

D. Leasing of ships and aircraft

23.13. *Financial and operating leasing.* A financial lease is one where the lessor, as legal owner of an asset, passes the economic ownership to the lessee, who then accepts the operating risks and receives the economic benefits from using the asset in a productive activity. In return, the lessor accepts another package of risks and rewards from the lessee (2008 SNA, para.17.304). Under a financial lease, the legal owner is shown as issuing a loan to the lessee, with which the lessee acquires the asset (ibid.). An operating lease is one where the legal owner is also the economic owner and accepts the operating risks and receives the economic benefits from the asset by using it in a productive activity (ibid., para. 17.301; see also paras. 17.302-17.303 and 17.305-17.309).

23.14. *Financial leasing.* One indicator of a financial lease is that it is the responsibility of the economic owner to provide any necessary repair and maintenance of the asset (ibid., para. 304). Very often, the nature of the asset subject to a financial lease may be quite distinct from the assets used by the lessor in his productive activity, for example a commercial airliner legally owned by a bank but leased to an airline (ibid., para. 17.305). A financial lease will typically be for several years and in practice, the duration of a lease has been and can be used in some cases as indication of whether a lease is financial (of one year or more) or operating (of less than one year).^[19] However, the duration of the lease as such does not determine whether the lease is to be regarded as an operating or financial lease (see 2008 SNA, para. 17.308.). In some cases, a large complex such as an airport or even a building may be leased for short periods, perhaps only one year at a time, but on condition that the lessee takes all responsibility for the asset, including all maintenance and cover for exceptional damage, for example (ibid.). The allocation of risks and rewards associated with the use of an asset provides the ultimate criterion for deciding whether a lease is to be considered financial (and the good to be included in trade statistics) or operational (ibid., paras. 17.301-17.309).

23.15. *Examples of financial and operational leasing.* It is only in the case of financial leasing that a change of economic ownership takes place. "Dry" leasing is a leasing arrangement whereby the lessor provides an aircraft without crew, insurance, supporting equipment, maintenance, etc., to the lessee. It is required that the lessee put the aircraft on its own air operator's certificate (AOC)^[20] and provide the aircraft registration. While based on these characteristics, a dry lease would usually be a financial lease, a dry lease can also be structured so as to constitute an operational lease. A "wet" lease is an operating leasing arrangement whereby the lessor provides the aircraft, one or more complete crews (including engineers), all maintenance for the aircraft and insurance (ACMI). The period of a wet lease can range from one month to, usually, one to two years. Any arrangement of less than one month's duration can be considered ad hoc charter.

23.16. *Sale and leaseback.* Another frequent leasing agreement for aircraft is sale and leaseback. Under this agreement, an airline would sell an aircraft to a financial investor under the agreement to rent it back immediately. Most of the time, the sale and leaseback agreement amounts to an operating lease, which means the initial sale must be recorded as a trade transaction if it takes place between a resident and non-resident. However, there might be also cases in which the leasing agreement that follows the sale has to be viewed as a financial lease; hence, no sale or goods transaction is to be recorded, as the seller gives up only his legal but not his economic ownership (see BPM6, para. 5.57, which provides examples of situations that would normally lead to a lease's being classified as a financial lease).

[19] See IMTS 2010, para. 1.28.

[20] Air operator's certificate (AOC) is the approval granted by a [national aviation authority](#) (NAA) to an [aircraft](#) operator for its use of the aircraft for commercial purposes. This requires the operator to have personnel, assets and system in place to ensure the safety of its employees and the general public (see Convention on International Civil Aviation, Annex 6, entitled "Aircraft operations, maintenance and general aviation").