

Renting of Machinery and Equipment without Operators  
and of Personal and Household Goods

A. General Comments on Rental and Leasing Service

1. We have the Survey of Rental and Leasing Industries yearly (since 1973) and monthly (since 1987) based upon the following definitions in order to grasp the developing situation in leasing and rental industries which regarded as one of the most important service industries in Japan.

- Leasing: financial leasing
- Rental: rental and operating or maintenance leasing

Each category is defined as follows.

Leasing: Leasing refers to an activity to newly acquire, upon request and on behalf of clients, any kinds of plants and equipment and then to lease them to the clients. A contract period is determined within the period of economic durable years of the goods leased, and usually it is not allowed to cancel a contract in the middle of the contract period. The lease charges paid through the contract period are determined so that their total amount covers by and large both the acquisition costs of the goods leased and the incidental costs such as interests.

Note:

- 1) The practice in the operation of tax system in Japan is such that certain lease contracts, including those in which the lease period is less than 70% of legal durable years of the lease object, are regarded as sales contracts, in order to ensure equity in tax burden, since they involves tax-related problems such as too early depreciation of the object. When over depreciation is recognized, duly depreciation is requested according to the legal durable years of the goods.

- 2) Although the lease period is usually as long as 2 to 6 years, there can be also one which is only one year and two or three months long. Then, by defining a lease contract as that of a one-year or longer period, we can cover almost all the lease contracts.

The leasing services mentioned above can be divided into the following two categories in Japan.

The criteria of classification are whether a cancel of the contract in the middle of the contract period can be made or not and whether the contract period is over than the period determined within the economic durable years of goods leased which is allowed by tax regulatory (70%, now) or not. The characteristics of each type of leasing is as follows.

**Financial Leasing:** A leasing company acquires and leases to a client the goods demanded for by the client instead of financing funds for equipment investment for the client.

It is assumed that a cancel of the contract in the middle of the contract period can not be made and the contract period is more than 70% of legal durable years. The cost for maintenance and repair of the lease object is to be born by the lessee.

**Operating or Maintenance Leasing:** The leasing period is short, one year or more, which is shorter than that of financial leasing, and the contract can be cancelled in the middle by giving a notice a certain length of time before. Maintenance and repair of the lease object are under responsibility of the leasing company in principle. Typical goods for this type of leasing are general purpose computer, copying machine, and so on.

Rental: Rental refers to an activity to rent machinery, equipment, etc., which can be used for general purpose, to the clients for a relatively short period (usually, on a daily or weekly contract for the periods of less than one year). An object returned by a client can be rented again to another client. The object to be rented is chosen out of the stock held by the renter at the time of the renting.

2. About these two types of leasing services, the financial leasing should be classified as the corresponding class of Division 86 "Banking and Insurance Services" according to the draft prepared by the UNSO and the comment of Australia. For the operating or maintenance leasing, Australian comment says, since it is a substitute for selling, it should be classified as wholesale trade services.

However, both types of leasing service are neither financial services nor wholesale trade services but are another new type of activities with great economic importance in our opinion for the reason as follows.

[Reasons]

- Those activities are leasing of goods which are different from the financial activities.
- Those activities are different from the buying and selling activities since they do not involve a transfer of ownership.

So they should not be classified as financial and wholesale activities respectively for the sake of grasping the actual situations of economic activities in Japan.

As regards forms of origination of the leasing services in Japan(of 1960 ), some have been developed as a substitute for financial services while others as a substitute for wholesale services because of the shortage of fund for investment, but now-a-days nevertheless the abundance of fund to invest the leasing services in Japan have been growing in its number and

turnover. And its services have been diversified with providing various kinds of services, such as operation, maintenance and so on.

Anyway leasing services in Japan are gaining more and more weight in the economy as a tool for equipment investment which quantitatively makes up for what loans and others from financial institutions cannot cover, and have grown so much as to form the biggest equipment investment industry of the recent years. Therefore they should be listed as an independent entry.

3. As we already proposed, general goods leasing services and rental services should be added in the classification of ISIC, since there are a lot of establishments which lease or rent a wide variety of goods, although there are also quite a few leasing or renting establishments specializing in only one item in Japan.

Among these establishments, those which specialize in one item and at the same time lease or rent other items incidentally should be classified according to their respective specialization.

With reference to this view, the United Kingdom suggested that it might be more appropriate to enlarge the present ISIC class 8419 so as to include them there. However in the actual situations in Japan, among leasing and rental services to establishments, the weights of general goods leasing and general goods rental, in the total amount of leasing and rental contract for 1985 are 16% and 3% respectively. Therefore, we do not think it is more appropriate to include them present ISIC class 8419. (See the table in the next page)

Those services should be classified as independent class of general goods leasing and rental, in the same way as general merchandise wholesale is identified as class 6220.

Total amount of contract for 1985

	Leasing		Rental	
	million yen	%	million yen	%
Total	3,591,958	100	1,253,132	100
General goods leasing and rental	585,768	16	35,522	3

Source: "Survey of Selected Service Industries ", the Ministry of  
International Trade and Industry

4. We generally agree to Australian proposal to break down the class for rental services of transport equipment without operators into subclasses. However we cannot find any establishment dealing in aircrafts or vessels as rental services equipments.
5. We would like to propose the detailed classification of ISIC division 84 in part B. The definition of lease and rental are based upon the current Japanese one, in short, lease means financial leasing, and rental means rental and operating or maintenance leasing. This is further detailed broken down than the Japanese one. As for the CPC division 88 which should be proposed here, it is omitted because the structure is almost same as that of ISIC except only one point, namely General goods leasing or General goods rental are deleted in the CPC division 88.
6. About Australian and our comment on the extent to which the draft CPC should go into details, it would be necessary to integrate some categories

as an international standard classification although still applicable particularly to Japan.

3. Proposed ISIC division 84

Detailed Classification

Division 84 Leasing and Rental services without operators

Group 841 Leasing services concerning machinery and equipment without operators

Class 8411 General goods leasing

8412 Leasing services concerning transport equipment without operators

84121 Leasing services concerning private cars without drivers

84122 Leasing services concerning goods vehicles without drivers

84123 Leasing services concerning aircraft without operators

84124 Leasing services concerning vessels without operators

84129 Leasing services concerning other transport equipment without operators

8413 Leasing services concerning agriculture machinery and equipment without operators

8414 Leasing services concerning construction machinery and equipment without operators

8415 Leasing services concerning office machinery and equipment (including computers) without operators

8419 Leasing services concerning other machinery and equipment without operators

Group 842 Rental services concerning machinery and equipment without operators

Class 8421 General goods rental

8422 Rental services concerning transport equipment without operators

84221 Rental services concerning private cars without drivers

84222 Rental services concerning goods vehicles without drivers

84229 Rental services concerning other transport equipment

without operators

- 8423 Rental services concerning agriculture machinery and equipment without operators
- 8424 Rental services concerning construction machinery and equipment without operators
- 8425 Rental services concerning office machinery and equipment (including computers) without operators
- 8429 Rental services concerning other machinery and equipment without operators

Group 843 Rental services concerning personal and household goods

- Class 8431 Rental services concerning televisions, radios, video cassette recorders and related equipment and accessories
- 8432 Rental services concerning furniture and other household appliances
- 8433 Rental services concerning pleasure and leisure equipment
- 8439 Rental services concerning other personal or household goods

#### Detailed Explanatory Notes

Class 8411 General goods leasing or rental services

8421

Classes 8411 and 8421 respectively cover leasing services (for periods of one year or more) and renting services (for periods of less than one year) which are provided by those establishments which possess and lease or rent more than two kinds of machines and other goods that procure in place of specific users, and lease or rent machines and other goods for transport, agriculture, construction and civil engineering, and so on.

Those establishments which possess and lease or rent more than two kinds of machines and other goods that specialize in only one kind of them with the rest being leased or rented incidentally, are classified according to their respective specialization.



Subclass 84121 Leasing or rental services concerning private cars  
84221 without drivers

Subclasses 84121 and 84221 respectively cover leasing services (for periods of one year or more) and renting services (for periods of less than one year) concerning private motor cars and station wagons without drivers principally designed for the transport of persons.

Exclusions: Renting services concerning private cars with drivers are classified in subclass 7122

Subclass 84122 Leasing or rental services concerning goods vehicles  
84222 without drivers

Subclasses 84122 and 84222 respectively cover leasing services (for periods of one year or more) and renting services (for periods of less than one year) concerning motor vehicles without drivers, principally designed for the transport of goods (eg semi-trailers, trucks, lorries, cargo vans and utilities).

Exclusions: Renting services concerning goods vehicles with drivers are classified in class 7123

Subclass 84123 Leasing services concerning aircraft without operators

Subclass 84123 cover leasing services (for periods of one year or more) concerning aircraft (eg helicopters, aeroplanes) without operators.

Exclusions: Renting services concerning aircraft with operators, for any period are classified in class 7300.

Renting or leasing services concerning balloons, dirigibles, gliders and hang gliders are classified in class 8433.

Subclass 84121 Leasing services concerning vessels without operators

Subclass 84124 covers leasing services (for periods of one year or more) concerning boats, ships and hovercraft without operators primarily designed for the conveyance of passenger and freight.

Exclusions: Renting services concerning sea-going vessels with crew are classified in class 7210

Renting services concerning non-sea-going vessels with crew are classified in class 7210.

Renting services concerning pleasure craft are classified in class 8833.

Subclass 84129 Leasing or rental services concerning other transport  
84229 equipment without operators

Subclasses 84129 and 84229 respectively cover leasing services (for periods of one year or more) and renting services (for periods of less than one year) of other transport equipment without operators. Included are leasing or rental services concerning railroad vehicles, snowmobiles, containers, public transport type passenger vehicles (eg buses), bicycles, motor-cycles, caravans and campers.

Exclusions: Renting services concerning public transport type passenger vehicles with operators are classified in class 7122.

Renting services concerning motorcycles and snowmobiles with operators are classified in subclass 7122.

Class 8413 Leasing or rental services concerning agricultural machinery and  
8423 equipment without operators

Classes 8413 and 8423 respectively cover leasing services (for periods of one year or more) and renting services (for periods of less than one year) of agricultural machinery and equipment without operators. Included are leasing

or rental services concerning agricultural tractors and implements, seed and seedling planters, harvesting, cropping and sorting machinery, etc.

Exclusions: Renting services concerning agricultural machinery and equipment with operators are classified in subclass 60114

Class 8414 Leasing or rental services concerning construction and civil  
8424 engineering machinery and equipment without operators

Classes 8414 and 8424 respectively cover leasing services (for periods of one year or more) and renting services (for periods of less than one year) of construction and civil engineering machinery and equipment without operators. Included are leasing or rental services concerning tractors for construction and earth moving purposes, road graders, steamrollers, dozers, excavating machinery, front-end loaders, etc.

Exclusions: Renting services concerning construction and civil engineering machinery and equipment with operators are classified in class 5050.

Class 8415 Leasing or rental services concerning office machinery and  
8425 equipment (including computers) without operators

Classes 8415 and 8425 respectively cover leasing services (for periods of one year or more) and renting services (for periods of less than one year) concerning office machinery and equipment (including computers) without operators. Included are leasing or rental services concerning all kind of office machinery and equipment such as duplicating machines, typewriters and word processing machines; of accounting machinery and equipment such as electronic calculating machines, cash registers and other machines incorporating a calculating device; and of computing machinery and equipment such as automatic data processing machines, central processing units, peripheral units and

magnetic or optical readers.

Exclusions: Renting services of computers or computer-related equipment with operators or management are classified in class 8503.

Renting of computer time on an hourly or time-sharing basis is also classified in class 8503.

Class 8419 Leasing or rental services concerning other machinery and  
8429 equipment without operators

Classes 8819 and 8829 respectively cover leasing services (for periods of one year or more) and renting services (for periods of less than one year) concerning other machinery and equipment without operators. Included are leasing or rental services concerning all kind of machinery, electrical or not, which is generally used as investment goods by industries, such as engines and turbines, machine tools, mining and oil field equipment, commercial radio, television and communication equipment, professional, scientific, measuring and controlling and other commercial and industrial machinery.

Exclusions: Leasing and renting services concerning transport equipment without operators are respectively classified in class 8412 and 8422.

Leasing and renting services concerning agricultural machinery and equipment without operators are respectively classified in class 8413 and 8423.

Leasing and renting services concerning construction and civil engineering machinery and equipment without operators are respectively classified in class 8414 and 8424

Leasing and renting services concerning office machinery and equipment (including computers) without operators are respectively classified in class 8415 and 8425

Class 8431 Rental services concerning televisions, radios, video cassette recorders and related equipment and accessories

This class covers renting services(for period of less than one year) concerning all kinds of electric and electronic home entertainment equipment and associated pre-recorded devices, such as stereo systems, tape decks, pre-recorded records, sound cassettes, compact discs, televisions, radios, video cassette recorders and pre-recorded video cassettes.

**Class 8432 Rental services concerning furniture and other household appliances**

This class covers renting services(for period of less than one year) concerning furniture (including mattresses and mattress supports); and household appliances whether or not electric such as refrigerators, washing machines, room air-conditioners, fans, toasters, mixers, kitchen and tableware, etc.

Exclusions: Renting services concerning televisions, radios, video cassette recorders and related equipment and accessories are classified in class 8431

**Class 8433 Rental services concerning pleasure and leisure equipment**

This class covers renting services( for period of less than one year) concerning pleasure and leisure equipment such as snow skis, balloons, dirigibles, gliders, hang gliders, water sport equipment(eg. surf-boards, pleasure craft, water skis), other sport equipment(eg golf-clubs, equipment for playing field games, racquet games, etc, ice-skates), saddle-horse, bicycles etc.

**Class 8439 Rental services concerning other personal or household goods**

This class covers renting services( for period of less than one year) concerning other personal or household goods such as clothing and footwear; cameras, binoculars and other optical goods; watches and clocks; jewellery and related articles; musical instruments; and so on.

Exclusions: Renting services concerning televisions, radios, video cassette recorders and related equipment and accessories are classified in class 8431

Renting services concerning furniture and other household appliances are classified in class 8432

Renting services concerning pleasure and leisure equipment are classified in class 8433