



GFSAC Meeting: May 13-15, 2025

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1.7 Recording of Fines and Penalties

Paper: GFSAC/2025/05/2F

For Endorsement

For discussion

Global Consultation Responses:

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	31
No	0
Partially	5
No Comment	0
Total	36

Global Consultation Comments: Respondents who partially agreed noted that:

- “The reasoning behind splitting payments between current and capital transfers is acknowledged but the logic seems at odds with the treatment of the receipt of insurance claims for example, which are current transfers other than in exceptional circumstances.” Therefore, more guidance on what constitutes “major compensation payments” is requested.
- “While it is clear that major compensation payments are to be recorded as capital transfers instead of current transfers, defining or quantifying what constitutes ‘major’ could pose a challenge to jurisdictions.” Suggest providing more comprehensive criteria and/or examples for ‘extensive damages’ that are to be classified as major compensation.
- “2025 SNA’s separation of transactions into punitive and compensatory is helpful but creates a separate problem of delineating between the two, which is made harder by the narrow and limited definition of payments of compensation in 2025 SNA para. 9.146-147. Consequently, the SNA guidance appears ill-suited for major multi-year tax and subsidy (incl. tax credit) disputes, e.g. in the context of large multinationals, whereby the court decisions or out-of-court settlements are neither exclusively punitive nor are they designed as a compensation for any damages in the sense of 2025 SNA.” Suggestion that it would be helpful to include language similar to that in ESA 2010 para. 20.189 with respect to compensation relating to when a transaction is reversed (i.e.



"When a court of justice rules that compensation must be paid, or a transaction reversed, resulting from or related to past events, the time of recording of the expenditure or revenue is when the claimants have an automatic and incontrovertible right for a given amount..."

- Suggest to clarify if "an ex-gratia payment that is not substantial enough to fully replace an asset but was voluntarily given to a jurisdiction as assistance (not an admission of liability) to help partially recover losses or damages to a property or resources, can be classified as part of the capital receivables."

Also highlighted by both those respondents who supported the proposal and those who responded "partially" was the need for more compilation and practical guidance on implementation of the methodological guidance.

Questions for GFSAC:

- Do you agree that additional compilation and practical guidance on how to record court fines, penalties and compensation payments, suggested by some global consultation respondents, should not be included in the GFSM but provided as a "how to" note, or similar?
- Do you agree that the *GFSM 2014* is already sufficiently clear on the time of recording of fines and penalties (paras. 3.85 and 5.144) but that this text should be expanded to include court-imposed compensation payments, to address global consultation responses?
- Do you agree that the current *GFSM 2014* text on ex gratia payments (para. 6.123), raised by one respondent to the global consultation, is already sufficiently clear?
- Do you endorse the draft Notice of Decision?



GFS Notice of Decision

DRAFT

1.7 Recording of Fines and Penalties

GFS Notice of Decision:

No conceptual changes will be made with regard to the recording of fines and penalties. However, the *GFSM 2014* text (paras. 5.142-5.144, 5.147-5.148, 6.123-6.124 and A7.1244) will be updated to further clarify the distinction that fines are “punitive in nature” whereas compensation payments are “intended to compensate for damage or injury” and that efforts should be made to differentiate between the two as court rulings may commonly include both elements. In addition, the current time of recording of fines and penalties will also be explicitly referenced in relation to court-imposed compensation payments.¹

The textual changes will align with those introduced in the [2025 SNA](#) (paras. 9.138.141 and 9.146-9.147) and [BPM7](#) (paras. 13.56-13.59 and 14.37).

GFS Related Documents:

GFS Proposed Recommendations Document	GFSM PR 1.7
GFS Discussion Note	Not applicable
GFS Global Consultations	March 2025
Discussions at GFSAC Meeting(s)	To be added

SNA/BPM Related Documents:

Guidance/Issue Note	BPM GN C.8
Global Consultation(s)	BPM Consultation: February 2021
Discussions at the AEG/BOPCOM ² Meeting(s)	BOPCOM: February 2021

¹ This clarification on the time of recording of court-imposed compensation payments was not in the original PR, but has been added to address feedback from the global consultation.

² AEG = Advisory Expert Group on National Accounts, BOPCOM = Balance of Payments Committee