



# Treatment of rent

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# SNA update and rent

3 GNs relevant for the treatment of rent in the NA:

- DZ.6 Recording of Data in the National Accounts
- WS.8 Accounting for biological resources (also note link to WS.6)
- WS.14 The Borderline Between Taxes, Sales of Service, and Other Government Revenue Boundary Issues

To be noted that G.9 Payments for Non-produced Knowledge-Based Capital (Marketing Assets) is no longer relevant, following decision to consider marketing assets as produced assets.

# 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

**AEG preferred option A1 in last meeting; this would mean that ‘rent’ is not exclusively for payments relating to natural resources, but still limited**

## (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

**Option B2 impacts on Operating Surplus**

**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

**AEG preferred Option C2 at its last meeting; also discussion at BOPCOM/AEG this week of issue note on Action point A.8**

# Questions for the AEG

- Given discussions on other GNs, do you confirm to change the definition of rent following option A1
- Do you agree to move rent higher in the sequence of accounts, and to which account? (B)
- Given discussions on other GNs, do you confirm that rent payments should be considered as a production cost in the 'sum of costs' valuation? (C2)