCIAL CONTRIBUTIONS (D.61)

Actual social contributions (D.611)

4.92. Actual social contributions include:

(a) employers' actual social contributions (D.611). These correspond to flow D.121.

Employers' actual social contributions are paid by employers to social security funds, insurance enterprises or autonomous as well as non-autonomous pension funds administering social insurance schemes to secure social benefits for their employees.

As employers' actual social contributions are made for the benefit of their employees, their value is recorded as one of the components of compensation of employees together with wages and salaries in cash and in kind. The social contributions are then recorded as being paid by the employees as current transfers to the social security funds, insurance enterprises or autonomous as well as non-autonomous pension funds;

(b) employees' social contributions (D.6112).

These are social contributions payable by employees to social security, private funded and unfunded schemes. Employees' social contributions consist of the actual contributions payable plus, in the case of private funded schemes, the contribution supplements payable out of the property income attributed to insurance policy holders received by employees participating in the schemes, minus the service charges. All the service charges are treated as charges against the employees' contributions and not the employers';

(c) social contributions by self-employed and non-employed persons (D.6113).

These are social contributions payable for their own benefit by persons who are not employees — namely, self-employed persons (employers or own-account workers), or non-employed persons. They also include the value of the contribution supplements payable out of the property income attributed to insurance policy holders received by participating individuals that they are recorded as paying back to the insurance enterprises in addition to their other contributions.

4.93. Payments of actual social contributions may be compulsory by virtue of a statute or regulation, or they may be paid as a result of collective agreements in a particular industry or agreements between employer and employees in a particular enterprise, or because they are written into the contract of employment itself. In certain cases, the contributions may be voluntary.

The voluntary contributions referred to here cover:

(a) social contributions which persons who are not, or who are no longer, legally obliged to contribute pay or continue to pay to a social security fund;

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- (b) social contributions paid to insurance enterprises (or friendly societies and pension funds classified in the same sector) as part of supplementary insurance schemes organized by enterprises for the benefit of their employees and which the latter join voluntarily;
 - (c) contributions to friendly societies with membership open to employees or self-employed workers.
- 4.94. To distinguish between social contributions that are compulsory and those that are not, a supplementary level is introduced in the classification:
- (a) compulsory employers' actual social contributions (D.61111);
 - (b) voluntary employers' actual social contributions (D.61112);
 - (c) compulsory employees' social contributions (D.61121);
 - (d) voluntary employees' social contributions (D.61122);
 - (e) compulsory social contributions by self and non-employed persons (D.61131);
 - (f) voluntary social contributions by self and non-employed persons (D.61132).
- 4.95. Actual social contributions to social security funds or other government agencies are recorded gross as distributive transactions.

On the other hand, social contributions paid under private funded schemes to insurance enterprises, and to friendly societies and autonomous pension funds included in the same sector, are recorded net, i.e. after deducting that part of the contribution which represents the value of the insurance service provided to (resident and non-resident) households. Under the conventions adopted, this part of the contribution represents, in effect, the payment for a market service which forms part of the final consumption of households or, in the case of contributions paid by non-resident households, part of exports of services.

In the case of non-autonomous private funded social insurance schemes, where employers maintain their own segregated reserves, no service charge is deducted from contributions paid by the employees. As such schemes do not constitute separate institutional units from the employers, the costs of managing and administering the funds are assimilated with the employers' general production costs.

- 4.96. Time of recording: employers' actual social contributions (D.6111) and employees' social contributions (D.6112) are recorded at the time when the work that gives rise to the liability to pay the contributions is carried out. Social contributions by self-employed and non-employed persons (D.6113) are recorded when the liabilities to pay are created.

[^{F1}Social contributions payable to the general government sector recorded in the accounts may be derived from two sources: amounts evidenced by assessments and declarations or cash receipts.

Textual Amendments

- F1** Inserted by [Commission Regulation \(EC\) No 995/2001 of 22 May 2001 implementing Regulation \(EC\) No 2516/2000 of the European Parliament and of the Council modifying the common principles of the European system of national and regional accounts in the Community \(ESA 95\) as concerns taxes and social contributions.](#)

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- (a) If assessments and declarations are used, the amounts shall be adjusted by a coefficient reflecting assessed and declared amounts never collected. As an alternative treatment, a capital transfer to the relevant sectors could be recorded equal to the same adjustment. The coefficients shall be estimated on the basis of past experience and current expectations in respect of assessed and declared amounts never collected. They shall be specific to different types of social contributions.
- (b) If cash receipts are used, they shall be time-adjusted so that the cash is attributed when the activity took place to generate the social contribution liability (or when the liability is created). This adjustment may be based on the average time difference between the activity (or the creation of the liability) and cash receipt.

When retained at source by the employer, social contributions payable to the general government sector should be included in wages and salaries even if the employer did not in fact pass them on to the general government. The households sector is then shown as paying the full amount on to the general government sector. The amounts actually unpaid have to be neutralised under D.995 as a capital transfer from general government to the employers' sectors.]

4.97. In the system of accounts, actual social contributions are recorded:

- (a) among uses in the secondary distribution of income account of households;
- (b) among uses in the external account of primary incomes and current transfers (in the case of non-resident households);
- (c) among resources in the secondary distribution of income account of resident insurers or employers;
- (d) among resources in the external account of primary incomes and current transfers (in the case of non-resident insurers or employers).

Imputed social contributions (D.612)

4.98. Imputed social contributions (D.612) represent the counterpart to social benefits (less eventual employees' social contributions) paid directly by employers (i.e. not linked to employers' actual contributions) to their employees or former employees and other eligible persons. They correspond to flow D.122. Their value should, in principle, be based on actuarial considerations.

4.99. It is necessary to introduce imputed social contributions if the social benefits distributed directly by employers are to be included in the accounts under the heading social benefits and if the cost of these benefits (for the part which is not covered by employees' actual contributions) is to be included in the compensation of employees paid by the employer.

When employers provide social benefits themselves directly to their employees, ex-employees or dependants out of their own resources without involving a social security fund, an insurance enterprise or an autonomous pension fund, and without creating a special fund or segregate reserve for the purpose, beneficiaries may be considered as being protected against various specific needs, or circumstances, even though no payments are being made to cover them.

Remuneration should therefore be imputed for employees equal in value to the amount of social contributions that would be needed to secure the de facto entitlements to the social benefits they accumulate. These amounts depend not only on the levels of the benefits currently payable but also on the ways in which employers' liabilities under such schemes are likely to evolve in the future as a result of factors such as expected changes in the numbers, age distribution and life expectancies of their present and previous employees. Thus, the values that should be imputed

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for the contribution ought, in principle, to be based on the same kind of actuarial considerations that determine the levels of premiums charged by insurance enterprises. When as a result of political events or economic changes, the ratio between the number currently employed and the number receiving pensions changes appreciably and becomes abnormal, the value of the imputed contributions for current employees should be estimated, which will be different from the actual value of the pensions paid out. A reasonable percentage of wages and salaries paid to current employees can be used for this purpose.

In practice, however, it may be difficult to decide how large such imputed contributions should be. The enterprise may make estimates itself, perhaps on the basis of the contributions paid into similar funded schemes, in order to calculate its likely liabilities in the future. Otherwise, the only practical alternative may be to use the unfunded social benefits payable by the enterprise during the same accounting period (after deducting actual contributions made by employees themselves) as an estimate of the imputed remuneration that would be needed to cover the imputed contributions. While there are obviously many reasons why the value of the imputed contributions that would be needed may diverge from the unfunded social benefits actually paid in the same period, such as the changing composition and age structure of the enterprise's labour force, the benefits actually paid in the current period (less employees' social contributions) may nevertheless provide sufficient estimates of the contributions and associated imputed remuneration.

- 4.100. Employers are recorded, in the generation of income account, as paying to their existing employees as a component of their compensation an amount described as imputed social contributions equal in value to the estimated social contributions that would be needed to provide for the unfunded social benefits to which they become entitled. Employees are recorded, in the secondary distribution of income account, as paying back to their employers the same amount of imputed social contributions (i.e. current transfers) as if they were paying them to a separate social insurance scheme.
- 4.101. Time of recording: imputed social contributions which represent the counterpart of compulsory direct social benefits are recorded at the time the obligation to pay the benefits arises.

Imputed social contributions which represent the counterpart of voluntary direct social benefits are recorded at the time the benefits are provided.

- 4.102. In the system of accounts, imputed social contributions are recorded:
- (a) among uses in the secondary distribution of income account of households and in the external account of primary incomes and current transfers;
 - (b) among resources in the secondary distribution of income account of the sectors to which the employers belong and in the external account of primary incomes and current transfers.

SOCIAL BENEFITS OTHER THAN SOCIAL TRANSFERS IN KIND (D.62)

- 4.103. The heading D.62 is made up of four sub-headings:

Social security benefits in cash (D.621)

They are payable to households by social security funds (excluding reimbursements, see D.6311).

Those benefits are provided under social security schemes.

Private funded social benefits (D.622)

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They are (in cash or in kind), payable to households by insurance enterprises or other institutional units administering private funded social insurance schemes.

Unfunded employee social benefits (D.623)

They are (in cash or in kind), payable to their employees, their dependants or survivors by employers administering unfunded social insurance schemes. They typically include:

- (a) the continued payment of normal, or reduced, wages during periods of absence from work as a result of ill health, accident, maternity, etc.;
- (b) the payment of family, education or other allowances in respect of dependants;
- (c) the payment of retirement or survivors' pensions to ex-employees or their survivors, and the payment of severance allowances to workers or their survivors in the event of redundancy, incapacity, accidental death, etc. (if linked to collective agreements);
- (d) general medical services not related to the employee's work;
- (e) convalescent and retirement homes.

Unfunded employee social benefits payable by employers to their former employees or other eligible persons should be recorded including employers' actual social contributions, i.e. payments made by the employers for the benefit of the persons concerned to insurers.

Social assistance benefits in cash (D.624)

They are payable to households by government units or NPISHs to meet the same needs as social insurance benefits but which are not made under a social insurance scheme incorporating social contributions and social insurance benefits. Such benefits do not include current transfers paid in response to events or circumstances that are not normally covered by social insurance schemes (i.e. transfers made in response to natural disasters, recorded under other current transfers or under other capital transfers).

SOCIAL TRANSFERS IN KIND (D.63)

4.104. Definition: Social transfers in kind (D.63) consist of individual goods and services provided as transfers in kind to individual households by government units and NPISHs, whether purchased on the market or produced as non-market output by government units or NPISHs. They may be financed out of taxation, other government income or social security contributions, or out of donations and property income in the case of NPISHs.

Although some of the non-market services produced by NPISHs have some of the characteristics of collective services, all the non-market services produced by NPISHs are, for simplicity and by convention, treated as individual in nature. Services provided free, or at prices that are not economically significant, to households are described as individual services to distinguish them from collective services provided to the community as a whole, or large sections of the community. Individual services consist mainly of education and health services, although other kinds of services such as housing services, cultural and recreational services are also frequently provided.

The heading social transfers in kind (D.63) includes social benefits in kind and transfers of individual non-market goods or services.

Social benefits in kind (D.631)

4.105. Social benefits in kind are social transfers in kind intended to relieve the households from the financial burden of social risks or needs (see paragraph 4.84). They can be subdivided into those where beneficiary households actually purchase the goods and services themselves and are then reimbursed, and those where the relevant services are

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provided directly to the beneficiaries. In this second case, general government units or NPISHs produce or purchase, entirely or in part, goods and services which are directly provided by their producers to the beneficiaries.

Social security benefits, reimbursements (D.6311)

These benefits consist of reimbursement by social security funds of approved expenditures made by households on specified goods or services.

When a household purchases a good or service for which it is subsequently reimbursed, in part or in whole, by a social security fund, the household can be regarded as if it were acting on behalf of the social security fund. In effect, the household provides a short-term credit to the social security fund that is liquidated as soon as the household is reimbursed.

The amount of the expenditure reimbursed is recorded as being incurred directly by the social security fund at the time the household makes the purchase, while the only expenditure recorded for the household is the difference, if any, between the purchaser's price paid and the amount reimbursed. Thus, the amount of the expenditure reimbursed is not treated as a current transfer in cash from the social security funds to households.

Other social security benefits in kind (D.6312)

These consist of social transfers in kind, except reimbursements, made by social security funds to households. Most other social security benefits in kind are likely to consist of medical or dental treatments, surgery, hospital accommodation, spectacles or contact lenses, medical appliances or equipment, and similar goods or services in the context of social risks or needs. The service is provided directly to the beneficiaries, without reimbursement, by market or non-market producers and should be valued accordingly. Any payments made by the householders themselves should be deducted.^[F2] Other social security benefits in kind can be therefore subdivided into those for which the service is produced by market producers and purchased by general government units or NPISHs (D.63121), and those for which the service is produced by non-market producers (D.63122).]

Textual Amendments

F2 Inserted by [Commission Regulation \(EC\) No 1500/2000 of 10 July 2000 implementing Council Regulation \(EC\) No 2223/96 with respect to general government expenditure and revenue.](#)

Social assistance benefits in kind (D.6313)

These consist of transfers in kind provided to households by government units or NPISHs that are similar in nature to social security benefits in kind but are not provided in the context of a social insurance scheme. Included are, if not covered by a social insurance scheme, social housing, dwelling allowance, day nurseries, professional training, reductions on transport prices (provided that there is a social purpose), and similar goods and services in the context of social risks or needs. Any payments made by the householders themselves should be deducted.^[F2] Social assistance benefits in kind can be therefore subdivided into those for which the service is produced by market producers and purchased by general government units or NPISHs (D.63131), and those for which the service is produced by non-market producers (D.63132).]

Transfers of individual non-market goods or services (D.632)

4.106. *Definition:*

Transfers of individual non-market goods or services (D.632) consist of goods or services provided to individual households free or at prices which

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are not economically significant, by non-market producers or government units or NPISHs. They correspond to individual consumption expenditure of NPISHs and government (see paragraph 3.85), less social benefits in kind (D.631) granted to households under social security or social assistance arrangements.

- 4.107. Time of recording of social benefits:
- (a) in cash, they are recorded when the claims on the benefits are established;
 - (b) in kind, they are recorded at the time the services are provided, or at the time the changes of ownership of goods provided directly to households by non-market producers take place.
- 4.108. In the system of accounts, social benefits other than social transfers in kind (D.62) are recorded:
- (a) among uses in the secondary distribution of income account of the sectors granting the benefits;
 - (b) among uses in the external account of primary incomes and current transfers (in the case of benefits granted by the rest of the world);
 - (c) among resources in the secondary distribution of income account of households;
 - (d) among resources in the external account of primary incomes and current transfers (in the case of benefits granted to non-resident households).

Social transfers in kind (D.63) are recorded:

- (a) among uses in the redistribution of income in kind account of the sectors granting the benefits;
- (b) among resources in the redistribution of income in kind account of households.

The consumption of the goods and services transferred is recorded in the use of adjusted disposable income account.

By convention there are no social transfers in kind with the rest of the world (they are registered in D.62 social benefits other than social transfers in kind).

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- (1) In the case of housing, payments made by public authorities to tenants in order to reduce their rents are social benefits, with the exception of special benefits paid by public authorities in their capacity as employers.

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Changes and effects yet to be applied to :

- Regulation revoked by [S.I. 2021/1300 Sch. 1 para. 13](#)