



GFS Notice of Decision

1.27 Consistency in the application of the sum-of-costs approach

GFS Notice of Decision¹:

The *GFSM 2014* guidance on the valuation of government own-account production of fixed assets (research and development, computer software and databases, entertainment, literary and artistic originals) will be updated to no longer exclude a net return to capital. This will also apply to the valuation of government data assets, as discussed in GFSM Update research project 1.11 (*Identifying, valuing and reporting government data assets*). Language around the net return to capital will also be clarified to make clearer the scope of assets and discuss methodology for estimation.

The updated GFSM will explain that the method for determining the net return to capital for nonmarket production is to multiply a rate of return to capital by the value of nonfinancial assets used in nonmarket production. The updated GFSM will also provide possible options for estimation, such as the interest rates on government borrowing.

The definition of production costs, for the market test, will be revised to include rent payable for the use of nonproduced assets and depletion of natural resources used in production.

GFSM Update research project 2.1 (*Boundary between government-controlled nonmarket producers engaged in nonfinancial activities and public nonfinancial corporations*) will further explore the implications of including depletion and rent payable on nonproduced assets in the market test as well as to clarify the use of net return to capital in the market test.² In addition, more research will be conducted on how the absence of a GFS expense item for net return to capital might affect GFS balancing items, or lead to negative expenses, when fixed assets are generated as part of government own-account production.

GFS Related Documents:

GFS Proposed Recommendations Document	GFSM PR 1.27
GFS Discussion Note	Not applicable
GFS Global Consultations	April 2025
Discussions at GFSAC Meeting(s)	May 2025

¹ The final language used in the updated GFSM will be subject to review during the manual drafting phase to ensure consistency throughout the updated GFSM.

² The PR mentioned that the net return to capital is already included in the market test in the *GFSM 2014*, however, based on the global consultation responses it is proposed to further clarify how to measure this in the context of the market test.



SNA/BPM Related Documents:	
Guidance/Issue Note	SNA/BPM Action Point A.8 ; and IN SNA/M3.24/05
Global Consultation(s)	SNA: June 2023
Discussions at the AEG/BOPCOM ³ Meeting(s)	AEG: October 2024 ; July 2024 ; July 2023

³ AEG = Advisory Expert Group on National Accounts, BOPCOM = Balance of Payments Committee