Implementing the SNA 1993: inconsistent treatment of patents and scientific originals

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An article written by Peter Hill was published in SNA News and Notes No. 6 clarifying the treatment of intangible assets, patents and copyrights in the 1993 SNA. The article concluded that there is a clear inconsistency in the way the 1993 SNA treats patents that confer ownership rights over scientific originals as compared with the treatment of copyrights that confer ownership rights over entertainment, literary or artistic originals. The main reason for this inconsistency is that the 1993 SNA treats all expenditures on research and development that create scientific originals as current expenditures. On the other hand, expenditures for creating entertainment, literary or artistic originals are treated as capital expenditures and the originals themselves are classified as produced intangible fixed assets. Since the expenditures on research and development (R & D) are treated as being consumed as they are produced, the resulting scientific originals cannot be treated as assets per se by the 1993 SNA. On the other hand, the 1993 SNA had to recognize that assets do exist in this context and they had to be classified somewhere. The solution was to classify them as non-produced intangible assets. However, it was also decided to treat payments of royalties to holders of patents as payments of services which is inconsistent with both the classification of patented entities as non-produced intangible assets and with the decision to treat all R & D expenditures as current. The ISWGNA has recently re-discussed this issue and has decided to officially recognize this inconsistency in the 1993 SNA instead of proposing a change. The main reason for this decision is embedded in the ISWGNA mechanism for up-dating the 1993 SNA approved by the Statistical Commission. It was agreed that unless significant new economic developments have taken place, issues of a controversial nature should not be reopened if a deliberate decision was taken by the experts during the course of the revision process of the 1993 SNA and this was the case regarding this treatment.