



Treatment of rent

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*21st Meeting of the Advisory Expert Group on National Accounts
17-20 October 2022*

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 rent 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**


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

Three main issues to consider...

- (A) the definition of rent, i.e., which payments and receipts for the leasing of (non-produced) non-financial assets should be considered as rent;
- (B) where in the accounts the payments and receipts of rent should be recorded; and
- (C) whether or not payments for rent should be included in the sum-of-costs approach for valuing output of specific types of products, for which a market-equivalent price is not available.

Note linkages between these questions...

(A) Definition of rent

Option A1: Broaden the definition of rent to cover all payments/receipts related to the use of non-financial assets with infinite life span

Option A2: Broaden the definition of rent to cover all payments/receipts related to the use of non-produced non-financial assets

Option A3: Broaden the scope of production to also include returns on the use of non-produced non-financial assets

Arguments for option A2 (pragmatic change) and A3 (fundamental change).

Additional remark on terminology

The communication Task Team is considering ways to avoid user confusion between “rent” and “rental”. The focus has been on labels that emphasise the link between rent and natural resources for example “Natural resource rent” in CM.2.

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

(B) Location of rent in the accounts

Option B1: Keep the current treatment (Primary income)

Option B2: Include rent in the generation of income account

Option B3: Include rent in the production account

If Option A2 is selected, then Option B2 seems appropriate

Option B3 puts rent with income before the costs to generate that income (and changes GDP)

See accounts examples in Annex

(C) Include rent in sum of costs?

Option C1: Maintain the current treatment, i.e., limit the sum-of-cost approach to only include costs related to the use of produced non-financial assets

Option C2: Broaden the sum-of-cost approach to also include costs related to the use of non-produced non-financial assets

Option C2 is attractive because rent is ultimately a cost to producers which is reflected in prices for market output

Questions for the AEG

- Do you agree to change the definition of rent and in what way? (A)
- Do you agree to move rent higher in the sequence of accounts, and to which account? (B)
- Do you agree that rent payments should be considered as a production cost in the 'sum of costs' valuation? (C)