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For discussion

C.5.1 Statistical Impact of the Change in Treatment of Operating Leases in Business Accounting: Outcome of the Public Consultation

Prepared by the Current Account Task Team (CATT)

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This note summarizes the comments received from the public consultation prior to the Committee meeting. Overall, the consultation process confirmed a strong agreement in favor of the proposed option not to change the recording principle according to economic ownership in SNA/BPM and to maintain a separate recording of operational and financial leases based on the concept of risk and reward. All the respondents supported the need for additional practical guidance (especially on adjustments of surveys data from business accounts) in the updated BPM Compilation Guide. A summary of the results is presented below. In the light of the wide agreement received during the public consultation, the GN is proposed to be considered by the Committee for final decision.

1) Do you agree with the proposed option not to deviate from the change of economic ownership principle in the SNA/BPM?

In total, 14 comments were made and 13 agree to the proposed option not to change the recording principle according to economic ownership in SNA/BPM and to keep a separate recording of operational and financial leases based on the concept of risk and reward. It was also noted that the real world has not changed due to implementation of IFRS 16 and consistency within BOP, between BOP and NA and other manuals should be retained by keeping the principle of economic ownership for all relevant transactions.

2) Do you agree with the practical approaches for addressing the challenges related to the implementation of IFRS 16 in business accounting?

Overall, 12 out of 14 received comments are in favor of the provided practical approaches in the Guidance Note that addresses the statistical challenges of IFRS 16 due to the asymmetric recording of lessor and lessee. The collection of additional information for adjusting business account data by contacting lessees is considered as meaningful. One commentator is not in favor of using invoices.

3) Do you agree that additional practical guidance on the compilation of relevant indicators be provided in the BPM Compilation Guide?

All 14 of 14 received comments agree that additional practical guidance especially on adjustments of surveys should be provided in the updated BPM Compilation Guide because it could increase consistent treatment across countries and minimize additional data needs from enterprises. One commentator is not in favor of using the duration of the lease mentioned under paragraph 12 and also not of using the legal owner's responsibility to pay for necessary repair and maintenance that can be found under paragraph 6 in the Guidance Note as criteria for the indication of an operating lease¹.

¹ The commentator quoted paragraph 2.5.4 of the IATA's Guidance Material and Best Practices for Aircraft Leases, where "Lessee will be responsible for all day to day maintenance costs incurred during the lease period, and will be required to contribute to future maintenance on basis proportionate to the Lessee's utilization of the aircraft".

4) What is your opinion on the practical feasibility of the proposed option?

The proposed option will be challenging to implement and will increase the need for additional information and also the workload for compilers as well as costs for compilation of BOP and NA data. One commentator noted that IFRS 16 will not be introduced in his country and recording practices of leases will remain the same. Another commentator was in favor of abolishing the split between financial and operational leases and therefore of not applying the principle of economic ownership for leases in order to reduce the information burden for enterprises and to eliminate statistical discrepancies.

5) Do you have any other views/suggestions on how to deal with the implementation of the IFRS 16 and the recording of leases activities in 2008 SNA/BPM6?

Commentators noted that some countries have started to contact enterprises directly for more information about leasing transactions. One commentator assumes that airlines keep track for themselves about which planes are leased under operational and financial leases although this information is not made public. Exports and imports of leased goods in IMTS are recorded according to the principle of economic ownership and could be an additional data source for the distinction of leasing. A further Guidance Note (C.5.2) will be prepared with the focus on economic ownership under financial and operating leases. Another commentator raised the issue that although IAS 17 was in theory aligned with *BPM6* and *2008 SNA*, practical misreporting between operating and financial leases existed due to the fact that many enterprises reported by mistake financial leases as operating leases in their business books. One comment addressed the shortcomings of option 1 that based on a study would also artificially increase national gross value added by 5 percent and gross operating surplus by 8 percent.