

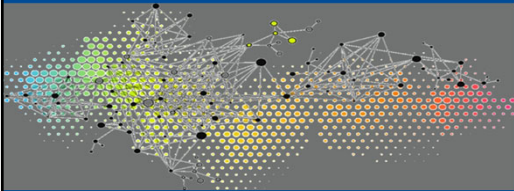
STATISTICS

**INTER SECRETARIAT
WORKING GROUP ON
NATIONAL ACCOUNTS**

Economic Ownership of Intellectual Property Products (G.5) (BOPCOM VM1 22/09)

Joint (Virtual) Thirty-Eighth Meeting of the IMF Committee
on Balance of Payments Statistics and Eighteenth Meeting
of the Advisory Expert Group on National Accounts

March 7–10, 2022



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Outline

- **Issues for Discussion**
- **Options for Consideration**
- **Global Consultation Outcomes**
- **Recommended Approach**
- **Questions to the Committee and AEG**

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Issues for Discussion

- Change in ownership from an economic point of view means that all risks, rewards, rights, and responsibilities of ownership are transferred.
 - Not straightforward in the case of MNEs.
 - May assign legal ownership of the IPP asset to a special purpose entity (SPE).
- International tax rules are being modified to more align tax with economic ownership.
- All affiliates of an enterprise group are to some degree controlled by their parent.
- However, affiliates are economic owners of the (tangible) assets they hold but the issue is more complicated for intangible products.
- How can a change in economic ownership of previously produced IPP be determined?

Options Considered

Option 1: The ultimate parent is deemed the economic owner of all IPP assets across the MNE group.

Option 2: The producer of the IPP is deemed the economic owner of the IPP asset.

Option 3: The unit that uses the IPP in productive activities is the economic owner.

Option 4: A more nuanced option based on the *Guide to Measuring Global Production (GMGP)* decision tree.

- Assigns economic ownership to a unit on the basis of whether the unit:
 - (i) is a producer of the IPP,
 - (ii) receives explicit payment to produce the IPP or a payment to acquire the whole of the previously produced IPP (corresponding with a change in ownership), or
 - (iii) uses of the IPP (no change in ownership).
- Changes in ownership mainly follow the type of monetary transaction observed.

Option 5: Intra-MNE transactions in cross-border previously produced IPP assets are viewed as a type of securitized asset and recorded in the financial account of the national accounts and balance of payments.

Recommendations

- GN states that assigning economic ownership to a unit depends on the scenarios under consideration and that a one-size-fits-all approach should not be taken.
- GN proposes to adopt the *GMGP* Decision Tree (**Option 4**) for the determination of the economic owner of IPP across an MNE Group.
 - ✓ Does not propose a change in the conceptual standards of assigning economic ownership based on risks and rewards.
 - ✓ Decision Tree should be seen as a tool to assist compilers in how to interpret risks and rewards in the case of IPPs.
 - ✓ Attributes economic ownership of IPPs to an SPE.

Worth emphasizing that a stricter implementation of economic ownership in the accounts is not necessarily a panacea to perceptions of distortions to the accounts!

October/November 2021 AEG and Committee Discussions

October 2021 BOPCOM meeting:

- Most Committee members supported the view that a default solution cannot be adopted.
- General support that the decision tree is useful to determine the economic owner of IPP across an MNE Group, but most members considered that the decision tree seems better suited as a guiding tool for supporting analysis.
 - ✓ GN was updated to include a few case studies before global consultation.
- GN could also provide a clear definition of IPP to be included in the updated *BPM6*.
 - ✓ GN was updated to include definition of IPP and mapping of relevant BOP (EBOPS) categories and the central product classification (CPC) before global consultation.
- General agreement that SPEs can be the economic owner of IPP assets in line with the GN G.4.

November 2021 AEG meeting:

- Agreed, in general, with the recommendations.

Global Consultation Outcomes

- GC outcome results concur with the main recommendations of the Committee and the AEG.
- Nearly all respondents (**93 percent** of 57 responses) agreed that economic ownership depends on the underlying arrangement and a default solution should not be applied.
- Strong support (**77 percent**) for using *GMGP* Decision tree as a tool.
 - Only a minority (**12 percent**) have tested the decision tree.
 - Testers noted demanding data requirements and more detailed knowledge of the business activities of the reporting unit.
- Support (**60 percent**) for recommendation that since SPEs are considered institutional units, in the case of an SPE holding IPP assets, it is deemed the economic owner.
- Majority of respondents (**78 percent**, 40 out of 51 responses) indicated that they have **not** seen a greater coincidence of economic ownership and legal ownership of IPPs.
- However, some respondents underscored the former rules have only recently ended and some have seen initial evidence of further alignment.

Questions for the Committee and AEG

1. Do the Committee and AEG agree that for previously produced IPP, the economic ownership (parent, producer, production affiliate) depends on the underlying arrangement and a default solution cannot be applied?
2. Do the Committee and AEG agree with the recommendation of using the *GMGP* Decision Tree (Option 4) as a tool for the determination of the economic owner of IPP across an MNE Group?
3. Do the Committee and AEG agree that, in the case of an SPE holding IPP assets, the SPE is deemed the economic owner of the assets aligned with the GN G.4 "Treatment of SPEs and Residency" of the GZTT and as per the IMF's "Operational Guidelines on SPEs"?