



Treatment of **rent** for the “Recording of Data”, “Marketing Assets” and “Biological Resources”

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2008 SNA treatment of rent

1. Rent is only recorded as **payment for the use of natural resources** (e.g. land and subsoil mineral resources)

SNA 2008 Definition – 7.109 *Rent is the income receivable by the owner of a **natural resource** (the lessor or landlord) for putting the natural resource at the disposal of another institutional unit (a lessee or tenant) **for use of the natural resource in production***

2. Rent is part of property income. **Rent payments** are distributive transactions and **are not production costs**

SNA update and rent

At least 3 GNs potentially call for revisiting the treatment of rents in the NA:

- DZ.6 Recording of Data in the National Accounts
- G.9 Payments for Non-produced Knowledge-Based Capital (Marketing Assets); and
- WS.8 Accounting for biological resources

Recording of data and rent

The GN recommends that:

- all **data assets** are considered as entirely **produced**
- transactions directly related to obtaining **access to OPs** are recorded as **rent**
- Own-produced data assets are valued at **sum of costs, including costs associated with accessing OPs** (a non-produced asset)

This implies:

- an **extension to the SNA2008 definition of rent**, now limited to natural resources
- including **rent as part of production costs**

Recording of marketing assets and rent

The GN considers that **marketing assets** satisfy the conditions of being considered produced assets (designed, used repeatedly, etc.), but are **recorded as non-produced non-financial assets for practical reasons**

The GN recommends keeping the status quo

If marketing assets are non-produced, **payments made for the use of marketing assets should be recorded as rent** (as recording these as payments for services would be incompatible with the non-produced nature of the marketing assets)

This implies an **extension to the SNA2008 definition of rent**

Accounting for biological resources and rent

2008 SNA and SEEA CF distinguish between **cultivated** and **non-cultivated** biological resources, with different recording for **leasing of natural assets**:

- **Cultivated**: output/intermediate consumption
- **Non-cultivated**: receipts/payments of **rent**

The GN argues that the distinction between produced and non-produced assets becomes more and more blurred  is different accounting for leasing **produced** vs **non-produced** natural assets still valid?

The GN thus suggests:

- dropping the produced and non-produced distinction for natural assets
- that also **leasing of non-produced natural assets** be accounted for **as a form of production of services** instead of primary income

Summary: two issues at stake

1. **Expand the definition of rent** to payments to access a broader range of non-produced assets, beyond natural resources (as advocated by GNs on Data and Marketing assets)
 - Somewhat uncontroversial if new non-produced assets are defined in the SNA
2. Include **rent as a production cost** in the 'sum of costs' valuation of own account assets (as advocated by GNs on Data and Biological resources)
 - Own account asset potentially undervalued if rent is not included in the 'sum of costs'

Possible issues with rent as a production cost

1. Including rents in sum of costs valuation of a produced asset could introduce the notion that the resulting asset has a **non-produced component**
 - it could be argued that the inputs to a produced asset do not necessarily have to be produced themselves
2. Where to place rent in the **sequence of accounts**
 - If considered as a production cost, rent should be moved **higher in the sequence of accounts** to reflect that it has a role in production: from distribution of income accounts to the production and generation of income accounts
 - This is at odd with the distinguishing feature of rent that the underlying asset is not used up in the System (which however does not take into account the debate on depletion of natural resources)

Additional remark on terminology

The communication Task Team is considering ways to avoid user confusion between “rent” and “rental”. Preliminary ideas focus on labels that emphasise the link between rent and natural resources. Proposals include for instance “Natural resource rent” or “Natural resource lease revenue”.

Should rent be extended beyond natural resources, as suggested by this issue note, or the distinction between produced and non-produced natural resources be dismissed, as suggested by WS.8, the terminological question may have to be reconsidered

Questions for the AEG

- Do you agree to expand the definition of rent to non-produced assets beyond natural resources?
- Do you agree that rent payments are considered as a production cost in the 'sum of costs' valuation of own account assets?
- Do you agree to move rent higher in the sequence of accounts, from the distribution of income accounts to the production and generation of income accounts?