



Special Series on COVID-19

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Government Support to Businesses and Households

The Intersecretariat Working Group on National Accounts

This note focuses on government measures related to supporting employers¹ and their employees, as well as support to the self-employed (unincorporated owner-operators) and provides guidance on how these should be recorded in macro-economic statistics (including government finance statistics, labor force statistics and national accounts).

I. INTRODUCTION

In response to the global COVID-19 (coronavirus) pandemic, many governments have implemented a wide range of support measures to mitigate impacts on the economy and society. While many of the measures are not new, the events that trigger them and the scale at which they are taking place are unprecedented raising questions about how they should be recorded in IMF member countries' National Accounts.

The pace at which these measures are being introduced requires timely guidance. Therefore, this note presents guidance based on information that is currently available on these schemes. Further guidance will be needed as the situation evolves, particularly given the varied range of instruments and mechanisms being adopted by governments.

II. SUMMARY

A variety of support mechanisms are currently being implemented across countries. Some arrangements reimburse employers for payments already made to employees, while others provide employers with transfers

¹ This may include corporations, unincorporated enterprises, and government units.

calculated using formulas based on historic employee salary information. Some are only for furloughed workers, while others apply both to furloughed workers and/or workers on significantly reduced hours. Some are completely new schemes, while others are (usually considerably) amplified versions of existing schemes. Some pay the funds directly to employers while others pay the funds directly to employees. Some government payments are considered 'taxable benefits,' others are not.

This note provides preliminary guidance on the recording of government support for the most widely known schemes currently being implemented. In doing so, it considers the intent of these schemes, namely whether they are mainly designed to support employers and self-employed in maintaining their business as a going concern and, in case of the employers, to keep their employees on the payroll, or whether they are mainly designed to help households cope with temporary income losses; notwithstanding the fact that, in the main, the key objective is compensation for a government order to cease business activity.

While the guidance is intended to be as universally applicable as possible, it cannot at this stage be viewed as prescriptive for all cases given the variation in policy interventions. It is clear that there cannot be a one-size fits all approach that can be universally applied to every specific form of intervention and as such the guidance should be viewed as a tool, that sets out broad parameters / principles that can help compilers assess what recording to apply in relation to specific cases of government support in their country.

To assist with tracking COVID-19 government support in macroeconomic statistics, it is recommended to separately record such statistics when possible as a memorandum item.

Principles to Consider

The first principle of recording transactions is to meet the analytical perspective of the user and analyst. Therefore, the recording in the accounts and tables should reflect the nature of the transactions and their policy intent. In the same vein, beyond the obvious requirement to ensure consistency in recording across industries, sectors and accounts (the national accounts being an integrated system), it is widely agreed that the appropriate recording should avoid unduly distorting key balancing items, such as gross operating surplus or saving.

Secondly, one needs to take into consideration the consistency with other statistical fields, such as labor statistics, for example the consistency between compensation of employees and data on employment (in persons and hours worked), and indeed other indicators such as labor productivity or hourly compensation paid. This is even more important given that key employment data are replicated within the national accounts' system. Equally, one needs to take into consideration, where possible, the consistency between compensation of employees and social benefits on the one hand, and volume data on employed and not employed persons on the other.

Third, substance over form may call for looking beyond the specific scheme's details, in order to capture the real economic effects at play. This in turn implies trying to identify the primary intent of the scheme, such as primarily helping households or primarily helping businesses. In this evaluation, while the decision should generally not be, unduly, influenced by cash flow arrangements, the latter may become important where these provide valid indicators of the underlying policy intent.

In addition, while the principle of rerouting/rearranging transactions is well established in general and explicitly foreseen by the SNA (for example, social contributions are seen as part of compensation of employees, although most often directly paid by businesses to social insurance schemes), adopting a recording that follows cash flows can also have merits on the grounds of simplicity. On the other hand, rerouting/rearranging may sometimes be needed to accurately reflect the intent of the scheme. In that case, the important issue is that no relevant information is lost in applying the rerouting/rearranging, e.g., on the relevant units that are involved in

the process. In that regard, rerouting in the SNA normally involves adding steps rather than removing actual transactions (see para. 3.62 of the [2008 SNA](#)).

In general, ensuring comparability of national accounts recording may call for looking through the large variety of arrangements being put in place by countries. Aiming at harmonising the recording across schemes would be an ideal goal, but this should only be sought where the economic substance and intent is the same across schemes.

The appropriate recording will thus largely depend on the specific setup of the support and the main goal of the policy intervention, aside from the main intention to compensate for a lockdown.

For instance, if the intervention targets employers, and, in particular, incentivizes them to keep employees on the payroll, which is typically an explicit condition attached to receiving the support, it leads to a recording of government support as a subsidy on production. Although, somewhat counter-intuitive, as the payments in question are in most cases payments made by governments to compensate businesses for ceasing production, the interpretation would be that the intention is to make sure that production can resume quickly when lockdown measures are eased.

Alternatively, if the support is a means of targeting support to households and merely uses employers as a practical means to deliver this support, which would argue for the flows being recorded as a current transfer from government to households. This is an appropriate recording when the employer is merely a 'conduit' used to convey government support to households. This may notably be the case when the employers have no discretion in the way they can use the proceeds received from government.

Given the above, the members of the Inter-secretariat Working Group on National Accounts provide the following guidance.

Government Support for Employers, Self-employed, and Employees

(such as wage subsidies provided to private and public employers)

- When the support is mainly to support employers and self-employed maintaining their business, and in case of the employers to keep their employees on the payroll, with a view to having a quick return to production, support should be recorded as **other subsidies on production (D.39)** with the continued payments of remuneration by the employer to its employees recorded as wages and salaries (D.11) (also taking into account related social contributions (D.12) which may often also be covered by government support). This applies to both private and public employers, in order to ensure a consistent approach. Other subsidies on production (D.39) in these circumstances should also be recorded under general labor affairs (COFOG 04.12).
- Note: In the case of support which is mainly to support the self-employed maintaining their business, the payment to the owner is recorded as mixed income rather than compensation of employees. An important criterion for recording flows under the subsidy approach is that the beneficiary is still recognised as self-employed.
- When, in contrast, the support is predominantly supporting the income of households and the payments are made directly to the households, it should be recorded as a **current transfer by government of the type of social security benefits (D621) or social assistance benefits (D.623)** (dependent on whether the support is provided as part of an existing social security scheme), **or, otherwise, as miscellaneous current transfers (D.75)**. Such payments should also be recorded under social protection / unemployment (COFOG 10.5).

Government Support for Households

- When the support is directly aimed at households in order to help them cope with the consequences of the crisis, government support should be recorded as social security benefits, social assistance benefits (dependent on whether the support is provided as part of an existing social security scheme), or as other miscellaneous current transfers from the government to households consistent with the recording above.

Government Support Through Temporary Changes in Tax Schemes

- When support is delivered through temporary changes to tax scheme rules to reduce tax obligations (such as changes to the tax rate, tax thresholds or even elimination of the tax entirely – the latter often being referred to as a tax holiday) the reduction in tax revenue is recorded under the relevant tax category: **other taxes on production (D29)** (if related to taxes on the ownership or use of land, buildings or other assets used in production or on the labor employed, or compensation of employees paid) or **taxes on income and wealth (D5)** (if related to taxes on the incomes of households or profits of corporations).

III. RECORDING OPTIONS AND THEIR IMPACT ON KEY NATIONAL ACCOUNT AGGREGATES

**Note that the last column reflects the direct impact, ceteris paribus, on the main aggregates of government support to cope with the impact of reduced working hours (thus not reflecting the negative impact of the crisis on e.g., operating surplus/mixed income).*

Government intervention	Proposed National accounts recording ¹	National Accounts Aggregates
1. Government interventions that support employers (private and public) with maintaining their business operations, keeping their employees on the payroll, with a view to having a quick return to production.	Recorded as D.39 (other subsidies on production) from the government to the employer and payments of remuneration by employer to employees as wages and salaries (D.11).	↔ Operating surplus (B.2) and mixed income (B.3) of employers
		↑ Wages and salaries (D.11)
		↔ Social benefits (D.62)
		↑ Household disposable income (B.6)
		↓ Government saving (B.8)
2. Government interventions that support households to maintain their income, payable as social benefits.	Recorded as social security benefits (D621) or social assistance benefits (D.623) from the government to households; no subsidies on production (D.39) and no remunerations in the form of wages and salaries (D.11) from	↔ Operating surplus (B.2) and mixed income (B.3) of employers
		↔ Wages and salaries (D.11)
		↑ Social benefits (D.62)

Government intervention	Proposed National accounts recording ¹	National Accounts Aggregates
	employer to employees for the reduced working hours.	<p style="text-align: center;">↑</p> <p style="text-align: center;">Household disposable income (B.6)</p> <hr/> <p style="text-align: center;">↓</p> <p style="text-align: center;">Government saving (B.8)</p>
3. Government interventions that support households to maintain their income, paid outside of a social insurance scheme.	Recorded as miscellaneous current transfers (D.75) from the government to households; no subsidies on production (D.39) and no remunerations in the form of continued wages and salaries (D.11) from employer to employees for the reduced working hours.	<p style="text-align: center;">↔</p> <p style="text-align: center;">Operating surplus (B.2) and mixed income (B.3) of employers</p> <hr/> <p style="text-align: center;">↔</p> <p style="text-align: center;">Wages and salaries (D.11)</p> <hr/> <p style="text-align: center;">↑</p> <p style="text-align: center;">Current transfers to households (D.75)</p> <hr/> <p style="text-align: center;">↑</p> <p style="text-align: center;">Household disposable income (B.6)</p> <hr/> <p style="text-align: center;">↓</p> <p style="text-align: center;">Government saving (B.8)</p>
4. Government interventions that support the self-employed with the view to supporting their business operations.	Recorded as D.39 (other subsidies on production) from the government to the self-employed.	<p style="text-align: center;">↑</p> <p style="text-align: center;">Mixed income (B.3)</p> <hr/> <p style="text-align: center;">↑</p> <p style="text-align: center;">Household disposable income (B.6)</p> <hr/> <p style="text-align: center;">↓</p> <p style="text-align: center;">Government saving (B.8)</p>
5. Government interventions that support employers with maintaining their business operations, keeping their employees on the payroll, by a reduction in tax.	Recorded as D.29 (other taxes on production) for the employer and payments of remuneration by employer to employees as wages and salaries (D.11).	<p style="text-align: center;">↔</p> <p style="text-align: center;">Operating surplus (B.2) and mixed income (B.3) of employers</p> <hr/> <p style="text-align: center;">↑</p> <p style="text-align: center;">Wages and salaries (D.11)</p> <hr/> <p style="text-align: center;">↑</p> <p style="text-align: center;">Household disposable income (B.6)</p> <hr/> <p style="text-align: center;">↓</p> <p style="text-align: center;">Government saving (B.8)</p>
6. Government interventions that support households through temporary changes to tax scheme rules to reduce tax obligations.	Recorded as a reduction in D5 current taxes on income and wealth	<p style="text-align: center;">↓</p> <p style="text-align: center;">D5 current taxes on income and wealth</p> <hr/> <p style="text-align: center;">↑</p> <p style="text-align: center;">Household disposable income (B.6)</p>

Government intervention	Proposed National accounts recording ¹	National Accounts Aggregates
		↓ Government saving (B.8)

Please direct any questions and comments on this note, as well as requests for further guidance on country specific government interventions, to STAREMGT@imf.org.

See accompanying annex for simple examples of the recording treatment.

ANNEX 1. Example of Recording Treatment

- Government interventions that support employers (private and public) with maintaining their business operations, keeping their employees on the payroll, with a view to having a quick return to production.

Assume the government provides the employer 100 in subsidies to prevent the furlough of employees. The tables below show the impact on gross operating surplus and employee's household income with and without the government support.

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

- Government interventions that support households to maintain their income, payable as social benefits. No remunerations in the form of continued wages and salaries (D.11) from employer to employees for the reduced working hours.

Corporation		Employees' household income (receives 100 as social benefit)			
	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	10

D1. Compensation of employees	10	10	D4. Property income, receipts less payments	20	20
D11. Wages and salaries	10	10	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	100
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	125

3. Government interventions that support households to maintain their income, paid outside of a social insurance scheme.

Corporation		Employees' household income (receives 100 as other current transfer)			
	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	10
D1. Compensation of employees	10	10	D4. Property income, receipts less payments	20	20
D11. Wages and salaries	10	10	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	0	D7. Other current transfers, receipts less payments	0	100
=B2.Gross operating surplus/B3.Mixed income	5	5	= Household disposable income	25	125

4. Government interventions that support the self-employed with the view to supporting their business operations.

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

5. Government interventions that support businesses (employers and self-employed) through temporary changes to tax scheme rules to reduce tax obligations. Tax change impacted other taxes on production (D.29)

Business receives 100 reduction in 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	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	-90	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	125

6. Government interventions that support households through temporary changes to tax scheme rules to reduce tax obligations.

Household disposable income (government decreases income tax by 100)		
	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	-95
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	125