

Chapter 11

Services Account

C. Services

References:

United Nations and others, *Manual on Statistics of International Trade in Services*, especially Chapter III, Services Transactions Between Residents and Non-residents.

United Nations World Tourism Organization, *International Recommendations on Tourism Statistics and The Tourism Satellite Account: Recommended Methodological Framework*.

1. Concepts and coverage

10.8 11.1 Services are the result of a production activity that changes the conditions of the consuming units, or facilitates the exchange of products or financial assets. The focus of the services account in the balance of payments is the point at which services are exchanged between a resident and a nonresident.

11.2 Services are not generally separate items over which ownership rights can be established and cannot generally be separated from their production. However, as seen later in this chapter, some knowledge-capturing products, such as computer software and other intellectual property products, may be traded separately from their production, like goods. The cross-border transactions in those products (e.g., computer software, audiovisual products, research and development, and other intellectual property products and/or knowledge capturing products) are also recorded as services in balance of payments—excluding when provided on physical media with right to perpetual use (see paragraph 10.17c). In addition, cross-border transactions concerning the use of property rights related to marketing assets (such as franchises, trademarks, and brand names) are recorded as services. For discussion on the conceptual issues relating services in the context of national

Commented [A1]: Paragraph 10.8 BPM6 and inputs from GN C.6 drafting team

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accounts, refer to paragraphs 7.xx,-7.xx, 2025 SNA.

11.3 Knowledge-capturing products concern the provision, storage, communication and dissemination of information, advice and entertainment in such a way that the consuming unit can access the knowledge repeatedly. They have many of the characteristics of goods in that ownership rights over these products can be established and they can be used repeatedly. Whether recorded as goods or services, these products possess the essential common characteristic that they can be produced by one unit and supplied to another.

110.57 Following the general principles in **paragraph 3.47**, the time of recording of service entries in the ~~international-external~~ accounts is the time at which the service is delivered. The provision of services should be recorded on an accrual basis in each accounting period, that is, they should be recorded as they are rendered. Payment may be made up front, at the end, or as progress payments. To the extent that the time of payment differs from the time of delivery, there may be trade advances (financial assets/liabilities that are extinguished as the service is provided) or trade credit (financial assets/liabilities that arise as the service is provided).

110.58 Services provided by a self-employed individual such as a consultant, independent contractor, or employment agency are distinguished from ~~compensation remuneration~~ of employees. **Paragraphs 124.11-124.13** discuss the difference between an employee and a service provider.

110.59 Business and other services, such as transport, construction, and computing, may be subcontracted, that is, when a company contracts another (specialist) company to provide the services they have agreed to provide to a customer. When a company contracts another company to provide services that were previously internal company functions, this arrangement may be called "outsourcing." ~~For example, when a company contracts another (specialist) company to provide services that were previously internal company functions. This arrangement may also be called "outsourcing". Services that are "outsourced" that is, where a company contracts another (specialist) company to provide services that were previously internal company functions, such as billing services or information "help" services service-provider(arranger) are in turn ed-provider (-) Services that are subcontracted or outsourced should be classified to the appropriate specific services item, such as transport, construction, computing, or technical and business services (see also paragraph 10.75 for transport). The value of services exported and imported in the economy of the service arranger is recorded on a gross basis. (This treatment is applicable because the arranger buys and sells the~~

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services; if the arranger acted as an agent on a commission basis, then only the commission would be recorded as the service provided by the arranger—see paragraph 11.150-1). However, if the activity is significant for an economy, net data could be provided on a supplementary basis. Services supplied by “call centers” and similar types of operations should be classified according to the type of service provided. For example, call centers selling products are included in trade-related services, whereas call centers providing computer support are included in computing services.

Other international standards relevant for trade in services

110.60 The *Manual on Statistics of International Trade in Services (MSITS)* is a source of additional information for compilers of international trade in services data. *MSITS* uses the same conceptual framework as the ~~202508~~ *SNA* and this *Manual*.⁴ *MSITS* responds to information needs related to the General Agreement on Trade in Services (GATS) and other trade agreements, as well as growing information needs of governments, business, and analysts. It describes ~~and clarifies~~ the four modes² through which services can be supplied internationally, and as such extends the meaning of trade in services to cover services delivered through locally established enterprises (see Chapter 15 Globalization). Building on the services classification included in this *Manual*, *MSITS* provides a further breakdown of the classification of transactions by type of services through the Extended Balance of Payments Services (EBOPS) Classification. ~~It also further extends the meaning of trade in services to cover services delivered through locally established enterprises (see Appendix 4, Statistics on the Activities of Multinational Enterprises).~~ For more details, see *MSITS, 2010*³ ~~Chapter II, Conceptual Framework for the Development of Statistics on International Trade in Services.~~

2. Classification

110.61 An overview of the classification of services is shown in Table 110.1. The classification is

⁴ ~~Details and presentation may differ. *MSITS* will be updated to incorporate the 2008 changes in updates from the 2025 *SNA* and this manual.~~

² ~~The four modes of supplying services are: cross-border supply (services delivered from one country to another), consumption abroad (consumers traveling to another country for services), commercial presence (a foreign company's local branch or subsidiary providing services), and presence of natural persons (individuals temporarily traveling to another country to provide services). See Section B, Chapter V, *MSITS, 2010* for additional details.~~

³ ~~Details and presentation may differ. *MSITS* will be updated to incorporate the updates from the 2025 *SNA* and this *Manual*.~~

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mainly product-based, but is transactor-based for travel, construction, and government goods and services n.i.e. The classification is according to the type of service, rather than the unit that provides it;⁴ for example, if a bank provides pension fund services as a secondary activity, the service is classified as pension fund services. A ~~reconciliation of correspondence between~~ the CPC and services classification is given in [MSITS]. The detailed listing of CPC items included in each service item in [MSITS] can be used to classify any services not specified in the following text to the appropriate ~~international-external~~ accounts service item.

Table 11.1 Overview of the Services Account

	<u>Exports</u> <u>(credit/revenue)</u>	<u>Imports</u> <u>(debit/expenditure)</u>
<u>Manufacturing services on physical inputs owned by others</u>		
<u>Maintenance and repair services n.i.e.</u>		
<u>Transport</u>		
<u>Travel</u>		
<u>Construction</u>		
<u>Insurance and pension services</u>		
<u>Financial services</u>		
<u>Charges for the use of intellectual property n.i.e.</u>		
<u>Telecommunication services</u>		
<u>Computer and information services</u>		
<u>Research and development services</u>		
<u>Professional and management consulting services</u>		
<u>Trade-related services</u>		
<u>Operating leasing services</u>		
<u>Technical and other business services</u>		
<u>Personal, cultural, and recreational services</u>		
<u>Government goods and services n.i.e.</u>		
<u>Balance on international trade in services</u>		

Note: This table is expository; for standard components, see Annex 14.

⁴ This is only relevant for product-based categories.

a. Manufacturing services on physical inputs owned by others

110.62 *Manufacturing services on physical inputs owned by others cover processing, assembly, labeling, packing, and so forth undertaken by enterprises that do not own the goods concerned. The manufacturing is undertaken by an entity that does not own the goods and that is paid a fee by the owner-principal (processing arrangement, see paragraphs 10.xx-xx). In these cases, the ownership of the goods does not change, so no general merchandise transaction is recorded between the processor and the owner-(principal) (see Figure 10.1). Manufacturing services on physical inputs owned by others is distinguished from factoryless goods production in which the processor acquires ownership of the goods. See Section D, Chapter 10 for additional details.*

110.63 Examples of processes that are often undertaken under arrangements for manufacturing services on physical inputs owned by others include oil refining, liquefaction of natural gas, assembly of clothing and electronics, assembly (excluding assembly of prefabricated constructions, which are included in construction), labeling, and packing (excluding those incidental to transport, which are included in transport services).

110.64 Manufacturing services on physical inputs owned by others cover the transaction between the owner-(principal) and processor, and only the fee charged by the processor is included under this item. The fee charged may cover the cost of materials purchased by the processor. Manufacturing services on physical inputs owned by others refer to all work done on goods by a resident of one economy for the owner of goods (principal) who is resident in another economy; the treatment of these services is not conditional on whether the goods were previously or subsequently in the physical possession of the owner-principal or not.⁵ ~~(Box 10.1 contrasts the entries for goods under processing with those for goods under merchandising. Box 10.2 discusses different types of arrangements used for global manufacturing.)~~ For details on the recording of related purchases and sales of goods, refer to paragraphs 10.xx.xx. The recording of related goods movements is explained in paragraphs 11.xx-xx.

11.70 The value of manufacturing services on physical inputs owned by others is not necessarily the same as the difference between the value of goods sent for processing and the value of goods after processing. Possible causes for differences include holding gains or losses, the inclusion of overhead expenses (such as

⁵ For further details refer to Boxes 10.1 and 10.2, Chapter 10.

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financing, marketing, and know-how included in the finished good price), and measurement errors associated with the valuation of goods movements where there is no sale (see paragraph 12.14, *BPM6 Compilation Guide*).

Box 10.2. Recording of Global Manufacturing Arrangements

~~With the trend toward a more globalized economy, there has been growth in cross border production arrangements. These arrangements involve different aspects of production processes being partly or wholly undertaken by affiliates or outsourced to unrelated entities.~~

~~There are several types of arrangements, such as:~~

- ~~(a) Re-exports. Re-exports can be very significant in economies that are international centers for trading, transshipment, and processing that does not change the physical form of the goods (such as packing and labeling). (See paragraphs 10.37–10.39.)~~
- ~~(b) Goods under merchanting. While sometimes used for simple wholesaling, merchanting also arises when parent companies acquire ownership of goods from their own manufacturing affiliates for resale to wholesaling affiliates or other customers, without taking possession. (See paragraphs 10.41–10.49.)~~
- ~~(c) Manufacturing services on physical inputs owned by others and the associated movements of goods under these processing arrangements. (See paragraphs 10.62–10.71.)~~
- ~~(d) Free trade and other special zones. (See paragraphs 4.4 and 4.8.)~~

~~For economies where some or all of these arrangements are significant, it may be useful to use supplementary presentations that bring these processes together and/or provide more detail, such as presenting gross flows by type of activity, in order to enhance knowledge of economic developments.~~

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Recording of related purchases and sales of goods

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~~10.65~~ Purchases of materials by the owner (i.e., goods to be processed) may be obtained from residents of the same economy as the owner, the same economy as the processor, or a third economy. The treatment is as follows:

- ~~(a) — when the goods are acquired from residents of the same economy as the owner, there is no international transaction; and~~
- ~~(b) — when the goods are acquired from residents of the same economy as the processor or a third economy, the owner of the goods to be processed records imports of general merchandise. (See also paragraph 10.42 for circumstances in which the sale could be recorded under merchandising.)~~

~~10.66~~ Sales of finished goods (i.e., goods after processing) are treated as follows:

- ~~(a) — when the goods are sold to residents of the same economy as the owner, there is no international transaction; and~~
- ~~(b) — when the goods are sold to residents of the same economy as the processor or a third economy, the owner of the goods under processing records the sale as exports of general merchandise. (The seller could report merchandising in the case of minor processing; see paragraph 10.42.)~~

Recording of related goods movements

~~110.67~~ The gross values of goods associated with processing services can be identified as supplementary items in economies where they are significant. Whereas the manufacturing service is consistent with what is recorded in business accounts and actual transactions, the gross values of the physical movements of goods without a change of ownership are useful for analysis of processing activities. Values of the following items may be identified:

- (a) for principals (customers of manufacturing services on goods processed abroad, with no change of ownership to the processor):
 - goods supplied for processing (goods sent); and

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- goods dispatched after processing (goods returned);

(b) for processors (providers of manufacturing services on goods processed in the compiling economy) ~~(with no change of ownership to the processor)~~:

- goods received for processing (goods received); and

- goods dispatched after processing (goods sent).

110.68 A market-equivalent valuation for goods supplied or received might be required. Gross values of the goods are shown after processing, and again a market-equivalent valuation might be required. The value of goods input and dispatched could be reported either by the customer/principal or supplier (processor) of manufacturing services, or from customs data:

- If the values are reported by the customers/principals or processors, coverage should be irrespective of whether the input goods were supplied by the owner-principal from the owner's-principal's territory, the processor's territory, or a third territory; or whether the goods are dispatched to the owner's territory, the processor's territory, or a third territory.
- If reported from customs, coverage may be incomplete to the extent that some inputs and some processed goods provided by the owner-principal do not pass through customs. For example, goods sourced or sold locally will not be covered. Additionally, customs may not separately identify goods as being subject to processing, such as if there are no duty concessions. Therefore, efforts should be made to collect data to distinguish the nature of those transactions.

There may be interest in breaking down these values by product or product groups.

110.69 Transport costs may be incurred on movements of goods undergoing processing. How these transport services are recorded is determined from the following factors:

(a) for goods included in general merchandise (i.e., in the cases mentioned in paragraphs 10.xx65–10.xx66), general principles for FOB valuation apply, so that transport costs up to the customs frontier of the exporting economy are treated as being payable by the exporter and transport costs after the frontier are treated as

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payable by the importer; and

- (b) for goods not included in general merchandise (such as materials delivered from the owner to the processor with no change of ownership), transport costs are shown as payable according to the arrangements of the parties; that is, the amount is payable by the party invoiced to pay the expense.

Other issues related to processing

~~10.70 The value of manufacturing services on physical inputs owned by others is not necessarily the same as the difference between the value of goods sent for processing and the value of goods after processing. Possible causes include holding gains or losses, the inclusion of overheads (such as financing, marketing, and know-how included in the finished good price), and measurement errors associated with the valuation of goods movements where there is no sale.~~

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~~10.71 In contrast to manufacturing services on physical inputs owned by others, manufacturing of goods on own account means that the processor acquires ownership of the goods. When ownership is acquired from a nonresident, the gross values of the sale and purchase of these goods are included in general merchandise. Manufacturing on own account and manufacturing services on physical inputs owned by others are different arrangements for manufacturing, and it is desirable to show them separately because the role of the manufacturer in designing, marketing, and financing the goods is quite different. With globalization and outsourcing, it is becoming more common to have parts of a production process conducted in different economies. Showing these transactions on a change of ownership basis assists in identifying actual transactions and correctly attributing value added due to the owner for designing, marketing, financing, and so forth, rather than to the party that undertakes physical processes.~~

b. Maintenance and repair services n.i.e.

~~10.72 Maintenance and repair services n.i.e. cover maintenance and repair work by residents on goods that are owned by nonresidents (credit) and that by nonresidents on goods that are owned by residents (debit)—(and vice versa). Maintenance and repair services n.i.e. cover both minor repairs that maintain the good in~~

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working order and major repairs that extend the efficiency or capacity of the good or extend its life.⁶ No distinction is made between those repairs included by the customer in intermediate consumption and those in capital formation. The repairs may be performed at the site of the repairer or elsewhere. Repairs and maintenance on ships, aircraft, and other transport equipment are included in this item. Cleaning of transport equipment is included in transport services (see paragraph 10.80). Construction maintenance and repairs are excluded; they are included under construction. Maintenance and repairs of computers are included under computer services.

110.73 The value recorded for maintenance and repairs is the value of the work done—not the gross value of the goods before and after repairs. The value of maintenance and repairs includes any parts or materials supplied by the repairer and included in the charge. (Parts and materials charged separately should be included in general merchandise.) As noted in paragraph 10.22, goods leaving from, arriving in, and returning to a territory for repair, processing, or other activity without a change of ownership are excluded from general merchandise.

~~Maintenance and repair services n.i.e. cover both minor repairs that maintain the good in working order and major repairs that extend the efficiency or capacity of the good or extend its life. No distinction is made between those repairs included by the customer in intermediate consumption and those in capital formation.~~

c. Transport

110.74 *Transport is the process of carriage of people and objects from one location to another as well as related supporting and auxiliary services. Also included are postal and courier services. Transport can be classified according to:*

- (a) mode of transport, namely, sea, air, or other (“other” may be further broken down into rail, road, internal waterway, pipeline, and space transport as well as electricity transmission); and
- (b) what is carried—passengers or freight.

Services that are auxiliary to transport and not directly provided for the movement of goods and persons are

⁶ This includes modifying or upgrading various systems or components to meet new regulations, enhance operational capabilities, or extend the lifespan of ships, aircraft, and other transport equipment (known as retrofitting).

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covered under other transport services (see paragraph 11.80).

In the standard components, transport is classified according to both dimensions. A breakdown of total transport services into ~~freight transport~~, passenger transport, freight transport, and other transport alone is proposed as simplified standard components for those countries that are unable (e.g., for reasons of confidentiality) to provide the full breakdown by mode of transport.

110.75 A transport provider may subcontract to use the services of other operators to provide part of the final transport service. Such services should be recorded on a gross basis. For example, a courier service provider might contract separately to more than one transport operator. In contrast, transport services may also be subject to intermediation arrangements. In these cases, aAny commissions payable by providers of transport services to an agent should be separately recorded as trade-related services, see paragraphs 11.549 and as described for travel in paragraph 110.98.

Passenger services

110.76 Passenger services cover the transport of people. The category covers all services provided in the international transport of nonresidents by resident carriers (credit) and that of residents by nonresident carriers (debit) through any mode of transport (see 11.74 a). Also included are passenger services performed within a territory by nonresident carriers. ~~The valuation of passenger transport should include fees payable by the carriers to travel agencies and other providers of reservation services.~~ Passenger services provided within a territory by residents to nonresidents and provided or purchased separately from international transport are excluded from passenger transport; these services are included in travel.

110.77 Passenger services include fares and other expenditure related to the carriage of passengers. They also include any taxes levied on passenger services, such as sales or value-added taxes. The valuation of passenger transport should include fees payable by the carriers to travel agencies and other providers, as well as any taxes levied on passenger services, such as value-added taxes. Passenger services include fares ~~that purchased as are~~ a part of package tours (see Box 11.2). Cruise fares are included in travel. Passenger services include such items as charges for excess baggage, vehicles, or other personal accompanying effects and food,

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drink, or other items purchased on board carriers. Also included in passenger services are rentals, charters, and leases of vessels, aircraft, coaches, or other commercial vehicles with crews for the carriage of passengers. Excluded are rentals or charters that are financial leases (included in loans), and rentals and time charters without crew (included in operating leasing services—see paragraphs 11.153-157).

Freight services

110.78 Freight services cover the transport of objects other than people.⁷ The treatment of freight services is a consequence of adopting FOB as the uniform valuation principle for [exports and imports of goods](#). As discussed in [paragraphs 10.31–10.34](#), FOB valuation is ~~as~~ at the customs frontier of the exporting economy, so:

- (a) all freight costs up to the customs frontier are shown as incurred by the exporter, and
- (b) all freight costs beyond the customs frontier are shown as incurred by the importer.

In addition to freight on exports and imports, freight transport services may relate to goods where there is no change of ownership, such as goods sent for storage or processing and migrants' personal effects. [Also included are freight services provided by nonresident carriers within the domestic economy and vice versa.](#)

[11.78-1 Rentals, charters, or operating leases of vessels, aircraft, freight cars, or other commercial vehicles with crews for the carriage of freight are included in freight services. Also included are towing and services related to the transport of oil platforms, floating cranes, and dredges. Financial leases of transport equipment are excluded from transport services \(see paragraphs 5.56– 5.59 and 10.17\(f\)\).](#)

110.79 When actual arrangements for paying freight costs differ from FOB terms of delivery, rerouting is needed, as defined in [paragraph 3.16](#). Rerouting of freight services may mean that a transaction that is actually between two residents is treated as a transaction between a resident and a nonresident, and vice versa, as shown in [Box 110.13](#). The timing of the provision of freight services may differ from the timing of the change of ownership of those goods, such as goods sent abroad on consignment where the sale occurs in a different accounting period from when the goods crossed the exporter's customs frontier. In principle, freight services should be recorded in

⁷ In general, transport of animals is recorded under freight, but small pet animals carried with their owners could be included under passenger services.

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the period they are rendered but are attributed to the importer in the period when the goods are purchased. However, in practice, the aggregated nature of recording of freight services and lack of information on individual freight movements means that timing adjustments to deal with this issue may not be feasible, material, or appropriate (e.g., if the importer pays for the service in the period it is rendered).

Box 110.13. Numerical Examples of the Treatment of Freight Services

A piece of equipment costs 10,000 units at the factory at which it was produced in Economy A. It costs 200 to transport it to the customs frontier of Economy A, 300 to transport it from the customs frontier of Economy A to the customs frontier of Economy B, where a customs duty of 50 is levied, and it costs 100 to deliver it from the customs frontier to the customer. (For simplicity, insurance of the equipment during transport is not covered in the example.)

Under all contractual arrangements between the parties, the FOB value is 10,200 and the CIF value is 10,500. However, how the related services components are recorded depends on the arrangements for paying the transport costs and the residence of the transport provider. A few of the possible arrangements are discussed below:

Example 1:

The parties contract on an FOB basis (i.e., the invoice price is 10,200; the exporter is responsible for costs up to the frontier of A and the importer is responsible for subsequent costs). In this case, no rerouting is needed. All freight is shown as being provided by the actual provider and payable by the actual invoiced party.

Example 2:

The parties contract on an “ex works” basis (i.e., the invoice price is 10,000; the buyer pays for transport from the seller’s premises).

- The freight from the factory to the customs frontier of Economy A is provided by a resident of

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Economy A. The 200 payable, which is actually a service provided by a resident of Economy A and payable by a resident of Economy B, must be rerouted to be shown as a resident-to-resident transaction within A, as all costs up to the frontier of the exporting economy are treated as being payable by the exporter and included in the price of the goods.

- The freight from the factory to the customs frontier of Economy A is provided by a resident of Economy B. The 200 payable, which is actually a domestic service transaction within Economy B, must be rerouted as being a service provided from B to A, as all costs up to the frontier of the exporting economy are treated as being payable by the exporter.

Example 3:

The parties contract on a CIF basis (i.e., the invoice price is 10,500). The 300 payable for freight from the customs frontier of Economy A to that of Economy B is rerouted, because the contract makes it payable by the exporter, but it is treated as payable by the importer in balance of payments statistics (i.e., following FOB valuation). As a result, if the freight provider is a resident of A, a domestic transaction within A is treated as being a balance of payments transaction. Conversely, if the freight provider is a resident of B, an international transaction is treated as being a domestic transaction within B.

It is not normally possible to study every contract, so general patterns of freight cost arrangements need to be identified. When contract terms other than FOB are used, actual payment arrangements for freight may need adjustments to meet the FOB valuation convention.

In all cases where apparently domestic transactions are rerouted to be recorded as international transactions, or vice versa, goods trade must be recorded on a consistent basis, so that the financial payment from B to A equals the sum of its goods and services imports, both before and after re-routing adjustments. (If the goods are recorded at FOB values, the adjustments to freight bring them into consistency with goods; if the goods are recorded at transaction values, the goods values need corresponding adjustments.) ~~Rentals, charters, or operating leases of vessels, aircraft, freight cars, or other commercial vehicles with crews for the carriage of freight are included in freight services. Also included are towing and services related to the transport~~

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~~of oil platforms, floating cranes, and dredges. Financial leases of transport equipment are excluded from transport services (see paragraphs 5.56–5.59 and 10.17(f)).~~

Other transport services

110.80 Other transport services include services that are auxiliary to transport and not directly provided for the movement of goods and persons. The category includes cargo handling charges billed separately from freight, storage and warehousing, packing and repackaging, towing not included in freight services, pilotage and navigational aid for carriers, air traffic control, cleaning performed in ports and airports on transport equipment, and salvage operations, ~~and agents' fees associated with passenger and freight transport (e.g., freight forwarding and brokerage services).~~

11.80-1 The services of freight forwarders are also included in this category. Freight forwarders arrange the transportation of goods and related logistics on behalf of shippers (clients) to ensure that goods reach their destination efficiently. Their services output is measured in terms of the total revenue they generate, net of associated expenses.

110.81 Some related activities are excluded from transport: freight insurance (included in insurance services); goods procured in ports by nonresident carriers (included in goods); maintenance and repairs on transport equipment (included in maintenance and repair services n.i.e.); and repairs of railway facilities, harbors, and airfield facilities (included in construction); agents' fees including the fees of nonfinancial intermediation platforms associated with transport (included in trade-related services).

Postal and courier services

110.82 Postal and courier services cover the pick-up, transport, and delivery of letters, newspapers, periodicals, brochures, other printed matter, parcels, and packages. It also includes ~~ing~~ post office counter ~~ser-~~ services such as sales of stamps and money orders, poste restante services, telegram services, and mailbox rental services. Postal and courier services facilitate parcel trade, where consumers purchase goods online and receive them through parcel delivery.

110.83 ~~Postal services also include post office counter services, such as sales of stamps and money-~~

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~~orders, poste restante services, telegram services, and so forth.~~ Excluded are financial services rendered by postal administration entities, such as postal giro, banking and savings account services (recorded under financial services), mail preparation services (recorded under technical and other business services), and administration services related to postal communication systems (included in telecommunication services). Postal services are subject to international agreements, and the service entries between operators of different economies should be recorded on a gross basis. Postal services provided to travelers are included in travel.

110.84 Courier services include express and door-to-door delivery ~~of letters, parcels, and packages.~~⁸ Express delivery services might include, for example, on-demand pick-up or time-definite delivery. Excluded are the movement of mail carried by air transport enterprises (recorded under transport, air, freight), storage of goods (recorded under transport, other, auxiliary and supporting services), and mail preparation services (recorded under technical and other business services, ~~other~~).

110.85 The principles for recording postal and courier services on exports and imports of merchandise are the same as for other freight services, as discussed in **Box 110.13**. This treatment is a consequence of the FOB valuation of the goods concerned. The principles for recording postal and courier services on other items, such as documents, personal effects, and goods for repair, are that the service is payable by the party responsible for payment. Courier services may encompass combinations of road, sea, air, and other methods of transport.

d. Travel

110.86 *Travel credits cover goods and services for own use or to give away acquired from an economy by nonresidents during visits to that economy. Travel debits cover goods and services for own use or to give away acquired from other economies by residents during visits to these other economies.* The goods and services may be purchased by the persons concerned or by another party on their behalf. For example, business travel may be paid or reimbursed by an employer, tuition and living costs of a student may be paid by a government, or health costs may be paid or reimbursed by a government or insurer. Goods and services supplied by the

⁸ ~~Postal and courier services facilitate parcel trade, where consumers purchase goods online and receive them through parcel delivery.~~

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producer without charge are also included, such as tuition and board provided by a university. In addition, goods and services provided free to nonresidents by government and NPISHs of the economy they are visiting known as social transfers in kind⁹ (e.g., free health services received by a foreign tourist from a hospital within general government) should be imputed and recorded under travel.

110.87 The standard component breakdown of travel is between business and personal travel, with supplementary data for groups of special interest, such as border, seasonal, and other short-term workers. A separate supplementary breakdown of travel into types of goods and services is suggested (see paragraph 10.95).

110.88 Unlike most other service categories, travel is not a specific type of service, but a transactor-based component that covers an assortment of goods and services. In the case of travel, the consumer moves to another territory to consume the goods and services that he or she acquires. For these reasons, travel is not identified as a service in the CPC. Goods and services provided to visitors while on their trips that would otherwise be classified under another item such as postal services, telecommunications, local transport, hire of equipment, or gambling are included under travel.

110.89 Goods or services acquired by persons undertaking study or medical care while outside their territory of residence are included in travel. Acquisitions of goods and services by border, seasonal, and other short-term cross-border workers in their economy of employment are also included in travel.¹⁰ Acquisitions of goods and services by diplomats, consular staff, military personnel, and so forth and their dependents (but not locally engaged staff and their dependents) in the territory in which they are posted are included under government goods and services n.i.e.

110.90 Travel excludes goods for resale, which are included in general merchandise. The acquisition of valuables (such as jewelry), consumer durable goods (such as cars and electronic goods), and other consumer purchases for own use or to give away that are included in customs data in excess of customs thresholds is included in general merchandise. (The inclusion of these goods in general merchandise is discussed in **paragraph 10.18**.) Valuables and consumer durables that have not been included in general merchandise data should be

⁹ Social transfers in kind consist of goods and services provided to households by government and NPISHs either free or at prices that are not economically significant (paragraph 9.xx, 2025 SNA)

¹⁰ These acquisitions are not considered as tourism expenditure, so showing them separately as supplementary items allows travel data from the balance of payments to be reconciled with tourism statistics.

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included in travel (e.g., locally acquired goods kept in a vacation home). Travel includes local transport (i.e., transport within the economy being visited and provided by a resident of that economy), but excludes international transport (which is included in passenger transport; see [paragraph 10.76](#)).

Business travel

110.91 *Business travel covers goods and services acquired for personal use by persons whose primary purpose of travel is for business.* Examples include the expenditure of carrier crews stopping off or laying over; government employees on official travel; employees of international organizations on official business; employees traveling on behalf of their employer (except for diplomatic staff, etc., employed in government enclaves, whose expenditure in their territory of physical location is included in government goods and services n.i.e., as discussed in [paragraph 110.178](#)); self-employed nonresidents traveling for business purposes; and seasonal, border, and other short-term workers who are not resident in the economy in which they are employed. The business activities may include production or installation work, sales campaigns, market exploration, commercial negotiations, missions, conferences, conventions, other meetings, or other business purposes on behalf of an enterprise resident in another economy.

110.92 Business travel includes the goods and services acquired for personal use by persons whose main purpose of travel is for business (including goods and services for which business travelers are reimbursed by employers) but not the sales or purchases that they may conclude on behalf of the enterprises they represent.

110.93 A supplementary item may be provided to show the total credits and debits for acquisition of goods and services by border, seasonal, and other short-term workers.

Personal travel

110.94 *Personal travel covers goods and services acquired by persons going abroad for purposes other than business, such as vacations, [shopping](#), participation in recreational and cultural activities, visits with friends and relatives, pilgrimage, and education- and health-related purposes.* Where important, there may be supplementary items to break down personal travel into subcomponents:

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- (a) health-related travel (e.g., medical services, other health care, food, accommodation, local transport, acquired by those traveling for medical reasons). ~~It is clarified that~~ The scope of “medical reasons” for health-related travel is consistent with “health and medical care” from the *International Recommendations for Tourism Statistics 2008 (IRTS 2008)*. Health and medical care cover services received from hospitals, clinics, convalescent homes, health and social institutions, thalassotherapy, health and spa resorts, other specialized places to receive medical treatments based on medical advice, as well as cosmetic surgeries using medical facilities and services (see paragraph 3.17, *IRTS 2008*).
- (b) education-related travel (e.g., tuition, food, accommodation, local transport, health services, acquired by nonresident students); and
- (c) all other personal travel. ~~This component includes health expenditure by those not traveling for health or educational purposes.)~~ In addition, travel expenses of companions of patients, education-related travelers, and those traveling on short-term work or other business are included in this component, treating companions as normal travelers.

The residence of international patients and students is discussed in paragraphs 4.120–4.121. Health and educational services not included in travel are discussed in paragraph 10.167.

Other issues related to travel

110.95 A separate supplementary breakdown of travel may be provided according to product group, namely:

- (a) goods,
- (b) local transport services,
- (c) accommodation services,
- (d) food-serving services, and
- (e) other services.

Of which:

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- [Health Services](#)
- [Education Services](#)
- [Personal, Cultural, and Recreational Services](#)

This breakdown allows for closer links with tourism satellite accounts as well as supply and use tables.

Further information on tourism statistics is presented in United Nations, *Tourism Satellite Account: Recommended Methodological Framework 2008*¹¹ and United Nations World Tourism Organization, *International Recommendations for Tourism Statistics 2008*. To highlight the link between travel and passenger transport services and tourism statistics, an approximation to tourism expenditure may be shown as a supplementary item that identifies relevant tourism-related goods and services in the travel and passenger transport items.¹²

110.96 Travel covers stays of any length provided there is no change of residence. (Principles for determining residence of households are shown in paragraphs 4.116–4.130.) In some cases, it may be useful to break down travel by length of stay. For example, expenditure of those who do not remain overnight may be shown on a supplementary basis if this is significant.

110.97 In line with the accrual principle, goods and services acquired during the visit but paid for earlier or later are included in travel. Goods and services may be acquired by being paid for by the person going abroad, paid for on his or her behalf, or provided without a quid pro quo (e.g., free room and board received, in such case there is also a corresponding transfer), or produced on own account (as in some cases of notional units for ownership of real estate and time-share accommodation).

Table 110.3. Treatment of Alternative Time-Share Arrangements

Type of arrangement	Classification	Up-front payment	Transaction in Asset	Periodic Flow
Deeded ownership	Ownership of land and buildings	Direct investment in notional unit in economy where the time share is located	Equity of the time-share holder (direct investment)	Accommodation services in travel (imputed based on equivalent market prices) and investment income (income on equity)
Right to use	Transferable right to use (amounts to economic	Prepayment of accommodation	Trade credit and advances	Accommodation services in travel

¹¹The tourism satellite account has the concept of usual environment as an additional criterion to that of residence. As a result, acquisitions of goods and services by border, seasonal, and other short-term cross-border workers in their economy of employment can be identified separately in travel for compatibility with tourism statistics.

¹²This supplementary item includes all personal travel and that part of business travel that does not cover expenditure of border, seasonal, and other short-term workers, as well as passenger transport services.

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	asset)		+		+	
				Contracts, leases, and licenses (only recognized when resold, difference between selling price and value of prepaid accommodation services, recorded in capital account)		Nonproduced nonfinancial asset (capital account)
Membership system	Membership is non-transferable right to use (does not amount to asset)			Prepayment of accommodation		Trade credit and advances
						Accommodation services in travel

110.98 Travel services may be arranged through a travel agent, tour operator, time-share exchange agent, or other provider channels, such as a nonfinancial digital intermediation platform. In some of these cases, the agent may pay the travel providers an amount that deducts a margin or commission. If the agent is a resident of the same economy as the customer, then the margin or commission is a resident-to-resident transaction, and the net amount payable to service providers resident in other economies (after the margin or commission receivable by the agent is deducted) is included in travel (Box 11.2 explains the recording of balance of payments transactions associated with package tours). In other cases, the nonresident provider of the services may pay the resident agent's commission and the gross amount is payable by the customer to nonresidents, and thus is included in travel. Fares for cruises provided by operators resident in economies other than that of the passenger are included in travel (not passenger transport).

110.99 In the case of a nonresident owner of land and buildings, any accommodation services provided by the identified notional unit to its owner (see paragraph 4.36) are shown in travel.

110.100 The term "time-share" covers a wide range of arrangements. They can be classified in the three categories, as described in Table 10.3:

- (a) The acquisition of deeded ownership, or a similar arrangement, is equivalent to the acquisition of a notional direct investment enterprise. In this case, after deeded ownership is acquired, accommodation services provided to the owner should be imputed based on market prices, which in turn gives rise to direct investment income on equity. (An example of a similar arrangement is a long-term lease that is of such duration that it represents an effective change in ownership.)
- (b) Payments for rights to use a property under a membership system time-sharing arrangement, where the right

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to use the time share is not transferable (the third category shown in the table), is equivalent to prepaying for accommodation services (recorded in trade credit and advances). After initial acquisition, the prepayment is drawn down, and imputed accommodation services should be recorded in travel.

- (c) A “right to use” time-share arrangement that carries a transferable right should be accounted for as prepaying for accommodation services (recorded in trade credit and advances), identical to the recording of a membership system time-sharing arrangement discussed above. However, if the right is resold, the difference between the selling price and the amount remaining in trade credit and advances (reflecting the value of the remaining prepaid accommodation services) should be recorded as a transaction in a nonproduced nonfinancial asset, in the capital account.

BOX 11.2 Recording of Package Tours

Tour operators (TOs) are businesses that combine two or more travel related services (for example, transport, accommodation, meals, entertainment, sightseeing) and sell them through travel agencies or directly to final consumers as a single product called a package tour for a single price. The components of a package tour might be pre-established or can result from an “à la carte” procedure where the visitor chooses a combination of services from a pre-established list.

This *Manual* recommends that a package tour should not be treated as a new product. The relevant economic interactions should be unbundled in order to record the transactions by different services providers that can be residents or nonresidents, and that contribute to the package tour separately: a) the services themselves (for example, transport, accommodation); b) the services provided by the tour operator; and c) the margin of the travel agency (usually different from the tour operator) selling the tour. The services arranged by the tour operator (transportation, accommodation, etc.) are not consumed by it when producing the tour package. These services are in fact consumed and recorded in the external accounts¹³ by the traveler weeks or months after the tour was booked and payments were made to the tour operator.¹⁴ The margin of the travel agency is included under trade-related services as is the case with the services of the tour operator,¹⁵ whereas transportation is included under passenger transport and accommodation (e.g., hotels, guesthouses) under travel, provided the relevant transactions are between residents and non-residents.

To support the calculation of price statistics, countries may record travel packages as a separate supplementary item in *BPM7*.

¹³ *BPM7* paragraph 3.47 states: “Transactions in services are recorded when the services are provided...”

¹⁴ For more details, see the World Tourism Organization (WTO) paper of 2004, “*Clarifying the Treatment of Travel Agency, Tour Operator, Travel Agency Services, and Package Tours in SNA, Balance of Payments, and TSA and their Mutual Relationship*”.

¹⁵ Services of TO are treated as trade-related as their output mainly comes from intermediation fee/commissions. They may also earn from advertising/sponsorships, ancillary services such as visa/passport services, etc.

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The following numerical examples explain the recording of travel packages under two typical scenarios.

Example 1:

A tourist resident in country A wants to visit country C and buys a package tour from a travel agent, resident in country A, for 1000. The travel agent charges 50 as intermediation fee (margin or commission). The travel agent intermediates the procurement of the package tour from a tour operator (TO), also— resident in country A, for 950. The TO charges 100 for his intermediation service. The TO buys transport for 300 from an enterprise resident in country A and —accommodation for 550 from an enterprise resident in country C.

The following recording is recommended in the balance of payments of Country A. For completeness, the recording of domestic transactions in national accounts is also included.

<u>Transactions</u>	<u>Balance of Payments Services Account</u>		<u>Domestic Transactions (not recorded in BOP)</u>
	<u>Credit/revenue</u>	<u>Debit/expenditure</u>	
Tourist → Travel agent (Country A)	=	=	<u>50</u>
Tourist → Tour operator (Country A)	=	=	<u>100</u>
Tourist → Airline (Country A)	=	=	<u>300</u>
Tourist → Hotel (Country C)	=	<u>550</u>	=

Example 2:

A tourist resident in country A wants to visit country C and buys a package tour from a travel agent, resident in country A, for 1000. The travel agent charges 50 as intermediation fee (margins or commission). The travel agent intermediates in the procurement of the package tour from a tour operator, resident in country B, for 950. The TO charges 100 for his intermediation service. The TO buys transport for 300 from an enterprise resident in country B and —accommodation for 550 from an enterprise resident in country C.

The following recording is recommended in the balance of payments of Country A. For completeness, the recording of domestic transactions in national accounts is also included.

<u>Transactions</u>	<u>Balance of Payments Services Account</u>		<u>Domestic Transactions (not recorded in BOP)</u>
	<u>Credit/revenue</u>	<u>Debit/expenditure</u>	
Tourist → Travel agent (Country A)	=	=	<u>50</u>

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Tourist → Tour operator (Country B)	=	100	=
Tourist → Airline (Country B)	=	300	=
Tourist → Hotel (Country C)	=	550	=

e. Construction

110.101 Construction covers the creation, renovation, repair, or extension of fixed assets in the form of buildings, land improvements of an engineering nature, and other such engineering constructions as roads, bridges, dams, and so forth. It also includes related installation and assembly work. It includes site preparation and general construction as well as specialized services such as painting, plumbing, and demolition. It also includes management of construction projects.

110.102 Acquisition of goods and services by the enterprises undertaking that construction work from the economy of location of the construction work is also recorded under construction. Goods and services provided from the home economy of the construction enterprise are resident-to-resident transactions, and so should be excluded (see also paragraph 10.22 (d)).¹⁶ Goods and services acquired from third economies (i.e., neither the residence of the enterprise, nor the location of the construction work) are recorded under the appropriate general merchandise or service item for the economy of the enterprise.

110.103 If the external operations of a construction enterprise are substantial enough, they constitute a branch resident in the economy of operations (see paragraphs 4.27–4.29). Therefore, a large-scale construction project contracted by a nonresident enterprise that takes a year or more to complete will usually give rise to a resident branch. Accordingly, there would be a direct investment relationship between the parent and the branch; there may also be goods and services supplied between the branch and the parent, such as for materials. As a result of this treatment, the construction contracts covered in international trade in services are generally of a short-term nature.

¹⁶ This treatment is applicable if the construction work doesn't give rise to a resident branch, as explained in paragraph 11.103.

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110.104 Construction can be disaggregated into construction abroad and construction in the compiling economy. This disaggregation allows for the recording on a gross basis of both the construction work undertaken and the goods and services acquired from the economy in which the construction activity is being undertaken by the nonresident enterprise that undertakes the construction.

Construction abroad

110.105 Construction abroad (less than one year) consists of:

- (a) construction work for nonresidents by enterprises resident in the compiling economy (credit), and
- (b) the goods and services acquired from the economy in which the construction activity is being undertaken by these enterprises (debit).

Construction in the compiling economy

110.106 Construction in the compiling economy (less than one year) consists of

- (a) construction work for residents of the compiling economy by nonresident construction enterprises (debit), and
- (b) the goods and services acquired in the compiling economy from resident enterprises by these nonresident construction enterprises (credit).

Valuation

110.107 Construction is valued on a gross basis—that is, inclusive of all goods and services provided by the construction contractor as inputs to the work, and also inclusive of other costs of production and the operating surplus that accrues to the construction contractor. The transfer of ownership of construction under a contract may be deemed to occur in stages as value is put in place. In such cases, stage payments made by the owner can often be used to approximate the value of the partially completed assets¹⁷ ~~gross fixed capital formation~~ although stage

¹⁷ 2025 SNA recommends recording the acquisitions of partially completed products as work-in-progress in the accounts of the final owner until the completion of the

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payments may sometimes be made in advance or in arrears of the completion of the stage, in which case advances or trade credit are also extended. Construction can be undertaken in a similar way to manufacturing services on physical inputs owned by others. That is, a customer may provide goods and services as inputs to a construction project but the goods and services do not change ownership to the construction contractor. In such cases, the treatment, as with manufacturing services, is to record actual changes of ownership, not physical movements of goods. Repairs on embassies, bases, and so forth owned by the government that occupies them are included in government goods and services n.i.e. (see [paragraph 110.177](#)).

Existing buildings

110.108 As noted in paragraph 4.34, because of the imputation of notional units for ownership of land, most transactions involving acquisitions of existing buildings and land are treated as being between two resident units. International transactions of construction can arise when a building for an embassy, consulate, military base, or international organization changes hands with a resident of the economy in which the building is physically located. The ownership could change because of a sale or gift. Transactions in construction may also occur for buildings in an area that is exchanged between economies (see paragraph 4.9). The change in ownership of the land component is shown in the capital account (see paragraph 13.10); separate estimates should be made for the structure and land components. Transactions in existing buildings are included in construction in the same way as new buildings, to avoid having to distinguish new and existing buildings, and this treatment is analogous to the treatment in merchandise trade where both new and second-hand equipment are combined.

Other issues related to construction

11.108-1 A separate supplementary breakdown of construction may be provided for (a) constructions and (b) construction services along the lines of the CPC divisions 53 and 54. Constructions cover the physical outputs of construction activities (e.g., buildings and civil engineering works such as highways, bridges, etc. provided in less than a year) and construction services cover the services provided in constructing the physical

fixed asset. If the effective transfer of ownership cannot be determined in practice, stage payments could be used as a proxy for the transfer of ownership (see paragraphs 11.61-63, 2025 SNA for additional details).

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output

Construction abroad

Of which:

Constructions

Construction services

Construction in the compiling economy

Of which:

Constructions

Construction services

f. Insurance and pension services

Commented [A7]: Minor updates made to the terminology-- to ensure consistency with the SNA

110.109 Insurance and pension services include services of providing life insurance and annuities, freight insurance and other nonlife insurance, reinsurance, freight insurance, pensions, standardized guarantees, and auxiliary services to insurance, pension schemes, and standardized guarantee schemes. More information on insurance and pensions is provided in Anneppendix 86e.

110.110 The processes undertaken by insurers and pension funds include charging premiums, paying claims, and investing funds. To analyze the underlying economic nature of these operations, it is necessary to rearrange these processes to identify separately the service element. Anneppendix 86e provides some background to the way insurance and pension schemes operate and the value of their services is calculated. The usual starting point for deriving the exported and imported components is the value of premiums and claims, which are observable, rather than derived.

110.111 In overview, the total value of insurance and pension services is derived as the margin between the amounts accruing to the companies (namely, premiums, contributions, and supplements) and the amounts accruing to the policyholders (namely, claims and benefits). That is, for nonlife insurance, the value of output of nonlife insurance services can be expressed with the following formula:

~~Gross-Actual~~ premiums earned;
+ Premium supplements;

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- Claims payable plus adjustment for claims volatility, if necessary.

More elaboration is provided in Appendix 6c: nonlife insurance (paragraphs A86e.16–A86e.22), reinsurance (paragraph A86e.23), life insurance (paragraph A86e.31), and pension schemes (paragraph A86e.40).

110.112 The supplementary breakdown of insurance and pension services is between direct insurance (life and nonlife), reinsurance, auxiliary insurance services, and pension and standardized guarantee services. In addition, data on gross-actual premiums earned (see paragraph A86e.17) and unadjusted claims (claims payable before adjustments for claims volatility; see paragraphs A86e.21–A86e.22) may be provided as supplementary items, with separate details on nonlife, life, pension, and standardized guarantee components, as considered appropriate.

110.113 For exports of nonlife insurance services, the service charge can be estimated from total nonlife insurance output by multiplying the gross-actual premiums earned from nonresidents by the ratio of service charge to gross-actual premiums earned for all nonlife insurance operations. (This calculation is illustrated in Box 110.4, Example 2.) The same prorating technique can be used for life insurance, (including annuities), pension funds, and standardized guarantees. To the extent that these ratios vary for different lines of business (reinsurance, marine, term life, etc.), the calculations should be made separately. Similarly, if it is known that there are different margins between resident and nonresident customers, data from the operations most relevant to nonresident policyholders should be used. The ratios should be calculated according to the formula for output in paragraph 10.111, so they take into account premium supplements and claims volatility. (See Box 110.24 for an example of calculations.)

110.114 For imports of nonlife insurance services, the available information is less complete than that for exports. For reinsurance, the only customers are insurance companies, so data on premiums payable and claims receivable may be readily available from them. However, premium supplements are not observable. For direct insurance, there is a wider range of customers and, so, available data may be more limited, such as premiums paid and actual claims only. To derive a service charge from these values, ratios need to be obtained using the most suitable available indicator:

- (a) Ratios from other economies or from published accounts of large international insurance companies may be

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used. International trade in some types of nonlife insurance is dominated by relatively large, specialized companies;

Box 110.24. Numerical Examples of the Calculation of Nonlife Insurance Services

(This example is applicable to types of insurance not subject to fluctuations in claims; for an example with an adjustment for claims volatility, see [Appendix 6e8](#).)

Example 1. For resident insurers with separate data on policyholders abroad:

Premiums earned from abroad	100 (premiums received 105)
Claims payable abroad	95 (claims paid 85)
Technical reserves relating to insurance with nonresidents	200 (beginning of period)
Income attributable to policyholders	20 (premium supplements)

The resulting entries are:

Services	Insurance service charge = 25 (derived as $100 + 20 - 95$)
Primary Income	Income attributable to policyholders = 20
Current transfers	Net-Premiums <u>less service charges</u> receivable = 95 (premiums plus supplements less service = $100 + 20 - 25$)

Claims payable = 95 (actual; equal to ~~net~~-premiums less service charges receivable if no adjustment of claims for volatility)

Financial account	Increase in insurance technical reserves = 15 (for prepaid premiums 105-100; for unpaid claims 95 - 85)
International investment position	Insurance technical reserves 215 (end of period)

Example 2. For resident insurers with separate data on policyholders abroad for premiums only:

Total insurance services (to residents and nonresidents) combined	50
Total premiums	200
Of which: Premiums from residents	120
Premiums from nonresidents	80
Estimated insurance services provided to nonresidents	20
$\frac{\text{Tot}}{c}$	$(= 80 / (200) * 50)$

Example 3. For nonresident insurers with resident policyholders:

Premiums from residents	40
Ratio of service charge to premiums (average from data on insurers abroad) = 25 percent	
Estimated insurance services from nonresidents	10 (= 40 * 0.25)

- (b) Ratios from the resident insurance industry may be considered. In some economies, there may be equivalent lines of business; or
- (c) Ratios based on premiums payable abroad and claims receivable from abroad over a medium- to long-term period. International insurance trade includes direct insurance of large items (like ships and aircraft) and re-insurance, so claims receivable for a particular economy may be highly volatile. An adjustment for premium supplements would also be needed, or there could be an understatement of the value of services.

Such ratios should be calculated as consistently as possible with those for total services and exports outlined above, so they would also take into account premium supplements and claim volatility. Although premium supplements are not readily observable for imports, some adjustment is needed, or there would be an understatement of the value of services and asymmetry with exports. Premium supplements to premiums ratios observed from other cases could be used to avoid this understatement. The same prorating techniques can be used for life insurance, annuities, pension funds, and standardized guarantee.

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110.115 Data on reinsurance imports can be collected from the policyholders, because they are all insurance companies. The value of direct insurance service produced relates to the whole of the risk that is insured, including any reinsured component. Thus, direct premiums and claims are recorded gross of reinsurance.

110.116 Freight insurance is a form of nonlife insurance that raises particular issues. Freight insurance premiums payable on international traded goods before they reach the customs frontier of the economy of the exporter are included in the FOB price of the good. Freight insurance premiums payable subsequent to the goods leaving the customs frontier of the exporter's economy are treated as payable by the importer. When the parties have not arranged the payment of insurance premiums in the same way as this methodology, partitioning and rerouting are needed (see [paragraphs 3.16–3.17](#)). These adjustments are of the same nature as those discussed for freight services. The service elements for freight insurance can be derived in the same way as other insurance.

110.117 Auxiliary insurance services consist of the provision of services that are closely related to insurance and pension fund operations. Included are agents' commissions, insurance brokering and agency services, insurance and pension consultancy services, evaluation and loss adjustment services, actuarial services, salvage administration services, and regulatory and monitoring services on indemnities and recovery services. These services are charged through explicit charges.

In order to avoid overstating insurance services, a ratio can be used to estimate services from the reported insurance premiums recorded in the [secondary-transfer](#) income account. The ratio may be derived from the domestic nonlife insurance industry and applied to premiums paid.

[11.117-1 Islamic insurance \(Takaful\) and re-insurance \(Re-takaful\) are discussed in Chapter 17, Islamic Finance. While these insurance schemes have some similarities with the conventional insurance presented in this section, there are notable differences in the business arrangements as explained in Chapter 17. Insurance services provided through fintech \(commonly known as InsurTech\) should be covered under respective insurance services categories.](#)

g. Financial services

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110.118 Financial services cover financial intermediary and auxiliary services, except insurance and pension fund services. These services include those usually provided by banks and other financial corporations. They include deposit taking and lending, letters of credit, credit card services, commissions and charges related to financial leasing, factoring, underwriting, and clearing of payments. Also included are financial advisory services, custody of financial assets, crypto assets or bullion, financial asset management, monitoring services, liquidity provision services, risk assumption services other than insurance, services of foreign exchange bureaus and money transfer operators, merger and acquisition services, credit rating services, stock and crypto exchange services, and trust services. Financial services enabled by Fintech¹⁸ including those facilitated by financial digital platforms such as payment services, peer-to-peer lending services, crowd funding platform services, and other financial services such as capital raising/investment management are included under this category without introducing new services categories. Nevertheless, if a country has a strong need to identify the financial services provided through fintech, introducing an “of which” category may be considered. See Section E, Chapter 16 for the discussion on digitalization and financial system.

110.119 Financial services may be charged for by:

- (a) explicit charges;
- (b) margins on buying and selling transactions;
- (c) asset management costs deducted from property income receivable in the case of asset-holding entities; or
- (d) margins between interest payable and the reference rate on loans and deposits (called implicit financial ~~intermediation service services on loans and deposit~~ charges indirectly measured, abbreviated as FISIM).

For financial intermediaries, the balance between explicit and implicit charges may vary over time and from institution to institution, so data on both are needed to get a complete picture of their supply of services.

Explicit charges

¹⁸ See paragraph 4.154 for the definition of fintech.

Commented [A8]: CPC related updates and other suggestions from GN C.6 drafting team

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110.120 Services are charged for by explicit charges in the case of many financial services and require no special calculation. Some explicit charges associated with deposit and lending services include application and commitment fees, fees for one-off guarantees, early or late repayment fees or penalties, and account charges. (However, an increase in interest rates as a result of late payment would not be classified as an explicit fee, but would be included with other interest and, so, taken into account as FISIM implicit financial services on loans and deposits.)

110.121 Explicit charges also include commissions and other fees related to letters of credit, bankers' acceptances, lines of credit, financial leasing, money transfer, ~~and~~ foreign exchange transactions, fees related to financial digital platforms that intermediate funding or payment transactions (see paragraphs 16.xx-xx), fees associated with credit cards¹⁹ and factoring (see paragraph 11.121-1). Also included are commissions and other charges related to transactions in securities: brokerage, placements of issues, underwritings, and redemptions; commissions and fees paid for the arrangement of financial derivative contracts; commissions of commodity futures traders; and asset management services, financial market operational and regulatory services, security custody services, and so forth.²⁰ Service charges on purchases of IMF resources are included among an economy's financial service payments, as are charges (similar to commitment fees) associated with undrawn balances under stand-by or extended arrangements with the IMF (see paragraphs A9.xx).²¹ Charges payable to a financial institution for arranging the provision of financial resources, which are services, should be distinguished from amounts payable to the suppliers of financial resources for the use of these resources (which are income; see **paragraph 124.3(b)**).

¹⁹ For example, fees charged by credit cards on the purchase of goods and services, in certain cross-border transactions. The charge is usually calculated as a percentage of the sale. In addition, foreign transaction fees and cash advance fees on the use of credit cards in cross-border transactions are included under explicit charges.

²⁰ Financial derivative transactions may take place directly between two parties or through intermediaries. In the latter case, there may be implicit or explicit service charges. It is not usually possible to distinguish implicit service charges. Therefore, it is recommended that net settlement payments of derivative contracts be recorded as financial transactions. However, when possible, service charge components should be recorded separately.

²¹ The International Monetary Fund (IMF) imposes several types of charges and fees on the use of its financial resources. These charges are designed to cover the IMF's operating costs and to ensure that borrowing countries have an incentive to repay their loans promptly. Service charge on purchases of IMF resources is a one-time charge of 0.5 percent on each drawing (disbursement) from the IMF's General Resources Account (GRA). This fee is assessed at the time of the disbursement. Commitment fee is charged on the undrawn portion of the credit line for Stand-By Arrangements (SBA), Extended Fund Facility (EFF), and other similar arrangements. The fee is refundable if the member draws on the committed resources.

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11.121-1 Factoring is a transaction in which a financial company (factor, which can be a bank, a specialized factoring company, or other financial organization) buys trade accounts receivable from a supplier at a discount (see paragraph 5.xx for additional details on factoring). The discount is equal to the difference between the nominal value of the accounts receivable and the actual payments by the factor to the supplier, and may consist of three elements: (i) fees; (ii) interest; and (iii) compensation for possible credit defaults. From a conceptual perspective, the service provided by the factor (i.e., output of the factor) is represented by the first element only. For additional details on factoring refer to paragraph 7.xx, 2025 SNA.

Commented [A9]: Consistent with draft Chapter 7, 2025 SNA

Margins on buying and selling transactions

110.122 Dealers or market-makers in financial instruments may charge, in full or part, for their services by having a spread between their buying and selling prices. Dealers, market-makers, foreign exchange bureaus, and other intermediaries producing this kind of service are distinguished from other traders by the existence of a buy-sell spread, which shows that they serve the market in a somewhat similar way to a wholesaler, by providing liquidity and inventory. Foreign exchange, shares, bonds, notes, financial derivatives, and other financial instruments are often bought and sold in this way.

110.123 The dealers' service charges are included indistinguishably in the financial transactions to which they relate. In such cases, the difference between the reference price and the dealer's buying price at the time of purchase represents the service charge to the seller. Similarly, the difference between the reference price and the dealer's selling price at the time of sale represents the value of the service provided to the buyer. The reference price is usually a mid-price between the buying and selling prices; some dealers may have their own internal price for determining their buying and selling prices. In contrast to the reference price, the prices actually paid or received include the financial service component. By using the reference price at the time of purchase or sale, any holding gains or losses on the dealer's trading activity are excluded from services. The service can also be measured by applying the dealers' average margin as a percentage to the value of transactions through dealers.

11.123-1 In practice, margins can be very difficult to accurately compile. This is usually due to the fact

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that (a) not all instruments are traded in a way that generates margins;²² (b) not all transactions by dealers generate margins; (c) bid-ask spreads may be very different for each transaction; and (d) the geographical and sector allocation of this service is complex to accurately determine.

Asset management costs ~~taken out of~~ deducted from property income

110.124 Some institutional units have the sole or predominant function of holding financial assets on behalf of their owners. For example, some mutual funds, holding companies, trusts, and special purpose entities serve this purpose. In the process of managing those assets, these enterprises incur administrative expenses, such as payments to fund managers, custodians, banks, accountants, lawyers, or their own staff. The expenses can be charged for explicitly as a fee, or implicitly by being paid out of investment income received or out of the assets of the enterprise. The expenses implicitly paid for should be recognized as a service to the owners. For example, a hedge fund may distribute a proportion of the net income of the fund to the entity that manages the fund, which should be recorded as a charge for services. Similarly, a custodian may charge lower fees in exchange for the right to on-lend securities (the income from on-lending securities is discussed in paragraphs 124.67–124.68).

110.125 Implicit asset management service charges can be measured at cost. The corresponding entry is to increase the net value of investment income payable to the investor to the gross value before deduction of the expenses. Without the recognition of the output of such services, the costs incurred would lead to negative operating surplus for the asset management enterprises. With this treatment, these enterprises have a net operating surplus of zero.

11.125-1 Institutional units may be set up for holding and managing assets on behalf of others. They may have employees of their own, but more often engage the services of administrators, trustees and/or portfolio managers to manage the operations of the funds. This is the case for most investment funds. Importantly, the

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²² Trading in equities often do not generate margins. Trading in equities does not typically generate margins. Equities can be purchased either in primary or secondary markets. In both cases, margins are typically not generated as only explicit fees are charged during the transactions. There are, however, secondary market situations in which trading in equities can generate margins.

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funds themselves are treated as separate institutional units, distinct from the unit managing them. The investment funds pay fees to these service providers and make use of the required human resources to support the funds operations (buying and selling of securities, providing legal, accounting, and other services required to ensure that the fund is operating efficiently). The fund in turn charges a service fee to investors which is equivalent to the amount of operating expenses and is usually reported as an annual percentage of the assets in the fund. In addition, holders of investment fund shares/units may be charged with fees on specific transactions, such as redemption fees, exchange fees imposed for transferring shares/units within the same fund group or account fees. Both types of fees are treated as payments for services that are provided directly from the original professional providers to the shareholders. Investment funds are thus not treated as providers or consumers of services, and their output and intermediate consumption is equal to zero.

~~FISIM~~ Implicit financial services on loans and deposits

110.126 Actual interest on deposits and loans can be seen as including both an income element and a charge for a service. Lenders and deposit-takers operate by offering rates of interest to their depositors that are lower than the rates that they charge to their borrowers. The resulting interest margins, which are termed implicit financial services on loans and deposits, are used by the financial corporations to defray their expenses and to provide an operating surplus. Interest margins are an alternative to charging customers explicitly for financial services. In addition to financial intermediation, where funds are taken in as deposits and loaned, lending of own funds can give rise to ~~FISIM~~ implicit financial services on loans in the cases of money lenders and loans made from banks' own funds.

110.127 By convention, these indirect-implicit charges in respect of interest apply only to loans and deposits and only when those loans and deposits are provided by, or deposited with, financial corporations (as defined in paragraph 4.63). While loans by holding companies, special purpose entities, and other captive financial institutions to their affiliates are not normally expected to generate ~~FISIM~~ implicit financial services, they may do so if they charge a margin. Financial corporations may generate ~~FISIM~~ implicit financial services even if they have only loans or only deposits; for instance, a credit card issuer that raises all of its funds by debt securities can earn ~~FISIM~~ implicit financial services on its loans to credit card customers.

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110.128 The rate of FISIM-implicit financial services on loans and deposits may vary owing to a range of factors, such as the accessibility of funds, services included such as arrangements for check-writing facilities (for deposits), perceptions of the credit risk of the borrower, and the collateral provided (for loans). Additionally, large-scale (“wholesale”) loans and deposits tend to have lower rates of FISIM-implicit financial services than small-scale (“retail”) loans and deposits.

110.129 Implicit financial services on loans and deposits payable by each of the depositors and borrowers are calculated by using the concept of a “reference” rate of interest. The reference rate to be used in the calculation of actual interest is a rate between bank interest rates on deposits and loans. However, because there is no necessary equality between the level of loans and deposits, it cannot be calculated as a simple average of the rates on loans or deposits. As liquidity transformation services are considered to be part of the implicit financial services on loans and deposits, it is recommended to use a single temporal reference rate, and not two reference rates distinguishing short-term and long-term loans and deposits. The calculation of the single reference rate should be determined according to domestic circumstances, using any of the following approaches: The reference rate should contain no service element and reflect the risk and maturity structure of deposits and loans. The rate prevailing for interbank borrowing and lending may be a suitable choice as a reference rate. A single rate should be used for transactions in the domestic currency, whereas different rates should be applied for loans and deposits in other currencies. The reference rate will change over time with market conditions:

- a reference rate based on a single observable exogenous rate for a specific instrument, such as interbank lending rates;
-
- a reference rate based on a weighted average of observable exogenous rates of maturities with different terms (weighted by the stock of loans and deposits in each maturity); or
- a weighted average of the endogenous interest rates on loans and deposits.

11.129-1 As noted before, liquidity transformation is considered to be part of implicit financial services on loans and deposits. Less clarity exists around the inclusion or exclusion of credit default risk. While there is conceptual merit in excluding credit default risk from implicit financial services on loans and deposits, at present many countries are not in a position to do this in a way that ensures reasonable comparability across most

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countries. Having said that, a number of countries have demonstrated that it is feasible, in their cases, to produce meaningful results and these countries have compiled estimates of implicit financial services on loans and deposits on this basis. Recognizing that these improvements will take some time to materialize, it is recommended that in the interest of maintaining international comparability, those countries that exclude credit default risk from their estimates of implicit financial services on loans and deposits should also provide supplementary estimates that include credit default risk.

Box 110.5. Numerical Example of Calculation of Implicit Financial Services on Loans and Deposits^{FISIM}

The data requirements for the calculation of implicit financial services on loans and deposits^{FISIM} are:

- (1) values of loans and deposits (available from the IIP);
- (2) the corresponding interest payable/receivable (available from the primary-earned income account);
and
- (3) the applicable reference rate (usually available from central bank bulletins and other publications).

In this example, all loans and deposits are denominated in domestic currency and are issued by financial corporations. The interbank interest rate is 5 percent per annum.

Average value of loans during the year = 1000

Actual interest (known as bank interest in SNA) receivable by financial corporations on loans = 70 partitioned into:

50 pure interest (known as SNA interest in SNA) receivable (derived as 1000 at 5 percent)

20 FISIM-implicit financial services receivable (derived as 70 – 50)

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Average value of deposits during the year = 500

Actual interest payable by financial corporations on deposits = 10 partitioned into:

25 pure interest payable (derived as 500 at 5 percent)

15 implicit financial services FISIM receivable (derived as 25 – 10)

Total implicit financial services on loans and deposits FISIM receivable by financial corporations = 35
(20+15)

Notes:

The difference between interest receivable and payable is not the same as implicit financial services on loans and deposits FISIM. In this example, the difference is 25, which differs from the correct figure because the loan assets do not match the deposit liabilities. (For example, an economy which had external loan assets funded entirely from domestic sources, there would be zero interest payable, so the difference between ~~international-external~~ interest payable and receivable is an unsuitable estimate of implicit financial services on loans and deposits FISIM.) Unlike the reference rate concept, the method fails to separate the services provided to depositors from those to borrowers, so it does not provide a basis to identify the partner economy.

The average value of loans or deposits should be used in the calculation, as it corresponds to the amount on which interest accrues. If values change significantly during the period, the use of an end-of-period value as a proxy for the average may give an unsatisfactory result.

A more detailed calculation may take into account different currencies and maturities.

110.130 For cross-border deposits and loans, different currencies may be involved, so separate reference rates should be applied for each currency that is a significant proportion of loans or deposits. To be closest to the definition of the reference rate and for international symmetry of recording, the rate should be taken from the financial markets of the home market of the currency, and preferably be the same as used by statistical compilers in that economy. (The data compiled for the currency composition in Tables I-III of Annexappendix 149 can provide relevant

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information on calculation of implicit financial services on loans and deposits^{FISIM} for each major currency.)

110.131 Implicit financial services on loans and deposits^{FISIM} is calculated as follows:

- (a) for loans from financial corporations—the difference between the interest actually payable on loans and the amount that would be payable if the reference rate were used, and
- (b) for deposits with financial corporations—the difference between the interest that would be earned if a reference rate were used and the interest actually earned.

(See Box 110.5 for a numerical example.)

110.132 Because a repo with supply of cash is treated as involving a loan or deposit, as stated in paragraphs 5.52–5.53, it may give rise to implicit financial services on loans and deposits^{FISIM}. Similarly, a financial lease is treated as giving rise to a loan (see paragraphs 5.56–5.58) so it may also give rise to implicit financial services on loans and deposits^{FISIM} if provided by a financial corporation. Interbank loans and deposits generally occur at or close to the reference rate, in which case there is no implicit financial services on loans and deposits^{FISIM}. However, where there are significant international interbank transactions at interest rates above the reference rate (e.g., if the debtor bank has a lower credit rating), it would be suitable for implicit financial services on loans and deposits^{FISIM} to be identified. See also paragraphs 124.74–124.75 on the effects of implicit financial services on loans and deposits^{FISIM} on interest.

110.133 Estimates of cross-border implicit financial services on loans and deposits^{FISIM} can be calculated from data on the international investment position or banking data on deposits and loans from financial corporations in conjunction with the amounts of actual interest payable and receivable and reference interest rates. For economies where cross-border implicit financial services on loans and deposits^{FISIM} is small, it can be measured with relatively simplified methods based on aggregated data.

110.134 Negative FISIM may occur in reality (e.g., when loans are at fixed interest rates and market rates rise). During periods of volatile movements in reference rates and when liquidity markets begin to malfunction, considerable care should be taken in determining estimates of implicit financial services on loans and deposits. These periods may be characterized by negative estimates of implicit financial services on loans and

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deposits, particularly for depositors, but also for borrowers. Negative implicit financial services on loans and deposits^{FISIM} can also occur owing to measurement error. For example, some large international transactions between banks may be at or near the reference rate, so a small error in measuring the reference rate could cause negative implicit financial services on loans and deposits^{FISIM}. This gives rise to interpretation problems, as it is not possible for output to be negative. Therefore, when such incidences occur, countries are encouraged to review the applicability of the underlying reference rate for that period to calculate the implicit financial services on loans and deposits. The first, and simplest approach, is that countries consider taking the simple weighted average of the interest rates on loans and deposits for those years with negative implicit service charges for either depositors or borrowers. The second, and slightly more complicated approach, takes the view that, during periods when markets are dis-functional, banks may offer financial inducements to attract depositors, meaning that part of what is now typically recorded as bank interest may actually consist of a transfer element. In this approach, during periods of negative implicit financial services on loans and deposits calculated using the conventional approach, the implicit service charges should instead be calculated by assuming that the margin (implicit financial services as a per cent of deposits or loans) banks charge on deposits or loans is broadly stable over time.

11.134-1 Negative interest rates may cast doubts on the right reference rates to be used in the calculation of implicit financial services on deposits and loans (see paragraph 12.xx for the discussion on negative interest rates). Further, negative interest rates raise the risk of negative implicit financial services on deposits and loans as banks may offer interest rates higher than reference rates, to retain depositors. Therefore, compilers should review the reference rates to be used with a view to avoid negative implicit financial services, in coordination with the national accounts compilers.

110.135 The identification of implicit financial services on loans and deposits^{FISIM} as the financial service implicitly included in interest requires corresponding adjustments to interest as recorded in the primary income account. Actual interest payable by borrowers is partitioned between a pure interest charge at the reference rate (in primary-earned income) and implicit financial services on loans and deposits^{FISIM} (a service). Similarly, pure interest receivable by depositors is calculated by applying the reference rate to

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depositors, and depositors are shown as consuming a service equivalent to the difference between the actual interest and interest at the reference rate. The interest shown in the primary income accounts is shown after adjusting for implicit financial services on loans and deposits^{FISIM}—“pure interest”; also, there is a memorandum item for interest before adjusting for implicit financial services on loans and deposits^{FISIM}—“actual interest” (see paragraphs 12+.74–12+.75).

110.136 Financial services in BPM7 exclude pure interest, dividends, life insurance and pension services, other insurance services, nonfinancial advisory services provided by banks (included under other business services), and holding gains and losses on purchases and sales of financial instruments.

h. Charges for the use of intellectual property n.i.e.

11.136-1 Intellectual Property Products are assets resulting from research, development, investigation, or innovation, leading to knowledge, or the creation of artificial intelligence systems that the developers can market or use to their own benefit in production because use of this knowledge or system is restricted by means of legal or other protection.

110.137 Charges for the use of intellectual property n.i.e. include:²³

- (a) Charges for ~~the licenses to use of~~ proprietary rights from research and development (such as patents, ~~trademarks,~~ copyrights, industrial processes and designs, ~~including and~~ trade secrets, ~~franchises~~) as well as from marketing (such as franchises, trademarks, and brand names). ~~These rights can arise from research and development, as well as from marketing;~~ and
- (b) Charges for licenses to reproduce or distribute (or both) intellectual property embodied in produced originals or prototypes (such as copyrights on books and manuscripts, computer software, data and databases, cinematographic works, and sound recordings) and related rights (such as for live performances and

²³ While charges for the use of intellectual property n.i.e. pertain primarily to intellectual property products, they also include charges for the proprietary rights to use of marketing assets (franchises, trademarks, and brand names).

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television, cable, or satellite broadcast).

(As shown in Table 110.4, transactions in some other kinds of intellectual property are included in other categories.)

110.138 The production of books, recordings, films, software, disks, and so forth is a two-stage process of which the first stage is the production of the original and the second stage the production and use of copies of the original. The output of the first stage is the original itself over which legal or de facto ownership can be established by copyright, patent, or secrecy. The owner of the asset may use it directly to produce copies that give the purchaser a license to use. Alternatively, the owner may issue a license to other producers to reproduce and distribute the content. The payments made by the licensee to the owner may be described in various ways, such as fees, commissions, or royalties. The treatment of flows relating to intellectual property is summarized in Table 1011.4. In contrast to temporary rights to use (included under license to use and license to reproduce and/or distribute), outright sales of patents, copyrights, and industrial processes and designs are included under research and development services (discussed in paragraph 1011.147). Similarly, temporary rights for computer software and audiovisual originals are treated differently from outright sales (as shown in Table 110.4).

110.139 The time of recording of charges for the use of intellectual property follows the substance of the license agreement. If the rights to use intellectual property are sold for a fixed fee, under a noncancellable contract, and where the licensor has no remaining obligations to perform, then the whole sum is a sale. Otherwise, charges are allocated over the life of the agreement. In practice, it may be feasible to record the payments only when they are made.

110.140 Franchise fees, trademark revenue, payments for use of brand names, and so forth include aspects of property income (i.e., putting a nonfinancial nonproduced asset at the disposal of another unit) as well as aspects of services (such as the active processes of technical support, product research, marketing, and quality control). In principle, it would be desirable to separate the income and service elements. However, it may not generally be feasible to do so in practice; in which case, a convention is adopted that the entire values are to be classified as charges for the use of intellectual property n.i.e. Such a convention would be taken as a starting point, but if additional information to make a split is available, the compiler should do so.

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Other issues related to intellectual property

~~11.140-1 Following the paragraphs 11.xx-xx, 2025 SNA in the , (a) copies sold under license to use may be treated as fixed assets²⁴ if they will be used in production for more than one year and the licensee assumes all the risks and rewards of ownership; and (b) a license that allows the licensee to reproduce the original and subsequently assume responsibility for the distribution, support, and maintenance of these copies, should be regarded as the sale of part or whole of the original to the unit holding the license to reproduce (see paragraphs 11.xx-xx, 2025 SNA).~~

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11.140-2 In *BPM7*, no distinction is made in the treatment of licenses to use and licenses to reproduce based on whether they will be used in production for more than one year or less, and whether the licensee assumes risks and rewards of ownership (as stated in paragraph 10.1401-1 from SNA).²⁵ The concept of the sale of part of the original also does not exist in *BPM7*. However, it is acknowledged that such a distinction *BPM7* recognizes the importance of such distinction which helps in harmonizing the cross-border IPP related transactions with distinction between fixed capital formation/intermediate consumption in national accounts. Therefore, the [updated MSITS] will include additional details through Extended Balance of Payments Services Classification (EBOPS) for aligning trade in IPP related services items with fixed capital formation/intermediate consumption categories in national accounts.

Table 110.4. Treatment of Intellectual Property

	Use of intellectual property charges for the use of intellectual property n.i.e.		Sale/purchase of ownership rights ³ capital account entry
Franchises and trademarks			
Outcomes of research and development	Charges for the use of intellectual property n.i.e.		research and development services
Computer services; Information services; Audiovisual and related services:	License to use excluding reproduction and distribution ¹	License to reproduce and/or distribute ²	relevant service item ⁴

²⁴ ~~Fixed assets are produced assets that are used repeatedly or continuously in production for more than one year.~~

²⁵ ~~In the SNA (a) copies sold under license to use may be treated as fixed assets (i.e., produced assets that are used repeatedly or continuously in production for more than one year) if they will be used in production for more than one year and the licensee assumes all the risks and rewards of ownership; and (b) a license that allows the licensee to reproduce the original and subsequently assume responsibility for the distribution, support, and maintenance of these copies, should be regarded as the sale of part or whole of the original to the unit holding the license to reproduce (see paragraphs 11. xx-xx, 2025 SNA).~~

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(a) Customized all types	relevant service item ⁴		
(b) Noncustomized—downloaded or otherwise electronically delivered	relevant service item ⁴		
(c) Noncustomized—provided on physical media with periodic license fee	relevant service item ⁴	charges for the use of intellectual property n.i.e.	
(d) Noncustomized—provided on physical media with right to perpetual use	goods		

¹ Covers the case where a specific product is supplied with the right to use the intellectual property embodied in it, but not to copy it for further distribution. The transactions should be classified under the appropriate goods ~~and or~~ services items. This includes cross-border transactions in NFTs that convey no ownership rights and only allow for personal use of a specified asset (first type of NFTs), which should be recorded under the relevant service category (computer services, audiovisual and related services, or information services) depending on the content of related asset.

² Covers the case where authority to reproduce and/or distribute the intellectual property is delegated by its owner.

³ Covers the case where there is a change of economic ownership of the whole of the intellectual property right in question. The seller no longer has any rights or obligations associated with the intellectual property. This case also includes second or subsequent outright sales of intellectual property rights- as well as cross-border transactions in NFTs that convey full ownership rights (third type of NFTs). These should be recorded as computer services, audiovisual and related services, or information services, if the underlying asset is digital (see paragraph 16.xx-xx for additional details on NFTs).

⁴ The relevant service item is either computer services (see paragraph 110.143), or audiovisual and related services (see paragraphs 110.162–110.166), or information services (see paragraph 11.146) depending on the nature of the content provided.

For example, the sale/purchase of a copy of a software package that is mass-produced, and is obtained by an individual to load onto a single computer is covered by a license to use that excludes reproduction and distribution; this situation would be recorded in goods or services depending on the examples (see examples (b), (c), and (d) under software in Table 110.4). if a manufacturer pays for the right to include the software on computers that it produces, then the payment would be a license to reproduce and/or distribute (charges for the use of intellectual property provided by the owner of the original).

i. Telecommunications, ~~computer, and information~~ services

110.141 ~~Computer and telecommunication services are defined in terms of the nature of the service, not the method of delivery.²⁶ To illustrate, provision of business services, such as accounting services, is included under the appropriate heading under other business services, even if these services are entirely delivered by telephone, computer, or the Internet. Only amounts payable for transmission should be included under telecommunication services; downloaded content should be included in the appropriate item (computer, information, audiovisual, etc., services).~~

Telecommunications services

110.142 Telecommunications services encompass the broadcast or transmission of sound, images, data, or other information by telephone, ~~telex, telegram~~, radio and television cable transmission, radio and television satellite, electronic mail, ~~facsimile~~, and so forth, including business network services, teleconferencing, and support services. They do not include the value of the information transported. Also included are mobile telecommunications services, Internet backbone services, and online access services, including provision of access to the Internet. Excluded are installation services for telephone network equipment (included in construction) and database services (included in information services).

j. Computer and information services

Computer services

110.143 Computer services consist of hardware- and software-related services and data-processing services. **Table 4011.4** shows the classification of various arrangements for software and other types of intellectual property products. Computer services include:

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- (a) sales of customized software (however delivered) and related licenses to use;
- (b) the development, production, supply, and documentation of customized software, including operating systems, made to order for specific users;
- (c) noncustomized (mass-produced) software downloaded or otherwise electronically delivered, whether with a periodic license fee or a single payment;
- (d) licenses to use noncustomized (mass-produced) software provided on a physical storage device ~~such as a disk or CD-ROM~~ with a periodic license fee (noncustomized software on storage devices with licenses that convey perpetual use is included in goods; see paragraph 10.17(c) and Table 110.4);
- (e) sales and purchases of originals and ownership rights for software systems and applications;
- (f) hardware and software consultancy and implementation services, including the management of subcontracted computer services;
- (g) hardware and software installation, including installation of mainframes and central computing units;
- (h) maintenance and repairs of computers and peripheral equipment;
- (i) data recovery services; provision of advice and assistance on matters related to the management of computer resources;
- (j) analysis, design, and programming of systems ready to use (including web page development and design), and technical consultancy related to software;
- (k) systems maintenance and other support services, such as training provided as part of consultancy;
- (l) data-processing and hosting services, such as data entry, tabulation, and processing on a time-sharing basis;
- (m) web page hosting services (i.e., the provision of server space on the Internet to host clients' web pages);
- ~~and~~
- (n) provision of applications, hosting clients' applications, and computer facilities management;

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(o) artificial intelligence (AI)²⁷ systems such as virtual assistants, chatbots,²⁸ speech/image recognition, smart home devices;

(p) software applications facilitating online meetings and video conferencing;

(q) cloud computing services (i.e., computing, data storage, software, and related ICT services accessed remotely over a network, supplied on demand and with measured resource usage). See paragraphs 16.xx-xx for additional details;

(r) validation of transactions relating to crypto assets (provided by miners/validators) including the provision of such services as part of a pool of miners or through cloud computing facilities. See Box 11.x for additional details.

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While the above categories are expected to be mutually exclusive, in practice, there could be overlaps between some of these categories.

110.144 Software includes general business productivity software, computer game software, and other applications. However, as shown in **Table 110.4** and paragraph **10.17(d)**, some forms of software are classified under goods. It may be analytically useful to be able to identify all software, whether in goods or services. The time of recording software services follows the same principles as for other intellectual property, identified in paragraph **110.139**.

11.1443-1 Telecommunication services (section i) and computer services are defined in terms of the nature of the service, not the medium of delivery.²⁹ To illustrate, provision of accounting services is included under professional and management consulting services, even if these services are entirely delivered by telephone, computer, or the Internet. Only amounts payable for transmission should be included under telecommunications.

²⁷ AI is classified as a special type of software even though AI systems frequently include data and hardware elements, because the system is controlled by software even when these elements are present. However, the equipment that contains an embedded AI system (or other embedded software) is still classified as goods (see Section B.3, Chapter 16 for additional details on AI).

²⁸ A software application designed to simulate human conversation and interact with users via text or voice, often powered by rules, artificial intelligence, and natural language processing to provide automated responses and perform tasks. Chatbots range from simplistic models that operate off scripts to provide quick responses to specific questions, to artificial intelligence (AI) and machine learning (ML) models that can converse with users and complete more complex tasks.

²⁹ However, the medium of delivery is taken into account in some cases in distinguishing between goods and services, as shown in Table 11.4.

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services: downloaded content should be included in the appropriate item (computer, information, audiovisual and related, etc., services).

BOX 11.X. VALIDATION OF CRYPTO ASSET TRANSACTIONS

Validation of crypto asset transactions is a service. Crypto assets without a corresponding liability designed to act as a medium of exchange are considered as nonproduced nonfinancial assets and recorded within a separate category in the capital account (see paragraph 14.xx). The miners solving cryptographic puzzles for validating the transactions in these assets on the blockchain are producers of validation services.

Most mineable crypto assets without a corresponding liability come into circulation via the work of miners that solve cryptographic puzzles (proof-of-work) and validate transactions on the blockchain. Non-mineable crypto assets without a corresponding liability and crypto assets with a corresponding liability (e.g., stablecoins) may be released via an explicit sale and/or as payment to validators that validate transactions in different ways than via proof-of-work (e.g., via proof of stake).

The services of miners/validators should be measured as the sum of both explicit validation fees and implicit fees. The explicit fee in crypto assets is paid by the party initiating the transaction.

The implicit fee (newly released crypto assets/staking rewards) is assumed to be collectively consumed by the existing holders of units of that crypto asset (these concern multiple institutional units that may be spread across a wide range of countries), while those rewarded by the explicit fee are consumed by the transactor paying the fee.

The following example explains the recording of transactions associated with validation services. For additional guidance and examples refer to the [Compilation Guidance on Crypto Assets.]

An entity in Economy A is providing validation services of transactions in crypto assets without a corresponding liability for transactions originated in Economy B. The Economy B consumer pays a transaction fee of 10 in crypto assets. In addition, the Economy A entity receives 15 in crypto assets as implicit fee. The following entries are recorded in the balance of payments of Economy A.

Services account

Computer services (credits/revenues) = implicit fee (15) + explicit fee (10) = 25

Capital account

Acquisition/disposal of non-produced nonfinancial assets/Crypto assets without corresponding liabilities (debits/expenditures) = 25

110.145 Excluded from computer services are computer training courses not designed for a specific

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user (included in other personal, cultural, and recreational services). Charges for licenses to reproduce or distribute software (or both) which are included in charges for the use of intellectual property *n.i.e.*, are also excluded. Leasing of computers without an operator is included in operational leasing.

Information services

110.146 Information services include news agency services, such as the provision of news, photographs, and feature articles to the media. ~~Other information provision services also include outright sale of data and databases, and related services such as—~~ compilations of information content produced by accessing and observing phenomena, database conception, entering and maintaining data in databases, data storage, and the dissemination of data and databases (including directories and mailing lists), both online and through magnetic, optical, or printed media; and web search portals (search engine services that find internet addresses information for clients who input keyword queries) and services of chatbots that provide summarized information or translation for the questions of clients on a wide range of topics. Also included are direct nonbulk subscriptions to newspapers and periodicals, whether by mail, electronic transmission, or other means; other online content provision services; and library and archive services. (Bulk newspapers and periodicals are included under general merchandise.) Downloaded content that is not software (included in computer services) or audio and video (included in audiovisual and related services) is included in information services.

Commented [A19]: CPC related updates and other suggestions from GN C.6 drafting team

~~j. Other business services~~

k. Research and development services

110.147 Research and development services consist of services that are associated with basic research, applied research, and experimental development of new products and processes. In principle, such activities in the natural sciences, physical sciences, engineering, technology, medical and health sciences, social sciences, and humanities, and interdisciplinary research and development services are covered, including the development of operating systems that represent technological advances. Also included is commercial research related to electronics, pharmaceuticals, and biotechnology.

Commented [A20]: CPC related updates and other suggestions from GN C.6 drafting team

110.148 The definition of research and development services used here and in the CPC is ~~wider than~~

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largely aligned with the Frascati definition (which is used to define the scope of capital formation in the ~~2008-2025 SNA~~); it includes other product development that may give rise to patents. Outright sales of the results of research and development (such as represented in patents, copyrights, and sale of information about industrial processes) are included in research and development. However, amounts payable for use of proprietary rights arising from research and development are included under charges for the use of intellectual property n.i.e.; see paragraphs **110.137–110.140**.

l. Professional and management consulting services

110.149 Professional and management consulting services include:

- (a) legal services, accounting, management consulting, managerial services, and public relations services; and
- (b) advertising, market research, and public opinion polling services.

110.150 Services for the general management of a branch, subsidiary, or associate provided by a parent enterprise or other affiliated enterprise are included ~~in other business services, often~~ under professional and management consulting services. However, reimbursements of ancillary services supplied by affiliated enterprises, such as transport, purchasing, sales and marketing, or computing, should be shown under the relevant specific heading. Management fees are included in technical and other business services. However, disproportionately large values of services between affiliated enterprises should be examined for signs that they are disguised dividends, such as large fluctuations that do not reflect actual changes in the services provided.

m. Trade-related services

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11.150-1 Trade-related services cover fees related to nonfinancial intermediation services, such as commissions on goods and service transactions payable to merchants, commodity brokers, dealers, auctioneers, and commission agents. For example, these services include the auctioneer's fee or agent's commission on sales of ships, aircraft, and other goods. Fees paid to nonfinancial intermediation platforms, including digital intermediation platforms, are also recorded in trade-related services. Nonfinancial intermediation platforms, including digital intermediation platforms facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers, without the platform taking economic ownership of the goods or rendering the services that are being sold (intermediated) (see paragraphs 16.xx-xx for further details on nonfinancial digital intermediation platforms). If the trader owns the goods being sold, the trader's margin is generally included indistinguishably in general merchandise FOB (if the goods pass through the economy of the trader) or under goods under merchandising (otherwise). However, any fees not included in the FOB price of the goods are included in trade-related services. Brokerage on financial instruments and fees related to financial digital platforms that intermediate funding or payment transactions are excluded from trade-related services (included in financial services).

Technical, trade-related, and other business services

110.151 ~~Technical, trade-related, and other business services include:~~

~~(a) — architectural, engineering, and other technical services;~~

~~(b) — waste treatment and depollution, agricultural, and mining services (discussed further in paragraph 10.152);~~

~~(c) — operating leasing services (discussed further in paragraphs 10.153–10.157);~~

~~(d) — trade-related services (discussed further in paragraph 10.158); and~~

~~(e) — other business services (discussed further in paragraph 10.159).~~

~~*Waste treatment and depollution, agricultural, and mining services*~~

110.152 ~~Waste treatment and depollution services include waste collection and disposal, remediation, sanitation, and other environmental protection services. They also include environmental services, such as production of carbon offsets or carbon sequestration, that are not classified under any more specific category. Other technical services include agricultural, mining, and veterinary services.~~

Commented [A21]: 11.151 and 152 are moved down-- after operating leasing services as per the order of services in BPM7 (following GN C.6)

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n. Operating leasing services

110.153 *Operating leasing is the activity of renting out produced assets under arrangements that provide use of a tangible asset to the lessee, but do not involve the transfer of the bulk of risks and rewards of ownership to the lessee. Operating leasing may also be called leasing or rental services of specified produced assets, such as buildings or equipment, as specified in the CPC. Rental is also used as a term for the amounts payable under operating leases for produced assets, and is a service.³⁰*

110.154 Operating leasing can be identified by the following characteristics:

- (a) The lessor, or owner of the equipment, normally maintains a stock of assets in good working order that can be hired on demand, or at short notice, by users;
- (b) The assets may be ~~rented~~ leased out for varying periods of time. The lessee may renew the rental when the period expires; and
- (c) The lessor is frequently responsible for the maintenance and repair of the asset as part of the service that is provided to the lessee. The lessor must normally be a specialist in the operation of the asset and may also undertake to replace the equipment in the event of a serious or prolonged breakdown.

Thus, in addition to the provision of an asset, the service provided under operating leasing by the lessor includes other elements, such as convenience and security, servicing, and back-up facilities.

11.156 Operating leasing services cover leasing (rental) and charters of ships, aircraft, and transport equipment, such as railway cars, containers, and rigs, without crew. Also included are operating lease payments relating to other types of equipment without an operator, including computers and telecommunications equipment. License payments for the right to use intangible produced assets, such as software, intellectual property, and so forth are included under specific headings (computer services, charges for the use of intellectual property n.i.e., etc.) rather than operating leasing. Also excluded from operating leasing services are leasing of

³⁰In contrast, rent is used to describe the income receivable by the owner of nonproduced nonfinancial assets (the lessor or landlord) for putting the assets at the disposal of another institutional unit (a lessee or tenant) for use in production amounts payable under a resource lease covering natural resources, such as land, water, or mineral rights. Rent arising from such resource leases is included recorded in the primary earned income account, as discussed in paragraphs **121.85–121.90**.

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telecommunications lines or capacity (included in telecommunications services) and rental of ships and aircraft with crew (included in transport services).

11.155 An operating lease is distinguished from:

- (a) a financial lease, where the risks and rewards of ownership of the asset are transferred to the lessee; with an operating lease, the lessor has the risks and benefits (see **paragraphs 5.56–5.60** for definition and elaboration on financial leases);³¹
- (b) a resource lease, where the asset provided is a **nonproduced** natural resource, rather than a produced asset (see paragraphs **5.60 (b) and 12.85–12.90** for a definition and elaboration on resource leases and rent); and
- (c) a lease included under contracts, leases, and licenses, where the lease itself—rather than the underlying asset—becomes an economic asset of the lessee. (See **paragraph 13.14.12** for elaboration on these leases.)

~~**11.156** Operating leasing services cover leasing (rental) and charters, without crew, of ships, aircraft, and transport equipment, such as railway cars, containers, and rigs, without crew. Also included are operating lease payments relating to other types of equipment without an operator, including computers and telecommunications equipment. License payments for the right to use intangible assets, such as software, intellectual property, and so forth are included under specific headings (computer services, charges for the use of intellectual property n.i.e., etc.) rather than operating leasing. Excluded from operating leasing services are leasing of telecommunications lines or capacity (included in telecommunications services) and rental of ships and aircraft with crew (included in transport services).~~

11.156-1 In some instances, MNEs may establish special purpose entities (SPEs) for undertaking operating and financial leasing arrangements within the group companies. For example, SPEs may hold assets such as planes and lease them to parent company under operating lease. In such cases, SPEs remain separate institutional units from their nonresident parents and responsible for the immediate risks and rewards of the assets.

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³¹ International Financial Reporting Standards (IFRS) 16 “Leases” is not aligned with the 2025 SNA/BPM7 concept of economic ownership for determining and recording operating and financial lease transactions. Practical guidance on distinguishing operating and financial leasing from the financial statements of corporation applying IFRS 16 to be provided in the *BPM7 Compilation Guide*.

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they own/lease. Therefore, such captive leasing arrangements should be treated as operating leases following the guidance provided in paragraphs 11.154. See Special Purpose Entities: Guidelines for a Data Template and Section C.2, Chapter 15 for further information on the typology and description of SPEs including those engaged in captive financial and operating leasing.

11.156-2 Two main types of leasing arrangements, largely prevalent in the aircraft industry, are elaborated further:

- Wet leasing (covers provision of an aircraft, complete crew, maintenance, and insurance for which payment is by hours operated), which is normally used for short-term leasing (for balance of payments purposes recorded under transport services); and
- Dry leasing (covers provision of an aircraft without insurance, crew, ground staff, supporting equipment, maintenance, etc.), which is more usual for the longer-term leases and is recorded, for balance of payments purposes, under operating leasing services.³² The aircraft industry also uses combinations of wet and dry when, for example, the aircraft is wet-leased to establish new services and then, as the airlines flight or cabin crews become trained, they are switched to a dry lease.

110.157 Operating leases of dwellings and other buildings are included in this item, if not included in travel. If there is no objective basis on which to split the payment between rent on land and rental on the buildings, it is recommended to treat the whole amount as rental when the building component is believed to exceed the land component, and as a rent otherwise. However, rent of land alone and rent of other nonproduced natural resources (such leases are called resource leases; see paragraph 12.83-86) as well as rent related to other non-produced nonfinancial assets are classified as primary-earned income (such leases are called resource leases; see paragraph 121.85). Rental of buildings by international organizations, embassies, and so forth, is included under government goods and services n.i.e. Rental of accommodation and vehicles to nonresidents during visits to

Commented [A23]: Based on paragraph 12.34, BPM6 Compilation Guide

³² Dry leasing could be considered as a special kind of operating lease, where the lessor remains the economic and legal owner, but the expenses on insurance, repair and maintenance are the responsibility of lessee. In practice, it may be difficult to know whether such lease is financial or operational. Invoices issued by the lessor is one of the useful sources for distinguishing between financial and operating leases. Typically, for an operating lease, an invoice includes an amount of a single payment, whereas for a financial lease, the invoice includes provides information about the amount of principal and interest separately. See Box 8, Eurostat's Handbook on the compilation of statistics on sea and air transport in national accounts and balance of payments, for additional guidance.

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other economies is included in travel (see paragraphs 110.86–110.88).

Trade-related services

110.158 Trade-related services cover commissions on goods and service transactions payable to merchants, commodity brokers, dealers, auctioneers, and commission agents. For example, these services include the auctioneer's fee or agent's commission on sales of ships, aircraft, and other goods. If the trader owns the goods being sold, the trader's margin is generally included indistinguishably in general merchandise FOB (if the goods pass through the economy of the trader) or under goods under merchandising (otherwise). However, any margins not included in the FOB price of the goods are included in trade-related services. Brokerage on financial instruments is excluded from trade-related services (included in financial services) as are transport-related charges, such as agency commissions (included in transport services).

o. Technical and other business services

11.158-1 Technical and other business services include:

- (a) architectural, engineering, scientific and other technical services (discussed further in paragraph 11.158-2);
- (b) waste treatment and depollution, agricultural, and mining services (discussed further in paragraph 11.158-3); and
- (c) other business services (discussed further in paragraph 110.159).

Architectural, engineering, scientific and other technical services

11.158-2 Architectural services include transactions related to the design of buildings. Engineering services include the design, development and utilization of machines, materials, instruments, structures, processes and systems. Services of this type involve the provision of designs, plans and studies related to engineering projects. Mining engineering is excluded and included instead in waste treatment and depollution, agricultural, and mining services (see paragraph 11.158-32). Scientific and other technical services include surveying;

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cartography; product testing and certification; and technical inspection services.

Waste treatment and depollution, agricultural, and mining services

11.158-3 Waste treatment and depollution services include waste collection and disposal, remediation, sanitation, and other environmental protection services. They also include environmental services, such as treatment of air pollution, carbon capture and storage services that are not classified under any more specific category.

Other business services

110.159 Other business services include distribution services related to water, steam, gas, and other petroleum products and air-conditioning supply, where these are identified separately from transmission services; placement of personnel, security, and investigative services; translation and interpretation; photographic services; publishing; building cleaning; and real estate services. In addition, services provided by fee-based digital platforms that facilitate interactions between users other than transactions in goods and services or financial transactions (e.g., online dating and matrimonial platforms) are included (see paragraph 16.xx). Also included under other business services are forfeited down payments not able to be specified to any other service.

~~**110.160** Business and other services, such as transport, construction, and computing, may be subcontracted. This arrangement may also be called “outsourcing.” For example, a specialist service arranger may be paid to provide back office functions for a customer, which the service arranger subcontracts to another contractor. Thus, subcontracting is similar in some ways to merchandising of goods, because the services are purchased and resold. However, for services, the degree of transformation involved may be harder to assess than for goods, such as in the case of bundling and managing the services of different contractors. “Service merchandising” of this kind is an important activity in some economies. The value of services exported and imported in the economy of the service arranger is recorded on a gross basis. (This treatment is applicable because the arranger buys and sells the services; if the arranger acted as an agent on a commission basis, then only the commission would be recorded as the service provided by the arranger.) These services are classified to the appropriate specific service classification, such as transport, construction, computing, or other business~~

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services. (See also paragraph 10.75 for transport.) However, if the activity is significant for an economy, net data could be provided on a supplementary basis.

110. Personal, cultural, and recreational services

110.161 Personal, cultural, and recreational services consist of (a) audiovisual and related services and (b) other personal, cultural, and recreational services.

Audiovisual and related services

110.162 Audiovisual and related services consist of services and fees related to the production of motion pictures (on film, videotape, disk, or transmitted electronically, etc.), radio and television programs (live or on tape), and musical recordings. Table 110.4 summarizes the treatment of intellectual property associated with audiovisual and related services, as well as other types of intellectual property.

110.163 Included are amounts receivable or payable for rentals of audiovisual and related products, and charges for access to audio and video streaming services, encrypted television channels (such as cable and satellite services). Fees to actors, directors, and producers involved with theatrical and musical productions, sporting events, circuses, and other similar events are included in this item (unless they are employees of the entity making payments, in which case the transactions are classified as ~~compensation-remuneration~~ of employees). The users of free online platforms (which are mostly organized as commercial enterprises) may create content such as videos, images, text, and audio, and make them available on the platforms. If the content creator receives remuneration from an advertiser or platform for use of their uploaded content, it should be recorded as supply of audiovisual related services to the platform. (see paragraphs 16.xx-xx for additional details on free online platforms).

110.164 Mass-produced recordings and manuscripts that are purchased or sold outright or for perpetual use are included under audiovisual and related services if downloaded (i.e., delivered electronically). However, those on physical media ~~CD-ROM, disk, paper, and so forth~~, are included in general merchandise. Similar products obtained through a license to use (other than when conveying perpetual use) are included in audiovisual and related services, as is the use of other online content related to audio and visual media. (See paragraph **110.166** for the treatment of originals.) The principles for the timing for related audiovisual and related services,

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such as for music and film copyrights and for master recordings, are the same as those for other types of intellectual property, as discussed in [paragraph 110.139](#).

110.165 Charges or licenses to reproduce or distribute (or both) radio, television, film, music, and so forth are excluded from audiovisual and related services and included in charges for the use of intellectual property n.i.e.

110.166 Purchases and sales of original manuscripts, sound recordings, films, and so forth are included in audiovisual and related services.

Other personal, cultural, and recreational services

110.167 Other personal, cultural, and recreational services include health services, education services, and others, as discussed in the following paragraphs.

110.168 Health services consist of services provided by hospitals, doctors, nurses, and paramedical and similar personnel, as well as laboratory and similar services, whether rendered remotely ([sometimes referred to as tele-healthcare](#)) or on-site. However, health services provided to nonresidents who are present in the territory of the service provider are included in travel (see also [paragraph 110.94](#)). Veterinary services are included in other technical and other business services (see [paragraph 110.158-3](#)).

110.169 Education services consist of services relating to education, such as correspondence courses and education via television or the Internet ([sometimes referred to as tele-education](#)), as well as by teachers and so forth who supply services directly in host economies. However, education services provided to nonresidents who are present in the territory of the service provider are included in travel (see also paragraph 10.94).³³

110.170 Other personal, cultural, and recreational services include those associated with museums and other cultural, sporting, gambling, and recreational activities, except those included in travel. The fees and prizes of athletes are included.

110.171 The amounts paid for lottery tickets or placed in bets consist of two elements:

³³ Educational and health services provided by residents employed by a host-country educational/health institution should be included in remuneration of employees (see paragraph 12.11).

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- (a) a service charge receivable by the unit organizing the lottery or gambling (this charge may also have to cover taxes on gambling); and
- (b) transfers to cover the amounts payable to the winners and, in some cases, amounts payable to charities.

The value of the lottery and other gambling services supplied by or to nonresidents is estimated as the amount wagered by nonresidents multiplied by the overall ratio of services to the total amount wagered for that gambling operator or type of gambling. This method for separately identifying the service component is similar to the method used for insurance services. For current transfers associated with gambling, see paragraphs 132.25–132.26.

110.172 Acquisition of other personal, cultural, and recreational services (such as education, health, museums, and gambling) by persons while outside their territory of residence is included in travel (see paragraph 110.88) and excluded from this item.

4g. Government goods and services n.i.e.

110.173 Government goods and services n.i.e. cover:

- (a) goods and services supplied by and to enclaves, such as embassies, military bases, and international organizations;
- (b) goods and services acquired from the host economy by diplomats, consular staff, and military personnel located abroad and their dependents; and
- (c) services supplied by and to governments and not included in other categories of services.

Transactions of public corporations (defined in paragraph 4.108) are not included, unless the other party is one of the specified types of institutions.

Goods and services supplied by and to government and international organization enclaves

110.174 As government and international organization enclaves are not residents of the territory in

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which they are physically located (as discussed further in [paragraph 4.5\(e\)](#)), their transactions with residents of the territory of location are ~~international-external~~ transactions. For the same reason, transactions of embassies, military bases, and so forth with their home economies are resident-to-resident and outside the scope of ~~international-external~~ accounts.

110.175 Government goods and services n.i.e. credits include the supply of goods and services to embassies, consulates, military units or bases, defense agencies, and other official entities (such as aid missions; government tourism, information, and trade promotion offices) of foreign governments located in the compiling economy.

110.176 Government goods and services n.i.e. debits include acquisition of goods and services by embassies, and so forth of the government of the compiling economy in other territories. Charges for visas and other services provided by embassies and consulates are also included in government goods and services n.i.e. The supply and purchase of goods and services by international organizations are also included in government goods and services n.i.e. The acquisition of goods and services for joint military arrangements, peacekeeping forces, and other services, such as those provided by the United Nations, are also included in government goods and services n.i.e.

110.177 All types of goods and services, such as office supplies, vehicles, repairs, electricity, and rental of premises, for embassies, military bases, international organizations, and so forth purchased from the host economy or economies other than the home economy are included under government goods and services n.i.e. However, construction of new and existing structures is included under construction (see [paragraph 110.108](#)).

Goods and services acquired by staff employed in enclaves and their dependents

110.178 All expenditure on goods and services by diplomats, consular staff, and military personnel located abroad in the economies in which they are located is also included in government goods and services n.i.e. (These staff are classified as nonresidents of the territory of their location, as discussed in [paragraph 4.123](#).) The expenditure of dependent members of the same household is also included. However, the expenditure of locally engaged staff of embassies, military bases, and so forth and international organization staff is not included in government goods and services n.i.e. (and is usually a resident-to-resident transaction). (These staff are classified as residents of

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the territory of their location, as discussed in paragraphs 4.123–4.124.) The supply of goods and services to foreign diplomats and so forth located in the compiling economy is shown as credits, while the expenditure of the compiling economy's diplomats and so forth in the economy of their posting is shown as debits. (Goods disposed of by diplomats, and so forth are similarly recorded with the signs reversed; for example, a car sold at the end of a posting is shown as a debit to the local economy.)

Other services supplied by and to governments

110.179 As far as possible, only items corresponding to CPC division 91 (public administration and other services provided to the community as a whole: compulsory social security services) and CPC division 99 (services provided by extraterritorial organizations and bodies) need to be included within this category to ensure harmonization with the System of National Accounts. Services supplied by and to governments (other than those related to government functions) should be classified to specific services (~~business services~~ construction, health, etc.), if possible. For instance, acquisition of new and existing buildings for an embassy, consulate, and so forth is classified as construction, rather than government goods and services n.i.e. (see paragraph 110.108). However, some services are related to government functions that are not able to be classified to another specific service category, so are classified as government services n.i.e. For example, technical assistance on public administration is included in government services. Also, payments for police-type services (such as keeping order), such as those supplied with mutual agreement by a foreign government or international organization, are included in government services n.i.e. Additionally, government supply of licenses and permits that are classified as services (as discussed in paragraphs 110.180–110.181) are also government services n.i.e. Box 110.6 covers issues associated with technical assistance.

Government licenses, permits, and so forth

110.180 One of the regulatory functions of governments is to forbid the ownership or use of certain goods or the pursuit of certain activities, unless specific permission is granted by issuing a license or other certificate for a fee. As indicated in paragraph 13.30, if a payment for a license is compulsory and the license is not transferable then the payment is generally considered a tax. However, under limited scenarios, such as when it

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can be demonstrated that the payment is required and a service commensurate to the payment is consumed by the individual, the payment should be recorded as a sale of service.³⁴ If the issue of such licenses involves little or no work on the part of government, the licenses being granted automatically on payment, it is likely that they are simply a device to raise taxes, even though the government may provide some kind of certificate, or authorization, in return. However, if the government uses the issue of licenses to exercise some proper regulatory function, such as checking the competence or qualifications of the person concerned, checking the efficient and safe functioning of equipment, or carrying out some other form of control that it would otherwise not be obliged to do, the payments made should be treated as purchases of services from government rather than payments of taxes, unless the payments are clearly out of all proportion to the costs of providing the services.

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Box 110.6. Technical Assistance

Who provides technical assistance?

Technical assistance is provided by the entity that employs the personnel delivering the services (technical assistance personnel), which could include a non-government entity. The provider is not necessarily the same as the party that provides the funding.

What is the residence of the technical assistance provider?

Technical assistance provided by an entity resident in the donor economy should be recorded as an export of a service by the donor economy to the recipient economy.

How is technical assistance classified?

Technical assistance covers a wide variety of different services, including computing and business

³⁴In the case of permits issued by the private sector, treatment as a tax is not an option, so the fee can only be a service or contract, lease, or license asset. In the case of licenses (government or private) that may be resold by the holder, the resale is recorded in the capital account under contracts, leases, and licenses (see paragraphs 14.11–14.16).

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services, and should be classified by the nature of the service provided to specific services, if possible. Technical assistance provided by government, or an international organization, is classified as government services only when not classified to a specific service, and where the technical assistance personnel are employed by the donor government or an international organization.

How is technical assistance funded?

Technical assistance may be subject to payment by the recipient, or funded by a current or capital transfer from the donor.

When cross-border technical assistance is provided without a fee being charged to the recipient, a current or capital transfer for the value of the services provided is recorded. If a third party funds the costs of technical assistance, then the funds provided are routed through the recipient economy to the service (or technical assistance) providing economy.

In principle the value of the services provided is estimated by the costs incurred by the donor government (including any costs in the donor economy, recipient economy, or a third economy) in providing technical assistance. In the absence of detailed information the value could be estimated by the salary paid to the technical assistance personnel plus any other identifiable costs (such as travel costs).

How are payments to technical assistance personnel classified?

If the technical assistance personnel are resident in the donor economy and employed by the donor government, payments to these technical assistance personnel are only recorded in the domestic accounts of the donor economy.

If the technical assistance personnel are resident in the recipient economy (or any economy other than the donor economy) but employed by the donor government, ~~compensation-remuneration~~ of employees payable by the donor economy is recorded in the ~~international-external~~ accounts (paragraph 124.15).

If the technical assistance personnel are resident in the recipient economy, considered employed by the recipient government, but their salaries are paid by the donor government, a current transfer from the donor to

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the recipient economy (paragraph 132.47) is recorded in the ~~international-external~~ accounts, with the recipient government imputed as paying ~~compensation-remuneration~~ to the resident technical assistance personnel in the domestic accounts of the recipient economy. In this case, the output of the technical assistance is attributed to the recipient economy.

If the technical assistance personnel are resident in the recipient economy but are not considered to be in an employer-employee relationship with the donor or the recipient entity (see paragraphs 124.11–124.12) then payments to them are classified as payments for services, not the ~~compensation-remuneration~~ of employees.

If the technical assistance activities in the recipient economy are such that a branch is recognized (paragraphs 4.26–4.28) and the technical assistance personnel are employed by the branch, payment of ~~compensation-remuneration~~ by the donor economy is rerouted through the branch as equity.

110.181 ~~The borderline between taxes and payments of charges for services rendered is not always clear-cut in practice.³⁵ By convention, amounts payable by households for licenses to own or use vehicles, boats, or aircraft and also licenses for recreational hunting, shooting, or fishing are treated as taxes, whereas amounts payable by households for all other kinds of licenses, permits, certificates, passports, and so forth, are treated as purchases of services. (For more details on taxes, see paragraph 12.30.)~~

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Commented [A28]: This has been updated based on GN WS.14 (see the changes to paragraph 11.180)

³⁵In the case of permits issued by the private sector, treatment as a tax is not an option, so the fee can only be a service or contract, lease, or license asset. In the case of licenses (government or private) that may be resold by the holder, the resale is recorded in the capital account under contracts, leases, and licenses (see paragraphs 112.11–113.16).