

Chapter 11

Services Account

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, nonproduced nonfinancial assets 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 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.

11.57 Following the general principles in paragraph 3.47, the time of recording of service entries in the 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).

11.58 Services provided by a self-employed individual such as a consultant, independent contractor, or employment agency are distinguished from remuneration of employees. Paragraphs 12.11–12.13 discuss the difference between an employee and a service provider.**11.59** 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." Services that are subcontracted or outsourced should be classified to the appropriate specific services item, such as transport, construction, computing, or technical, environmental, and other business services (see also paragraph 11.75 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 services, **i.e. the purchase of the services is treated as intermediate consumption by the arranger**; conversely, if the arranger acted as an agent on a commission basis, then only the commission would be recorded as the service provided by the arranger¹—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 **nonfinancial intermediation** services, whereas call centers providing computer support are included in computing services.

Other international standards relevant for trade in services

11.60 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 *2025 SNA* and this *Manual*. *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 the four modes³ 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. . For more details, see *MSITS*⁴.

¹ Moreover, in the former, the arranger carries the risk and responsibility for the provided service, whereas in the latter, they do not carry the risks and responsibilities of the supplied services.

³ 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.

⁴ *MSITS* will be updated to incorporate the updates from the *2025 SNA* and this *Manual*.

2. Classification

11.61 An overview of the classification of services is shown in Table 11.1. The classification is 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;⁵ for example, if a bank provides pension fund services as a secondary activity, the service is classified as pension fund services. A 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 external accounts service item.

11.61-1 Disaggregation of total exports and imports of services by characteristics of the trading enterprise known as services trade by enterprise characteristics (STEC) is recommended as a supplementary presentation to highlight the role of enterprises with different characteristics in the current account. Characteristics such as ownership and size of enterprise as well as breakdown by main trade partners are details that can be developed in these statistics. This is discussed further in Chapter 15 within the context of multinational enterprises. In addition, a supplementary presentation of the services account classified by currency to be published at least annually is recommended. Currency composition of international trade is discussed further in Annex 5.

Table 11.1 Overview of the Services Account

Exports	Imports
(credit/revenue)	(debit/expenditure)

⁵ This is only relevant for product-based categories.

Manufacturing services on physical inputs
owned by others

Maintenance and repair services n.i.e.

Transport

Travel

Construction

Insurance and pension services

Financial services

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

Telecommunication services

Computer and information services

Research and development services

Professional and management consulting ser-
vices

Nonfinancial intermediation services

Operating leasing services

Technical, environmental, and other business
services

Personal, Cultural, and recreational services

Government goods and services n.i.e.

Balance on international trade in services

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

a. Manufacturing services on physical inputs owned by others

11.62 *Manufacturing services on physical inputs owned by others cover processing, assembly, labeling, packing, and so forth undertaken by enterprises that do not own the goods⁶ concerned.* The manufacturing is undertaken by an entity that does not own the goods and that is paid a fee by the 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 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.

11.63 Examples of processes that are often undertaken under arrangements for manufacturing services on physical inputs owned by others include gold and 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).

11.64 Manufacturing services on physical inputs owned by others cover the transaction between the 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 principal or not.⁷ 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.

⁶ Refer to inputs and not the final goods after processing.

⁷ For further details refer to Boxes 10.1 and 10.2, Chapter 10.

11.70 The value of manufacturing services on physical inputs owned by others is not necessarily the same as the difference between the values of goods sent for processing and the goods after processing **recorded in supplementary items discussed in paragraph 11.67**. Possible causes for differences include holding gains or losses as well as the inclusion of the processor's overhead expenses (such as financing, marketing, and know-how)⁸ in the value of goods after processing, and other measurement errors associated with the valuation of goods movements where there is no sale.



Recording of related goods movements

11.67 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



- goods dispatched after processing (goods returned);

(b) for processors (providers of manufacturing services on goods processed in the compiling economy):

- goods received for processing (goods received); and

- goods dispatched after processing (goods returned).

⁸ The manufacturing services should include overhead costs only to the extent they relate to the processing of the goods.

11.68 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 principal or supplier (processor) of manufacturing services, or from customs data:

- If the values are reported by the principals or processors, coverage should be irrespective of whether the input goods were supplied by the principal from the 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 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. 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.

11.69 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.xx–10.xx), 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 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.

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

11.72 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). 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.⁹ 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.

11.73 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.

c. Transport

11.74 *Transport is the process of carriage of people and objects from one location to another as well as related supporting and auxiliary services. This includes postal and courier services.*

Transport can be classified according to:

⁹ 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).

- (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 covered under other transport services (see paragraph 11.80).

In the standard components, transport services are classified according to both dimensions. A breakdown of combined modes of transport into passenger transport, freight transport, and other transport 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.

11.75 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, any commissions payable by providers of transport services to an agent should be separately recorded as nonfinancial intermediation services, see paragraphs 11.59 and **11.98**.

Passenger services

11.76 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. 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.

11.77 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.¹⁰ 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 purchased as 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, 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

11.78 Freight services cover the transport of objects other than people.¹¹ 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 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.

¹⁰ The taxes and fee are recorded in turn as payable by the carriers to the relevant authorities or service providers.

¹¹ In general, transport of animals is recorded under freight, but small pet animals carried with their owners could be included under passenger services.

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. Operating leases of vessels, aircraft, freight cars or other commercial vehicles without crews and financial leases of transport equipment are excluded from transport services (see paragraphs 11.156-2 for the former and 5.56– 5.59 and 10.17(f) for the later).

11.79 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 11.1. 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 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 11.1. 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).

- In one scenario, the freight from the factory to the customs frontier of Economy A is provided by a resident of 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.
- In another scenario, 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 rerouting 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.)

Other transport services

11.80 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.

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.

11.81 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 nonfinancial intermediation services).

Postal and courier services

11.82 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 post office counter 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.

11.83 Excluded from postal services 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, environmental, 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.

11.84 Courier services include express and door-to-door delivery. 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, environmental, and other business services).

11.85 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 11.1**. 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

11.86 *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 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 kind¹³ (e.g., free health services received by a foreign tourist from a hospital within general government) should be recorded under travel.

11.87 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-

¹³ 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 *SN4*)

term workers. A separate supplementary breakdown of travel into types of goods and services is suggested (see [paragraph 11.95](#)).

11.88 Unlike most other service categories, travel is not a specific type of service, but a trans-actor-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.

11.89 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.¹⁴ 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.

11.90 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 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](#)).

¹⁴These 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.

Business travel

11.91 *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 11.178**); 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.

11.92 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.

11.93 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

11.94 *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:

- (a) health-related travel (e.g., medical services, other health care, food, accommodation, local transport, acquired by those traveling for medical reasons). 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

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

- (a) Goods,
- (b) Services

Local transport services,

Accommodation services,

Food-serving services
Health services
Education services
Cultural, recreational, and other personal services¹⁵

Other 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*¹⁷ 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.¹⁸

11.96 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.

11.97 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

¹⁵ Includes (a) audiovisual and related services (e.g., expenditures on audio/video streaming services, encrypted television channels); and (b) other personal, cultural and recreational services excluding educational and health services discussed in paragraphs 11.168-169 (e.g., expenditures associated with museums and other cultural, sporting, gambling, and recreational activities), obtained while traveling.

¹⁷The 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.

¹⁸This supplementary item includes all personal travel and those parts of business travel and passenger transport services that do not cover expenditure of border, seasonal, and other short-term workers.

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 11.3. 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 asset)	Prepayment of accommodation	Trade credit and advances	Accommodation services in travel
		+	+	
		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

11.98 Travel services may be arranged through a travel agent, tour operator, time-share exchange agent, or other 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 fee or commission.¹⁹ If the agent is a resident of the same economy as the customer, then the fee 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).

11.99 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.

11.100 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 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.

¹⁹ Assumes that the customer is specifically invoiced for the margin/commission by the agent.

- (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 international transport and two or more travel related services (for example, local 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) services provided by the travel agency (usually different from the tour operator) selling the tour. **In cases b) and c), the services are measured by a fee or commission.** The services arranged (international and local transportation, accommodation, etc.) are not considered intermediate consumption **of the tour operator or the travel agent**. These services are in fact consumed and recorded in the external accounts²⁰ by the traveler weeks or months after the tour was booked and payments were made to the tour operator.²¹ The fee of the travel agency is included under nonfinancial intermediation services as is the case with the services of the tour operator,²²

²⁰ BPM7 paragraph 3.47 states: “Transactions in services are recorded when the services are provided...”

²¹ 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*”.

²² Services of TO are treated as nonfinancial intermediation as their output mainly comes from intermediation fees or commissions. They may also earn from advertising/sponsorships, ancillary services such as visa/passport services, etc.

whereas international 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*.

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.

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 a fee of 100 for his intermediation service. The TO buys international 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.

Transactions	Balance of Payments Services Account		Domestic Transactions (not recorded in BOP)
	Credit/reve- nue	Debit/expendi- ture	
Tourist → Travel agent (Country A)	-	-	50
Tourist → Tour operator (Country A)	-	-	100
Tourist → Airline (Country A)	-	-	300
Tourist → Hotel (Country C)	-	550	-

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. The travel agent intermediates in the procurement of the package tour from a tour operator, resident in country B, for 950. The TO charges a fee of 100 for his intermediation service. The TO buys international 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.

Transactions	Balance of Payments Services Account		Domestic Transactions (not recorded in BOP)
	Credit/reve- nue	Debit/expendi- ture	
Tourist → Travel agent (Country A)	-	-	50
Tourist → Tour operator (Country B)	-	100	-
Tourist → Airline (Country B)	-	300	-
Tourist → Hotel (Country C)	-	550	-

e. Construction

11.101 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.

11.102 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)).²³ 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.

11.103 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.

11.104 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*

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

²³ This treatment is applicable if the construction work doesn't give rise to a resident branch, as explained in paragraph 11.103.

- (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

11.106 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

11.107 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 assets²⁴ although stage 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

²⁴ 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 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).

embassies, bases, and so forth owned by the government that occupies them are included in government goods and services n.i.e. (see paragraph 11.177).

Existing buildings

11.108 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.

f. Insurance and pension services

11.109 Insurance and pension services include services of providing life insurance and annuities, freight insurance and other nonlife insurance, reinsurance, , pensions, standardized guarantees, and auxiliary services to insurance, pension schemes, and standardized guarantee schemes. More information on insurance and pensions is provided in Annex 8.

11.110 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. Annex 8 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.

11.111 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:

$$\begin{array}{rcl}
 & \text{Actual premiums earned;} & \\
 + & \text{Premium supplements;} & \\
 - & \text{Claims payable plus adjustment for claims volatility, if necessary.} &
 \end{array}$$

More elaboration is provided in Annex 6c: nonlife insurance (paragraphs A8.16–A8.22), reinsurance (paragraph A8.23), life insurance (paragraph A8.31), and pension schemes (paragraph A8.40).

11.112 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 actual premiums earned (see paragraph A8.17) and unadjusted claims (claims payable before adjustments for claims volatility; see paragraphs A8.21–A8.22) may be provided as supplementary items, with separate details on nonlife, life, pension, and standardized guarantee components, as considered appropriate.

11.113 For exports of nonlife insurance services, the service charge can be estimated from total nonlife insurance output by multiplying the actual premiums earned from nonresidents by the ratio of service charge to actual premiums earned for all nonlife insurance operations. (This calculation is illustrated in Box 11.3, 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 11.3** for an example of calculations.)

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

Box 11.3. 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 Annex 8.)

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	Premiums less service charges receivable = 95
	(premiums plus supplements less service = $100 + 20 - 25$)

Claims payable = 95 (actual; equal to 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

(= $80 / (200) * 50$)

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 reinsurance, 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.

11.115 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.

11.116 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.

11.117 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 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

11.118 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 including crypto assets with a corresponding liability 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 exchange services, and trust services. Financial services enabled by Fintech²⁵ including those facilitated by financial digital platforms such as payment services, peer-to-peer lending services, crowd funding platform services, services of platforms/exchanges intermediating (including lending/borrowing) in crypto assets with a corresponding liability, 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.

11.119 Financial services²⁶ 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

²⁵ See paragraph 4.154 for the definition of fintech.

²⁶ The EBOPS classification presented in [MSITS includes additional details on financial services product classification](#).

(d) margins between interest payable and the reference rate on loans and deposits (called implicit financial services on loans and deposits).

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

11.120 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 implicit financial services on loans and deposits.)

11.121 Explicit charges also include commissions and other fees related to letters of credit, bankers' acceptances, lines of credit, financial leasing, money transfer, foreign exchange transactions, fees related to financial digital platforms that intermediate funding or payment transactions (see paragraphs 16.xx-xx), fees associated with credit cards²⁷ 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.²⁸ Service charges on purchases of IMF resources are included among an economy's financial

²⁷ 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.

²⁸ 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.

service payments, as are charges (similar to commitment fees) associated with undrawn balances under stand-by or extended arrangements with the IMF.²⁹ 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 12.3(b)**).

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.

Margins on buying and selling transactions

11.122 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,

²⁹ 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.

shares, bonds, notes, financial derivatives, and other financial instruments are often bought and sold in this way.

11.123 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 that (a) not all instruments are traded in a way that generates margins;³⁰ (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 deducted from property income

11.124 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,

³⁰ Trading in equities might not 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.

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 12.67–12.68).

11.125 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 generally the case for investment funds. Importantly, the 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 (see paragraph 12.38a for

additional details). Investment funds are thus not treated as providers or consumers of services, and their output and intermediate consumption is equal to zero.

Implicit financial services on loans and deposits

11.126 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 implicit financial services on loans in the cases of money lenders and loans made from banks' own funds.

11.127 By convention, these 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 implicit financial services, they may do so if they charge a margin. Financial corporations may generate 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 implicit financial services on its loans to credit card customers.

11.128 The rate of 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 implicit financial services than small-scale ("retail") loans and deposits.

11.129 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 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 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 11.4. Numerical Example of Calculation of Implicit Financial Services on Loans and Deposits

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

- (1) values of loans and deposits (available from the IIP);
- (2) the corresponding interest payable/receivable (available from the 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 implicit financial services receivable (derived as 70 – 50)

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 receivable (derived as 25 – 10)

Total implicit financial services on loans and deposits 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. 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 external interest payable and receivable is an unsuitable estimate of implicit financial services on loans and deposits.) 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.

11.130 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 Annex 14** can provide relevant information on calculation of implicit financial services on loans and deposits for each major currency.)

11.131 Implicit financial services on loans and deposits 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 11.4 for a numerical example.)

11.132 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. 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 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. 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 to be identified. See also **paragraphs 12.74–12.75** on the effects of implicit financial services on loans and deposits on interest.



11.133 Estimates of cross-border implicit financial services on loans and deposits 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 is small, it can be measured with relatively simplified methods based on aggregated data.

11.134 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 deposits, particularly for depositors, but also for borrowers. Negative implicit financial services on loans and deposits 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. 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.

11.135 The identification of implicit financial services on loans and deposits 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 earned income) and implicit financial services on loans and deposits (a service). Similarly, pure interest receivable by depositors is calculated by applying the reference rate to 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—“pure interest”; also, there is a memorandum item for interest before adjusting for implicit financial services on loans and deposits—“actual interest” (see paragraphs 12.74–12.75).

11.136 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.

11.137 Charges for the use of intellectual property n.i.e. include:³¹

³¹ While charges for the use of intellectual property n.i.e. pertain primarily to intellectual property products, they also include charges for the use of proprietary rights pertaining to marketing assets (franchises, trademarks, and brand names).

- (a) Charges for licenses to use proprietary rights from research and development (such as patents, copyrights, industrial processes and designs, and trade secrets) as well as from marketing (such as franchises, trademarks, and brand names); 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 television, cable, or satellite broadcast).

(As shown in Table 11.4, transactions in some other kinds of intellectual property are included in other categories.)

11.138 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 11.4. In contrast to proprietary rights to use (including both license to use and license to reproduce and/or distribute) the outcomes of research and development which are included under charges for the use of intellectual property n.i.e., outright sales of patents, copyrights arising from research and development, and industrial processes and designs are included under research and development services (discussed in paragraph 11.148). A slightly different approach is used for computer software, audiovisual and other originals. While the licenses to use and outright sales of these products are included under computer services, audiovisual and related services, or information services, license to reproduce and/or distribute are included under charges for the use of intellectual property n.i.e (as shown in Table 11.4).

11.139 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.

11.140 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. ***Other issues related to intellectual property***

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.³³ The concept of the sale of part of the original also does not exist in *BPM7*. However, it is acknowledged that such a distinction 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.

³³ 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*).

Table 11.4. Treatment of Intellectual Property

	Use of intellectual property		Sale/purchase of ownership rights ^{3,4}
Franchises and trademarks	charges for the use of intellectual property n.i.e.		capital account entry
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 ⁵
(a) Customized all types	relevant service item ⁴	charges for the use of intellectual property n.i.e.	
(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		
(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 or services items. This includes cross-border transactions in nonfungible tokens (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. See paragraphs 16.xx-xx for additional details on NFTs.**

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.**

⁴ **NFTs that convey** limited ownership rights to a specified asset or commodity that go beyond personal use (second type of NFTs) are treated as nonproduced nonfinancial assets and are recorded in the capital account **(see paragraph 14.15a).**

⁵ The relevant service item is either computer services (see paragraph **11.143**), or audiovisual and related services (see **paragraphs 11.162–11.166**), 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 **11.4**). 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 services

11.141


11.142 Telecommunications services encompass the broadcast or transmission of sound, images, data, or other information by telephone, radio and television cable transmission, radio and television satellite, electronic mail, 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

11.143 Computer services consist of hardware- and software-related services. **Table 11.4** shows the classification of various arrangements for software and other types of intellectual property products. Computer services include:

- (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 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 **11.4**);
- (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)
- (m) web page hosting services (i.e., the provision of server space on the Internet to host clients' web pages) and data hosting services (i.e., [provision of server space on cloud or other means for storing and managing data](#));
- (n) provision of applications, hosting clients' applications, and computer facilities management;
- (o) artificial intelligence (AI)³⁵ systems such as virtual assistants, chatbots,³⁶ 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 See Box 11.5 for additional details.

³⁵ 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).

³⁶ 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.

(s) staking,³⁷ cloud,³⁸ and pooled mining³⁹ of crypto assets.

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

11.144 Software includes general business productivity software, computer game software, and other applications. However, as shown in **Table 11.4** 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 those transactions in software that are classified as services follows the same principles as for other intellectual property, identified in paragraph **11.139**.

11.144-1 Telecommunication services (section i) and computer services are defined in terms of the nature of the service, not the medium of delivery.⁴⁰ 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 services; downloaded content should be included in the appropriate item (computer, information, audiovisual and related, etc., services).

³⁷ Crypto staking is a process where users allocate a certain amount of crypto assets in a designated wallet to actively participate in and support the operations of a blockchain network based on a proof-of-stake (PoS) mechanism.

³⁸ Cloud mining is an arrangement that allows for mining of crypto assets by renting computing power from large companies owning significant resources of computing power.

³⁹ Pool mining is a method of mining crypto assets where a group of miners combine their computing power to work together on solving a cryptographic puzzle. By pooling their computing power, they increase chances of finding the solution and earning reward in the form of a new block.

⁴⁰ However, the medium of delivery is taken into account in some cases in distinguishing between goods and services, as shown in Table 11.4.

BOX 11.5. 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


11.145 Excluded from computer services are computer training courses not designed for a specific 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. Further, leasing of data center buildings to cloud computing enterprises (lessee) is typically included under financial lease provided the lessee bears the operating risks (see paragraphs 16.xx).

Information services

11.146 Information services include news agency services, such as the provision of news, photographs, and feature articles to the media. Information services also include outright sale of copyrights related to books and manuscripts, data and databases, and related services such as compilations of information content produced by accessing and observing phenomena; data-processing services, such as data entry, tabulation, compilation and processing on a time-sharing basis; database conception, entering and maintaining data in databases, , and the dissemination of data and databases (including directories and mailing lists), both online and through magnetic, optical, or printed media; web search portals (search engine services that find 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.

k. Research and development services

11.147 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, engineering, technology, medical and health sciences, social sciences, humanities, and interdisciplinary research and development services are covered,. Also included is commercial research related to electronics, pharmaceuticals, and biotechnology.

11.148  The definition of research and development services used here and in the CPC is largely aligned with the Frascati definition (see the *Frascati Manual 2015*), which is used to define the scope of capital formation in the *2025 SNA*; however, 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 **11.137–11.140**.

I. Professional and management consulting services

11.149 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.

11.149-1 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 creators receive remuneration (income) from the advertisers (via platform) that place advertisements next to the content (or on the spaces of their channels) on the platform, it should be recorded as supply of advertisement services. Although the "free" platform collects the fee from the advertiser and passes it on after deducting the charges for its services, the content creator is

treated as providing advertisement services to the advertiser and consuming the services of the platform rather than as providing services to the platform (see paragraphs 16.xx-xx for additional details on the content created by the platform users).⁴¹ The services that the content creator on the free platform provides to the advertiser should have the same classification as the revenues that other content creators and distributors (such as broadcasters) receive from advertisers.⁴²

11.150 Services for the general management of a branch, subsidiary, or associate provided by a parent enterprise or other affiliated enterprise are included 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, environmental, 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. Nonfinancial intermediation services

⁴¹ If content creators receive remuneration through subscriptions or by a means other than advertising, their services should be included under audiovisual and related services.

⁴² The alternative approach that treats the free content as providing audiovisual and related services consumed by viewers is discussed in the extended account on free platforms (see section F.3, Chapter 22, 2025 SNA). In the extended account of national accounts, the imputed value of these audiovisual and related services is measured by their cost of production.

11.150-1 Nonfinancial intermediation services cover fees or commissions related to transactions in goods, services, and nonproduced nonfinancial assets payable to merchants, commodity brokers, dealers, auctioneers, commission agents as well as nonfinancial digital intermediation platforms. For example, these services include the auctioneer's fee or agent's commission on sales of ships, aircraft, and other goods. These services also include fees or commissions for the intermediation of services and of non-produced nonfinancial assets such as crypto assets without a corresponding liability designed to act as a medium of exchange. 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, nonproduced nonfinancial assets or rendering the services that are being sold (intermediated).⁴³ (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 merchanting (otherwise). However, any fees not included in the FOB price of the goods are included in nonfinancial intermediation services. Brokerage on financial instruments and fees related to financial digital platforms that intermediate funding or payment transactions are excluded from nonfinancial intermediation services (included in financial services).

11.151

11.152

⁴³ When the fees are separately invoiced to the buyer and and/or the seller, they should be recorded as payments from the buyer and/or seller to the digital intermediation platform (see paragraphs 16.xx-xx for further details on nonfinancial digital intermediation platforms). The same principles for allocation of intermediation services between buyer and seller apply to non-digital intermediation services.

n. Operating leasing services

11.153 *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.⁴⁴

11.154 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 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,

⁴⁴In 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. Rent is recorded in the earned income account, as discussed in paragraphs 12.85–12.90.

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 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);⁴⁵
- (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 14.12 for elaboration on these leases.)

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 they own/lease. Therefore, such captive leasing

⁴⁵ 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*.

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.⁴⁶ 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.

11.157 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

⁴⁶ 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 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.

alone and rent of other nonproduced natural resources (such leases are called resource leases; see paragraph 12.85-86) as well as rent related to other nonproduced nonfinancial assets are classified as earned income. 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 other economies is included in travel (see paragraphs 11.86–11.88).

11.158

o. Technical, environmental and other business services

11.158-1 Technical, environmental and other business services include:

- (a) architectural, engineering, scientific and other technical services (discussed further in paragraph 11.158-2);
- (b) environmental, agricultural, and mining services (discussed further in paragraph 11.158-3); and
- (e) other business services (discussed further in paragraph 11.159).

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 environmental, agricultural, and mining services (see paragraph 11.158-3). Scientific and other technical services include surveying; cartography; product testing and certification; and technical inspection services.

Environmental, agricultural, and mining services

11.158-3 Environmental services consist of waste treatment and depollution services, including materials recovery (recycling) services, sewerage, sewage treatment and septic tank cleaning services, waste collection and disposal, remediation, sanitation, and other environmental protection services. They also include treatment of air pollution, carbon capture and storage services that are not classified under any other specific category. Agricultural and mining services include services incidental to agriculture, forestry, fishing, mining and oil and gas extraction, as are veterinary services (see MSITS for additional details).

Other business services

11.159 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. Also included under other business services are forfeited down payments not able to be specified to any other service.

k. Personal, cultural, and recreational services

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

Audiovisual and related services

11.162 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 11.4 summarizes the treatment of intellectual property associated with audiovisual and related services, as well as other types of intellectual property.


11.163 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 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).

11.164 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, 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 11.166 for the treatment of originals.) The principles for the timing for related audiovisual and related services, 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 11.139.

11.165 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.

11.166 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

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

11.168 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 11.94](#)). Veterinary services are included in environmental, agricultural, and mining services (see [paragraph 11.158-3](#)).

11.169 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](#)).⁴⁷

11.169-1 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/ matrimonial platforms and fee-based versions of social networking platforms) are included (see [paragraph 16.xx](#)).

11.170 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.

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

⁴⁷ 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](#)).

- (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 13.25–13.26**.

11.172 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 11.88**) and excluded from this item.

I. Government goods and services n.i.e.

11.173 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

11.174 As government and international organization enclaves are not residents of the territory in which they are physically located (as discussed further in **paragraph 4.5(e)**), their transactions with residents of the territory of location are 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 external accounts.

11.175 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.

11.176 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.

11.177 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 11.108**).

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

11.178 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 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

11.179 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 (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 11.108). 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 11.180) are also government services n.i.e. **Box 11.6** covers issues associated with technical assistance.

Government licenses, permits, and so forth

11.180 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 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.⁴⁸



Box 11.6. 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.

⁴⁸In 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).

How is technical assistance classified?

Technical assistance covers a wide variety of different services, including computing and business 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, remuneration of employees payable by the donor economy is recorded in the external accounts (paragraph 12.15).

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 the recipient economy (paragraph 13.47) is recorded in the external accounts, with the recipient government imputed as paying 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 12.11–12.12) then payments to them are classified as payments for services, not the 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 remuneration by the donor economy is rerouted through the branch as equity.