

*BPM7* Chapter 13. Secondary Income Account:  
Annotated Outline



## **BPM7 Chapter 13. Secondary Income Account:<sup>1</sup> Annotated Outline<sup>2</sup>**

(Update to *BPM6* Chapter 12)

*Changes from BPM6 highlighted yellow*

As in Balance of Payments and International Investment Position Manual, sixth edition (*BPM6*) Chapter 12, this chapter will introduce the secondary income account and its major components. The structure will be maintained from the *BPM6* chapter. The chapter will have separate sections on overview of the secondary income account (Section I), concepts and coverage (Section II), and types of current transfers (Section III). See the Schematic Overview for details.

In addition to the highlighted updates/additions below, further changes may be made to improve the consistency of the language with other macroeconomic statistics manuals (e.g., System of National Accounts 2025) as appropriate.

### **I. Overview of the Secondary Income Account**

The structure and content of this section will be maintained as in *BPM6*. This section will introduce secondary income and its main components, describe the links to gross national disposable income, and contrast secondary income with primary income.

### **II. Concepts and Coverage**

This section—which discusses the coverage, timing, and valuation for secondary income—will be maintained as in *BPM6* with the following important changes.

**A. Transactions: Exchanges and Transfers** – no significant changes

**B. Distinction Between Current and Capital Transfers**

- Per GN C.8, the list of transactions considered to be capital transfers will be expanded to include nonrecurrent payments in compensation for accumulated losses or extensive damages; these are not listed explicitly in *BPM6* (although they are discussed later in paragraphs 12.55–56).

**C. Recording and Valuation of Transfers**

- Per GN C.8, paragraphs 12.17–18 will be modified to clarify that fine/penalty transactions should not be recorded until the unit issuing the fine has an “unconditional claim to the funds” and to clarify that if a judgment or ruling is subject to further appeal, an unconditional claim exists “when the appeal is resolved.” It will be noted that the corresponding entry to fines and penalties accrued but not yet paid should be recorded as other accounts receivable/payable.

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<sup>1</sup> Note that the term “secondary income” is used throughout this annotated outline. However, pending the outcomes of CM.2, Terminology and Branding of the Economic Accounting Statistical Standards, and related work to develop a standard glossary for macroeconomic accounts, the term may be changed. The current proposal under review is to replace “secondary income” with “transfer income.”

<sup>2</sup> Prepared by Kristy Howell and Patrick Quill (*BPM* editors) and cleared by Carlos Sánchez-Muñoz (*BPM* Project Manager).

- The redistribution of income accounts, in 2008 SNA Chapter 8, includes a number of examples of different types of transfers and how they should be recorded—such as transfers in cash, provision of goods and services by enterprises, and social transfers in kind—which may be added to BPM for consistency/completeness.

### III. Types of Current Transfers

A. **Personal Transfers** – no significant changes

B. **Other Current Transfers**

- Pending the outcomes of GN WS.14, the discussion of the borderline between taxes and service fees would be expanded/clarified and aligned across the manuals.<sup>3</sup>
- Stemming from the outcomes of the AEG decision (7/2012), the discussion of non-life insurance-related transfers will be expanded to clarify how a major catastrophic event should be defined for purposes of determining if the transfers are current or capital.
- Based on GN F.12, the treatment of net premiums and claims on hybrid insurance products will depend on the allocation of the product as either life or nonlife insurance.
- The discussion on fines and penalties (paragraph 12.54) will be expanded per C.8 (see Annex VI). It will also be clarified that contingent fine and penalties in mergers and acquisitions contracts are updates to the market value of the acquired enterprise and therefore should be recorded as direct investment or portfolio investment flows, not as transfers.
- The discussion of major compensation payments (12.55–56) will be updated to clarify when compensation payments should be treated as capital transfers (C.8).
- Based on the decision in GN B.8, a new paragraph will be added to describe the treatment of nonrefundable contributions to government (or their nominated agency) under citizen-by-investment (CBI) programs as non-tax revenue (transfers not elsewhere classified). Given the variation in operationalization of this type of CBI program, the choice of current or capital transfer should be based on the specific nature of the program following the statistical principles from the manual. (The current treatment of refundable contributions to CBI programs—as investment—will be retained.)

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<sup>3</sup> The related discussion of stability fees and their treatment (AEG 7/2012 and 8/2013) may also have implications for balance of payments that still need to be investigated.

## Schematic Overview

I	Overview of Secondary Income Account Definition Distinguishing Primary Income from Secondary Income Components <i>Table 13.1 Overview of the Secondary Income Account</i>
II	Concepts and Coverage A. Transactions: Exchanges and Transfers B. Distinction Between Current and Capital Transfers C. Recording and Valuation of Transfers
III	Types of Current Transfers A. Personal Transfers B. Other Current Transfers

### References

- GNs B.8, C.8, F.12, and WS.14\*. These guidance notes are posted at [Update of the sixth edition of the \*Balance of Payments and International Investment Position Manual \(BPM6\)\* \(imf.org\)](#) or at [List of Guidance Notes for the 2008 SNA Update](#) (unstats.un.org).<sup>4</sup>
- [AEG 7/2012](#) meeting decisions on life insurance and major catastrophic events.
- [AEG 7/2012](#) and [8/2013](#) discussion on stability fees.

### Key Stakeholders Consulted

- System of National Account and Balance of Payments Manual editors
- IMF Statistics Department Financial Institutions Division and Government Finance Division

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<sup>4</sup> Guidance notes that are under consultation at the time of writing this AO are marked by an asterisk (\*).