

European business statistics methodological manual for statistical business registers

2021 edition



**European business
statistics methodological
manual for statistical
business registers**

2021 edition

Manuscript completed in January 2021

The European Commission is not liable for any consequence stemming from the reuse of this publication.

Luxembourg: Publications Office of the European Union, 2021

© European Union, 2021



The reuse policy of European Commission documents is implemented based on Commission Decision 2011/833/EU of 12 December 2011 on the reuse of Commission documents (OJ L 330, 14.12.2011, p. 39).

Except otherwise noted, the reuse of this document is authorised under a Creative Commons Attribution 4.0 International (CC-BY 4.0) licence (<https://creativecommons.org/licenses/by/4.0/>). This means that reuse is allowed provided appropriate credit is given and any changes are indicated.

For any use or reproduction of elements that are not owned by the European Union, permission may need to be sought directly from the respective rightholders. The European Union does not own the copyright in relation to the following elements:

Front cover: Kiev.Victor/Shutterstock.com

Theme: Industry, trade and services

Collection: Manuals and guidelines

ISBN 978-92-76-20739-9

ISSN 2315-0815

doi:10.2785/093371

Cat. No: KS-GQ-20-006-EN-N

Foreword

Statistical business registers are at the centre of statistical production in the area of business and macroeconomic statistics. The new European business statistics regulation (Regulation (EU) 2019/2152) strengthens the role of the European framework for statistical business registers, covering national statistical business registers and the EuroGroups Register, as an authoritative source for deriving high-quality and harmonised statistical business register populations for statistics related to businesses and multinational enterprise groups.

The 2021 edition of the *European business statistics methodological manual for statistical business registers* provides updated guidance for statistical producers and users. The revised manual addresses developments in relation to the new European legal basis as well as to the European Statistical System Vision Implementation Project on the European System of Interoperable Statistical Business Registers and the Data Quality Programme for statistical business registers, among others.

The update of the manual was drafted by two highly regarded experts in the area of business registers, Norbert Rainer and Harrie van der Ven, with contributions from Eurostat's Unit G1, Business statistics — coordination and infrastructure development, and in consultation with the ESS Working Group on Business Registers and Statistical Units. It was produced in close and continuous dialogue with business register experts working in national statistical institutes, and with other user domain producers of official statistics. The project was carried out under the management of Unit G1. Eurostat appreciates the contributions of all participants.

Merja Rantala

Head of Unit G1, Business statistics — coordination and infrastructure development

Eurostat

Abstract

Statistical business registers play a central role in the production of business statistics, both in terms of the way the statistics are produced and in terms of the content and quality of the statistics. The availability and quality of statistical business registers are key to the compilation of consistent and comparable business statistics.

Business registers are essential for establishing efficient statistical survey frames. A high-quality business register helps make national statistical systems more efficient and helps reduce the reporting burden on businesses.

This 2021 edition of the *European business statistics methodological manual for statistical business registers* is an update of the 2010 *Business Registers Recommendations Manual*. It covers new developments and initiatives related to statistical business registers:

- the Regulation on European Business Statistics ⁽¹⁾ (the EBS regulation);
- the European Statistical System Vision Implementation Project on the European System of Interoperable Statistical Business Registers;
- the development of the Data Quality Programme for national statistical business registers;
- new operational rules for the implementation of statistical units.

This manual explains the reasoning behind the provisions of the EBS regulation and provides recommendations on the implementation and maintenance of national statistical business registers that are part of the European framework for statistical business registers.

The manual is structured in 10 chapters, by topic. The chapters after the introduction cover the following aspects respectively:

- the roles of statistical business registers,
- coverage of statistical business registers,
- units in statistical business registers,
- variables in statistical business registers,
- data sources,
- demographic events,
- quality management of statistical business registers,
- profiling of large and complex businesses,
- the frame population methodology.

Reference materials, confidentiality rules with respect to data for the purpose of the European framework of statistical business registers, European legislation on enterprise groups, local unit guidelines for specific activities and a glossary are provided in the annexes.

Keywords: statistical business registers, legal unit, statistical units, enterprise, enterprise group, local unit, kind-of-activity unit, operational rules, variables, demographic events, frame population, master frame, survey frame, profiling, EuroGroups Register.

⁽¹⁾ Regulation (EU) 2019/2152 on European business statistics.

Acknowledgements

Authors

Norbert Rainer and Harrie van der Ven

Eurostat: Iliyana Iskrenova, Enrica Morganti and Agne Bikauskaite

Editors

Members of the Working Group on Business Registers and Statistical Units

Project managers

Eurostat: Enrica Morganti, Alexandru Gherasim and Zsolt Volfinger

All statements on policies within this publication are given for information purposes only. They do not constitute an official policy position of the European Commission and are not legally binding. To know more about such policies, please consult the European Commission's website (<https://ec.europa.eu>).

Abbreviations

BA	business architecture	ISIC	International Standard Industrial Classification of All Economic Activities
BoP	balance of payments	IT	information technology
BR	business registers	ITGS	international trade in goods statistics
BSDG	Business Statistics Directors Group	ITSS	international trade in services statistics
CODED	Concepts and Definitions Database	KAU	kind-of-activity unit
DLC	dual-listed company	LAU	local administrative unit for statistical purposes
DMES	Directors of Macroeconomic Statistics	LEU	legal unit
DW	Data Warehouse	LCU	large case unit
EBS	European Business Statistics	LEI	Legal Entity Identifier (GLEIF)
EFTA	European Free Trade Association	LEID	legal entity identifier (EGR)
EG	enterprise group	LKAU	local kind-of-activity unit
EGR	EuroGroups Register	M2M	machine to machine
EGR IM	EGR Interactive module	MNE	multinational enterprise
ENT	Enterprise	NACE	Statistical Classification of Economic Activities in the European Community
ECB	European Central Bank	NCB	national central bank
ESA	European System of Accounts	NUTS	Nomenclature of Territorial Units for Statistics
ESBRs	European System of Interoperable Statistical Business Registers	NSA	national statistical authority
ESS	European Statistical System	NSI	national statistical institute
ESSnet	European Statistical System Network	OECD	Organisation for Economic Co-operation and Development
EU	European Union	OFATS	outward foreign affiliates statistics
FATS	foreign affiliates statistics	R&D	research and development
FDI	foreign direct investment	SAPM	surveys on agricultural production methods
FSS	farm structure surveys	SBR	statistical business register
FTE	full-time equivalent	SBS	structural business statistics
GLEIF	Global Legal Entity Identifier Foundation	SDMX	Statistical Data and Metadata eXchange
GDC	global decision centre	SMEs	small and medium-sized enterprises
GDP	gross domestic product	SNA	System of National Accounts
GEG	global enterprise group	SPE	special purpose entity
GEN	global enterprise	STS	short-term statistics
GGH	global group head	TEC	trade by enterprise characteristics
GSBPM	Generic Statistical Business Process Model	TFSPE	Task Force on Special Purpose Entities
GVC	global value chain	UCI	ultimate controlling institutional unit
HC	holding company	UHP	unit of homogeneous production
HO	head office	UNECE	United Nations Economic Commission for Europe
IAS	International Accounting Standards	VAT	value added tax
ID	identity number		
IFATS	inward foreign affiliates statistics		
IFRS	International Financial Reporting Standards		
IMF	International Monetary Fund		

Contents

Foreword	3
Abstract	4
Acknowledgements	5
Abbreviations	6
List of boxes	12
List of tables	13
List of figures	13
Chapter 1 Introduction	15
Section 1.1 Manual update	15
Section 1.2 The general framework	15
Section 1.3 Harmonisation of statistical business registers	16
Section 1.4 The legal basis	18
Section 1.5 Objectives of the manual	19
Section 1.6 Structure of the manual	20
Section 1.7 Scope of the manual	21
Section 1.8 Changes in the legal basis compared with the 2008 BR regulation	21
Section 1.9 Main changes in content between the 2021 and 2010 editions of the manual	22
Chapter 2 Roles of statistical business registers	25
Section 2.1 Introduction	25
Section 2.2 Operator of a regularly updated business register	27
Section 2.3 Provider of master frame populations	28
Section 2.4 Provider of survey frame populations	31
Section 2.5 Provider of survey support	32
2.5.1 Data collection	32
2.5.2 Survey registration, control and response burden measurement	33
Section 2.6 Facilitator of microdata-linking activities	33
Section 2.7 Facilitator of data exchange	34
Chapter 3 Coverage of statistical business registers	37
Section 3.1 Introduction	37
Section 3.2 Required statistical business register coverage	37
Section 3.3 Explicit exclusions from the statistical business register coverage	40
3.3.1 Production for own consumption	40
3.3.2 Letting out of own property	40

Section 3.4 Additional recommended coverage.....	41
3.4.1 Households as employers of domestic personnel	41
3.4.2 Activities of extraterritorial organisations and bodies	42
Section 3.5 Specific coverage issues	43
3.5.1 Very small businesses.....	43
3.5.2 Informal sector	43
3.5.3 Illegal and underground activities.....	44
3.5.4 Summary of the required coverage.....	44
Chapter 4 Units in statistical business registers	45
Section 4.1 Introduction.....	45
Section 4.2 Legal units	46
4.2.1 Definition and character of legal units.....	46
Section 4.3 Ancillary activities/units	49
4.3.1 Definition and character of ancillary activities	49
4.3.2 Operational rules for ancillary units	50
Section 4.4 Enterprise group	52
4.4.1 Definition and character of enterprise groups.....	52
4.4.2 Operational rules for the enterprise groups	61
4.4.3 Relationship between legal units, enterprises and enterprise groups.....	66
Section 4.5 Enterprise.....	68
4.5.1 Definition and character of an enterprise.....	68
4.5.2 Operational rules for the enterprise.....	70
4.5.3 Head offices, holding companies and special purpose entities	76
4.5.4 Profiling as the method to identify enterprises in case of an enterprise group.....	79
4.5.5 Relationship to other statistical units.....	80
4.5.6 Summary of the rules for the delineation of an enterprise	80
Section 4.6 Local unit.....	82
4.6.1 Definition and character of a local unit	82
4.6.2 Operational rules for local units.....	82
4.6.3 Relationship with other statistical units.....	86
Section 4.7 Kind-of-activity unit	86
4.7.1 Definition and character of kind-of-activity units	86
4.7.2 Operational rules for kind-of-activity units.....	88
4.7.3 Relations to other statistical units	90
Section 4.8 Units in specific economic sectors.....	91
4.8.1 Units in agriculture, forestry and fishing	91
4.8.2 Statistical units in the public sector	100

Chapter 5 Variables in statistical business registers	107
Section 5.1 Introduction	107
Section 5.2 Legal unit variables	110
5.2.1 Identification variables	110
5.2.2 Demographic events.....	111
5.2.3 Stratification parameters.....	112
5.2.4 Links with enterprise	114
5.2.5 Links with other registers.....	115
5.2.6 Link with enterprise group	116
5.2.7 Control of units	117
5.2.8 Ownership of units.....	118
Section 5.3 Enterprise group variables.....	119
5.3.1 Identification variables	119
5.3.2 Demographic events.....	122
5.3.3 Stratification parameters and economic variables.....	123
Section 5.4 Enterprise variables.....	124
5.4.1 Identification variables	124
5.4.2 Link to other units	125
5.4.3 Demographic events.....	126
5.4.4 Stratification parameters and economic variables.....	126
Section 5.5 Local unit variables.....	132
5.5.1 Identification variables	132
5.5.2 Demographic events.....	132
5.5.3 Stratification parameters and economic variables.....	133
5.5.4 Links to other units and registers.....	134
Section 5.6 Kind-of-activity unit variables	135
5.6.1 Identification variables	135
5.6.2 Demographic events.....	136
5.6.3 Stratification parameters and economic variables.....	136
5.6.4 Link to other units and registers.....	137
Section 5.7 Possible additional variables	137
5.7.1 Identification variables	137
5.7.2 Demographic events.....	138
5.7.3 Stratification parameters and economic variables.....	138
5.7.4 Links with other registers.....	140
5.7.5 Link with enterprise group	140
5.7.6 Control and ownership of units.....	140
5.7.7 Treatment of missing values	140

Chapter 6 Data sources	141
Section 6.1 Introduction.....	141
Section 6.2 Administrative data sources.....	141
6.2.1 Definitions of administrative data sources	142
6.2.2 Why use administrative sources?	142
6.2.3 Access to administrative sources.....	143
6.2.4 Problems using administrative sources	146
6.2.5 Using administrative sources in practice	147
6.2.6 Associated registers, including the example of the Intrastat register	149
Section 6.3 Statistical data sources.....	151
Section 6.4 Other data sources	152
Chapter 7 Demographic events	153
Section 7.1 Introduction.....	153
Section 7.2 Typology of demographic events	154
Section 7.3 Demographic events in enterprise groups.....	156
7.3.1 Continuity rules on enterprise groups	157
7.3.2 Mergers and takeovers.....	158
7.3.3 Break-ups and split-offs	158
7.3.4 Restructuring within an enterprise group	158
7.3.5 Restructuring involving more than one enterprise group	158
Section 7.4 Demographic events in enterprises	159
7.4.1 Continuity rules for the enterprise.....	160
7.4.2 Application of the criteria.....	162
7.4.3 Change of controlling legal unit (no other changes)	162
7.4.4 Change of principal activity (no other changes)	162
7.4.5 Change of main location (no other changes).....	163
7.4.6 Change of controlling legal unit and principal activity, same main location	163
7.4.7 Change of controlling legal unit and main location, same principal activity	163
7.4.8 Change of principal activity and main location, same controlling legal unit.....	163
7.4.9 Typology of demographic events in enterprises	164
Section 7.5 Demographic events in local units.....	166
7.5.1 Continuity in relation to the definition and use of the local unit.....	166
7.5.2 Typology of demographic events in local units	168
Section 7.6 Statistical business registers and production of statistics on business demography.....	168
Chapter 8 Statistical business register quality management	173
Section 8.1 Introduction.....	173
Section 8.2 Statistical business register quality dimensions	174
8.2.1 Compliance	174
8.2.2 Data accessibility and data exchange	174

8.2.3 Access to administrative data sources	174
8.2.4 Data exchange	174
8.2.5 Relevance	175
8.2.6 Accuracy and reliability	175
8.2.7 Timeliness and punctuality	175
8.2.8 Coherence	177
8.2.9 Comparability	177
8.2.10 Data revision	178
Section 8.3 Quality management	178
8.3.1 Quality reporting	178
8.3.2 Quality targets	180
8.3.3 Quality assessment	181
8.3.4 Quality improvement	181
Chapter 9 Profiling of large and complex businesses	183
Section 9.1 Introduction	183
Section 9.2 Profiling: definition and scope	184
Section 9.3 Profiling process	186
9.3.1 Introduction	186
9.3.2 European profiling workflow	188
9.3.3 National profiling workflow	189
9.3.4 Automatic profiling	191
Section 9.4 Timing of profiling processes	193
Section 9.5 Organisation of business statistics via management approaches	193
Chapter 10 Frame population methodology	197
Section 10.1 Introduction	197
Section 10.2 Definition of an annual master frame	198
Section 10.3 Content of an annual point in time master frame	200
Section 10.4 Timing of creation and use of an annual master frame	205
Section 10.5 Point in time annual master frame versus volume annual master frame	208
Section 10.6 Handling corrections of annual master frames: frame correction procedure	209
Section 10.7 Coordination of annual and sub annual master frames	212
Annexes	215
Annex A Confidentiality rules with respect to data for the purpose of the European framework for statistical business registers	215
Annex B European legislation on enterprise groups	217
Annex C Local unit guidelines for specific activities	220
Glossary	227
References	297

List of boxes

Box 2.1: Legal requirement to base the survey frames on the national statistical business registers and the EuroGroups Register (EGR)	25
Box 2.2: National statistical business registers and the EuroGroups Register (EGR) as authoritative sources..	29
Box 2.3: European framework for statistical business registers	35
Box 3.1: Definition of statistical business register coverage according to the EBS regulation.....	38
Box 4.1: Definition of legal units	47
Box 4.2: Definition of ancillary activities	49
Box 4.3: Examples of possible ancillary activities	51
Box 4.4: User needs for data on multinational enterprise groups.....	52
Box 4.5: Definition of enterprise groups	55
Box 4.6: Definitions of global group head and global decision centre.....	56
Box 4.7: Types of enterprise groups.....	56
Box 4.8: Operational rules for the enterprise group	61
Box 4.9: Definition of an enterprise	68
Box 4.10: Operational rules for the enterprise.....	71
Box 4.11: Operational rules for holding companies, head offices and other special purpose entities.....	78
Box 4.12: National practices on the identification of special purpose entities.....	79
Box 4.13: National practices on the delineation of the statistical unit enterprise	81
Box 4.14: Definition of local units.....	82
Box 4.15: Operational rules for the local units.....	83
Box 4.16: National practice in the identification of local units	85
Box 4.17: Definition of the kind-of-activity unit.....	87
Box 4.18: Operational rules for the kind-of-activity units.....	88

Box 5.1: National practices on the determination of the NACE code.....	127
Box 5.2: National practices on the treatment of missing values	140
Box 6.1: Legal basis for the access to administrative data: European statistics law	144
Box 6.2: Legal basis for the access to administrative data: European business statistics regulation	145
Box 7.1: Existential changes to enterprise groups.....	156
Box 7.2: Example of a merger versus a takeover	157
Box 7.3: National practices on demographic events	171
Box 8.1: Quality recommendations as decided by the Working Group on Business Registers and Statistical Units (May 2019)	182
Box 9.1: Output of European profiling.....	187
Box 9.2: National practices on light and intensive profiling	190
Box 9.3: National practices on automatic profiling	192
Box 9.4: National practices on large case units.....	195
Box 10.2: National practices on (sub)annual master frames.....	198
Box 10.1: Definition of an annual master frame	198
Box 10.3: About the Global Legal Entity Identifier Foundation	204
Box 10.4: National practices on timing of creation and use of (sub)annual master frames.....	206
Box 10.5: Create frame and select sample.....	207
Box 10.6: Integrate data	207
Box 10.7: Outward foreign affiliates statistics	208
Box 10.8: National practices on handling of corrections on annual master frames	210
Box 10.9: National practices on coordination of sub annual and annual master frames.....	213

List of tables

Table 1.1: Structure of the 2021 edition of the manual	20
Table 2.1: Overview of a statistical business register's roles	26
Table 3.1: Required statistical business register coverage.....	44
Table 4.1: The statistical unit model.....	45
Table 5.1: Overview of the statistical business register variables according to Annex VIII	108
Table 7.1: Main demographic events in enterprises	159
Table 10.1: Example of unit types and variables from annual (global or national) master frame.....	201

List of figures

Figure 2.1: Live statistical business register	28
Figure 2.2: Target population and master frame population	30
Figure 2.3: Annual master frames.....	30
Figure 2.4: Provider of survey support.....	32
Figure 4.1: Enterprise group containing non-hierarchically structured enterprises.....	58
Figure 4.2: Two-level hierarchy of enterprise group and its constituent enterprises	58
Figure 4.3: How control can differ from ownership	60
Figure 4.4: How to record control links from ownership structures.....	60
Figure 4.5: Effects of considering natural persons as global group head	63
Figure 4.6: Legal units as a common basis of the enterprise group and the relations to its enterprises	67
Figure 4.7: Relationships between legal units and enterprises	69
Figure 4.8: Relationship between agricultural holding and the statistical units.....	96
Figure 7.1: Role of a statistical business register in the production of business demography statistics	169
Figure 8.1: Statistical business register quality targets.....	180

1

Introduction

Section 1.1 Manual update

1.1 This 2021 edition of the *European business statistics methodological manual for statistical business registers* is an update of the 2010 edition. The update of the manual was necessary mainly to cover new developments and initiatives, such as:

- the new legal acts on European business statistics (Regulation (EU) 2019/2152 and Commission Implementing Regulation (EU) 2020/1197);
- the European Statistical System (ESS) Vision Implementation Project on the European System of Interoperable Statistical Business Registers (ESBRs);
- the development of the Data Quality Program for national statistical business registers;
- the operational rules for the implementation of the statistical units agreed by the ESS directors of business and macroeconomic statistics.

1.2 The focus of the update work was therefore on developing a new structure for the manual;

- revising and updating existing chapters and the glossary;
- incorporating the operational rules for statistical units;
- incorporating the new provisions of the new legal basis;
- incorporating the recommendations generated by the Data Quality Program;
- improving the manual with examples of national practices in selected areas;
- last but not least, integrating material on various new issues into the manual, such as the EuroGroups Register (EGR), profiling and the frame population methodology.

1.3 The update was carried out in close cooperation with the Member States' national statistical authorities (NSAs), which provided comments on the draft manual chapters uploaded to a Eurostat wiki page ⁽¹⁾ and provided feedback on the whole draft in a written consultation. The update project was also on the agenda of the Working Group on Business Registers and Statistical Units at its annual meetings in 2017–2019. Experts of different statistical domains in business and macroeconomic statistics have also been consulted.

Section 1.2 The general framework

1.4 Since the first European regulation on business registers ⁽²⁾, published in 1993, the European Union (EU) Member States have started to undertake a programme to harmonise and develop their national business registers for statistical purposes. This programme is coordinated by Eurostat, with priorities decided and progress reported at annual meetings of the Working Group on Business Registers and Statistical Units. The main tools for assessing progress are the annual metadata and quality reports administered by Eurostat. Regular contact is also maintained between Member States and Eurostat by less formal means such as email and the BRnet interest group in CIRCABC (<http://circa.europa.eu/Members/irc/dsis/brnet/info/data/home.htm>). Note: a username and password are needed to access this site. Persons working with statistical business registers (SBRs) may request these from Eurostat.

⁽¹⁾ <https://webgate.ec.europa.eu/fpfs/wikis/pages/viewpage.action?pagelId=302945657>.

⁽²⁾ Council Regulation (EEC) No 2186/93 on Community coordination in drawing up business registers for statistical purposes.

1.5 This programme is generally open to other European countries, particularly European Free Trade Association (EFTA) and candidate countries, most of which take part in meetings and discussions. It is also closely coordinated with the United Nations Economic Commission for Europe (UNECE), with joint UNECE / Eurostat / Organisation for Economic Cooperation and Development (OECD) meetings being held on a regular basis every second year. The main tools supporting this work programme are provided by a system of a basic act, the European business statistics (EBS) regulation, and implementing and delegated acts:

- Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, repealing 10 legal acts in the field of business statistics (basic act, referred to as the EBS regulation);
- Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics (referred to as the EBS general implementing act);
- delegated acts that Article 22 of the EBS regulation empowers the Commission to adopt.

Section 1.3 Harmonisation of statistical business registers

1.6 In all EU Member States, the availability of business registers for statistical purposes is key to the compilation of business statistics that are to be based on survey frames derived from the statistical business registers. If the coverage, comprehensiveness and quality of these registers vary between countries, it is difficult to integrate the data they provide, either directly or through statistical surveys, to produce aggregates for the EU as a whole. The goal of consistent and comparable statistics cannot be achieved without some form of standardisation of registers.

1.7 The internal market is giving rise to new requirements for information on the structures of enterprises. For example, statistics are required on takeovers, mergers and restructuring, as well as on the concentration of production factors. In addition, there has, for many years, been a rapid growth in the internationalisation of enterprises, with the formation of multinational enterprise groups spanning the boundaries of Member States. Users in general, and the European Commission in particular, require information on this globalisation phenomenon. An EU-wide approach to the design and maintenance of statistical registers will help to meet these needs for information.

1.8 In many countries, there is increasing pressure to reduce the burden on enterprises to supply information for statistical surveys. In contrast, data users are constantly seeking improvements in the statistics currently provided and presenting new requirements. Rationalisation of the systems for collecting information can, to some extent, reconcile these conflicting needs. Good registers allow surveys to be distributed more effectively and economically between various enterprises and, by using the same information for different purposes, the total amount collected can be reduced. Therefore, harmonised registers should help to contain the reporting burden on enterprises and, in some cases, may even reduce it.

HARMONISATION OF STATISTICAL UNITS

1.9 If Member States and international institutions are to be able to compare and integrate their statistics, they must have at their disposal a common set of statistical units. Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system within the Community defined a set of eight units. Unfortunately, these definitions have been open to different interpretations. Only a few years ago a set of operational rules were adopted by the Business Statistics Directors Group (BSDG) and the Directors of Macroeconomic Statistics (DMES). The operational rules are enclosed to the *Notice of intention of the BSDG and the DMES on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units* (Eurostat, 2015) and are also used in this update.

1.10 In practice, statistical business registers do not incorporate all eight types of statistical units defined by the statistical units regulation (Council Regulation (EEC) No 696/93). According to the 2008 BR regulation — Regulation (EC) No 177/2008 establishing a common framework for business registers for statistical purposes and repealing Council Regulation (EEC) No 2186/93 — three of these types of statistical units were mandatory: the enterprise group, the enterprise and the local unit. The EBS regulation (Regulation (EU) 2019/2152) added a fourth unit, the kind-of-activity unit (KAU), as these four units are used in European business statistics. However, the Member States can choose whether they include the KAU as a separate unit in their national statistical business registers or just record the kinds and sizes of secondary activities of the relevant enterprises. Statistical business registers are also required to hold information on the legal units and their links to enterprises and enterprise groups. The remaining unit types are either not recordable in practice (unit of homogeneous production (UHP) and local UHP) or not mandatory (local KAU).

HARMONISATION OF THE REGISTER COVERAGE

1.11 In theory, business registers should record all enterprise groups, enterprises and local units that are active in the national economy. This may not always be possible in practice, so for the purposes of international comparison it is desirable that the coverage of business registers should meet agreed standards, and the omission of any categories of units must involve an assessment of their economic importance. The goal of the EBS regulation is, however, that all enterprises should be covered in the national business registers, irrespective of their size. Nevertheless, certain types of units and activities are or may be excluded. See [Chapter 3](#)

HARMONISATION OF UPDATING REQUIREMENTS

1.12 The entities represented by the units held in business registers are not static. Entities are created, they may change form and they eventually disappear. Over a period of time, their characteristics may also change. Unless the rules and procedures for recording these demographic events are standardised, and the terms and frequency of updating statistical units are harmonised, it will still be difficult to make international comparisons. Therefore, the legal basis defines minimum standards for the update frequency.

HARMONISATION OF THE VARIABLES

1.13 As with the types of units themselves, the variables recorded within business registers for the different types of statistical units must be harmonised. They determine the comparability of the strata used in sampling, the harmonisation of relevant subpopulations and the standardisation of definitions for certain derived units. The variables required are examined in [Chapter 5](#).

QUALITY STANDARDS OF THE STATISTICAL BUSINESS REGISTERS

1.14 The quality of a business register corresponds to the extent to which it meets the needs of register users. This is in line with the ISO 9000:2000 definition of quality and the approach taken within the European Statistical System (ESS) regarding the assessment of the quality of statistics. This may conflict to some extent with the previously held view that the quality of a business register is determined by how closely its contents reflect reality. In certain cases, demands for statistical consistency, for example between short-term and structural indicators, may require temporary distortions of reality, such as the postponement of certain updates until a specific point in the annual statistical cycle.

1.15 In practice, each country is free to determine the procedures and sources for compiling and updating its register, provided that it can guarantee the necessary level of quality for the purposes for which the register is used. It is therefore important to lay down minimum quality standards (Data Quality Programme), which must be reviewed periodically to take account of changes in the purposes for which the registers are used. Quality standards and measures are examined in more detail in [Chapter 8](#).

Section 1.4 The legal basis

1.16 One of the main reasons for the need to update the manual is the new legal basis for European business statistics: Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, repealing 10 legal acts in the field of business statistics. This regulation covers, in addition to the various business statistical domains, the statistical business register. This new EBS regulation is to be applied from 1 January 2021.

1.17 The 2008 BR regulation (Regulation (EC) No 177/2008) is repealed and replaced by the EBS regulation (Regulation (EU) 2019/2152). In addition, a new implementing act came into force: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics.

1.18 The 2008 BR regulation (repealed by the EBS regulation) was adopted by the European Parliament and the Council of Ministers of the EU in 2008. It replaced the first regulation on Community coordination in drawing up business registers for statistical purposes (Council Regulation (EEC) No 2186/93), and was part of a series of regulations intended to harmonise the European business statistics infrastructure, including:

- Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system within the Community (the statistical units regulation);
- Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (the NACE regulation).

1.19 The first BR regulation (Council Regulation (EEC) 2186/93) was a compromise between what was desirable and what could reasonably be achieved during the 1990s. The initial position regarding registers differed greatly from one country to another. Some countries had to develop their registers or, in some cases, even create one, whereas others needed only to adapt their existing registers to meet the requirements of the regulation. The second BR regulation (Regulation (EC) No 177/2008) can be seen as consolidating the harmonisation of business registers, as well as extending requirements to cover additional variables, notably for enterprise groups.

1.20 The requirements of the statistical business registers in the new EBS regulation (Regulation (EU) 2019/2152) are not substantially different from the ones in the 2008 BR regulation. The objective of EBS regulation is the establishment of a common framework for European business statistics. EBS regulation establishes a common legal framework for the European statistical business registers that should become the authoritative sources for deriving harmonised populations for the production of European business statistics.

1.21 New features of statistical business registers in the EBS regulation are:

- the establishment of the European framework for statistical business registers, covering the national statistical business registers and the EGR, as well as the data exchanges between them;
- the national statistical business registers and the EGR as the authoritative sources for deriving high quality and harmonised populations for the production of European business statistics;
- the national statistical business registers become the authoritative source for national statistical business register populations;
- the EGR is an authoritative source for the ESS as a register population for business statistics requiring the coordination of cross-border information related to multinational enterprise groups;
- exchange of and access to confidential micro data for the purpose of the European framework for statistical business registers;
- for identification of legal units, data on all incorporated legal units shall be transmitted by Member States to Eurostat;
- Member States shall exchange confidential data on multinational enterprise groups and on the units belonging to those groups for the purpose of the European framework for statistical business registers;
- access to administrative records and integration with other data sources to update national statistical business registers and EGR is explicitly laid down;
- kind-of-activity unit is introduced as a mandatory statistical unit for national statistical business register, micro data exchange is explicitly listed as one of the possible data sources for national statistical business register;
- detailed topics and variables for the exchange of confidential data for the purpose of the European framework for statistical business registers.

1.22 The detailed list of variables for each type of statistical unit registered in the national statistical business registers is covered in the EBS general implementing act; the variables are listed in Annex VIII, 'Variables linked to the detailed topics for the European framework for statistical business registers'.

1.23 For more details on the changes in the legal basis see [Section 1.8](#).

1.24 Concerning the legal confidentiality rules with respect to data for the purpose of the European framework for statistical business registers see [Annex A](#).

Section 1.5 Objectives of the manual

TO EXPLAIN THE LEGAL BASIS

1.25 This manual aims to explain the reasoning behind the provisions of the EBS regulation. It aims to provide the extra information required for the correct and consistent interpretation of the regulation in all countries.

TO PROVIDE GUIDANCE FOR THE IMPLEMENTATION OF THE LEGAL REQUIREMENTS

1.26 In addition to the explanation of the legal requirements, this manual gives guidance on practical implementation by means of additional explanations, such as of operational rules.

TO PROVIDE INFORMATION ON NATIONAL PRACTICES

1.27 Exchange of information on national practices can always be of help for other countries. This manual also aims to provide some information on national practices on selected issues. This information was collected on the basis of a short questionnaire. However, as national practices can change rapidly and are being further developed, the manual gives only a summary of the information collected. Further information on national practices will be uploaded on a specific statistical business register manual wiki.

1.28 The *European business statistics methodological manual for statistical business registers* is not the only support for the Member States. In the last few years, specific wiki platforms have been developed by Eurostat, which provide up-to-date operational information on certain topics, such as the EGR and European profiling. The annual meetings of the Working Group on Business Registers and Statistical Units, as well as various task forces, workshops and training courses, are of course also forums for exchange of and progress on concepts and methods. The manual can only play a general role in providing basic information and guidance. Owing to the ongoing developments in certain areas, the *European business statistics methodological manual for statistical business registers* will be updated continuously on the statistical business register manual wiki and additional media if needed, to guarantee that the Member States are fully informed and can appropriately execute their tasks.

Section 1.6 Structure of the manual

1.29 Compared with the 2010 edition of the manual, the structure and the order of the chapters have been considerably changed. One reason for this was that in the 2010 edition new chapters were added to deal with further topics, which meant that topics that are closely related were not together any more. Furthermore, some topics were split into several chapters, such as those dealing with statistical units or demographic events.

1.30 The updated manual has only 10 chapters compared with 24 chapters in the 2010 edition. This of course has the consequence that some of the chapters are now much more voluminous, but has the advantage that related topics are now in the same chapter.

1.31 Table 1.1 shows the structure of the manual and which of the old chapters were the primary sources for each new chapter. Of course, some chapters deal with new issues, which were not, or not explicitly, covered in the old manual. Examples are the roles of the statistical business registers ([Chapter 2](#)) and the frame population methodology ([Chapter 10](#)).

Table 1.1: Structure of the 2021 edition of the manual

2021 edition	2010 edition
1 Introduction	1 Scope of the recommendations 2 Harmonisation of business registers
2 Roles of statistical business registers	3 Objectives and uses of the business registers for statistical purposes 9 Access to the register
3 Coverage of statistical business registers	6 Coverage of the register
4 Units in statistical business registers	7 Legal unit and enterprise 8 Local units in business registers 21 Enterprise groups 23 Statistical units in agriculture, forestry and fishing 24 Statistical units in public sector
5 Variables in statistical business registers	5 Contents of the register
6 Data sources	20 The use of administrative sources
7 Demographic events	12 A general overview of demographic events 13 Demographic changes concerning the enterprise 14 Continuity rules for the enterprise 15 Demographic changes concerning the local unit 16 Continuity rules for the local unit 22 Demographic changes and continuity rules for the enterprise group
8 Statistical business register quality management	4 Maintenance of the register 10 Quality policy
9 Profiling of large and complex businesses	19 The handling of large and complex businesses
10 Frame population methodology	11 The general approach to the handling of changes 17 The handling of changes to characteristics 18 The handling of errors
Annexes	–
Glossary	Glossary

1.32 The manual is primarily designed for electronic dissemination via the internet. The advantage of this is that readers can be sure that they always have the latest version. However, its design means that it can be printed on a chapter-by-chapter basis if required.

1.33 For this reason, each chapter must be capable of being read separately, while still forming part of a coherent set. It is therefore not always possible to achieve a full understanding of a certain topic without reading all the various chapters concerned.

Section 1.7 Scope of the manual

1.34 All EU Member States maintain business registers for statistical purposes. The EBS regulation establishes a European framework for statistical business registers (Article 8):

Member States shall set up at national level one or more national statistical business registers, of which a common core is harmonised pursuant to this Regulation, as a basis for the preparation and coordination of surveys and as a source of information for the statistical analysis of the business population and its demography, for the use of administrative data, and for the identification and construction of statistical units.

1.35 This manual includes recommendations for harmonising the principles and contents of the statistical business registers in Member States. The recommendations do not just represent those factors that are common to existing registers of Member States. They do, however, reflect current practices that statisticians consider useful, improvements to registers that they consider possible and future needs as far as they can be predicted. The recommendations take into account the need for consistency in the units and classifications used in harmonised registers and, particularly, compatibility with NACE. They also consider the need for a balance between what is desirable and what is practical, bearing in mind the costs involved and the information that organisations can reasonably be expected to provide.

1.36 Full implementation of these recommendations will help to ensure that business registers are compiled and maintained on a consistent basis in all Member States. As a result, the statistical surveys based on them will improve in terms of comparability and, in many cases, other quality factors. This will also help to develop other uses for the registers, such as a source of business demography statistics.

Section 1.8 Changes in the legal basis compared with the 2008 BR regulation

1.37 The development, production and dissemination of statistical information on the economic activity of the Member States' businesses has so far been based on a number of individual legal acts.

1.38 Concerning statistical business registers, so far, the legal basis has been built on:

- Regulation (EC) No 177/2008 of the European Parliament and of the Council establishing a common framework for business registers for statistical purposes;
- Commission Regulation (EC) No 192/2009 implementing Regulation (EC) No 177/2008, as regards the exchange of confidential data between the Commission (Eurostat) and Member States;
- Commission Regulation (EC) No 1097/2010 implementing Regulation (EC) No 177/2008, as regards the exchange of confidential data between the Commission (Eurostat) and central banks.

1.39 This structure based on individual legal acts does not provide the necessary consistency across the individual statistical domains, nor does it promote an integrated approach to the development, production and dissemination of business statistics.

1.40 Better-integrated statistical processes based on common methodological principles, definitions and quality criteria should lead to harmonised statistics on the structure, economic activities, transactions and performance of the business sector in the EU that meet the level of relevance and detail required to fulfil the users' needs.

1.41 For these reasons the existing legal basis is now replaced by a system of basic, implementing and delegated acts:

- basic act: Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, repealing 10 legal acts in the field of business statistics;
- EBS general implementing act: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European Business Statistics;
- delegated acts that Article 22 of the EBS regulation empowers the Commission to adopt.

1.42 An article establishing the European framework for national statistical business registers and the EGR is included in the text of the basic act (Article 8). The scopes of the national statistical business registers and the EGR are also included in the text of the basic act. It specifies which statistical units need to be included in registers.

1.43 In order to ensure uniform conditions for the technical implementation of certain elements of requirements, including for statistical business registers, the format, security and confidentiality measures and the procedure for the exchange of confidential data for the purpose of the European framework for statistical business registers, the data and metadata transmission, data quality and metadata reports and derogations, the Commission has the power to adopt implementing acts.

1.44 The register variables, the use of a unique identifier and the time reference and periodicity are contained in Annex III, 'Elements of the European framework for statistical business registers', to the basic act.

1.45 These changes in the legal framework require an update of the manual, and more regular updates later based on the national practices.

Section 1.9 Main changes in content between the 2021 and 2010 editions of the manual

1.46 The main changes in the 2021 edition of the manual relate to:

- the introduction of Regulation (EU) 2019/2152 of the European Parliament and of the Council on European business statistics (EBS regulation);
- the developments of the ESRs project, especially the improvements to comply with the 'ESRs Business Architecture (BA) Goals and key principles' (Eurostat 2016, Doc. BSDG 201612 5.2);
- the Data Quality Programme for the European framework for statistical business registers.

1.47 A major change regards the chapter structure of the manual, which brings more focus onto topics that are relevant to achieving the core objective of statistical business registers: being a (quality) 'backbone' for business statistics.

1.48 This backbone function consists of various roles, which are described in [Chapter 2](#). Compared with the 2010 Business Registers Recommendations Manual, this chapter makes a distinction between the roles of a statistical business register as a 'live business register' and as a provider of master frame populations shared by business statistics, and of — based on these master frames — survey-specific frame populations and survey support.

1.49 [Chapter 3](#) deals with the required coverage of the national statistical business registers. The basic coverage requirements are laid down in the EBS regulation and do not differ conceptually from those of the preceding definitions of the 2008BR regulation. However, as the register system now covers both the national statistical business registers and the EGR to form the European framework for statistical business registers, the legal basis also covers both components. Furthermore, the legal basis refers both to the types of statistical units that should be included in the national statistical business register and to the range of activities that should be covered.

1.50 A major change from the 2010 manual is that definitions of statistical units and operational rules are combined in one chapter: [Chapter 4](#). Moreover, the content of this chapter is aligned with the EBS regulation and topical operational rules adopted by the BSDG and the DMES (Eurostat, 2015).

1.51 [Chapter 5](#) is updated according to the new legal basis: Annex VIII of Commission Implementing Regulation (EU) 2020/1197 on technical specifications and arrangements pursuant to EBS regulation (the EBS general implementing act).

1.52 [Chapter 6](#) on data sources is an updated version of Chapter 20 of the 2010 manual, adding additional sources such as feedback from economic surveys, statistical business register quality or improvement surveys, profiling and web scraping.

1.53 The 2010 manual dealt with business demography in six chapters, with major overlaps with the *Eurostat–OECD Manual on Business Demography Statistics* (Eurostat, 2007). [Chapter 7](#) on demographic events is a partial integration of these previous chapters, considering a statistical business register as the provider of input for the process of producing structural business statistics, including business demography. Central to this role is securing

continuity of statistical units, which is a crucial feature of all kinds of structural business statistics. For more detailed recommendations on the production of business demography statistics, see the Eurostat–OECD manual mentioned above.

1.54 The ESBRS BA aims at improved coherence and quality of the whole ESS via the interoperability of statistical business registers, eradicating most of the sources of inconsistencies that at present degrade the quality of statistics. The increased role of statistical business registers in a system of integrated business statistics requires appropriate data quality management.

1.55 The previous Chapters 4 and 10 are integrated in [Chapter 8](#), ‘Statistical business register quality management’, using a systematic approach within the context of the ESBRS interoperability framework. The ESBRS BA and interoperability framework provide a set of agreed rules on quality management, timing, maintenance etc. of the statistical business registers, allowing sustainable statistical business register quality management.

1.56 This chapter describes the quality dimensions and then the content of statistical business register quality management, which is based on a systematic and annual process of assessing the actual quality (‘as is’) against the quality targets, analysing the gap and defining priority actions needed to close or shrink the gap, to define recommendations on quality actions and finally to implement improvement actions. Quality actions are broken down into Q packages. Each Q package contains one or more quality actions, approved by the Working Group on Business Registers and Statistical Units, including recommendations that should be followed by the national statistical institutes (NSIs).

1.57 [Chapter 9](#), ‘Profiling of large and complex businesses’, replaces the former Chapter 19 (‘The handling of large and complex businesses’) and describes the profiling methodology at a high level. Detailed recommendations are available in *European Business Profiling — Recommendations manual* (Eurostat, 2020). The description of enterprise and enterprise group operational rules has been moved to [Chapter 4](#).

1.58 Profiling is a method of analysing the legal, operational and accounting structure of an enterprise group at national level and, in the case of global enterprise groups, at European level, in order to establish the statistical units within that group, their links and the most efficient structures for the collection of statistical data.

1.59 Profiling is generally recognised as the best method to improve the quality of the delineated statistical units in the largest and most complex enterprise groups. Correct measurement of large and complex businesses is a critical success factor for producing high-quality business statistics.

1.60 Regarding responsibilities and (timing of) workflows, this chapter makes a clear distinction between European and national profiling to secure the subsidiarity principle. However, the participation in the European profiling is strongly recommended.

1.61 This chapter ends with some considerations of the organisation of profiling. There is a need for more (vertical as well as horizontal) coordination of statistical production processes. Given the importance of large enterprise groups, the establishment of a large case unit (LCU) is an organisational solution for coordinating and monitoring the different inputs and outputs of statistical production processes concerning large and complex enterprise groups. In case of an LCU approach, the relationship with profiling requires consideration.

1.62 Compared with Chapters 11, 17 and 18 of the 2010 manual, [Chapter 10](#), ‘Frame population methodology’, describes a more comprehensive methodology, focused on the frame populations needed for structural business statistics (SBS) and foreign affiliates statistics (FATS).

1.63 The core purpose of the ESBRS BA is to enable the harmonisation, standardisation and automatisisation of the data exchanges between the national statistical business registers and the EGR, in accordance with an agreed production process, in order to achieve better quality and more timely, consistent and coherent national and global frames for SBS and FATS.

1.64 This chapter describes how a statistical business register can contribute to the achievement of consistent and comparable business statistics by creating and using coordinated populations of statistical units, especially ‘enterprise’. The concept of ‘frame population methodology’ refers to a method, rules and procedures for defining and using master frame populations in statistical production processes.

1.65 This chapter introduces the concept of initial or preliminary frame, based on the user requirement that a population is needed at the start of a survey. Generally, at that moment a statistical business register does not have fully updated information. A challenge is to deal with updates between creating a preliminary frame and a final one. There exist national practices, which offer solutions.

2

Roles of statistical business registers

Section 2.1 Introduction

2.1 Statistical business registers (SBRs) play a central role in the production of business statistics, both in terms of the way the statistics are produced and in terms of the content and quality of the statistics. The availability of statistical business registers is key to the compilation of consistent and comparable business statistics.

2.2 Statistical business registers are essential for establishing efficient statistical survey frames. A high-quality business register helps make the national statistical system more efficient and helps reduce the reporting burden on businesses.

2.3 According to the European business statistics (EBS) regulation, the national statistical business registers should be used as the main source of information for statistical analysis of the business population and its demography, for the definition of the survey population and for establishing the link to administrative data sources.

Box 2.1: Legal requirement to base the survey frames on the national statistical business registers and the EuroGroups Register (EGR)

The role of national statistical business registers and the EuroGroups Register as basic infrastructure for the collection and compilation of data for European business statistics should be enhanced. National statistical business registers should be used as the main source of information for statistical analysis of the business population and its demography, for the definition of the survey population and for establishing the link to administrative data sources.

Source: Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, recital 10

Article 8

European framework for statistical business registers

1. The Commission (Eurostat) shall set up the EuroGroups Register of multinational enterprise groups for statistical purposes at Union level.

2. Member States shall set up at national level one or more national statistical business registers, of which a common core is harmonised pursuant to this Regulation, as a basis for the preparation and coordination of surveys and as a source of information for the statistical analysis of the business population and its demography, for the use of administrative data, and for the identification and construction of statistical units.

Source: Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, Chapter IV, Article 8 (1) and (2)

2.4 An overview of the specific roles of a statistical business register is given in Table 2.1. Each role is described, indicating the outputs produced by the statistical business register.

Table 2.1: Overview of a statistical business register's roles

Role	Description
Operator of a regularly updated business register	Provision of a gateway to data from various input sources, validation and integration of these data, and delineation and maintenance of statistical units with their attributes and links
Provider of master frame populations	Provision of populations of statistical units with links to administrative units at fixed points in time for specific reference periods, enabling the production of consistent and coordinated business statistics
Provider of survey frame populations	Provision to a statistical domain of a set of statistical units for a survey, valid for a specified reference period
Provider of survey support	Provision of information on observation units and units that are responsible for reporting on statistical units; possibly also the provision of services to monitor survey response and measure the response burden
Facilitator of microdata-linking activities	Provision of facilities to link microdata from different administrative and statistical sources
Facilitator of data exchanges	Provision of facilities to exchange data for the purposes of the European framework for statistical business registers, to coordinate multiple data collection and to contribute to the efficient production of consistent business statistics
Provider of input for business demography	Provision of information on master frames and on events affecting changes in the master frame populations in consecutive periods as input for the production of business demography statistics

2.5 The first role of a regularly updated statistical business register or 'live register' is to maintain a set of statistical units as the foundation for creating frames for surveys aimed at the production of business statistics. The statistical business register is updated with new information from various sources. This information is used to create and deactivate statistical units, and to update their variables. This functionality of continuously or periodically creating, updating and deactivating the corresponding units is referred to as the 'live register' function.

2.6 The second role of a statistical business register is to produce register 'snapshots', which are called statistical business register master frames. Master frames are derived from the live register and allow the statistical business register to fulfil the backbone role in the production of business statistics. Master frames build the input for the selection of survey frames. A master frame contains the set of statistical units valid for a specific reference period and hence represents a coordinated population of statistical units in space and time. A master frame contains all (according to the live register) active statistical units for the specific reference period. A master frame also contains the links between statistical and administrative units that are valid (or should be used) for the data collection in the reference period. Master frames may refer to periods: a month, a quarter or a year.

2.7 The third role of a statistical business register is to provide statistical domains with services to select survey frames. This selection is made from the statistical business register master frames. Survey frames contain the population of the statistical units that are the object of a specific statistical domain at a certain reference period. A survey can observe the whole frame population (census-type survey) or only a selected set of units of the population on the basis of stratification variables (sample survey). In the latter case, the survey frame serves as a base for sampling (survey frame as sampling frame).

2.8 The fourth role of a statistical business register is to support surveys in the data collection phase by providing information on the content of statistical units, including links with administrative unit type (for example legal units), observation and reporting units, and all information needed to contact and communicate with them. This role includes survey registration and survey control. It involves tracking the reporting statuses of statistical units and the response burden on enterprises imposed by surveys. The statistical business register supports this by storing information that can be used to optimise the survey design as well as to monitor reporting statuses and to compile overall response burdens.

2.9 The fifth role, linking microdata from different administrative and statistical sources, is relevant to data collection, as the statistical business register can be a gateway for using data available from different sources by offering links and/or matching services with unit types in those sources. Sources can be the statistical office itself, other statistical offices or different types of body (for example the tax administration).

2.10 The sixth role of a statistical business register is to facilitate data exchange for the purposes of the European framework for statistical business registers in order to improve coherence, comparability and efficiency in the production of economic statistics. This is particularly important to ensure the coherence of cross-border statistics, for example inward and outward foreign affiliates statistics (FATS) or analysis/validation of data on multinational enterprise groups in the context of national and European accounts. In addition, a statistical business register offers facilities to coordinate data collection in cases of FATS.

2.11 The seventh role of a statistical business register is to provide data for the production of business demography statistics. This input uses both information available in the annual master frames and information on demographic events available in the live register.

Section 2.2 Operator of a regularly updated business register

2.12 Generally, business statistics are produced by different organisational units (departments of a national statistical office or other national organisations, for example national central banks), whose staff, processes and information systems have their own (not always harmonised and coordinated) needs and requirements.

2.13 The first role of the statistical business register is to maintain a regularly updated set of statistical units (also called the live register) as the foundation for creating harmonised frames for surveys aimed at the production of business statistics. A regularly updated register is a vehicle for bringing together data from the various sources that provide the basis for derivation of statistical units. Sources can be legal and/or administrative registers, commercial databases, statistical surveys or 'profiling' actions (see [Chapter 9](#)). New information is used to create and deactivate statistical units, and to update their variables.

2.14 Sources can have different concepts of units and variables, data structures and data types, which require the application of standardisation or transformation rules. Furthermore, the frequency of updates or, more generally, reference dates and quality can differ. Moreover, sources can have their own identifiers, which require the use of linking/matching functionalities in the live register to connect entities from different sources. In addition, sources keep 'incorrect', incomplete or out-of-date and sometimes conflicting information. The use of different sources requires that information on unit types from these sources has to be standardised and integrated into a statistical business register version of information on unit types.

2.15 The output of the data integration process builds the input for the delineation and maintenance of the statistical units' population, constituting the output of the live statistical business registers. This output also includes metadata such as reference dates, event dates and input sources.

2.16 Legal units, their local parts and information on controlling/ownership relationships are usually the building blocks for creating and maintaining of statistical units in accordance with shared definitions and methodology (see [Chapter 4](#)). This delineation and maintenance of statistical units can use automated algorithms, possibly supplemented by manual interventions, for example profiling. Member States may need to apply their own specific algorithms depending on the administrative or legal sources of input.

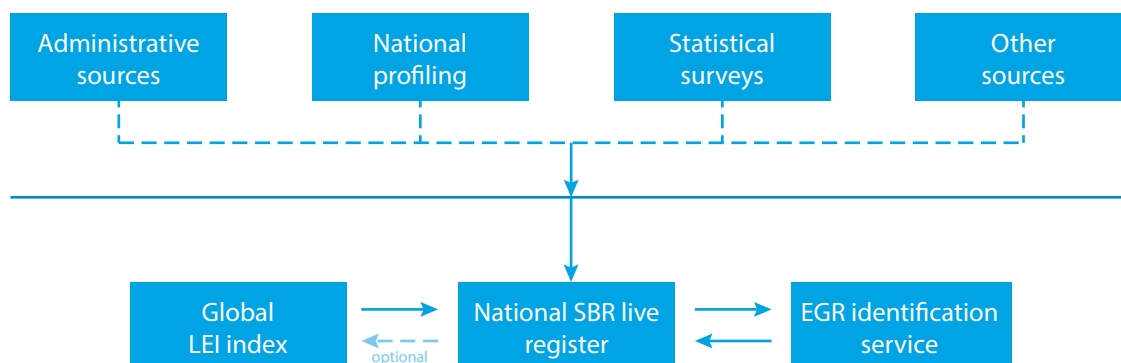
2.17 Entries into and removals from the statistical business register have to be updated at least annually. The frequency of updates depends on the statistical unit, its variables, its size, its use, the availability of sources used for the maintenance of the live register and the available resources.

2.18 An essential ability of a live statistical business register is the assignment of unique identifiers to all statistical units, enabling efficient communication with statisticians, data providers, the EGR and other Member States. The same applies to administrative units if different administrative sources use different identifiers. In the context of the European framework for statistical business registers, Eurostat provides help from the EGR Identification service to assign a worldwide unique identifier to all legal units included in the EGR. For national purposes, Member States

maintain their own identifiers for legal units in their statistical business registers, and also keep the unique identifiers received from the EGR for establishing communication between the legal units in the EGR and in the statistical business registers.

2.19 Applying continuity rules to the unique identifiers secures the need to follow the life cycle of statistical units, an essential statistical business register quality requirement arising from statistical production processes. In the event of new information about a statistical unit, a decision has to be made about whether the unit keeps its initial identity in the statistical business register, is deactivated in the statistical business register or is included as a new unit.

Figure 2.1: Live statistical business register



Section 2.3 Provider of master frame populations

2.20 An important aspect of the credibility of business statistics is their consistency of target populations of statistical units across statistical domains. The statistical business register supports data integration, when data from two surveys are available about the same population (or the same subpopulations), when more subpopulations of the economy can be integrated into a bigger population or when monthly or quarterly data are consolidated into consistent annual data.

2.21 To be the authoritative source of national statistical business register populations, a statistical business register produces register snapshots, called statistical business register master frames. Master frames are derived from the live register and allow the statistical business register to fulfil the backbone role in the production of business statistics. Master frames build the input for the selection of survey frames. A master frame contains the set of statistical units valid for a specific reference period and hence represents a coordinated population of statistical units in space and in time. A master frame contains all (according to the information in the register) active statistical units for the specific reference period. It also contains the links between statistical and administrative units that are valid (or should be used) for the data collection of the reference period. Master frames may refer to periods: a month, a quarter or a year.

2.22 Statisticians need a survey population at the start of the data collection process. The timing of the production processes differs from survey to survey. For example, a survey based on direct data collection needs a population of enterprises (survey frame) at the start of a statistical production process, at or just after the end of a reference period, whereas a survey based on administrative data needs a population at a later stage, dependent on when this kind of data is available.

2.23 Statistics are produced for different reference periods: year, quarter or month. Moreover, the actual point in time when a data collection starts may differ from one survey to another. The need for consistency requires controlling measures to secure coherence between the annual and sub annual (quarter or month) populations, for example measures ensuring that changes in sub annual frame populations reflect real changes that have happened to those populations or, when they reflect corrections of errors, measures that also implement the corrections in the previously released frames. Such controlling measures should ensure that the content of a master frame and the corrections applied to it are implemented in all relevant statistical processes that will use the master frame ('chain management' may be an organisational solution). Chain management is as a model describing how different actors can work together without a hierarchical organisation to achieve a common goal (Eurostat, 2018, ESBRs Interoperability Framework, page 8).

2.24 The live statistical business register is regularly or continuously updated. This requires the live register to have the capacity to assign a time stamp or a validity date to all the variables stored in it. A live register allows one to update not only topical information (in other words the latest available value of a certain variable) but also past information (in other words the value of a certain variable with time lag) or to apply corrections to previously registered information. Therefore, the content of a frame population for a certain reference period derived from the live register is dependent on the point in time when the selection from the live statistical business register is made.

2.25 Master frames fulfil the backbone role for business statistics. The European System of Interoperable Statistical Business Registers (ESBRs) produces two types of master frames (see [Chapter 10](#)): a national master frame serving national statistics and a global master frame serving the coordination between countries of statistics on globalisation.

2.26 The production of a national master frame precedes the production of a global master frame. The global master frame integrates information on a global enterprise group with information on an enterprise created in a national master frame. This has an impact on the timeliness of the global master frame. The basic requirement is that the two master frames should be seamlessly linked: global master frames contain exact copies of global parts of national master frames. This requires that national enterprise information be available in the national master frame before the global master frame is created. If the national enterprise information is available in the national master frame at a later point in time, there should be the possibility of updating the final version of the master frame in order to ensure the seamless link.

Box 2.2: National statistical business registers and the EuroGroups Register (EGR) as authoritative sources

National statistical business registers and the EuroGroups Register shall be the authoritative source for deriving high quality and harmonised statistical business register populations in accordance with Article 17, for the production of European statistics.

National statistical business registers shall be the authoritative source for national statistical business register populations. The EuroGroups Register shall be the authoritative source for the ESS as a register population for business statistics requiring the coordination of cross-border information related to multinational enterprise groups.

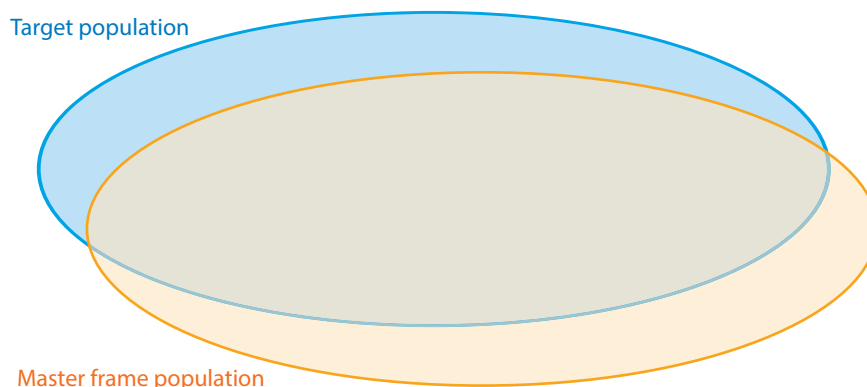
Source: Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, Chapter IV, Article 8(4)

2.27 For each reference period, a master frame consists of all the statistical units that, according to the live register, are active in the specified reference period, together with identifiers and variables, which describe the structure of the population needed for the delineation of survey frames.

2.28 Master frames are derived from statistical business register live registers. The production of master frames, which takes into account the needs for topical information on one side and on the other side the need for survey frames that enable the coordinated production of consistent business statistics, may require the creation of one or more versions: an initial version, one or more intermediate versions and one final version. The number of versions and the timing of national frames may vary from Member State to Member State depending on national statistical policies and systems.

2.29 In an ideal situation, a master frame population reflects exactly the target population of business statistics. Given the quality of a live register and the point of time of selection of a master frame, generally a master frame population and a target population do not fully overlap (Figure 2.2). A master frame comprises the best possible reflection of the target population at the point in time when it is extracted from the live register.

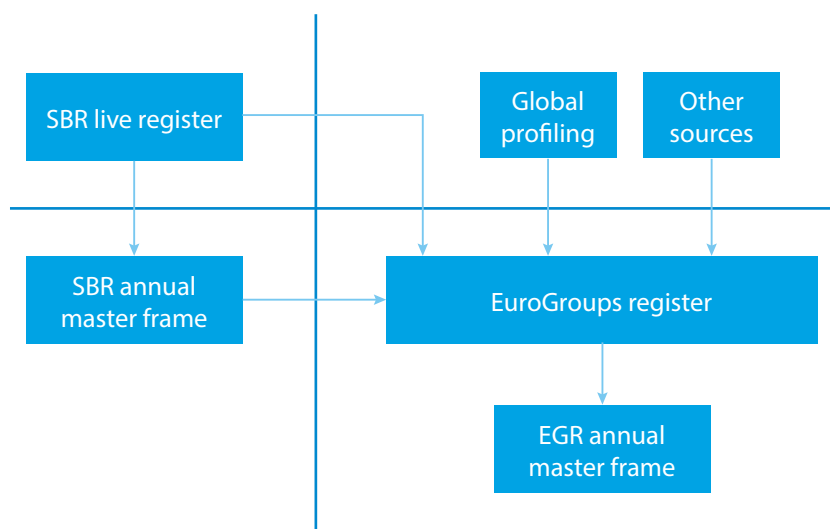
Figure 2.2: Target population and master frame population



2.30 It is generally accepted that only after a certain period of time will a statistical business register be able to provide a close approximation to the population of interest for a certain reference period. The quality of a master frame depends on the quality of the information about the existence of units and their variables, and on the reference period for which statistics are being compiled at the moment of selection. Therefore, the population provided is the best possible approximation of the target population. Information on the quality of a master frame population, especially concerning over- and/or under-coverage, is indispensable for allowing statistical production processes to adapt estimations.

2.31 In the context of the European framework for statistical business registers, the EGR produces EGR annual master frames (an initial, a preliminary and a final version), which integrate statistical business register annual frames with cross-border information from statistical business register live registers and adds supranational unit types with their variables. The EGR produces global annual master frames serving statistics on globalisation such as FATS by providing the coordinated frame population of multinational groups in the EU and, regarding enterprises, information on the country of the ultimate controlling institutional unit (UCI), global group head (GGH) and global decision centre (GDC) to ensure the coherence of inward and outward FATS between countries.

Figure 2.3: Annual master frames



2.32 Statisticians need to compare particular frame populations of statistical units for consecutive reference periods and to describe and explain the differences. For this reason, and in line with the EBS regulation, Member States must keep a copy of (the final version of) a national annual master frame for at least 30 years. Demographic events linked to legal and statistical units must describe the population changes between two consecutive annual master frames.

2.33 In practice, the implementation of a statistical policy based on the creation of an integrated system by using master frames is a stepwise process of designing new surveys, redesigning surveys or continuously improving repeated surveys. A survey design process may pave the way for the integration of surveys by assigning suitable survey frames selected from master frames. It assigns the building blocks of the populations and the common classifications that might help to integrate data coming from different surveys.

Section 2.4 Provider of survey frame populations

2.34 The use of a master frame as a basis for the extraction of survey frames supports the coordination, consistency, comparability and efficiency of annual, quarterly or monthly surveys by:

- supporting the effective coordination of samples to manage overlap (for example panel populations) or rotation, to spread response burden or to exclude units from data collection for a certain period ('survey holidays');
- enabling the harmonisation and integration of data collected in different surveys;
- supporting communication with the data suppliers;
- improving the efficiency and quality of the data collection processes;
- utilising knowledge about data suppliers from other surveys;
- monitoring and evaluating data collection processes;
- supporting the measurement of and deciding measures on the response burden.

2.35 A survey frame identifies the population of statistical units for a particular survey or a set of surveys. Survey frames are extracted from a master frame. A survey may use a census approach by including all the units in the survey. In a sampling survey, a survey frame serves as a sampling frame. If a sample design of a survey is based on a panel approach, information on previous samples should be available as well as the possibility of linking the units in the population frames. Previous master frames could also serve as input for stratification in designing the sampling strategy, for example fast-growing enterprises.

2.36 Survey frames contain the set of statistical, legal and (linked) administrative units that match the specification of the survey target population and are active during the survey reference period, together with the required economic and stratification variables.

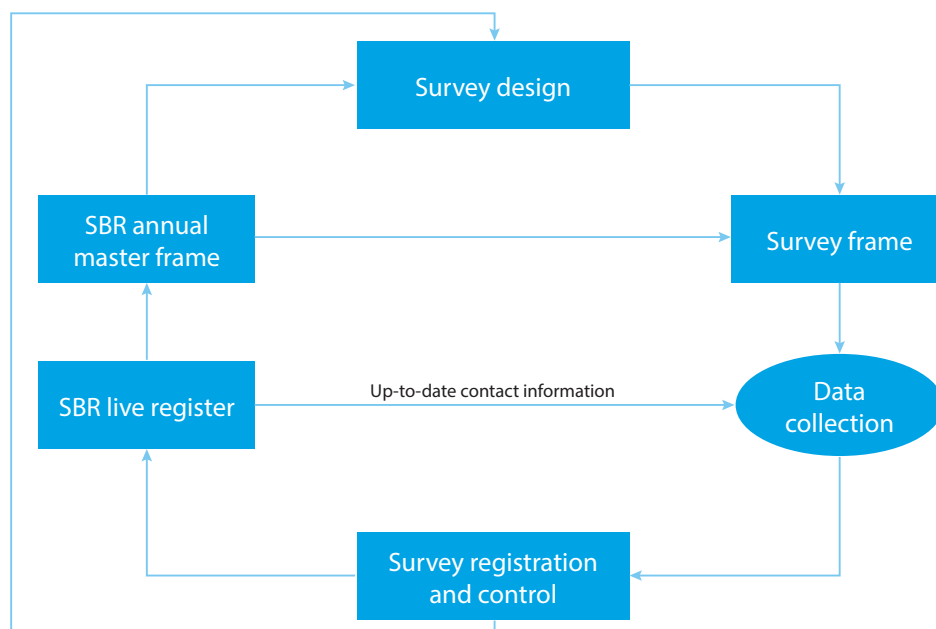
2.37 Thus, for example, a survey on employment will include active units that are employers, in other words it will exclude units that are non-employers. A survey on manufacturing will include active units that have a NACE code in the manufacturing group, whether they have employees or not. Thus, the frames for different surveys for a given reference period are different from one to another, even though they are extracted from the same common set of units, namely the population in the master frame.

2.38 There may be surveys that need stratification variables that are not available in the live statistical business register and thus in the master frame. In these cases, an option is to enrich the master frame with variables not present in the statistical business register.

Section 2.5 Provider of survey support

2.39 Survey frames may provide support on three areas of statistical activity: data collection, survey registration and control, and survey design (Figure 2.4).

Figure 2.4: Provider of survey support



2.5.1 Data collection

2.40 A statistical production process may use different methods of data collection: survey data collection or (re) use of existing data. A target population of a particular survey consists of statistical units. A survey frame contains information on observation units. An **observation unit** is a unit about which data can be obtained. In most cases, a statistical unit is equal to a unit on which data are available in the bookkeeping systems of a business. In these cases, an observation unit is equal to a statistical unit. However, in some cases the observation unit is not equal to a statistical unit, which may occur if an enterprise consists of more than one legal unit. Another example is a case in which tax data are used in data collection processes and the tax unit differs from the statistical unit.

2.41 A survey frame keeps links between statistical units and observation units, using the information on links available in a statistical business register. A survey frame contains information on reporting units too. A **reporting unit** is the unit that reports data on certain observation units for a particular survey to a statistical institute. For each statistical unit, a reporting unit is assigned. A reporting unit can be another organisation, for example an accountancy firm.

2.42 Although contact information on reporting units can be included in a survey frame, it is more efficient to use up-to-date detailed contact information on the reporting units (name, contact person, address, email address, phone number, etc.) in the statistical business register live register or in a satellite 'contact register', which can be accessed and used by all surveying units. This ensures that all units have the same contact information. The likelihood of contacting a reporting unit is higher when the most recent contact or communication information is available.

2.43 Moreover, it is recommended to provide information on the reporting unit's preferred response mode for the survey, by making available a range of modes: paper, telephone, face-to-face, web-based or machine-to-machine (M2M) ways of collecting data.

2.5.2 Survey registration, control and response burden measurement

2.44 The survey registration process provides information about the observation units about which data are to be collected and about the reporting units that have to provide these data.

2.45 To monitor the data collection processes, reporting units in the survey frame should be monitored throughout the collection process. The administration of reminders or attempts to contact reporting units may be recorded not only to ensure that follow-up is efficiently conducted, but also to support any potential subsequent enforcement of a response.

2.46 Reporting unit response rates (by mode in the case of multiple modes) and questionnaire item non-response rates are important in monitoring the quality of the survey outcomes and measuring the actual response burden.

2.47 Units that are involved in different surveys, or on repeated occasions for the same survey, can be the subject of a policy to reduce and/or spread response burden. For example, there could be a policy to observe small enterprises only once every 2 years or to participate in not more than one survey per year. In addition, enterprises that have already participated in surveys for a certain period may be given a 'survey holiday' (in other words a period in which they are excluded from data collection).

Section 2.6 Facilitator of microdata-linking activities

2.48 Microdata linking provides an opportunity to discover new information and to develop new statistics and indicators, both when using existing data sets and also when combining them with new data collections. The demand for economic information is constantly increasing, with the result that statistical surveys may put an increasing burden on enterprises. On the other hand, digital data are becoming increasingly available; not only administrative data such as tax data, but also data available in other statistical institutes, in businesses themselves, scanned data or data available on the internet (for example data collected with techniques such as web scraping). The use of internal and external digital data coincides with the increasing political pressure to reduce the statistical burden on respondents and the costs of producing statistics.

2.49 Business registers, with their microdata-linking services, offer opportunities to use external data and to integrate them into statistical production processes. To implement microdata-linking services, the business registers need to have certain core features and capabilities for (probabilistically) matching external unit types with unit types in the business register on the basis of identifying information, and for creating and maintaining the links between the external unit types and statistical units.

2.50 The business registers cover a specific set of variables on businesses, including the key variables such as economic activity, and a classification of this activity and size measured in persons employed and demographic events such as mergers/acquisitions, births and deaths. Linking these data at the micro level to a wide variety of administrative data, other data sets or survey data can provide new insights into the relationship between enterprise characteristics and enterprise performance.

2.51 The central role of the business register is emphasised when carrying out microdata-linking exercises. Data linking with trade statistics includes the possibilities of using either trade by enterprise characteristics (TEC) data or international trade in goods statistics (ITGS) as well as business demography (BD) and statistics on foreign affiliates (FATS). The experiences of the recent micro data linking exercise are presented in the, 'Micro data linking' guidelines (Eurostat, 2019).

2.52 The business registers could include a service to provide all national public administrations with a reference database, in order to allow them to reduce the work of maintaining the information necessary for the business registers and at the same time support operations of data linking. In such a case, the business register can become the unique reference database. This could also be in line with the 'once only principle' endorsed by the European Commission.

Section 2.7 Facilitator of data exchange

2.53 The organisation of the provision of business register data differs profoundly from country to country. In some countries a legal or other administrative register meets this demand so well that demands for access to microdata from the statistical business register are minimal, whereas in other countries the statistical business register may also operate as an administrative register, so demands for access are much greater.

2.54 The divergences in accessing data from national statistical business registers are due in part to differences in national laws and regulations on statistical activities and on the protection of data on individual units recorded in the files.

2.55 There is a legal framework for the exchange and sharing of microdata in the European Statistical System (ESS). The exchange of and access to microdata by the national statistical authorities (NSAs) that produce business statistics and maintain the European framework for statistical business registers should be enabled, for the development, production and dissemination of national or European business statistics or to increase the quality of European business statistics (see [Annex A](#)).

2.56 A complex question for a national statistical institute (NSI) is the legal basis for sharing microdata with statistical authorities of other countries or with international organisations. International standards regarding the legal basis for microdata sharing are not yet established. Exchange of data on multinational enterprise groups can be seriously hampered by the requirements that, first, data be used exclusively for statistical purposes and, second, disclosure of data about individual statistical units be forbidden. The capability to transfer the data to another country depends on confidentiality requirements within the sending country. The receiving country is responsible for satisfying whatever conditions are imposed by the sending country and its own confidentiality laws.

2.57 Exchanges require close cooperation between the partner countries, comparable rules for the use and protection of confidential data, a solid agreement between the countries and, above all, trust that data are not misused. NSIs face increasing demands for consistent statistics on globalisation. Data exchange is important in achieving consistency in statistics based on cross-border information but also to coordinate data collections, for example in cases of FATS and foreign direct investment (FDI) statistics. Data exchange facilities (including options for allowing the linking of information technology systems) contribute to a reduction of the reporting burden and an increase in the consistency of cross-border statistics.

2.58 For example, in cases of FDI statistics, variables of 'fellow enterprises' in the EGR could be used. Furthermore, EGR offers opportunities to base data collections on a 'leading compiler' or 'single flow' approach. In the case of a leading compiler approach, a global enterprise group reports outward FATS and/or FDI data on behalf of the entire enterprise group to one compiler in the EU, which shares these data with partner compilers. A single flow approach ensures that data are collected only once, instead of several times in both the sending and the receiving country, as they are at present, for instance in FDI data collections.

2.59 For this reason, the European Union Member States have created the European framework for statistical business registers including a central data store, functionalities for processing, integrating and maintaining data, and a legal basis for sharing and exchanging information on multinational enterprise groups. This store contains confidential as well as non-confidential data.

Box 2.3: European framework for statistical business registers

[Recital 15] *The exchange of and access to microdata by the NSAs producing business statistics and maintaining the European framework for statistical business registers should be introduced, for the development, production and dissemination of national or European business statistics or for increasing the quality of European business statistics. The exchange of microdata should be limited to duly justified cases.*

[Article 10(1)] *[T]he exchange of confidential data on multinational enterprise groups and on the units belonging to those groups, comprising the variables listed in Annex IV, shall take place, exclusively for statistical purposes, between the NSAs of different Member States, where the exchange is to ensure the quality of the multinational enterprise groups information in the Union. Such exchanges may also take place with the purpose of reducing response burden.*

Where such exchange of confidential data is carried out to ensure the quality of the multinational enterprise groups information in the Union and the exchange is explicitly authorised by the competent NSA which provides the data, national central banks may be party to the exchange of confidential data, exclusively for statistical purposes.

Source: Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics

2.60 This legal framework obliges national statistical authorities of Member States to transmit data about multinational enterprise groups and about the units belonging to these groups to Eurostat for the purpose of maintaining the EGR. Eurostat is obliged to transmit to the competent NSAs of each Member State data on multinational enterprise groups, including the units belonging to these groups, when at least one legal unit of the group is located in the territory of that Member State.

2.61 To ensure uniform conditions for the technical implementation of data exchanges, the format, security and confidentiality measures and the procedure for the exchange of confidential data for the purpose of the European framework for statistical business registers have to be conferred.

2.62 To ensure the efficiency and quality of the EGR, Eurostat provides access and functionalities to national staff of statistical business registers to interactively update cross-border information in the EGR, especially cross-border control/ownership relationships between legal units and core variables of global enterprise groups such as the (country of) GDC. An important functionality is the identification service for defining a worldwide unique identification of legal units.

2.63 Crucial in data exchange today are the use of Statistical Data and Metadata eXchange (SDMX) as standard; secure channels for data communication; and the use of M2M communication.

2.64 In cases of large and complex multinational groups, consistent statistics on globalisation demand consistent statistical unit structures between countries. A profiling service supports Member States to delineate relevant and coherent statistical units, providing features to share, coordinate and validate information on statistical units.

3

Coverage of statistical business registers

Section 3.1 Introduction

3.1 This chapter deals with the required coverage of the national statistical business registers. The basic coverage requirements are laid down in the EBS regulation and do not differ conceptually from those of the preceding definitions of the 2008 BR regulation (Regulation (EC) No 177/2008). However, as the register system now covers both the national statistical business registers and the EuroGroups Register (EGR) to form the European framework for statistical business registers (SBRs), the legal basis also covers both components. Furthermore, the legal basis refers both to the types of units that should be included in the national statistical business register and to the activities that should be covered.

3.2 [Section 3.2](#) describes the coverage requirements as defined in the legal basis, followed by [Section 3.3](#), which focuses on those units and activities that might be excluded in the national statistical business registers. [Section 3.4](#) refers to activities that should be covered and finally [Section 3.5](#) discusses specific coverage issues related to thresholds and other circumstances.

Section 3.2 Required statistical business register coverage

3.3 The required coverage of the statistical business registers is defined in Article 2(2) of the EBS regulation. The focus of the interpretation of this article is on the coverage requirements of the national statistical business registers.

3.4 As stated above, there is practically no basic change in the required coverage of the national statistical business registers compared with the required coverage laid down in the 2008 BR regulation. The coverage is defined by referring to units engaged in economic activities and thus contributing to gross domestic product (GDP). The scope of the national statistical business registers is defined in Article 2(3) of the EBS regulation, which lists the types of statistical units that should be registered. Box 3.1 reproduces the relevant text of this article.

Box 3.1: Definition of statistical business register coverage according to the EBS regulation

Article 2

Scope

2. The European framework for statistical business registers shall cover the national statistical business registers and the EuroGroups Register, as well as the data exchanges between them in accordance with Article 10.

3. The national statistical business register referred to in paragraph 2 shall comprise:

- (a) all enterprises carrying out economic activities contributing to the gross domestic product (GDP), and their local units;
- (b) the legal units of which those enterprises consist;
- (c) for those enterprises which due to their size have a significant influence and whose kind-of-activity units (KAUs) have a significant influence on the aggregated (national) data either:
 - i) the KAU and size of each KAU of which those enterprises exist; or
 - ii) the NACE code of the secondary activities of those enterprises as laid down in Regulation (EC) No 1893/2006 of the European Parliament and of the Council and the size of each of those secondary activities;
- (d) enterprise groups to which those enterprises belong.

4. The EuroGroups Register shall comprise the following units, defined in Council Regulation (EEC) No 696/93:

- (a) all enterprises carrying out economic activities contributing to the GDP which form part of a multinational enterprise group;
- (b) the legal units of which those enterprises consist;
- (c) multinational enterprise groups to which those enterprises belong.

5. Households shall not fall within the scope of the European framework for statistical business registers insofar as the goods and services they produce are destined for their own consumption, or involve letting out of own property.

6. Local units of foreign enterprises not constituting separate legal entities (branches), and classified as quasi-corporations in accordance with Regulation (EU) No 549/2013, shall be deemed to be enterprises for the purposes of national statistical business registers and the EuroGroups Register.

7. Enterprise groups shall be identified through the links of control between their legal units in accordance with Regulation (EU) No 549/2013.

8. When referring to national statistical business registers and the EuroGroups Register, this Regulation shall apply only to units which, wholly or partly, exercise an economic activity and economically inactive legal units, which are part of an enterprise in combination with economically active legal units.

9. For the purposes of the European framework for statistical business registers, the following shall be considered to be an economic activity:

- (a) any activity comprising the offer of goods and services on a given market;
- (b) non-market services contributing to the GDP;
- (c) direct and indirect holdings of active legal units.

Holding assets and/or liabilities may also be considered to be an economic activity.

10. Statistical units within the European framework for statistical business registers shall be defined in accordance with Regulation (EEC) No 696/93 of the Council, subject to the limitations specified in this Article.

Source: Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics

3.5 According to the legal basis, the national statistical business registers should comprise all enterprises resident in the national territory that are carrying out activities contributing to GDP. The inclusion of an enterprise in the national statistical business register thus does not depend on the size of the enterprise, the legal form or the economic activity performed. It is also irrelevant whether an enterprise is part of a domestic or multinational enterprise group or not, and whether its activities are market or non-market ones.

3.6 As according to the regulation on statistical units (Council Regulation (EEC) No 696/93) the term 'enterprise' covers all kinds of institutional units, the statistical business register coverage requirement also includes government units and non-profit institutions. In terms of the classification of the institutional sectors according to the *European System of Accounts: ESA 2010* (Eurostat, 2013), the coverage of the national statistical business register could be viewed as comprising units that are classified in the following institutional sectors:

- S.11 Non-financial corporations,
- S.12 Financial corporations,
- S.13 General government,
- S.141 and S.142 Households as employers and own-account workers,
- S.15 Non-profit institutions serving households.

3.7 The legal basis of Article 2 of the EBS regulation not only refers to the coverage of the national statistical business registers in terms of the activities to be covered, but also lists the (statistical) units that should be incorporated and maintained:

- enterprises,
- legal units of which the enterprises consists,
- local units of the enterprises,
- either the KAUs that have a significant influence on the aggregated (national) data or the NACE code of the secondary activities of those enterprises and the size of each secondary activity,
- enterprise groups to which these enterprises belong.

3.8 The statistical units are to be defined as in Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community (Article 2(10)). Concerning these definitions see [Chapter 4](#).

3.9 Article 2(5) of the EBS regulation also defines certain exemptions from the required coverage with respect to certain household activities (see [Section 3.3](#)).

3.10 Article 2(4) of the EBS regulation specifies that the enterprise groups are to be identified through the links of control between their legal units.

3.11 The two remaining parts of Article 2 of the EBS regulation refer to specific issues in the treatment of certain unit situations:

- local units of foreign enterprises that have no separate legal entity are to be treated as enterprises (Article 2(6));
- economically inactive legal units that are part of an enterprise in combination with economically active legal units should be covered in the national statistical business register (Article 2(8)).

3.12 Economic activity (Article 2(9)) is defined as (a) any activity comprising the offer of goods and services on a given market, (b) non-market services contributing to GDP and (c) direct and indirect holdings of active legal units. Holding assets and/or liabilities may also be considered to be an economic activity.

For explanations of the relevant statistical units see [Chapter 4](#).

Section 3.3 Explicit exclusions from the statistical business register coverage

3.13 Only two types of activities are explicitly excluded from the coverage of the national statistical business registers. These are certain activities of private households. However, it should be mentioned that these activities may of course be included in the national statistical business registers for practical reasons or for specific national purposes. It should, however, be possible to separate these units so that international comparisons will not be biased.

3.14 Article 2(5) of the EBS regulation states that its requirements shall not apply to households insofar as the goods and services they produce:

- are destined for their own consumption; or
- involve letting out of own property.

3.3.1 Production for own consumption

3.15 Activities of households producing goods or services for their own use are defined in Division 98, 'Undifferentiated goods- and service-producing activities of private households for own use', of NACE Rev. 2. These activities cover only subsistence producing activities. When a household produces for the market, the household is classified in the appropriate goods- or service-producing activity of NACE Rev. 2.

3.16 Goods produced by the household may be consumed by the household itself, for example production from domestic gardens, or invested in the household, for example do-it-yourself activities. Households are generally only regarded as enterprises, and hence included in statistical business registers, if their production is greater than that required for their own consumption and the surplus is sold or traded in some way, for example surplus vegetables sold on a market stall. Households producing services for their own use should also be excluded from the statistical business registers. Thus, units classified in Division 98 of NACE Rev. 2 should be excluded from the statistical business registers.

3.3.2 Letting out of own property

3.17 The second kind of activity relates to renting of own or leased real estate of private households. This activity is defined in Class 68.20 of NACE Rev. 2.

68.20 Renting and operating of own or leased real estate

This class includes:

- **renting and operating of self-owned or leased real estate:**
 - apartment buildings and dwellings
 - non-residential buildings, including exhibition halls, self-storage facilities
 - land
- **provision of homes and furnished or unfurnished flats or apartments for more permanent use, typically on a monthly or annual basis**

This class also includes:

- development of building projects for own operation
- operation of residential mobile home sites

This class excludes:

- operation of hotels, suite hotels, holiday homes, rooming houses, campgrounds, trailer parks and other non-residential or short-stay accommodation places, see Division 55.

Source: Eurostat (2008), NACE Rev. 2 — Statistical classification of economic activities in the European Community, p. 236

3.18 It is recommended that household lessors — but no other lessors — be excluded from the statistical business register in order not to inflate it unnecessarily, as their letting generally occurs on a small scale. For larger scale letting activities, an enterprise is generally established, and this should be included in the register. However, in the administrative source used, the distinction between household and enterprise lessors may sometimes be difficult to define. In that case, the NSI may be compelled to also include household lessors (or some of them) in the register. It should also be noted that legal units are sometimes created to let own property to other legal units under the same control. Such legal units could be regarded as separate factors of production and are considered in more detail in Section 4.5.2.

Section 3.4 Additional recommended coverage

3.4.1 Households as employers of domestic personnel

3.19 Households as employers of domestic personnel should be included in the national statistical business registers. These activities are defined in Division 97 of NACE Rev. 2.

97.00 Activities of households as employers of domestic personnel

This class includes the activities of households as employers of domestic personnel such as maids, cooks, waiters, valets, butlers, laundresses, gardeners, gatekeepers, stable-lads, chauffeurs, caretakers, governesses, babysitters, tutors, secretaries etc.

It allows the domestic personnel employed to state the activity of their employer in censuses or studies, even though the employer is an individual. The product produced by this activity is consumed by the employing household.

This class excludes:

- provision of services such as cooking, gardening etc. by independent service providers (companies or individuals), see according to type of service.

Source: Eurostat (2008), NACE Rev. 2 — Statistical classification of economic activities in the European Community, p. 312.

3.20 Division 97 is strictly limited to the activities of households as employers of domestic personnel as listed in the NACE explanatory notes above. Units classified in this division are generally out of scope for business surveys, but their inclusion in a statistical business register allows it to be used in connection with employee or household-based surveys, such as the labour force survey and the population census, in which employees of these units are likely to be included.

3.21 Division 97 is not explicitly excluded from the scope of statistical business registers in the EBS regulation, and in most Member States it is included, at least to some extent. Information on units in this division can generally be obtained from administrative sources concerning employers. A further potential benefit of including units in Division 97 is that households employing persons are very often also involved in other ('real') businesses and having them in the register may help in keeping the two activities separate. The conclusion is that, although the inclusion of Division 97 may be useful, it can be considered optional, depending on the national circumstances.

3.22 Activities of households classified in Divisions 97 and 98 as well as letting out of real estate (Group 68.2) should be distinguished from the business activities of a natural person (a legal unit) entered in the register as the legal basis of an enterprise. If they also employ domestic staff, these people should not be included in the count of employees for this enterprise. Similarly, the amount of rent received by that person for their buildings must not be included in the turnover recorded for their enterprise, nor should the value of the buildings be included in the assets if this variable is recorded, unless those buildings are actually used as a factor of production by the enterprise.

3.4.2 Activities of extraterritorial organisations and bodies

3.23 Extraterritorial organisations and bodies as well as foreign embassies are not part of the national economic territory and thus do not contribute to the national GDP. Hence, their inclusion in the national statistical business registers might be difficult, especially as concerns the economic variables, such as employment. Such units are not covered by economic surveys, as national laws are not able to state the reporting obligations of these units even if, for the practical reasons of capturing such units and their variables, their inclusion in the national statistical business registers is recommended. One reason to include these units is that extraterritorial organisations and foreign embassies may also employ citizens of the host country and are thus employers. For censuses or other kinds of employment statistics, these employees can state their employer.

3.24 Activities of Extraterritorial organisations and bodies are defined in Section U of NACE Rev. 2.

99.00 Activities of extraterritorial organisations and bodies

This class includes:

- **activities of international organisations such as the United Nations and the specialised agencies of the United Nations system, regional bodies etc., the International Monetary Fund, the World Bank, the World Customs Organisation, the Organisation for Economic Co-operation and Development, the Organisation of Petroleum Exporting Countries, the European Communities, the European Free Trade Association etc.**

This class also includes:

- **activities of diplomatic and consular missions when being determined by the country of their location rather than by the country they represent.**

Source: Eurostat (2008), NACE Rev. 2 — Statistical classification of economic activities in the European Community, p. 313.

3.25 The international organisations, embassies and foreign government representations can be split into two groups.

1. Those whose sites are deemed to form part of the economic territory of another country (for example embassies, consulates, military bases), which should therefore be included as units in the statistical business register of that country. Such units would probably come under NACE Rev. 2 Section O in the controlling country. These units should not be included in the statistical business register of the host country.
2. Those whose sites do not form part of the economic territory of another country. This group includes units such as international organisations (for example the United Nations and its agencies, the European Communities, OECD, IMF, World Bank), which may not technically be part of the economic territory of the host country (according to the definition in the ESA 2010 (Eurostat, 2013, paragraph 2.06), but should be included in the business register of that country for the sake of completeness, as they would not appear in any other business register. NSIs can then decide whether or not to include such units in their various outputs. This allows the employees of this type of extraterritorial organisation to state the activity of their employer in censuses or other kinds of employment statistics.

Section 3.5 Specific coverage issues

3.26 This section deals with certain categories of units that should be in the scope of the national statistical business registers but might not, or not entirely, be covered for reasons of data sources or other circumstances. The first and most important issue refers to the very small enterprises that may not, or only to some extent, be included in any of the administrative sources, because of their thresholds. Conceptually related is the issue of the informal sector, which covers units that are economically active but are not registered in an administrative source. The third issue refers to illegal and underground activities.

3.5.1 Very small businesses

3.27 In principle, all enterprises should be included in the national statistical business register, whatever their size. There are difficulties, mainly due to the dependence of the statistical business registers on administrative sources, in which differing thresholds may exist, possibly even within the same country.

3.28 The regulation on statistical units states in the definition of local units that, save for certain exceptions, one or more persons must work, even if only part-time, in a local unit (and therefore also in an enterprise). It is deemed impossible to create an enterprise without a combination of factors of production involving a minimum amount of labour. Thus, an enterprise must provide employment, be it voluntary or paid. Using a lower threshold (in other words less than one person half-time) or no threshold at all is the preferred goal and should then be done in a consistent way for all NACE sections.

3.29 However, even if nobody works even part-time in the enterprise, it should not automatically be excluded. Other information, especially turnover, must be checked first. There may be reasons for the lack of employment, for example the arrangement of legal units and enterprises within an enterprise group (see [Section 4.5](#)). The major exception to the employment rule concerns holding companies, which must be recorded as enterprises if they control more than one enterprise, even if they do not declare any employment.

3.30 Another problem area of under-coverage in registers concerns self-employed professionals (non-employers or one-person enterprises), who play a very important role in several NACE sections. Many countries have administrative sources covering at least some of these, for example social security sources, tax files on persons, files of chambers of crafts or lists of doctors. Nevertheless, attempts should be made to include these units in the statistical business register wherever possible.

3.31 There are also entities that constitute an 'organisational unit producing goods or services' and could, therefore, be regarded as enterprises and included in the registers, but fail to meet the employment and turnover thresholds, and thus may not be included in the administrative sources used to maintain the register. These can be, for example, statistically insignificant non-profit institutions (significant non-profit institutions should show at least voluntary employment). Ideally these units should be included in the register, but updating such units may be difficult and very costly. Possible solutions are to exclude them from the register, or to include them in the register but exclude them from surveys and analyses.

3.32 It should be recognised that the inclusion of very small enterprises is today less of a problem than it was a decade ago. The reasons for fuller coverage nowadays are certainly the increased coverage and better availability of appropriate administrative sources. In various countries the need to apply thresholds is no longer required.

3.5.2 Informal sector

3.33 The informal sector has been defined at the Fifteenth International Conference of Labour Statisticians in its resolution concerning statistics of employment in the informal sector (ILO, 1993). The informal sector is characterised as consisting of units engaged in the production of goods and services with the primary objective of generating employment and incomes for the persons involved in the production. These units typically operate at a low level of organisation, with little or no division between labour and capital as factors of production, and on a small scale. Labour relations — where they exist — are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees. The units in the informal sector are a subset of the household unincorporated enterprises producing for the market and not being registered in any administrative source.

3.34 While the units in the informal sector are market producers, but usually quite small ones, they are not registered by any government legislation valid for enterprises. It is mainly this fact of not being registered in administrative records that makes these units informal. Nevertheless, the activities of the units in the informal sector contribute to GDP and should in principle be covered in the statistical business registers. The informal sector plays a significant role in less developed countries. However, in the EU the informal sector is usually quite small owing to the various legal requirements for registrations and a well-developed system of administrative registers, which are used in the maintenance of the statistical business registers. It can thus be concluded that no specific efforts are required to analyse and capture the units in the informal sector in the national statistical business registers.

3.5.3 Illegal and underground activities

3.35 According to ESA 2010 (Eurostat, 2013, European system of accounts) illegal and underground activities are to be considered transactions and included in the production boundary and thus are to be included in GDP when all units involved enter the actions by mutual agreement. Illegal activities may cover the production and distribution of illegal goods or services, the production of goods and services by unauthorised or unlicensed producers, the production and sale of counterfeit products, smuggling, bribery or money laundering. Underground production may be legal in principle, but is deliberately concealed from public authorities, in order to avoid paying taxes, having to meet certain legal standards, such as minimum wages, working hours or safety, or to avoid certain administrative procedures. Given the nature of these activities they are not covered by administrative sources and would also not be collectable on the basis of statistical surveys.

3.36 Illegal and underground activities are clearly out of the reach of statistical business registers. In order to include them in GDP, national accounts need to make estimates. No specific efforts are required to be undertaken to cover units in illegal and underground activities in the national statistical business registers.

3.5.4 Summary of the required coverage

3.37 Table 3.1 provides a summary of the required coverage of the national statistical business registers.

Table 3.1: Required statistical business register coverage

Activity type	Enterprise type	Required coverage
Formal	Non-financial corporations and quasi-corporations	Yes
	Financial corporations and quasi-corporations	Yes
	Unincorporated household enterprises	Yes
	Government	Yes
	Non-profit institutions serving households	Yes
	Household as employers of domestic personnel	Recommended
	Household production for own consumption	No
	Letting of own property by households	No
	Extraterritorial organisations and bodies	Recommended
Informal	Non-registered unincorporated household enterprises	No
Illegal	Corporations and household enterprises	No
Underground	Corporations and household enterprises	No

4

Units in statistical business registers

Section 4.1 Introduction

4.1 This chapter deals with the units that should be recorded and maintained in the national statistical business registers according to the EBS regulation. These are the units:

- enterprise group,
- enterprise,
- local unit,
- kind-of-activity unit.

4.2 According to the EBS regulation the national statistical business registers should comprise either the kind-of activity unit (KAU) and its size or the NACE code and size of each secondary activity of those enterprises that, owing to their size, have a significant influence and whose KAUs have a significant influence on the aggregated (national) data. In addition to these statistical units, the legal units also need to be covered. The legal units are the link to most of the administrative registers and serve as the basic element for the delineation of the enterprise group and the enterprise. The set of statistical units is much broader than what is legally required for the national statistical business register in the EU Member States. One example is the establishment, which in European terminology is called the local kind-of-activity unit (LKAU).

4.3 Statistical units are units defined for statistical purposes, about which information is sought and statistics are compiled. Which statistical unit should be applied for which kind of statistics depends on the object of the statistical domain in question: for measuring the structure and development of the business sector, including the collection of appropriate accounting data, the appropriate unit is the enterprise; for measuring production by industries, the KAU is best suited; for detailed regional business statistics, the local unit might be used.

4.4 Table 4.1 shows the type of units resulting from whether a partition by activity or by location or by both is done, or when no such partition is made. The units where neither the activity nor the location is partitioned are the enterprise group and the enterprise. Partition by location gives local units, partition by activity gives KAUs, and partition by both gives LKAUs.

4.5 The LKAU is called establishment in the System of National Accounts 2008, SNA 2008 (United Nations, 2009) and International Standard Industrial Classification of All Economic Activities, ISIC Rev. 4. (United Nations, 2008). Local units are thus homogeneous with respect to regional geography, KAUs with respect to activity, and LKAUs with respect to both criteria. However, this does not mean that in all these cases the delineated units will be fully homogeneous, as the implementation of the statistical units has to consider practical aspects of feasibility and data collection possibilities too. However, even with these limitations, these units will of course be (much) more homogeneous than the unit enterprise group and enterprise.

Table 4.1: The statistical unit model

Partition by activity	Partition by location	
	No	Yes
No	Enterprise group, enterprise	Local unit
Yes	KAU	LKAU (establishment)

4.6 Council Regulation (EEC) No 696/93 on the statistical units for the observation and analysis of the production system within the Community (statistical units regulation) also defines two perfectly homogeneous units: the unit of homogeneous production (UHP) and the local UHP. However, both units are only analytical units in the sense that their derivation is based on methodological assumptions and procedures, as for instance used in input–output tables. These units are not directly observable and do not exist as single identifiable units: they are the result of analytical calculations and are not really statistical units.

4.7 The statistical units are in relation to each other, and these relations need to be flagged in the statistical business register (SBR) by links between them.

- Each enterprise group consists of more than one legal unit (with exceptional cases, if the national part of a multinational enterprise group has only one legal unit).
- Each enterprise consists of one or more legal unit. In some cases, it could be that a legal unit should be split between enterprises of the same enterprise group. Each legal unit is attributed to only one enterprise. In cases where a legal unit is split, each part of the legal unit is attributed to a specific enterprise.
- In cases where an enterprise consists of only one legal unit, this legal unit corresponds to the enterprise.
- Each enterprise has one or more local units. Each local unit is only attributed to one enterprise.
- If an enterprise has only one local unit, this local unit corresponds to the enterprise.
- Each enterprise has one or more KAUs. Each KAU is attributed to only one enterprise.
- If an enterprise has only one KAU, this KAU corresponds to the enterprise.

4.8 Chapter 4 is organised as follows: [Section 4.2](#) deals with the legal units. [Section 4.3](#) describes the concept of ancillary activities and units. [Sections 4.4, 4.5 and 4.6](#) deal with the statistical units that are to be recorded and maintained in the national statistical business registers (enterprise group, enterprise, local unit). [Section 4.7](#) describes the KAUs that are especially relevant for the purpose of short-term statistics. Finally, [Section 4.8](#) discusses units in specific economic sectors (agriculture, government).

Section 4.2 Legal units

4.2.1 Definition and character of legal units

4.9 The statistical unit model on the types of statistical units presented in the [Table 4.1](#) does not include legal units, as legal units are not directly regarded as statistical units. Although enterprises and legal units are usually closely related, the two concepts are different. While legal units are independent in a legal sense, they may not necessarily constitute independent economic units with decision-making autonomy for their activities, a criterion that is fundamental to the definition of an enterprise. Data on units without decision-making autonomy will not be comparable with data on units with decision-making autonomy. In addition, legal units are not harmonised between the Member States, and this is an additional reason for incomparability.

4.10 Nevertheless, legal units play a pivotal role in the construction and use of a statistical business register. Administrative data about economic units are mainly available based on legal units. Legal units are the building blocks in defining enterprises. Furthermore, legal units are often the reporting units from which information is collected about enterprises.

Box 4.1: Definition of legal units

Legal units are recognised by law or by society, independently of the persons or institutions that own them. The characteristics of a legal unit are the following: they own assets, they incur liabilities and they enter into transactions with other entities (contracts).

Legal units include:

- **legal persons whose existence is recognised by law, independently of the individuals or institutions which may own them, or are members of them,**
- **natural persons who are engaged in an economic activity in their own right.**

Source: Council Regulation (EEC) No 696/1993 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, Annex, Section II A, recital 3

4.11 A natural person is an individual human being who has his or her own juridical personality, as opposed to a legal person, which might be a business entity, a non-governmental organisation or a public/government organisation. Natural persons play a role in the statistical business register in that they are entrepreneurs owning and managing a business or owners of assets. A natural person may therefore be identified as the controlling unit of an enterprise group.

4.12 The term 'legal person' is used in the legislation of a number of countries, although not in all. It corresponds to all forms of legal construction organised by the constitutions and laws of countries and endowed with rights and obligations that characterise legal personality.

4.13 The most widely used types of legal persons or of undertakings present in the Member States are listed in Annex I and Annex II to Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. The main standard legal forms of ownership are presented in Table 2.5 of ESA 2010 (Eurostat, 2013).

4.14 The restriction concerning natural persons means that only those people who are engaged in an economic activity in their own right are relevant to business statistics. In some Member States, natural persons engaged in economic activities must be recognised by law.

4.15 In some countries (for example Germany), special legal forms exist whereby a group of natural persons may be treated as a legal person, although usually with certain restrictions. If they are economically active, they should be included in statistical business registers as legal units. If any of these persons has an economic activity in their own right, this should be recorded as a separate legal unit. If the group of natural persons is not recognised as a legal unit, the natural persons involved must be listed as separate legal units in the business registers.

4.16 A legal unit can be a single entity, controlled or not controlled by another legal unit, or controlled by a group of legal units under common control. A legal unit always forms, either by itself or in combination with other (parts of) legal units, the starting point for determining an enterprise group and/or determining an enterprise.

4.17 Legal units are thus the core concept in the statistical business register: legal units register themselves (and possibly administrative subunits) in response to administrative requirements and form the basis for the modelling of the statistical units.

4.18 The legal unit is usually recorded in one or more administrative sources. The sources used for statistical business registers do not necessarily provide identical views of legal units. These units can vary both between different sources within a country and between countries. Thus, the legal unit is not suitable as a statistical unit, particularly for international comparisons.

4.19 In many countries, it is often possible to find taxation units that are aggregations or parts of legal units, for example for value added tax (VAT) purposes. It is possible that several legal units under the same ownership and control pay VAT via one legal unit. This makes it possible to eliminate turnover based on intragroup transfers and thus reduce both the amount of tax to be paid and the amount of refund to be claimed.

4.20 Legal units can exist without carrying out any economic activity. They are then legally alive and have legal personalities but are economically 'inactive' or 'dormant' (the latter term is commonly used for periodically inactive units). There are a number of different reasons for this. The following list identifies the main types, but is not exhaustive:

- not yet generating turnover but having registered with the intention of starting economic activity in the future;
- being temporarily dormant, including businesses set up to manage occasional activities, for example organising events;
- having ceased economic activity but not yet deregistered as legal units;
- being registered purely to protect a trading name — for example an active enterprise might create a number of legal units with names similar to its own to stop potential competitors from registering and using these names;
- registration by agents to sell as 'off the shelf' companies to entrepreneurs who want to avoid the delays and paperwork involved in setting up new businesses themselves.

4.21 The obligation to include economically inactive legal units in statistical business registers concerns legal units that are part of an enterprise group with (an) economically active legal unit(s) as well as direct and indirect holdings of active legal units. Otherwise they may be included or excluded depending on their usefulness in national practice. Some of the above categories may be required to reconstruct the chain of control from which the enterprise group is derived. An active legal unit might control an inactive one and this in turn might control another active legal unit. Even a group head might be a legal unit without any employment, although it controls the whole enterprise group and thus several enterprises. Direct and indirect holding of active legal units is therefore defined as being economically active for business registers' purposes.

4.22 Defining economic activity in terms of turnover and/or employment (as in business demography) is a problem for these types of legal units, so business registers need a wider definition of 'economically active' than business demography. Control of one or more other legal units has already been mentioned above and it must be listed in statistical business registers. The controlling units are important to help construct enterprise group relationships and thus to derive enterprises. The same is true for legal units that own patents or other types of capital assets, which may be relevant to financial statistics, as well as those set up to facilitate cross-border flows and transactions, which may be needed for overseas trade and investment statistics. They may also be of more general relevance to enterprise statistics if they are part of an enterprise.

Section 4.3 Ancillary activities/units

4.3.1 Definition and character of ancillary activities

4.23 Ancillary activities support the principal and secondary activities. They can comprise activities such as bookkeeping, transportation, storage, purchasing, information technology (IT) services, repair and maintenance, and security. The output of ancillary activities is always intended for intermediate consumption within the same entity, but not for sale on the market.

Box 4.2: Definition of ancillary activities

An activity must be regarded as ancillary if it satisfies all the following conditions:

- a) it serves only the unit referred to: in other words, goods or services produced must not be sold on the market;*
- b) a comparable activity on a similar scale is performed in similar production units;*
- c) it produces services or, in exceptional cases, non-durable goods which do not form part of the unit's end product (e. g. small implements or scaffolding);*
- d) it contributes to the current costs of the unit itself, i.e. does not generate gross fixed capital formation.*

Based on this definition the following activities must not be considered ancillary activities.

- Production of goods or services as part of fixed capital formation - in particular, construction work for own account. This is in line with the method used in NACE, where units carrying out construction work for own account are classified under the building industry if data are available;
- production, a significant part of which is sold commercially, even if much is used as consumption in connection with the principal or secondary activities;
- production of goods which subsequently become an integral part of the output of the principal or secondary activity - e. g. production of boxes, containers, etc. by a department of an enterprise for use in packing its products;
- the production of energy (integrated power station or integrated coking plant), even where this is consumed in its entirety in the principal or secondary activity of the parent unit;
- the purchase of goods for resale in unaltered state;
- research and development. These activities are not very widespread and do not produce services which are used in current production. [Research and development activities are considered part of capital formation in the ESA 2010].

Source: Council Regulation (EEC) No 696/1993 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, Annex, Section IV B

4.24 Based on the above definition, the sale of own products is an ancillary activity, because it is not possible to produce without sales. However, it could in principle be the case that a local unit only performs ancillary activities, not only in the case of the above example of a sales point, but also in performing other kinds of ancillary activities. In these cases, the ancillary local unit might have a twofold classification code, i. e. in terms of the (principal or secondary) activity it performs within the enterprise and in terms of its own activity (retail sale), one code for its own ancillary activity and one for the unit to which the ancillary unit belongs.

4.3.2 Operational rules for ancillary units

4.25 As production processes are not usually viable without the support of ancillary activities, these ancillary activities should not be isolated to form distinct statistical units, even if they are carried out by a distinct legal entity or separate accounts are kept by the enterprise. The explanatory notes of the regulation on statistical units explicitly state that an entity that only carries out ancillary activities for the enterprise to which it belongs cannot be considered a separate KAU.

4.26 The ancillary activities are not taken into account when classifying the activity of the entity for which the ancillary activities are carried out. The costs of the ancillary activities are allocated to the principal and secondary activities of the enterprise.

4.27 An activity may start as ancillary but subsequently begin to provide services for sale on the market. In these cases, if a considerable portion of the ancillary activity is regularly sold on the market, this activity should no longer be viewed as ancillary and must therefore be regarded as one of the principal or secondary activities. There are no specific thresholds or proportions indicating when an ancillary activity should no longer be treated as ancillary. The decision about whether a given activity should be regarded as an ancillary activity or a principal or secondary activity needs to be based on the concrete situation of the specific case, by assessing the role of this activity in the enterprise as a whole.

4.28 If an enterprise has a holding legal unit that does not hold assets of any other enterprise, this legal unit is considered to carry out an ancillary activity. It should be combined with the other legal units of the enterprise.

4.29 There is no agreed exhaustive list of economic activities that should be regarded as ancillary. In the statistical units regulation some examples are given. An update of these examples is shown in [Box 4.3](#).

Note: this list with possible ancillary activities is not meant to be exhaustive. Other activities that could be ancillary are, for example, renting and operating of real estate or activities of provision of personnel.

Box 4.3: Examples of possible ancillary activities

1. Distribution and logistics

- Trade services of own products
- Freight transportation services
- Cargo handling services
- Freight transport agency services and other freight transport services
- Postal and courier services

2. Marketing, sales- and after sales services including help desks and call centres

- Marketing management consulting services
- Advertising services and provision of advertising space or time
- Market research and public opinion polling services
- Advertising and related photography services
- Telephone call centre services
- Trade show assistance and organization services

3. ICT [information and communication technology] services

- Information technology (IT) consulting and support services
- Hosting and information technology (IT) infrastructure provision services
- IT infrastructure and network management services
- Telephone and other telecommunication services
- Internet telecommunication services

4. Administrative and management functions

- Legal and accounting services
- Management consulting and management services
- Business consulting services
- Other management services, except construction project management services
- Combined office administrative services
- Specialized office support services

Source: Eurostat (2015), Notice of intention of the BSDG and the DMES on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units

4.30 From an accounting point of view, combining ancillary units with the units they serve does not normally pose any problems. In practice, respondents may prefer to report on the enterprise as a whole, because integrated accounts are produced for management purposes and the reporting burden is lower.

Section 4.4 Enterprise group

4.4.1 Definition and character of enterprise groups

4.31 As enterprise groups are important in our economies, especially with respect to globalisation, their inclusion as one of the relevant statistical units is straightforward. However, statistics on enterprise groups are not yet very developed. One of the reasons is clearly that, first of all, the unit 'enterprise group' needs to be incorporated in the statistical business registers. Because their activities and residences may be in more than one country, the inclusion is not easy and cannot be fully performed by the national statistical business registers. This was why the EGR has been created and is being further developed.

4.32 This section concentrates on the statistical concept of the enterprise group at both multinational level (multinational enterprise (MNE) groups or global enterprise groups (GEGs)) and national level (all-resident and truncated enterprise groups) and its operational rules. Enterprise group variables are examined in [Chapter 5](#), and demographic changes and continuity rules in [Chapter 7](#). An overview of key relevant European legal texts and the International Financial Reporting Standards (IFRS) relating to enterprise groups is given in [Annex B](#).

4.33 In addition to the possibility of producing statistics on enterprise groups, the unit is also of relevance to some other kinds of statistics and also instrumental for the practical delineation of the enterprises. To date, the most important statistical domains for which information on foreign subsidiaries would be beneficial to receive from the business register is inward and outward foreign affiliates statistics (FATS) and foreign direct investment (FDI) statistics. However, in various other statistical domains user needs have been identified. In Box 4.4 these user needs are discussed in brief.

Box 4.4: User needs for data on multinational enterprise groups

Foreign affiliates statistics

Information on the activities of foreign affiliates of MNE groups offers key information on the globalisation of businesses, for example for the negotiations on the goods and services trade liberalisation process. The collection of data on foreign affiliates (subsidiaries) by economic activity and geographical breakdown according to the country of the ultimate controlling institutional unit (UCI) would be supported by harmonised information on MNE structures, global group heads, global decision centres and residence country codes of UCIs. Knowing whether a legal unit is an independent unit or belongs to a domestically or foreign controlled enterprise group, either as a subsidiary or as an intermediate or global group head, will provide the fundamental information to derive the inward and outward FATS populations. Harmonisation of the data on the group structures at European level and use of coherent methodologies between business registers and FATS are a necessity.

Inward FATS are mainly produced by linking data from structural business statistics (SBS) with the MNE group to which the enterprise belongs, and the quality is related to the quality of the MNE data in business registers. Outward FATS for European-controlled MNEs need to know the foreign country in which their subsidiaries are located. Additional variables will be obligatory on the basis of the EBS regulation.

Box 4.4 (continued)

Foreign direct investment statistics

Data on FDI include inward and outward financial transactions/positions between directly and indirectly owned incorporated or unincorporated enterprises. An ownership threshold of 10 % or more of the voting power is currently used. The extent of the direct investment relationship is determined according to the framework of direct investment. Under this framework, a direct investment relationship exists between the investor and all of its subsidiaries and associates (directly or indirectly owned). Stocks and flows are allocated to the direct (first shot) owner country, although additional statistics are planned using the ultimate investor and ultimate investee. The FDI geographical allocation is thus not to the ultimate controlling unit country (as in FATS), but is spread according to the first shot ownership links and percentages. FDI statistics are affected by situations in which MNEs decide about the distribution of their resources across the countries and direct investments are steered by a group head located in a different country from the subsidiary that carries out the direct investment in a third country.

FDI statistics provide information that is needed for the framework of trade and free market policy, and they also give certain information on international outsourcing (offshoring). Statistical surveys are generally used to compile the data, and the samples are drawn either from business registers or from separate FDI registers, which in most cases are held in national central banks (NCBs). The existence of two registers leads to duplication and causes additional costs. A link between central bank registers and statistical business registers, including data exchange on the MNEs between these registers, helps to improve the quality and reduce costs, since the amount of information to be investigated decreases. The availability of enterprise group links in the statistical business register is the necessary precondition.

Intragroup trade statistics

Intragroup trade takes place between enterprises of the same group, and statistics about it can be produced in international trade statistics. In intragroup trade statistics, the focus is on the volume of trade and transfer prices between the members of an enterprise group at world level. For this purpose, it is not enough to identify the MNEs located in the compiling country; information must also be made available on the intragroup trading partners in different countries.

The aim is thus to help to identify potential intragroup trade and even to measure it at aggregate level when linked to administrative data. In order to limit the target population only to the possible trade flows, the business registers should have information on the complete structure of the MNEs, including the identity numbers of units located in other EU Member States. Linkages between enterprise group data and value added tax information exchange system data could then be used to identify and measure intragroup trade.

When measuring intragroup trade for extra-EU trade, there would also be a need to identify the enterprises located outside the EU.

Contributions of enterprise groups to international trade

When the information on whether an enterprise is a member of an enterprise group, domestically or foreign controlled, or of an all-resident group is recorded in business registers, it is possible to produce important new statistics on the characteristics of traders by linking the trade data to business registers and reconciling trade flows according to the enterprise (including independent enterprises) and enterprise group characteristics.

Balance of payments direct reporting and surveys

Business registers can be used as survey frames for balance of payments (BoP) surveys in a very similar way to that described above for FDI surveys. The data collection for BoP has moved considerably from transaction-based data collection to direct surveys. There are also other important uses of business registers, for instance in the handling of special-purpose entities. These are units that are foreign controlled and own subsidiaries abroad — they do not usually produce or trade goods or services and they employ no or very few staff. Their handling in BoP (and national accounts) is a problem and it helps considerably when they can be separated in the business registers in the control chain by their NACE class and other features such as lack of employment.

Box 4.4 (continued)

National accounts

Business registers have been used for national accounts purposes to varying extents depending on country. With the inclusion of the institutional sector since the 2008 BR regulation, coordination between business registers and national accounts has reached a much higher level, and the usability of business registers for national accounts purposes, for instance to distinguish special-purpose entities and other foreign-controlled units, has improved. The use of business registers as a pivot in linking various associated registers can be very important for improving the coherence of EU national accounts. Macroeconomic statistics are also affected by the globalisation of businesses. The EuroGroups Register (EGR) is more and more used as a reference information on multinational enterprise groups to scrutinise key macroeconomic aggregates such as gross national income.

Science, technology and innovation

The use of enterprise groups in this area is just emerging. Surveys on research and development (R&D) units can be improved by the knowledge that they are part of a multinational group and by knowing the group heads that decide on the development, and the specialised units where the R&D is carried out. The same is true of R&D variables in inward and outward FATS.

Structural business statistics

The observational unit for the structural business statistics (SBS) is the enterprise, but for some specific analyses (financial relationships, market concentration) it might be more relevant to take into account the enterprise group structure.

SBS are used to calculate the productivity of different sectors in different countries. Multinational groups can influence the distribution of profits among countries, directing them to a country where there are lower taxes. This may lead to transfer pricing that does not reflect the real values of the products. Productivity indicators are also affected significantly by the presence of multinational groups. Traditional productivity calculations and variables such as turnover no longer reflect economic reality.

Small and medium-sized enterprise statistics

Enterprise groups can be used to calculate statistical indicators for measuring the real size of enterprises. This is a relevant issue, especially concerning the European definition of small and medium-sized enterprises (SMEs) as given in Commission Recommendation 2003/361/EC. SMEs are defined by their size, employment (below 250 persons employed full-time), turnover or balance sheet total. However, the additional fundamental restriction is that they must be independent and not part of an enterprise group. If this is ignored in SME statistics, the statistics using only the employment criterion will give an incorrect selection of SMEs. The independence criterion should start to be applied not only by taking into account the information available in the national statistical business registers on the truncated groups, but also by using the information of the EGR on the global groups.

Other statistics

Enterprise groups provide supplementary information for statistical indicators on business demography to drive economic policies aimed at sustaining new entrepreneurship. There are also many areas in which enterprise group information is likely to be very important in the future, for instance labour market statistics.

Other uses

Information on enterprise groups can serve other institutional users, for example antitrust authorities that, in accordance with dissemination policies applied in each Member State, may use this to calculate statistical indicators of market concentration and to define regulation policies for the development and implementation of effective competition, both at national level and within the European Union (EU).

4.34 A last but quite important role of the unit ‘enterprise group’ is the practical delineation of enterprises. This is commonly done in practice by using a top-down approach starting from the enterprise group level.

4.35 Whereas the enterprise is a player in the economy at the level of the production process, with relative autonomy in the allocation and use of its current resources, the enterprise group is a player at a more strategic level, taking strategic decisions on behalf of its constituent enterprises (for example on product policies or major expansions).

4.36 Box 4.5 shows the definition of an enterprise group as it is given in the statistical units regulation.

Box 4.5: Definition of enterprise groups

An enterprise group is an association of enterprises bound together by legal and/or financial links. A group of enterprises can have more than one decision-centre, especially for policy on production, sales and profits. It may centralize certain aspects of financial management and taxation. It constitutes an economic entity which is empowered to make choices, particularly concerning the units which it comprises.

Source: Council Regulation (EEC) No 696/1993 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community

4.37 That definition is not entirely correct, as the units that are linked together are the legal units rather than the enterprises. The statistical units regulation itself states: ‘A number of exercises are underway but not finished concerning the concept of the group of enterprises.’ As this statement is more than 25 years old, the wording of the statistical units regulation on enterprise groups is more a glimpse into the conceptual work in progress of the early 1990s. The enterprises that are the observation units, therefore are built on the basis of the legal units that belong to the enterprise group. It would thus be more appropriate to define the enterprise group as ‘an association of legal units bound together by legal and/or financial links’.

4.38 The perimeter of the group is defined by the criterion of controlled legal units, not by the criterion of owned legal units.

4.39 The **concept of control** is the basic concept to be used for the delineation of an enterprise group.

The enterprise groups are identified through the links of control between their legal units (parent and its subsidiaries). ‘Control over a legal unit is defined as the ability to determine general corporate policy, for example by choosing appropriate directors, if necessary’ (Eurostat, 2013, *ESA 2010*, paragraph 2.35).

A single legal unit (no matter if a corporation, a household or a government unit) secures control over a legal unit by owning more than half of the voting shares or otherwise controlling more than half the shareholders’ voting power. A government secures control over a corporation as a result of special legislation decree or regulation that empowers the government to determine corporate policy. ESA (Eurostat, 2013, *ESA 2010*, paragraph 2.38) includes a list of the indicators that are the main factors to consider in deciding whether or not a corporation is controlled by a government.

In order to control more than half the shareholders’ voting power, a legal unit does not need to own any of the voting shares directly itself. For example, legal unit C could be a subsidiary of another legal unit, B, in which a third legal unit, A, owns a majority of the voting shares. Legal unit C is said to be a subsidiary of legal unit B when either legal unit B controls more than half of the shareholders’ voting power in legal unit C or legal unit B is a shareholder in C with the right to appoint or remove a majority of the directors of C.

4.40 It should be noted that the statistical concept of an enterprise group may be different from the accounting concept.

The statistical concept of the enterprise group is different from the accounting concept, as can be derived from the Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. In fact, as it is stated in explanatory note 3 of section III C of the annex to the statistical units regulation, 'This definition [of accounting groups] is not suitable for statistical analysis because "accounting groups" do not constitute mutually exclusive, additive groups of enterprises.

A statistical unit known as an **"enterprise group" based on the "accounting group" concept must be defined by applying the following four amendments:**

- consider accounting groups at the highest consolidation level (group head [or group decision centre]);
- include in enterprise group units whose accounts are entirely integrated in those of the consolidating [unit/entity];
- add majority-controlled units whose accounts are not included in the overall consolidating by virtue of application of one of the criteria allowed by the seventh directive, in other words a difference in the type of activity or small relative size;
- discount temporary links of less than a year.

4.41 In addition to the basic definition of an enterprise group, the definitions of the global group head and the global decision centre need to be added.

Box 4.6: Definitions of global group head and global decision centre

Global group head: a global group head (GGH) is a parent legal unit that is not controlled either directly or indirectly by any other legal unit. The subsidiary legal units of a subsidiary legal unit are considered to be subsidiaries of the parent legal unit.

Global decision centre: the global decision centre (GDC) of an enterprise group is the unit where the enterprise group level's strategic decisions are taken. A group may have several decision-making centres or several units dedicated to a particular internal function, for example accounting or human resources. However, the decisions about the group are made only in the GDC. The GDC may be the GGH or another legal unit under the GGH.

4.42 It is important to distinguish the GDC from the GGH. The country in which the GDC is located defines the **nationality** of the group.

Box 4.7: Types of enterprise groups

There are distinguished three types of enterprise groups in terms of nationality:

- **all-resident group:** an enterprise group that has all its legal units registered in the same country,
- **multinational group domestically controlled:** an enterprise group with two or more legal units registered in two or more countries and of which the GGH, or the ultimate controlling institutional unit when available, is located in the country compiling the statistical business register,
- **multinational group foreign controlled:** an enterprise group with two or more legal units registered in two or more countries and of which the GGH, or the ultimate controlling institutional unit when available, is located outside the country compiling the statistical business register.

4.43 Without making the distinction between domestically and foreign controlled, such a group is just called a GEG.

4.44 The national part of a GEG is called a truncated group. The national enterprise groups cover all-resident groups and the national parts of GEGs.

4.45 A truncated enterprise group may comprise only one legal unit, if the other units are non-resident. An enterprise may be the truncated group or part thereof.

4.46 A truncated group may consist of several legal units and subgroups, which can appear seemingly unlinked if the parent that links them is non-resident, but which actually belong to the same GEG (if information on this is missing, they may be regarded as separate truncated groups). For all types of enterprise groups, the basic concepts and delineation procedures are the same. However, the delineation of all-resident enterprise groups is usually easier to accomplish, as the relevant information needed relates only to domestic units; no cross-border information is required.

4.47 The type of control is different for privately controlled groups and publicly controlled groups, as by their juridical nature they are dependent on private law or public law:

- a privately controlled group is an association of legal units of which the group head is a legal person in private law;
- a publicly controlled group is an association of legal units of which the group head is a legal person in public law.

4.48 According to Commission Directive 2006/111/EC, public powers may exercise a dominant influence not only when they are owners or have a majority shareholding, but also by the control they are able to exercise over their management or supervision bodies, on the basis of statutory provisions or shareholding division.

4.49 Article 2 states that state and other territorial bodies are considered public owners. A public enterprise is any enterprise on which public owners may exercise, directly or indirectly, a dominant influence for reasons of property, financial participation or its regulations.

4.50 Dominant influence is presumed when public owners, directly or indirectly, control enterprises by:

- having subscribed the majority of capital of the enterprise; or
- having the majority of votes assigned to the shareholdings that enterprise has issued; or
- having the ability to designate more than half of the members of the administration, direction or supervision bodies of the enterprise.

4.51 According to the structure of control in economic literature, pyramidal groups are distinguished from the public companies as two alternative forms of allocation of property rights and control.

4.52 A pyramidal group is built through the acquisition of cross-shareholdings or in-cascade shareholdings of one legal unit by another. Such a structure allows the ultimate unit to control the whole enterprise group with a minimal amount of capital invested. Typically, pyramidal groups are topped by natural persons or families. This type of group guarantees stability of control, since it reduces vulnerability to hostile takeovers. In general, pyramidal enterprise groups are typical of economies with a high concentration of property rights and a less developed financial market.

4.53 A public company is an enterprise group in which property is diffused among a wide body of shareholders. A public company is characterised by a separation between ownership and control. Shareholders renounce their control rights and maintain only their patrimonial rights (dividends and capital gain). They are the owners of the company, but their rights are limited, since the public company is under the control of managers chosen by a command group, which is usually formed by a shareholder or a trust of shareholders with a relatively small majority. Other people may acquire control by purchasing the scattered shareholdings on the market when the market quotation falls. In public companies, the stability of control is lower, but the market for corporate control is greater. This is seen, by a certain part of the economic literature, as a sign of a higher degree of democracy in corporate governance and as a powerful instrument for evaluating the efficiency of the management.

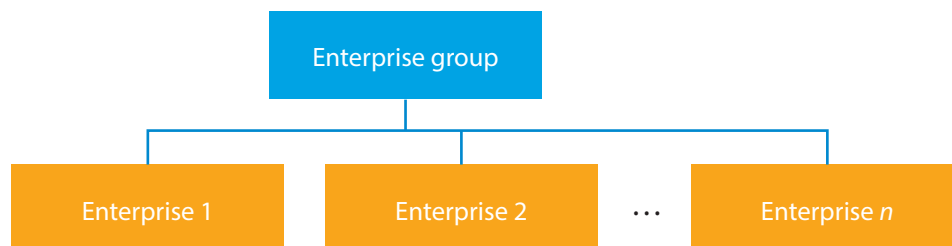
4.54 Since the enterprise group as a whole is subject to demographic events, the statistical unit 'enterprise group' in the register must be maintained according to special continuity rules given in [Section 7.3.1](#).

ECONOMIC VIEW OF THE ENTERPRISE GROUP

4.55 The statistical units regulation states that an enterprise group is an ‘association of enterprises’. Since, in contrast to legal units, the enterprise is a statistical construct exclusively designed for economic analysis, hierarchical relations between enterprises are not defined.

4.56 The ‘association of enterprises’ as stated in the statistical units regulation, therefore, must be a two-level hierarchy with the enterprise group on top and its constituent enterprises all on the second level (all constituent enterprises of an enterprise group having the same rank without a structure). Figure 4.1 illustrates this.

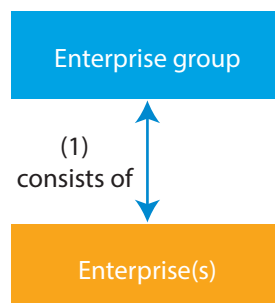
Figure 4.1: Enterprise group containing non-hierarchically structured enterprises



4.57 Both the enterprise group and its association with its constituent legal units as well as the relations between the legal units and its enterprises (the ‘economic view’ of the enterprise group) must be recorded in the statistical business register. This means that the object enterprise group, the variables of enterprise group and the relationship of enterprise group with its constituent enterprises must be included in the statistical business register.

4.58 The two-level hierarchy of enterprise group is illustrated on Figure 4.2., where the enterprise group consists of enterprise(s). Each enterprise group is always associated with one or more enterprises. The enterprise belongs to enterprise group. Each enterprise belonging to an enterprise group may belong to exactly one enterprise group.

Figure 4.2: Two-level hierarchy of enterprise group and its constituent enterprises



4.59 Enterprise groups must always consist of at least one enterprise. The phrase ‘may belong to’ reflects the fact that not every enterprise is part of an enterprise group. This applies particularly to ‘simple’ enterprises, where the (sole) constituent legal unit has no links of control to any other legal unit.

LEGAL VIEW

4.60 The definition of control is the following (already cited a few paragraphs above):

‘Control over a legal unit is defined as the ability to determine general corporate policy, for example by choosing appropriate directors, if necessary’ (Eurostat, 2013, *ESA 2010*, paragraph 2.35).

4.61 A single legal unit (a corporation, a household or a government unit) secures control over a legal unit by owning more than half the voting shares or otherwise controlling more than half the shareholders’ voting power. In addition, a government can secure control over a legal unit as a result of a special legislation decree or regulation that empowers the government to determine corporate policy or to appoint the directors.

4.62 In order to control more than half the shareholders' voting power, a legal unit does not need to own any of the voting shares itself directly. Legal unit C could be a subsidiary of another legal unit, B, in which a third legal unit, A, owns a majority of the voting shares. Legal unit C is said to be a subsidiary of legal unit B when either legal unit B controls more than half of the shareholders' voting power in legal unit C or legal unit B is a shareholder in C with the right to appoint or remove a majority of the directors of C.

4.63 The definition states that control may be exercised in different ways. The acquisition of an absolute majority (50 % + 1) of shareholdings with voting rights is the main instrument used to take control over a legal unit and in the absence of other information it is generally used as a proxy to control. On the other hand, the absolute majority of ownership of the capital share ownership is not always a necessary or sufficient condition to have control.

4.64 It may not be a necessary condition because there may be situations in which a large relative shareholding with voting rights but without an absolute majority is enough to take control. This can be due to:

- legislation, contracts or agreements affecting control;
- absenteeism in meetings on the part of other shareholders; this is more a *de facto* situation and difficult to prove in practice.

4.65 It may not be a sufficient condition because the ability to effectively exercise control depends on the ability to actively participate in the decision-making process. This may be limited by:

- shareholdings with limited voting rights;
- statutory provisions that limit the transferability of shares;
- temporary suspension of voting rights.

4.66 Effective minority control means having effective control of a unit without holding the majority of voting stock. In this case, the ownership of a minority share of the voting power is considered enough to secure control. The most common case is a large minority shareholder and a very large number of dispersed small shareholders, none of whom hold a significant share of the capital. The minority shareholder can thus exercise effective control insofar as no majority of shareholders is really able to oppose it. However, it is possible that the small shareholders could join forces in order to have more influence over strategic decisions. Effective minority control is, in general, difficult to prove in practice, and a shareholding of between 10 % and 50 % is generally regarded as influence⁽¹⁾, not control.

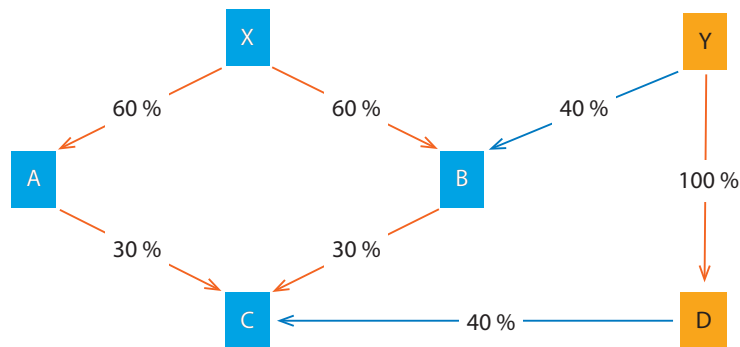
4.67 Control can be a *de facto* situation without legal basis or other proof, and in such a case it is not to be listed in the business register. Strategies of outsourcing, aimed at reducing production costs and increasing productivity, such as exclusive sales or supply contracts, may generate the dependency of one legal unit on another without any direct participation on the part of the latter in the capital share of the former. A legal unit can thus be 'captured' by another unit without being owned by it. The link may be a commercial contract, which ensures the *de facto* controlling legal unit the exclusive rights to the work of the subordinate unit. In the case of natural persons, such subordinate units have often been referred to as 'false self-employed' in business demography. At least in theory, such a subordinate can cease this control by closing down their legal unit. This is not possible for a subsidiary that is owned by the parent.

4.68 According to the statistical units regulation (Annex III C, explanatory note 4), 'The subsidiary enterprises of a subsidiary enterprise are considered to be subsidiaries of the parent enterprise.' This means that a parent unit may have indirect control over a legal unit (sub-subsidiary) through one or many other subsidiaries. Indirect control does not require the parent unit to own a majority of an integrated shareholding in the capital share of the sub-subsidiaries. The difference between control and ownership is shown in Figure 4.3.

⁽¹⁾ In FDI, a lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, and an investor's significant influence on the management of the enterprise. A direct investment enterprise is one in which a direct investor owns 10 % or more of the ordinary shares or voting rights (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise). In the International Accounting Standards, a holding of 20 % or more of the voting power (directly or through subsidiaries) will indicate significant influence unless it can be clearly demonstrated otherwise. If the holding is less than 20 %, the investor will be presumed not to have significant influence unless such influence can be clearly demonstrated [IAS 28.6].

4.69 The example in Figure 4.3 shows that X has indirect control over unit C. Even though it owns indirectly $(60\% \times 30\%) + (60\% \times 30\%) = 36\%$ of its capital share, X controls C through its two subsidiaries A and B by combining their voting rights in the meeting of C: $(30\% + 30\%) = 60\%$. On the other hand, Y owns $(40\% \times 30\%) + (100\% \times 40\%) = 52\%$ of C, but has no power to control it, since the voting rights that it has in the meeting of C amount only to 40 % of its capital share. In other words, the voting rights resulting from paths X–A–C and X–B–C have to be added up to determine actual control.

Figure 4.3: How control can differ from ownership

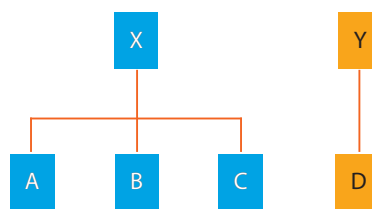


4.70 Control is a (direct or indirect) relationship between legal units such that either one legal unit is controlled by exactly one other legal unit or it is not controlled by any other legal unit. The ownership of a unit or a group of units is related to the holding of its assets and determines the distribution of financial flows and income. If a unit or group of units is owned by shareholders, its ownership is vested in the shareholders collectively and can be seen as diffused among the legal units that own its shares in proportion to their shareholdings and independently of voting rights.

4.71 In fact, deriving control links from the ownership structure between legal units defines an operational hierarchical structure of the enterprise group with one legal unit at the top (the GGH), which is not controlled by any other legal unit and controls all other legal units in the hierarchy. Therefore, it is necessary to also record minority intermediate shareholdings in the business register, in case there is indirect control, of which the links can only be derived from the complete ownership structure.

4.72 The control hierarchies in Figure 4.4 are derived from the example in Figure 4.3 and should be recorded in the business register.

Figure 4.4: How to record control links from ownership structures



4.73 The group head can be resident either in the country that compiles the business register, if the group is domestically controlled, or abroad. Unless otherwise noted, 'group head' refers to the ultimate or global group head, not to a national (or European) head of a group that has a foreign parent.

4.74 If the group head is a resident legal unit, it must be recorded in the national business register as a single legal unit, which may possibly form an enterprise in combination with other legal units, according to the principles stated in [Section 4.5](#).

4.4.2 Operational rules for the enterprise groups

4.75 The updated operational rules as shown in Box 4.8 focus on the 'control' criterion: definition of control, management executing the control and consolidation of legal units in the financial report as indication of control and perimeter of the enterprise group.

Box 4.8: Operational rules for the enterprise group

1. Control

Control over a legal unit is defined as the ability to determine general corporate policy. It can be exercised by (a) owning more than half of the voting shares, (b) having the right to appoint or remove a majority of the members of the management, (c) having the right to exercise a dominant influence over the legal unit, (d) controlling more than half of the shareholders' voting power of another legal unit directly or indirectly, or otherwise (e) proving that there is de facto control exercised. Indirect control refers to controlling a legal unit via another legal unit. This includes also cumulative control, i.e. controlling two or more legal units that together own more than half of the voting shares of the legal unit in question.

An EG [enterprise group] is controlled by its Global Group Head (GGH). The GGH is defined as the unit (legal unit or could be a natural person [who is engaged in an economic activity in their own right]) which controls all legal units of the group and is not controlled by any other legal unit.

2. Management and Control

An enterprise group is always controlled by only one GGH. Typically, one GGH controls one enterprise group, however it is possible for a GGH to control more than one enterprise group. One sign that the GGH controls several enterprise groups might be the consolidation of the accounts appearing on a level below the GGH and the existence of several consolidated accounts.

The unit carrying out the actual management of the EG is named the Global Decision Centre and it is not necessarily identical with the GGH.

3. Consolidation and Control

According to the Directive 2013/34/EU (Article 22) shares of affiliates' undertakings have to be listed in the balance sheet of the company.

All legal units consolidated in full in the EGs accounts form part of the EG. If the global group head is identical with the highest level consolidating unit, it is included in the accounts as well. Legal units not consolidated but controlled by the GGH form also part of the EG. If the difference between the consolidation perimeter and the legal unit perimeter concerns statistically non-significant legal units, the consolidation perimeter is relevant for statistical purposes.

If the GGH which does not produce consolidated accounts and reports, the legal unit below the GGH which has to produce consolidated accounts and annual reports is called the Highest Level Consolidating Unit (HLC) and determines the consolidation perimeter of the enterprise group.

Source: Eurostat (2015), Notice of intention of the BSDG and the DMES on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units

OPERATIONAL RULE 1 ABOUT IDENTIFYING CONTROL LINKS

4.76 As already stated in [Section 4.4.1](#), control is a complex concept in economic terms. Statistical operational rules need to rely on observable criteria: proof of control. Therefore, it is sufficient that at least one of the following applies, in order to identify a link of direct or indirect control between two legal units:

1. a legal unit directly owns more than 50 % of the voting rights of another legal unit (direct control);
2. a legal unit indirectly owns more than 50 % of the voting rights of another legal unit, through subsidiaries (indirect control);
3. a special legislation decree or regulation empowers the government to determine corporate policy or to appoint the directors of the legal unit;
4. a legal unit fully consolidates the accounts of another legal unit and no other legal unit consolidates the same legal unit (control by virtue of full consolidation);
5. administrative sources, collecting declarations in application of specific laws for market regulation, provide the information that a legal unit controls one or a set of legal units, even though it owns less or 50 % of its voting rights (effective minority control) and no other legal unit owns more.

4.77 Note: it may be possible that two rules, for example both cases 1 and 4, could apply simultaneously. As one unit cannot be controlled by two different units, the *de facto* controlling unit should then be chosen. Case 4 can in general be considered as weaker than 1, because there can be consolidation situations with less than 50 % ownership and situations with over 50 % ownership without consolidation.

4.78 All Member States should be able to record basic information including the resident identity numbers on non-resident legal units (foreign subsidiaries) that are part of domestically controlled multinational groups from the EGR. The EGR is also a source for the identification of the non-resident units, via the EGR identification service.

OPERATIONAL RULE 2 ABOUT THE DELINEATION OF THE MANAGEMENT

4.79 An enterprise group is controlled by the GGH. There can only be one GGH that controls a specific enterprise group. However, it could be that one GGH controls more than one enterprise group.

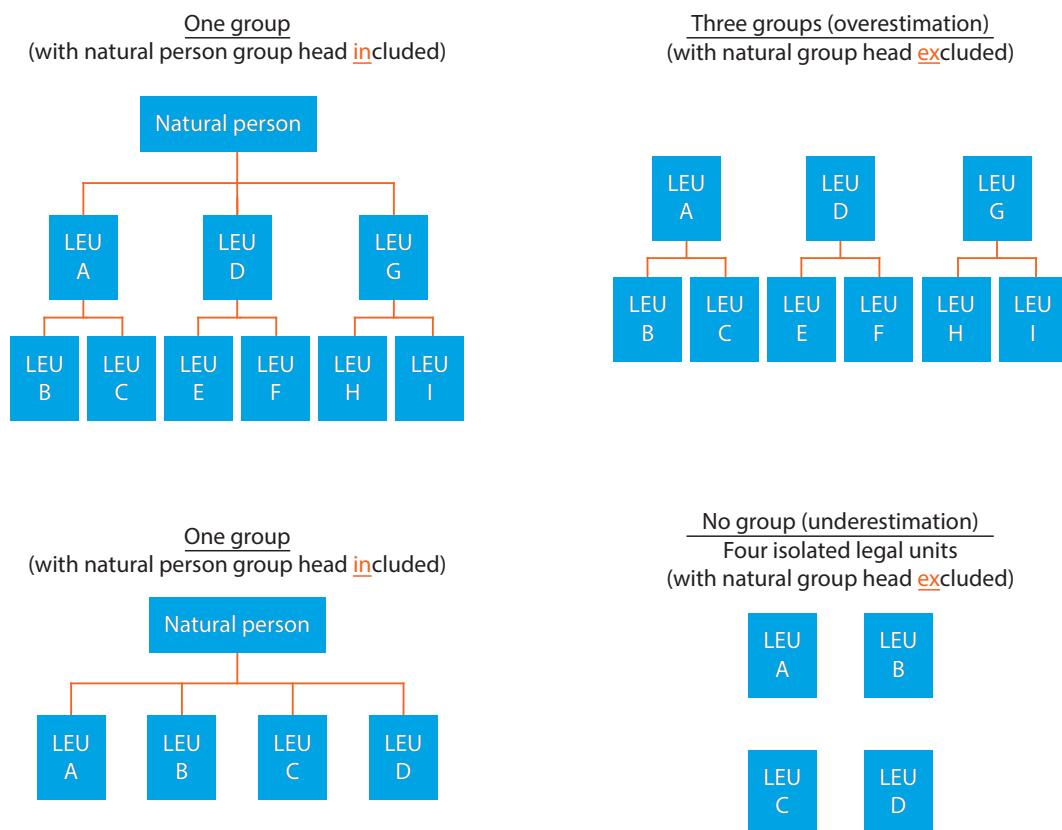
Natural person as group head

4.80 A specific issue occurs when the GGH is a natural person. The concept of control implies that natural persons cannot be part of a chain of control unless they are at the top of the structure. Nevertheless, unlimited partnerships can form part of an enterprise group if the partners are formed or owned by other legal units. This can be obvious from some form of wording in the name of a company. However, it is not obligatory in all countries to have a means of identifying such cases.

4.81 The statistical units regulation (annex, Section II, part A, point 3) regards only legal units as group heads, so natural persons can be group heads only if they 'are engaged in an economic activity in their own right'. What this means in practice depends on national legislation, for instance that the natural persons are explicitly or implicitly registered as a legal unit or not. The EBS regulation applies to units which exercise economic activity and according to Article 2(9) 'direct and indirect holdings of active legal units shall be regarded as economic activities for the purposes of business registers'. In principle, the EBS regulation therefore also covers natural persons who are economic operators as group heads, although the coverage is conditional in cases where the natural person is not an economic operator (see variable 2.10a in [Section 5.3.1](#) below).

4.82 Excluding natural persons from the possibility of being a group head may have far-reaching consequences. It is possible that in some countries natural persons control an enterprise group, while in some other countries they do not. Thus, excluding natural persons from being group heads can seriously reduce the international comparability of enterprise groups.

4.83 A consequence of excluding natural persons is the introduction of a bias in the number of enterprise groups in a country. The number of enterprise groups may be either overestimated or underestimated. It will be overestimated if the natural person in fact controls more than one group. It can be underestimated if the natural person controls more than one legal unit, which would then be not relevant to enterprise groups. This consequence will affect comparisons among Member State statistics on enterprise groups. The effect of excluding natural persons as group heads on the number of enterprise groups in one country is illustrated by the examples in [Figure 4.5](#).

Figure 4.5: Effects of considering natural persons as global group head

LEU, legal unit.

4.84 If the group head is a natural person, the fact that several units are under unique control should be stored, where possible. Storing the data about the controlling natural person is also useful, especially if there are non-resident units. The users often need to know the ultimate controlling unit without the constraint of its being a legal person. Both FDI and FATS could need and use the ultimate controlling institutional unit, whether an enterprise or a household/natural person. The recording of the country of residence of economically active natural persons is conditional in the EBS regulation (see variable 2.10a in [Section 5.3.1](#) below).

Other special cases of group heads

4.85 There are a number of other special cases of group heads in addition to natural persons. The group head may, for instance, be a non-profit body, a trust, the state, or a provincial or local government. In general, these special cases are regarded as legal units and can thus be handled according to the normal rules as controlling units, although their involvement in the practical management and decision-making of the enterprise group may vary a great deal. It is also noticeable that the state may control many enterprise groups via one or several ministries and these should not be combined when they operate in different economic activities.

4.86 Another special case is a joint venture. The general rule is that 50–50 % ownership does not imply control and therefore this joint venture is not part of the enterprise group. It is possible that, in a case of 50–50 % share ownership, one of the units actually controls the joint venture. If this is known, it should be recorded as a control case. In the commercial sources, such information is often not available. For other joint venture cases (for example 3 × 33 % share ownership), the existence of a controlling unit is rare. When no controlling unit for the joint venture can be proved, the joint venture does not belong to the enterprise group.

4.87 A dual-listed company (DLC) differs from a joint venture because the two parties involved share everything. It is a corporate structure that involves two publicly traded companies with different sets of shareholders sharing ownership of one set of operational businesses. Unlike mergers and takeovers, both companies continue to exist and have separate bodies of shareholders but agree to share the ownership of the operational businesses in a fixed proportion through a complex set of contracts. Usually there is a single board of directors and an integrated management structure. A DLC should therefore be regarded as an enterprise group.

4.88 In almost all cases, the two companies are publicly traded in different countries, often one in the EU and the other outside it. The problem therefore arises: to which country should the DLC be allocated? In some sources, both countries are given. Other sources allocate it to the country of its registered office, the company address notified to the official company registry, which is normally the place where a company's books are kept (for example the EU Industrial R&D Investment Scoreboard allocates it to one country). According to the Eurostat definition, an enterprise group should be allocated to only one country, so this method is adopted. The DLC should be allocated to the country where the controlling unit is located.

4.89 From the viewpoint of the national statistical business register, the national part of an enterprise group may coincide with a single legal unit if, and only if, the unit is resident in the country that compiles the business register, but belongs (either as group head or as a subsidiary) to a GEG, if all other legal units are non-resident.

4.90 If the legal unit is the only unit in the national territory, there may be no indication in the national administrative sources that this unit is part of a group, so the unit could be misinterpreted and stored in the statistical business register as an independent unit and records of its parent and/or subsidiaries could be missing.

4.91 According to the EBS regulation, both control links, upwards (to parent) and downwards (to subsidiaries), are required when they exist.

Recommendations for treatment of special cases of the global decision centre

4.92 The FATS use the resident country code of the ultimate controlling institutional unit (UCI), which is defined as the institutional unit higher up a foreign affiliate's chain of control that is not controlled by another institutional unit, whereas the GDC is the actual management unit of the GEG and it is not necessarily identical with the GGH.

4.93 The GDC is the unit where the strategic decisions of an enterprise group are taken. In most cases the GDC is the same as the GGH; strategic decisions referring to the group are taken by the group head. In these cases, the country of the GDC is the country where the GGH is located.

4.94 Defining the GDC can identify special cases. A similarity in these special cases is that the GGH is not able to act as a decision centre for the whole group. Units without substantial physical presence, significant economic activities or employment are not able to be engaged in decisions. In these cases, the GDC will not be the same as the GGH. A different legal unit of the enterprise group should be appointed at a level lower down in the enterprise group tree structure at which the global decisions of the enterprise group are taken.

4.95 One of the goals of the EGR is to provide standardised information on the GDCs of GEGs covered by the EGR. The EGR could be used as a common basis for the definition of the country of the GDC.

4.96 Four types of special cases are defined in which the definition of the GDC will not be the same as the GGH, and will require a special treatment:

1. natural persons and families;
2. units in tax havens, in offshore financial centres, special purpose entities (SPEs), non-profit institutions;
3. dual-listed companies (DLCs);
4. joint ventures.

4.97 The starting point for the special cases is always the top of the control chain. The processes start with the examination of the unit at the top of the tree structure. If a unit at the top of the chain is an example of the abovementioned special cases and it is not the GDC of the group, the next controlling unit(s) downwards in the chain should be examined and, if it seems reasonable, counted as the GDC.

Recommendation about natural persons and families

4.98 The present practice of the Member States differs in this special case. Some countries do not consider natural persons UCIs because statistical reporting of natural persons is not allowed by national law. Others count natural persons as UCIs; these natural persons are obliged to report on the foreign affiliates they control.

4.99 Every case should be analysed separately. The decision should be taken using the EGR as a shared platform. The countries involved should agree with the country of the GDC.

Recommendation about units in tax havens or in offshore financial centres, special purpose entities and non-profit institutions

4.100 Units without substantial physical presence and without significant economic activities are not able to be engaged in decisions or to control subsidiaries. In these cases, the GDC should be the unit at the next level downwards in the enterprise group tree structure, which is the real strategic decision centre of the group. This recommendation should be applied to all kinds of 'empty shell' units located in tax havens and in offshore financial centres, for SPEs and for non-profit units (for example trusts, foundations, Stiftungen, Anstalten) that are at the top of an enterprise group structure (see also [Section 4.5.3](#)).

4.101 Example: a GEG has a Dutch company as GGH. The legal unit does not have any employees or physical presence; it is only an empty shell for tax purposes. The next controlling unit downwards in the chain is in Czechia. The decision process is modelled below.

- Is the unit at the top of the control chain?
Yes, the Dutch unit is at the top of the chain.
- Does it have a real physical presence?
No physical presence, no employment.
- The next controlling unit downwards in the chain should be examined. This is a Czech legal unit. Does it have a real physical presence?
Yes.
- Is the unit the decision centre of the enterprise group?
Yes.

Result: the GDC is the Czech company.

Recommendation about dual-listed companies

4.102 When a DLC presents itself as a single legal unit, a single GDC should be identified. For defining the GDC, the factor to be taken into account is the location of the unit where the strategic decisions for both legally separated parts of the enterprise groups are made.

4.103 Example: the legal structure of a multinational enterprise group shows that the group has two legally separate subgroups, one with its group head in the Netherlands, one with its group head in Belgium. The decision process is modelled below.

- Does the legal incorporation show two separate groups?
Yes, the unit is a DLC.
- Does the DLC present itself as a single entity?
Yes, the customers and the market know this group as one brand, one company; the group presents itself as one MNE.
- Is it possible to define the decision centre?
Yes, the group head in the Netherlands controls the strategic decisions of the subgroup controlled by the group head in Belgium.

Result: the decision centre is located in the Netherlands; this is the GDC.

Recommendation for joint ventures

4.104 By their nature, in joint ventures usually no dominant partner is able to be identified. When one of the controlling units of a joint venture is dominant, the dominant partner should be considered the GDC.

4.105 In cases where no dominant partner can be identified, simple rules should be applied to define the GDC of the joint venture.

4.106 If there is one foreign and one resident controlling unit and neither is the dominant partner, the joint venture does not belong to the enterprise group.

4.107 Example 1: one enterprise in Czechia is a 50–50 % joint venture of a French and of a Japanese enterprise group. It is not possible to identify a dominant partner in the joint venture. The decision process is modelled as follows.

- Is it possible to define a dominant partner in the joint venture?
No dominant partner.

Result: the joint venture does not belong to either the French or the Japanese group.

Example 2: One enterprise located in one Member State is a 50–50 % joint venture of a Panama and a British Virgin Islands unit. No further information is available. The decision process is modelled below.

- Is it possible to define a dominant partner in the joint venture?
No, it is not possible.

Result: the joint venture does not belong to either group.

4.108 Joint ventures can have different legal structures, for example 3 × 33 % or 4 × 25 % share/ownership relations. As a general rule, in cases of no dominant partner the joint venture does not belong to the enterprise group.

OPERATIONAL RULE 3 ABOUT CONTROL WITH RESPECT TO CONSOLIDATION

4.109 The control of an entity (legal unit / enterprise) by a group determines the way this entity is consolidated in the group's accounts. These methods of consolidation are defined in packages of international accounting rules, by International Accounting Standards and the IFRS (IAS 27, 28; IFRS 10, 11, 12).

- Entities (legal units) over which a group exercises **control** are consolidated by the **full consolidation** method. This means that the group integrates all their value (100 % of profit and loss and 100 % of balance sheet) in its consolidated accounts (even if the percentage of control is lower than 100 %).
- Entities (legal units/enterprises) over which a group exercises **significant influence but no control** are consolidated by the **equity method**. In accounting standards, significant influence is presumed to exist when the group directly or indirectly holds at least 20 % of the entity's voting rights. However, this does not result in the inclusion of this unit in the perimeter of the enterprise group in the statistical business register.

4.110 Legal units consolidated in full in the enterprise group accounts form part of the enterprise group. Legal units not consolidated but controlled by the GGH also form part of the group. However, if the difference between the consolidation and the legal perimeter is not significant, the consolidation criterion should be taken for the delineation of the statistical group.

4.4.3 Relationship between legal units, enterprises and enterprise groups

4.111 In this section, the logical relationships between legal units, enterprises and enterprise groups are clarified. This is necessary because both enterprises and enterprise groups consist of legal units. More precisely, 'the enterprise is the smallest combination of legal units that is an organizational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources' (statistical units regulation, Annex, Section III, A), while the enterprise group is a more complex unit based on 'legal and/or financial links for policy on production, sales and services. It may centralize certain aspects of financial management and taxation' (statistical units regulation, Annex, Section III, C). This section only refers to the logical relationships between legal units and enterprises; the conceptual aspects are dealt in [Section 4.5](#).

4.112 Although the statistical units regulation defines an enterprise group as an 'association of enterprises', hierarchical relations between the enterprises within an enterprise group cannot be defined in the same way as for legal units. In fact, the enterprise is a statistical construct exclusively designed for economic analysis (see [Section 4.5](#)).

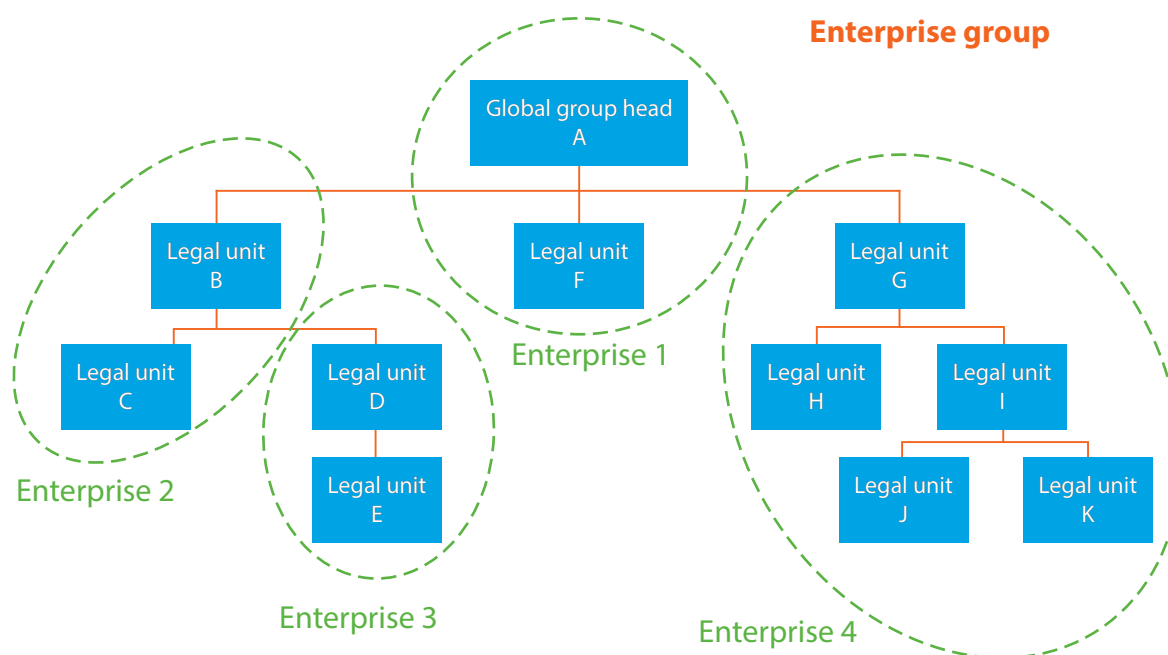
4.113 Therefore, as stated earlier in this chapter, the enterprise group is built upon links between a parent and its subsidiary legal units.

4.114 Once the enterprise group is reconstructed from the legal units, the enterprises can be delineated from the top down within the set of legal units that are parts of the enterprise group: the enterprise consists either of a single legal unit ('simple enterprise') or of a combination of two or more legal units ('complex enterprise'). It follows that an enterprise group can be subdivided by the top-down method only into complete enterprises, not parts of them.

4.115 An enterprise group can coincide with a single enterprise if, and only if, it is an enterprise that consists of more than one legal unit (with the exception of a truncated group consisting of one legal unit).

4.116 Both views of the enterprise group, as composed of legal units and of enterprises, must be documented in the statistical business register. The following schematic example illustrates this. However, it is not necessary that enterprises comprise single connected tree structures of legal units.

Figure 4.6: Legal units as a common basis of the enterprise group and the relations to its enterprises



4.117 The 'association of enterprises' mentioned in the statistical units regulation can therefore be interpreted as a two-level hierarchy, having the enterprise group on top and all its constituent legal units forming the enterprises on the second level (all constituent enterprises having the same rank; this is illustrated in Figure 4.6).

4.118 When there are several control links crossing national borders leading to seemingly more than one truncated group within the same global group, there are two possibilities available for the handling of truncated groups and their heads. The different groups of legal units thus formed within the national territory could be combined into one truncated group or the groups could each be defined as a separate truncated group. However, only the first option — combining the legal units into one truncated group — would achieve consistency with the global structure and is therefore recommended.

Section 4.5 Enterprise

4.5.1 Definition and character of an enterprise

4.119 The enterprise is the most important statistical unit in European business statistics. In almost all business statistics domains the enterprise concept is applied. It is also the core unit, as the other statistical units, such as KAUs, local KAUs (LKAUs) and local units, are defined in relation to the enterprise.

4.120 An enterprise may carry out one or more economic activities at one or more locations. Thus, the enterprise may not be a homogeneous unit, neither with respect to the activity nor to the geographical location. However, in most enterprises the principal activity accounts for quite a large share of the value added generated, so these enterprises come close to homogeneity in the economic activity. Moreover, most enterprises only have one location, which means that for these enterprises the regional attribution would be correct.

4.121 The definition of an enterprise, as a statistical unit of the production system in the Community is given in the statistical units regulation.

Box 4.9: Definition of an enterprise

The enterprise is the smallest combination of legal units that is an organizational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit.

Source: Council Regulation (EEC) No 696/1993 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community

4.122 This European definition of the enterprise is in line with the definition in ISIC Rev. 4, as regards the basic criterion of autonomy and that an enterprise may be engaged in one or more productive activities at one or more locations. However, the ISIC definition does not take into account the relationship between enterprises and legal units. This is considered in the European definition, which explicitly incorporates legal units. An enterprise may comprise more than one legal unit.

4.123 According to the definition, an enterprise may not have full autonomy; only a 'certain degree of autonomy' is required. This mainly refers to enterprises that are part of an enterprise group. Here it is evident that an enterprise in a group usually cannot act totally freely. Enterprises outside an enterprise group will always have full autonomy.

4.124 The relationship between an enterprise and a legal unit is therefore defined thus: 'the enterprise corresponds either to a legal unit or to a combination of legal units, provided that the result is an organisational unit with a certain degree of autonomy' (statistical units regulation, Annex, Section III, A). It should be noted that it should be the 'smallest combination of legal units' sufficient for achieving an organisational structure that has a certain degree of autonomy. An enterprise produces goods or services, in other words it is always economically active.

4.125 Enterprises and legal units have different purposes. The legal unit is a part of the legal and administrative world. Only a legal unit may enter into contracts or be an owner of property, rights or goods (in other words factors of production). However, legal units are a construct of law and administration and thus do not always reflect economic reality. There may be legal or fiscal advantages to separating production factors into two or more different legal units. In the economic view, these individual legal units cannot act without the others.

4.126 To give a correct description of the economic world, a unit must be created in which the production factors are combined in such a way that production is possible and manageable. This economic unit is the enterprise. The enterprise is therefore a statistical unit, consisting of one or more legal units for which statistical data can be provided.

4.127 The statistical units regulation describes this relationship in various ways.

- In order to define units that are recognisable and identifiable in the economy, legal or institutional criteria must be applied. In some cases, legally separate units must be grouped together because they are not sufficiently autonomous in their organisation. In order to define some types of unit, accounting or financial criteria must also be applied.
- To constitute the enterprise unit, use is made of legal units that exercise, wholly or partially, a production activity.
- The legal unit always forms, either by itself or sometimes in combination with other legal units, the legal basis for the statistical unit known as the enterprise.

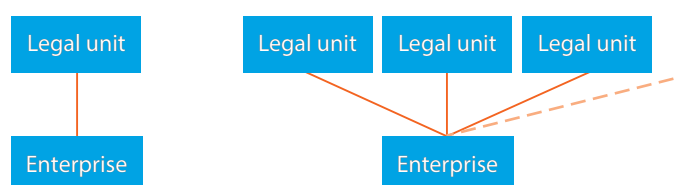
4.128 To understand the relationship between enterprises and legal units, it may be also helpful to consider the concept of an enterprise group. Furthermore, for the practical identification of enterprises, knowledge of the enterprise group is extremely helpful.

4.129 According to the statistical units regulation, an enterprise group is defined as ‘an association of enterprises bound together by legal and/or financial links. [...] Provisions regarding the control of the power to appoint directors must be taken into account. Behind financial (majority) control, the aim is to take into account where the control really is’ (statistical units regulation, Annex III C). An enterprise group can be seen as a cluster of legal units that are linked by relationships of control and structured by a strict hierarchy. Inside that enterprise group, several subclusters of legal units may exist that form (complex) enterprises. These enterprises have a certain economic autonomy and form organisational units. As the group head controls the legal units, it can determine the organisation of the group and thus the organisational units, which may form enterprises.

4.130 As explained in [Section 4.4](#), control can be exercised by owning more than half of the voting shares or otherwise controlling more than half of the shareholders’ voting power (for example by controlling the shareholder or by a contract of control). This type of control can be registered, as it has a legal basis. Informal control might be gained by one enterprise taking a high proportion of the output of another enterprise. This is difficult to recognise and to define, so a neutral judgement is difficult. Therefore, informal control cannot serve as a criterion for constructing enterprise groups or enterprises.

4.131 The relationships between legal units and enterprises in statistical business registers may be summarised by the examples in Figure 4.7.

Figure 4.7: Relationships between legal units and enterprises



4.132 An enterprise consisting of more than one legal unit under the same control can be referred to as a ‘complex enterprise’. They may exist for various reasons, as set out in the paragraphs below.

HISTORICAL REASONS

4.133 One legal unit buys another and integrates it completely into its own production process. The legal form is not changed. For example, a retail business obtains the ownership of a legal unit that owns a shop. This shop no longer has autonomy, because the decisions are taken at a level outside that legal unit.

OPERATIONAL REASONS

4.134 Certain activities may have been outsourced into separate legal units for reasons of operational efficiency. For example, it may be more efficient to have one legal unit responsible for marketing and advertising the products of several other legal units within an enterprise.

TAX OR SUBSIDY REASONS

4.135 Particular activities undertaken by an enterprise may be taxed differently from others or may attract subsidies. In such cases, it can make sense to have them carried out by a separate legal unit to maximise the tax advantage for the business or simply to meet administrative requirements.

OTHER REASONS

4.136 In some countries, all employees of a particular legal unit are subject to the same wage settlement regardless of their occupation. To pay different wages, the activities in question would have to be legally outsourced. For example, if a legal unit is classified as metal processing, it may make sense to employ the staff of the canteen in a separate legal unit, if market wages for catering staff are lower than for metal-processing staff.

4.137 This list is not complete; other reasons for organising an enterprise in different legal units are conceivable, for example to facilitate the sale or closure of part of an enterprise group. The reasons will vary between Member States as a result of different historical, political or administrative factors.

4.138 The definition of an enterprise as containing one or more legal units could lead one to consider that all the legal units of a truncated enterprise group may form one enterprise. While this is possible, in many cases such a conclusion would be contradictory to the two other elements of the definition of an enterprise. It must correspond to the smallest combination of legal units and it must be an organisational unit producing goods or services that benefits from a certain degree of autonomy in decision-making, especially about the allocation of its current resources. In the light of this definition, the enterprise does not correspond generally to the whole group of legal units in the national territory.

4.139 The explanatory note on the definition of enterprises in the statistical units regulation provides further guidance:

‘The enterprise thus defined is an economic entity which can therefore, under certain circumstances, correspond to a grouping of several legal units. Some legal units, in fact, perform activities exclusively for other legal units and their existence can be explained only by administrative factors (for example tax reasons), without them being of any economic significance. A large proportion of the legal units with no persons employed also belongs to this category. In many cases, the activities of these legal units should be seen as ancillary activities of the parent legal unit they serve, to which they belong and to which they must be attached to form an enterprise used for economic analysis.’

4.140 This illustrates the actual definition: ‘an organisational unit producing goods or services’. An enterprise therefore combines factors of production insofar as these factors are under a common organisation. Other factors may be acquired by the enterprise via the market and therefore are not part of the organisational unit ‘enterprise’.

4.141 The business statistician’s aim is to establish a comprehensive set of economic variables for the enterprise, in order to supply the national accounts framework (ESA 2010) with data. The availability of data can therefore be stated as a necessary condition for the existence and construction of a complex enterprise. Legal units are generally required to keep accounts, for example for tax purposes, and, in the case of an enterprise consisting of one legal unit, all the data required will be included in the accounts of that legal unit. Legal unit accounts may not, however, make sense for statistical purposes when enterprises comprise more than one legal unit. If an enterprise consists of more than one legal unit, the managers of that enterprise need accounts at their disposal that describe the economic processes independent from the legal construction. These management accounts might often be more relevant for statistical purposes than accounts based on legal units.

4.142 Thus, if a legal unit is connected to other legal units that serve as the legal bases for certain factors of production, they should be deemed to act as one enterprise.

4.5.2 Operational rules for the enterprise

4.143 The definition of the enterprise according to the statistical units regulation makes it clear that, if there are separate legal units for factors of production that, in combination, are used for the production of goods and services, these legal units in combination constitute the enterprise. Despite their legal identity, in such cases the legal units would not be considered autonomous in an economic sense. Only the combination of legal units (in other words the enterprise) would have a sufficient degree of autonomy. One of the considerations on which this conclusion was based was the fact that the definition of the enterprise states that an enterprise is ‘an organizational unit’ (as opposed to an administrative or legal unit) ‘producing goods or services’ and ‘has a certain degree of autonomy in decision-making, especially for the allocation of its current resources’.

4.144 The definition reflects its main use. In the European Statistical System the concept of the enterprise is primarily used for statistics that relate to the production of goods and services. For example, it is the main observation unit for data required under the EBS regulation. These statistics require that factors of production used in the same process of production be combined into one unit. This allows inputs and outputs of the production process to be related and thus the operating surplus of a unit to be measured.

4.145 The use of the enterprise for statistics relating to the production of goods and services makes it desirable that the enterprise have a property that is not specifically mentioned in the definition and its explanatory note, in other words that the variables to be measured can actually be observed. Whether or not the enterprise actually has this property depends on the operational rules used to determine that unit.

4.146 Box 4.10 presents the updated operational rules for the enterprise. Operational rule 1 refers to the three basic characteristics of an enterprise: necessary factors of production, controlling system and managerial structures. As already stated in [Section 4.4](#), in order to understand the relationship between enterprises and legal units, it may also be helpful to consider the enterprise group. The most common way to identify (complex) enterprises is to do this top down, meaning to examine an enterprise group and identify enterprises within the group.

Box 4.10: Operational rules for the enterprise

1. Characteristics of an enterprise

A unit is deemed to be an enterprise if it

- a. operates the necessary factors of production (e.g. human resources, capital, technology, land and in particular management) and*
- b. accesses the necessary controlling systems, e.g. an integrated cost calculation, which covers the main, secondary and ancillary activities of the unit deemed as enterprise and*
- c. has adequate managerial structures, i.e. managers that can decide about the production process and about the economic transactions.*

2. Activity of an enterprise

An enterprise is deemed as active in a certain period if it generates turnover, employs staff or makes investments in the period.

[Holding assets and/or liabilities may also be considered to be an activity, in which case the operational rules for HO/HC/SPEs apply]. (see operational rules for head offices, holding companies and special purpose entities in this chapter).

3. Identification of Enterprise in case of an Enterprise group

In case of an enterprise group, the identification of the statistical unit enterprise should in principle be made on the basis of the structure and the perimeter of the enterprise group reflected in the national statistical business registers and in the EGR.

Further guidance:

It should be noted that some enterprise groups may decide to organise their activities in various so-called profit-centres or operating segments.

Each of these operating segments can be considered, for statistical purposes, as a starting point for the identification of an enterprise inside the enterprise group.

Inside an operating segment there may be one or more legal units, or parts thereof, which are organisationally integrated with each other but not with the rest of the segment and have the factors of production at their disposal. Such units have to be considered as an enterprise, if they operate under an own management and do not carry out ancillary or vertically integrated activities.

The application of operational rule 'Identification of Enterprise in case of an Enterprise Group' may result in an enterprise being equal to enterprise group. This is the case if an enterprise group performs its activities under a single management and operates as one organisational unit.

Box 4.10 (continued)

4. Ancillary legal units

If a legal unit performs one or more ancillary activities for other legal units within the same enterprise group, it has to be considered as an ancillary legal unit. In this case it is not considered an enterprise. The outputs of the ancillary legal unit have to be considered as inputs for the other units of the enterprise group and its data have to be consolidated within the enterprises which consume these outputs.

In case the output of the legal unit, which performs one or more ancillary activities, is only partly consumed by other legal units, and the legal unit sells to a third party on a regular basis, it may be treated as an enterprise.

A legal unit or part thereof located in one country may carry out exclusively ancillary activities inside the enterprise group and deliver its services to more than one enterprise of the enterprise group it belongs to. If the enterprises that receive the ancillary services have locations in one or more other countries the legal unit providing these services is by convention treated as an enterprise and is classified according to the activity it is performing.

5. Vertically integrated legal units

A vertically integrated enterprise is one in which different stages of production are carried out in succession by different parts of the enterprise. The output of one stage becomes an input for the next stage, only the output from the final stage being actually sold on the market.

A legal unit is vertically integrated, if its output is used as a pre-product in another legal unit of the same enterprise group. In this case, the vertically integrated legal unit or operating segment is merged inside the group with the legal unit using the output. The merged legal units have to be considered as one enterprise.

6. Enterprise active in more than one country

Application of the enterprise concept may lead to identifying enterprises active in more than one country. In such cases, there will be links of the national part of the unit with the EGR. For national statistics the national part of the unit is to be considered an enterprise. Such a resident unit is regarded an enterprise unit in the economic territory where it is located. However, in some specific cases this may lead to more than one national enterprise. Techniques like European profiling will aid such consistency.

Source: Eurostat (2015), Notice of intention of the BSDG and the DMES on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units

NECESSARY FACTORS OF PRODUCTION

4.147 According to economic theory, the following factors of production are usually distinguished: human resources, capital and land, technology, and management. The importance of each of the factors will differ between industries and between economic operators. However, these factors are the ones that together will be needed for an autonomous unit producing goods and services for the market.

4.148 A legal unit may own one or more factors of production, for example a building or equipment, or it may control labour. The separation of factors of production across different legal units may be due to tax laws, risk management or the need to give sureties to the institution that provides capital to the business. Employment may be controlled via a specific legal unit within a group where this has an impact on the social security contributions or other taxes to be paid, or where it reduces the costs of complying with certain aspects of labour legislation.

4.149 A separate factor of production cannot normally be considered to be an organisational unit producing goods or services even if it is a separate legal unit with identifiable outputs. Such an organisational unit must involve a combination of factors of production. Legal units for individual factors of production in the same enterprise group should therefore be combined with the units they serve to form an enterprise. For cases where several units share labour provided by a separate legal unit, or one legal unit holds the assets of several others, see paragraphs 4.168-4.173 below.

AN ENTERPRISE HAS THE NECESSARY CONTROLLING SYSTEM

4.150 Operational rule 1 mentions as a further criterion that an enterprise has at its disposal integrated cost accounting for its main, secondary and ancillary activities, covering the main aspects of the production process (inputs, outputs and operating surplus). This is a direct consequence of the (relative) autonomy of the enterprise in decision-making, in other words the enterprise may be expected to maintain accounts for its own benefit.

4.151 This feature is helpful in the sense that, if accounts are not available, the entity under consideration is unlikely to be an enterprise. However, the opposite is not true; if accounts are available, the entity under consideration is not automatically an enterprise. In large business organisations, some form of accounts may be kept inside the organisation at several levels.

4.152 The criterion of availability of accounts must be applied with care. Accounts may be kept for internal management purposes or simply to meet administrative obligations. Such accounts may not conform to national or international accounting standards and, even if they do, they may be of limited usefulness for statistical purposes without further processing. Notably, costs and sales figures may differ substantially from market values, particularly if they relate to intragroup transfers. It is therefore important to consider the type of accounts when applying the criterion of availability of accounts.

4.153 It may be useful to note that there is an important link between availability of accounts and response burden. Respondents prefer to report on the basis of accounts at their disposal. If respondents ask the statistical institute to handle legal units in combination, this is an indication that the separate legal units may not be appropriate as statistical units.

AN ENTERPRISE HAS ADEQUATE MANAGERIAL STRUCTURES

4.154 Full autonomy and fully integrated operations are obviously closely linked. Both imply that an enterprise is managed as a distinct entity. An obvious way to find out if a legal unit is managed independently is to look to the organisational structure of the enterprise group to determine whether or not the legal unit is a distinct organisational unit with a manager who has autonomy of decision-making in the production of goods and services.

4.155 A more thorough way of determining whether legal units are managed separately or jointly is to look at the management of different elements of the activities involved, for example:

- purchases,
- production processes,
- production levels,
- sales/prices/marketing,
- investment.

4.156 In other words, examples of the type of questions that should be asked are: are the purchases of legal units combined or coordinated? Are the factors of production of the legal units managed together or separately? Do the legal units present themselves as independent entities to the market or do they have similar trade names, a single marketing policy, etc.? Are production levels, prices and capital expenditure decided centrally or independently? It should be noted that long-term strategic decisions concerning some of these elements, particularly investment, may be made at the level of the enterprise group; therefore, consideration of these questions does not automatically lead to the correct delineation of the enterprise.

MARKET ORIENTATION OF AN ENTERPRISE

4.157 Apart from certain exceptions (public sector, non-profit institutions, holding companies), market orientation can often be the most useful indicator of autonomy. If a legal unit is not market oriented, it cannot act autonomously, so it does not comply with the definition of an enterprise. The criterion of market orientation does, however, need to be defined precisely, and in a non-circular way, in other words the definition of the market for a particular unit cannot simply include everything outside that unit.

4.158 A legal unit can be considered to be market oriented if its output is sold to entities outside the enterprise group to which it belongs. If the output is sold entirely within the enterprise group, the prices and conditions of the 'sales' may be subject to top-level directions, as may the choice of the customers and suppliers. The autonomy of the legal unit may be restricted more directly if its operations are integrated with those of its client legal units. It should be remembered, however, that even if a legal unit sells its output solely to other legal units within the enterprise group it may still act like a real market unit and the sales may be at market prices and on market terms. Therefore, sales outside the group are a useful indicator of market orientation but cannot be relied on to provide a definitive answer in all cases.

4.159 Operational rule 2 defines when an enterprise is active. This is the case when in a certain period the enterprise generates turnover, employs staff or makes investments. The first two criteria are the most common ones. However, making investment in the period before any production process starts is a new additional criterion. This criterion should ensure that investment costs of new start-ups will be collected in business statistics.

4.160 As ancillary activities may be provided by separate legal units within the enterprise, operational rule 4 states that a legal unit performing ancillary activities for other legal units within the same enterprise group is not considered an enterprise. This has already been analysed in [Section 4.2](#). An exception to this rule is in cases when a legal unit or part thereof located in one country carries out exclusively ancillary activities inside the enterprise group. If all the enterprises that receive the ancillary services have locations in one or more countries, this ancillary legal unit is by convention treated as an enterprise and is classified according to its actual (ancillary) activity.

4.161 The background of this rule is that business statistics are produced at the national level. Treating this legal unit as ancillary would mean that its output is not measured, either in the country of location or in the country of the units that receive these ancillary services, as they cannot collect data about units resident in other countries.

VERTICAL INTEGRATION

4.162 Operational rule 5 deals with vertically integrated legal units. Two legal units are said to be vertically integrated if they are within the same enterprise group and one consumes all the output of the other. For example, the output of a legal unit engaged in printing could go entirely to a legal unit engaged in bookbinding. In many cases, the activity of one legal unit could be seen as ancillary to the other. There are certain specific circumstances in which an activity cannot be regarded as ancillary, which are set out in the statistical units regulation. These do not prevent the units from being combined into one enterprise but may strengthen the case for splitting the enterprise into separate KAUs.

4.163 If two or more legal units in the same enterprise group are vertically integrated, they may be considered not to act independently, as the supplying legal unit is not market oriented. If one unit is completely dependent on another for its sales, it loses autonomy. In practice, it is assumed that the legal units are managed together as one business; therefore, they should be combined to form one enterprise.

4.164 Sometimes a legal unit supplies parts of its output directly to the customers of the legal unit receiving its output, for example spare parts or services. In this case, it should be considered whether this is done under market conditions and under the responsibility of the first unit or whether it is carried out under the control of the second unit.

HORIZONTAL INTEGRATION

4.165 Two legal units are said to be horizontally integrated if they are within the same enterprise group, carry out similar or complementary activities, are managed as one business and present themselves as a single business to the market. This means that their operations are integrated, they share resources, inputs are combined and the business is marketed as a whole. If two (or more) legal units are horizontally integrated, they cannot be considered to act autonomously. Therefore, the legal units should be combined to form a single enterprise.

4.166 The concept of 'complementary activities' is used here because the activities of horizontally integrated businesses involve similar inputs and processes. Activities may be complementary without necessarily falling into the same NACE class. An example could be units that buy steel tubes and use similar processes and shared resources, one to make metal furniture and another to make bicycles.

SERVICES SHARED BY UNITS WITHIN AN ENTERPRISE GROUP

4.167 An ancillary activity, by definition, does not form an enterprise, but serves one or more than one KAU within the enterprise. A similar phenomenon can exist at the level of the enterprise group, concerning services shared within the group. Such common services might be shown in the accounts of the group as one segment. For example, enterprises may share a computing service for which a separate legal unit exists. Such services may not be market oriented and may not be any more autonomous than an ancillary activity within an enterprise. Costs are normally shared across the enterprises within the group.

4.168 It is usually not possible and also not recommended to split the legal unit under consideration among the enterprises it serves. Therefore, although the autonomy of the servicing legal unit may be severely restricted, it can for practical reasons be considered an enterprise. In some countries the term 'quasi-enterprise' is used. It may be useful to distinguish these enterprises in some way for certain analytical purposes, but they might still be considered as standard enterprises for the purposes of the compilation and dissemination of business statistics. As such, an enterprise may serve other enterprises with different economic activities, and the level of its input may vary considerably over time. The NACE code given to it should represent its own activity, even if this activity is then split analytically among other enterprises within the group.

4.169 An exception to this may arise where a legal unit provides labour for several units that would otherwise be considered to be enterprises within a (truncated) enterprise group. In such cases, the following distinction should be made.

4.170 If a legal unit provides staff to two or more other units within the enterprise group on the basis of market contracts and it provides services to units outside the group, the unit should be regarded as a separate enterprise.

4.171 If the provision of labour is entirely within the group and not on a market contract basis, the staff can be considered one of the factors of production required for the supply of goods or services to the market by the enterprise of the group. In this case, the legal unit that provides the staff forms one enterprise along with the other legal units in the group where the staff actually works. Alternatively, the legal unit that provides the staff could be split according to the proportion in which it supplies the staff to several enterprises within the enterprise group.

4.172 Gathering the necessary information to make this distinction will almost certainly require direct contact with the unit.

FRANCHISING

4.173 The operation of a franchise network is a method of doing business that is popular in a number of service activities, especially hotels, restaurants and retail sales. Franchisees are independent legal units that sign a contract with another legal unit, the franchiser, to engage in an activity making use of trademarks, trading styles and marketing support provided by the franchiser, usually in return for a fee or a share of the profits. A franchise contract typically includes a number of restrictive clauses limiting the franchisee's freedom of choice, for instance imposing standards on the goods and services to be produced, their quality and their price. The franchisee may be compelled to obtain supplies from the franchiser and must pay a contribution towards certain services organised by the franchiser that are common to the entire network. The franchiser, in turn, offers economies of scale without completely removing the autonomy of the franchisee, for example by taking care of collective marketing. Franchise operators may or may not belong to the same enterprise group.

4.174 Franchisees are deemed to be separate enterprises because they consist of a complete combination of factors of production and they run the full entrepreneurial risk. Moreover, the definition of the enterprise requires autonomy but allows for this autonomy to be somewhat restricted ('a certain degree of autonomy' is required), and full accounts tend to be available only at the level of the separate franchisees. The franchiser is also regarded as a separate enterprise.

4.5.3 Head offices, holding companies and special purpose entities

4.175 Special purpose entity (SPE) is the name used for identifying special cases of legal units. These are also known as special purpose vehicles. In principle, an SPE is usually a limited company or limited partnership, created to fulfil narrow, specific or temporary objectives and to isolate a financial risk, a specific tax or a regulatory risk. ESA 2010 defines SPEs within the meaning of points 2.17 to 2.20 of Chapter 2 of Annex A to Regulation (EU) No 549/2013: 'A special purpose entity (SPE) or special purpose vehicle (SPV) is usually a limited company or a limited partnership, created to fulfil narrow, specific or temporary objectives and to isolate a financial risk, a specific taxation or a regulatory risk' (Eurostat, 2013, *ESA 2010*, p. 29).

4.176 A definition of SPEs was proposed by the Task Force on Special Purpose Entities (TFSPE), endorsed by the Committee on Balance of Payments Statistics. The proposed definition is as follows (IMF, 2018, p. 6):

'An SPE, resident in an economy, is a formally registered and/or incorporated legal entity recognized as an institutional unit, with no or little employment up to maximum of five employees, no or little physical presence and no or little physical production in the host economy.

SPEs are directly or indirectly controlled by non-residents.

SPEs are established to obtain specific advantages provided by the host jurisdiction with an objective to (i) grant its owner(s) access to capital markets or sophisticated financial services; and/or (ii) isolate owner(s) from financial risks; and/or (iii) reduce regulatory and tax burden; and/or (iv) safeguard confidentiality of their transactions and owner(s).

SPEs transact almost entirely with non-residents and a large part of their financial balance sheet typically consists of cross-border claims and liabilities'.

4.177 In addition to the proposed definition, the TFSPE has developed a decision tree and typology of SPEs to support the practical implementation of the proposed definition. The decision tree will be used as an operational guidance to assist national compilers in identifying SPEs for external sector statistics purposes, while the typology aims to delineate the different types of SPEs based on their economic functions and relate them to their institutional sector.

The TFSPE categorises the SPEs into six categories: corporate groups' captive financial entities, specialised financial entities, corporate groups' non-financial entities, wealth management entities, government-owned financial entities and other structures. Entities that fall into those categories may be, but are not necessarily, SPEs. More details of the decision tree and typology of SPEs are available in the final report of the TFSPE (IMF, 2018).

4.178 According to ESA 2010 (Eurostat, 2013), the following characteristics of SPEs do apply:

- they usually have no employees and no non-financial assets;
- they have little physical presence beyond a 'brass plate' or sign confirming their place of registration;
- they are always related to another corporation, often a subsidiary;
- they are resident in a different territory from the territory of the residence of the related corporations;
- they are managed by employees of another corporation.

4.179 ESA 2010 categorises the SPEs into three categories: captive financial institutions, artificial subsidiaries and special purpose units of general government.

CAPTIVE FINANCIAL INSTITUTIONS

4.180 Captive financial institutions include holding companies that simply own the assets of subsidiaries, investment and pension funds, units used for holding and managing wealth of individuals or families, units issuing debt securities and units carrying out other financial functions on behalf of related companies.

4.181 A captive financial institution usually cannot act independently from its parent and is simply a passive holder of assets and liabilities. Such a unit without independence cannot be seen as an own enterprise, unless, by exception, it is resident in an economy different from that of its parent. If it is resident in the same economy as its parent, it is treated as an 'artificial subsidiary'.

ARTIFICIAL SUBSIDIARIES

4.182 A subsidiary, wholly owned by a parent company, may be created to provide services to the parent or to other units in the same enterprise group, in order to avoid taxes, to minimise liabilities in the event of bankruptcy, or to secure other technical advantages under tax or corporation legislation in force in a particular country.

4.183 In general, such types of entities do not satisfy the definition of an enterprise because they lack autonomy and may be subject to restrictions on their ability to hold or transact assets held on their balance sheets. Like captive financial units, they are treated as enterprises only by exception, if they are resident in an economy different from that where the parent is resident.

SPECIAL PURPOSE UNITS, HEAD OFFICES AND HOLDING COMPANIES

4.184 The accounts of SPEs with no independent rights of action (autonomy) are consolidated with the parent corporation, unless they are resident in a different economy from that of the parent.

4.185 Holding companies and head offices are often seen as special kinds of SPEs. It is important to make a distinction between these two categories of units, as they are to be classified in different NACE classes.

4.186 The activities of a head office (HO) include overseeing and managing other legal units of the enterprise, supporting their day-to-day operations. Thus, an HO exercises managerial control over its subsidiaries.

4.187 A holding company (HC) does not undertake any management activities. An HC is a legal unit that holds the assets of other legal units.

4.188 The following operational rules regulate how to distinguish HOs from HCs and in what cases these entities are characterised as institutional units. These rules refer to HOs and HCs of very large enterprise groups that own subsidiaries. It is important to restrict the rules to this special subpopulation of HOs and HCs, since the statistical units regulation states that 'In the corporate enterprises sector, the enterprise corresponds to the institutional unit used in the ESA.' The HO of a huge international enterprise group is clearly in the scope of these rules, whereas a legal unit employing the chairman of an SME, which may also have the purpose of, for example, reducing liability, does not fulfil the criteria for being an institutional unit and hence is not in the scope of these rules.

Box 4.11: Operational rules for holding companies, head offices and other special purpose entities

1. Identification of the enterprise characteristics

To identify the enterprise characteristics of a HO/HC/SPE the following conditions apply:

- a. A HO/HC/SPE owned by a non-resident parent is to be considered by convention as an enterprise.
- b. A HO/HC/SPE owned by multiple owners, and not controlled by any other legal unit, should be considered as a separate enterprise.
- c. For a HO/HC/SPE wholly owned by a single resident unit, having no employees and no compensation of employees are not sufficient criteria for lack of independence; in such cases, further investigation is needed.
- d. HOs are always considered to have autonomy of decision.
- e. Governments' (and corporations') use of SPEs is normally to raise finance. Such SPEs are not separate institutional units when resident. Non-resident SPEs of governments are recognized as separate institutional units. At the same time, all stocks and flows between general government and non-resident SPEs are recorded in the general government and SPEs accounts; including imputed transactions reflecting general governments borrowing from the non-resident SPE.

2. Identification of Head Offices and Holding Companies

HOs and HCs have relations to other entities, namely, their subsidiaries. Hence, information on the structure of their balance sheet is one tool to determine whether an entity is a HO, HC or another type of unit. In order to identify these entities, the following practical rule should be applied:

- A legal unit having at least 50 % of its assets consisting of investments in its subsidiaries can be considered to be of the type of HO or HC.

3. Distinction between Head Offices and Holding Companies

A HO may have noticeably fewer employees than the legal units it oversees and manages. However, having zero employment is a clear indication of not being a HO. On the other hand, HCs simply holding assets may do this with very few or without any employed personnel. Employment thresholds for the delineation between HOs and HCs should be determined taking into account national circumstances. In particular, national legislative requirements for the number of employees of HCs should be taken into account.

- In general, employment of three or more persons is used as a first indicator for a legal unit to being a HO.

4. Identification of SPEs

In order to identify SPEs the following practical rules should be applied:

- a. SPEs are always related to another legal unit, often as a subsidiary of that legal unit.
- b. SPEs have large balance sheets; usually with no non-financial assets. Therefore, investment income and holding gains are major elements of their accounts.
- c. SPEs have few or no employees.
- d. The production of SPEs is very limited. Usually fees are charged from the parent company.
- e. SPEs are often ultimately controlled by a non-resident parent, directly or indirectly.

Source: Eurostat (2015), Notice of intention of the BSDG and the DMES on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units

4.189 Operational rule 1 sets up some criteria for when an entity having the character of an HC/HO/SPE should be treated as an enterprise. When the unit is owned by a non-resident parent, has multiple owners and is not controlled by any other legal unit, an HO should usually be treated as an enterprise, as it is considered to have autonomy.

4.190 In order to identify whether an entity is an HC or an HO, it is stated to check the balance sheet structure of that entity (operational rule 2). As these entities own their subsidiaries, a high proportion of its assets will relate to the investment in their subsidiaries. As a practical rule, it is recommended that a share of at least 50 % might indicate that the entity might be an HC or HO.

4.191 The distinction between an HC and an HO is proposed to be measured by the number of employees. While HCs as simply holders of assets might have no or only very few employees, an HO might need more staff for its actual controlling and managing tasks. Operational rule 3 states a threshold of three or more persons, which would indicate an entity of such character as an HO.

4.192 However, these proposed thresholds — both for asset share and for employment — should be applied with care, and it might be necessary to take national circumstances into consideration. It should also be noted that units might in reality have more than one function or activity, so the final determination of the character of the unit and its classification is more complicated.

Box 4.12: National practices on the identification of special purpose entities

Identification and flagging of legal units as SPEs in the national statistical business registers is included in the EBS implementing regulation, as an optional variable (see below [Section 5.2.3](#), variable 1.11). The purpose of this variable is to indicate if a legal unit has the characteristics of SPEs and will not be viewed as a separate enterprise. This flag can help in delineating the enterprise structure. The definition of the SPEs should be based on ESA 2010.

Currently, it seems that not many countries do already identify SPEs and flag them in the statistical business register. This has to be seen in relation to the tasks of determining the statistical unit enterprise and the application of the profiling method, which is still under development in various countries. For the identification of SPEs, cooperation with national central banks is also helpful.

4.5.4 Profiling as the method to identify enterprises in case of an enterprise group

4.193 In the above two sections the definition and the operational rules for the delineation of enterprises have been described. These rules are specifically relevant when the legal units in question are part of an enterprise group. Operational rule 3 in Box 4.10 states that the identification of the statistical unit enterprise should be made on the basis of the structure and perimeter of the enterprise group.

4.194 The method and process by which this identification should be done is called ‘profiling’. Profiling is defined as ‘the method of analysing the legal, operational and accounting structure of an enterprise group at national, European or global level, in order to establish the statistical units within that group, their links and the most efficient structure for the collection of statistical units’ (Eurostat, 2010, *Business Registers Recommendations Manual*, paragraph 19.9, p. 165).

4.195 There are different kinds of profiling depending on the kind and complexity of the enterprise group, and there are also the two interlinked European and national kinds of profiling. For more details on profiling, see [Chapter 9](#) and *European Business Profiling — Recommendations manual* (Eurostat, 2020).

4.196 The updated operational rules for the delineation of the statistical units provide some basic guidance on the profiling methodology.

4.197 Enterprise groups organise the structure of their activities in various forms. One of these may be to organise their activities in profit centres or in operating segments. This is usually also embedded in their business accounts.

4.198 The operating segments can be considered as a starting point for the identification of an enterprise inside the enterprise group.

4.199 Each operating segment may consist of one or more legal units, or parts thereof, which are organisationally integrated with each other but not with the rest of the segment and have factors of production at their disposal. Each such unit may be considered an enterprise, if it operates under its own management and does not carry out ancillary or vertically integrated activities.

4.200 However, it could also be the case that the application of this rule may result in an enterprise being the same as the enterprise group. This is the case if an enterprise group performs its activities under a single management and operates as one organisational unit.

4.201 It should also be noted that the relation between an operating segment and the enterprise might not be so straightforward as it may seem from the above rule. It could be the case that an operating segment relates only to ancillary activities. In such cases one would wish this segment to be allocated to the other segments of the enterprises to which the segment provides its services, in accordance with the general rule for ancillary activities. However, in practice this might be difficult, and the enterprise group might not be willing to fulfil this request, as it implies additional burden. Another limitation is that the operating segment in question is located in a different country from the enterprises to which the services are delivered.

4.202 In such cases the principal rules for an enterprise might not be applicable and the segment will be treated as a (quasi-)enterprise.

4.5.5 Relationship to other statistical units

4.203 An enterprise has at least one local unit, one KAU and one LKAU. An enterprise could be part of an enterprise group.

4.5.6 Summary of the rules for the delineation of an enterprise

4.204 In summary, the rules for determining the enterprise are as follows.

- If a separate legal unit exists for a single factor of production, this legal unit should be combined with the other legal unit(s) it serves to form an enterprise.
- If a separate legal unit exists for an ancillary activity (including HC activities) connected to just one enterprise, the legal unit should be combined with that enterprise.
- If a legal unit provides services to several enterprises within an enterprise group, it may be considered a (quasi-)enterprise. If it provides staffing services to several other legal units within an enterprise group, there may be a case for combining all the affected units or splitting the legal unit.
- A legal unit providing ancillary services solely to enterprises of the same group that are non-resident in the country of the ancillary unit is to be considered an enterprise.
- A legal unit providing ancillary services partly and regularly to enterprises outside the group may be treated as an enterprise.
- HCs that hold the assets of more than one enterprise are deemed to be (quasi-)enterprises.
- An HC/HO/SPE owned by a non-resident parent is to be considered by convention a separate enterprise.
- An HC/HO/SPE owned by multiple owners and not controlled by any other legal unit should be considered a separate enterprise.
- Legal units carrying out vertically integrated activities under a common management or horizontally integrated activities should be combined to form a single enterprise.
- Franchisers and franchisees are considered separate enterprises.

4.205 In other cases, the availability of accounts, market orientation and the integration of operations are elements to be considered when delineating the enterprise.

4.206 If a legal unit is kept as a separate enterprise, it may still be useful for certain purposes to analytically split the variables of such a unit between the enterprises it serves.

4.207 The above rules assume that the legal units involved are within the same enterprise group.

Box 4.13: National practices on the delineation of the statistical unit enterprise

The starting point is the enterprise groups and its legal units. In a first step the structure of the enterprise groups is checked and updated based on the relevant control links. This is done for the multinational groups (with the help of the information from the EGR) as well as for the all-resident groups.

The further procedure depends on whether the enterprise group is a big and complex one or a smaller one, based on national definitions. In cases of big and complex groups, manual profiling methods are used. For the largest ones, some countries have installed LCUs in their offices to take care of all statistical aspects concerning these units in addition to profiling. For the smaller groups, automatic profiling algorithms are applied that take into account the NACE activities of the involved legal units, including whether or not these activities have to be regarded as ancillary ones.

Concerning these national practices, it should be noted that in many countries the methodology and general procedure to delineate the statistical unit enterprise are still under development. Certain methods, such as profiling, are also not yet fully applied.

In order to further support the harmonised implementation of the statistical unit enterprise, Eurostat organised a workshop on 9–10 September 2019. The objective of the workshop was to exchange experience on the implementation of the unit enterprise in the statistical business register and in business statistics. Topics of the workshop were therefore not only issues of profiling and the delineation of enterprises, but also methods of consolidating non-additive variables and communicating the results to the users.

Some major outcomes of the workshop with respect to the identification of the unit enterprise can be listed as follows.

- Most Member States have experience in intensive and also automatic profiling. The allocation of the enterprise groups to one of the profiling methods varies between countries but follows the general recommendations. Resources are a constraint.
- Involvement of the different statistical domains in the profiling process is highly advisable. Member States have started to create LCUs in their statistical offices.
- Operating segments that provide ancillary services to the other units of the group are usually allocated to the main activity. Splitting of legal units is usually not done. However, in certain cases allocation to the main activity is not useful and such operating segments might be treated as enterprises.
- One issue in delineating the enterprises is the identification of vertical integration. In this context the understanding of ancillary activities is crucial. Units of horizontal integration with the same NACE code are viewed as being one enterprise.
- The different approaches to automatic profiling (bottom up or top down) could have different results.
- Unit constellations in which a family owns the groups are challenging, as are the identification of SPEs, HOs and HCs and the treatment of branches.

The presentations at the workshop and frequently asked questions are disseminated on the Communication and Information Resource Centre for Administrations, Businesses and Citizens (CIRCABC) (<https://circabc.europa.eu/w/browse/a83912da-c8e6-452f-81d9-a8de8753e3e2>).

Section 4.6 Local unit

4.6.1 Definition and character of a local unit

4.208 Local units are the third type of statistical units that are to be recorded in the national statistical business registers (in addition to enterprise groups and enterprises). The concept of a local unit refers to only one dimension, namely the geographical location. Local units are thus homogeneous with respect to geography and are the appropriate unit for regional statistics. The definition of local units does not refer to the kind of activities carried out. Thus, more than one activity of an enterprise may take place at a local unit. A local unit may perform only ancillary activities.

4.209 The definition of the local unit is given in the statistical units regulation (Council Regulation No 696/93).

Box 4.14: Definition of local units

The local unit is an enterprise or part thereof (e.g. a workshop, factory, warehouse, office, mine or deport) situated in a geographically identified place. At or from this place economic activity is carried out for which — save for certain exceptions — one or more persons work (even if only part-time) for one and the same enterprise.

Source: Council Regulation (EEC) No 696/1993 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community

4.210 The main criterion for the delineation of a local unit is the geographical location. This should be interpreted in a strict sense. For the correct implementation of the local unit, a number of operational rules have been developed, which are shown and explained in the following section.

4.6.2 Operational rules for local units

4.211 The operational rules below go beyond the explanations in the statistical units regulation but are consistent with them. The rules are contained in Box 4.15.

Box 4.15: Operational rules for the local units

1. Identification

For the identification of a local unit the physical geographic location has to be identified. Such a single physical location is normally best approximated by the postal address. Several physical locations of the same enterprise within the same community or within the same region are to be treated as several local units of that enterprise.

2. Physical geographic location

A physical location of a local unit may be found within a building, may correspond to one building or may comprise more than one building. In the latter case the various buildings do not form separate local units if they are physically close together and have a common postal address.

3. Local unit without postal address

A local unit may not be situated in a building at all. If in that case the other criteria are fulfilled a separate local unit should be identified. In such a case a postal address may not exist; however, the geographical identification could be represented by geographical coordinates or other measures.

4. Activities performed outside physical locations

Certain economic activities are performed outside the physical locations of the enterprise, for instance at the customer's address, at fairs, door-to-door sales, etc. These types of location should not be considered to be the local unit, but instead the site from where the activity is organised should be considered to be the local unit. Such activities are treated as if they are carried out at the location from which they are organised. The same holds for activities in transportation where the real economic service is the transportation of goods and persons over the area.

5. Activities performed at private residence

In case that the economic activities are performed at the private residence of the entrepreneur, this address is also the address of the local unit of the enterprise.

6. Localities without staff

Local units should have one or more persons working (even if only part-time). However, in case of seasonal activities the unstaffed premises in a certain period of the year should be viewed as the local unit. In the cases of all other premises and installations, where no persons are working and the unit is not equivalent to the enterprise, these should not be treated as a separate local unit, but are incorporated in the local units from which they are operated and controlled.

7. Activities of local units

At a local unit more than one activity of the enterprise may take place. A local unit may also comprise only ancillary activities.

8. Local unit of an enterprise

Each enterprise has at least one local unit, namely the location where the enterprise is registered as legal unit (e.g. in the trade register). In the case that the registered business address is at a separate location than the other local units of the enterprise, still that location forms a separate local unit, even if no one is working there.

Source: Eurostat (2015), Notice of intention of the BSDG and the DMES on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units

4.212 For the identification of a local unit the physical location has to be identified. A geographically identified place must be interpreted on a strict basis: two units belonging to the same enterprise at different locations (even within the smallest administrative unit of the Member State) must be regarded as two local units. However, a single local unit may be spread over several adjacent buildings, in which case, by convention, the postal address is the determining factor. Thus, usually, these various buildings will comprise only one local unit. Similarly, for example, a public highway running through does not interrupt the continuity of the boundaries of the local unit.

4.213 A local unit may not be situated in a building and will thus have no postal address. If this location fulfils the other criteria of a local unit, it should be treated as a separate local unit. Instead of a postal address the location might be identified by parcel numbers or — independently from any administrative system — by the geographical coordinates.

4.214 A local unit must normally have one or more persons working at least part-time to be included in a statistical business register. An exception to this rule is when registered offices of legal units act as the legal basis for the enterprise and must be registered as local units even if they are merely domicile addresses with no real activity and no one working there. This exception means that the register can, in theory, be maintained by recording addresses of local units only, the addresses of legal units and enterprises being those of their local unit, which is the registered office. In reality, other addresses may also need to be stored, for example mailing addresses that may not coincide with any of the local unit addresses within the enterprise if forms are completed by an accountant or an enterprise group HO.

4.215 The fact that local units may not be recorded for all locations where an enterprise carries on its activities should not lead to the conclusion that some activities of such an enterprise are not covered by any local units. Although a local unit corresponds to a place where activity is carried out, it is not confined to the activity carried out at that location but includes all activities carried out from that location.

4.216 Thus, for example, an electricity substation belonging to an electricity distribution enterprise is not a local unit if it is not allocated any permanent staff. However, that substation is run by a regional agency employing permanent staff who check the substation and may go there to work if necessary. The local unit corresponding to the regional agency includes not only the building where the agency is established but also all unstaffed locations the operation of which is controlled by the agency, thus including the substation. The unstaffed substation does not form an additional local unit.

4.217 In this situation, a survey of investment per local unit will show up all fixed capital investments by enterprises, even those that are not situated at a location to which the enterprise has staff permanently allocated.

4.218 The definition of a local unit takes good account of the problems encountered in the case of activities that are not carried out from established premises.

4.219 Such activities may take place at the customer's address (for example door-to-door sales, visits by doctors), at fairs and markets and at working sites. The rule is that these locations where the enterprise carries out its activities on a transient basis are not local units. Statistically, such activities are handled as if they were carried out at the location from which they are organised. The same holds true for activities in transportation, where the real economic activity is the transportation of goods and persons through the area.

4.220 However, there may be some demarcation problems in the case of major, long-term sites and activities carried out at the address of a customer under a long-term contract (office cleaning, surveillance). In such cases, it is useful to consider some basic prerequisites for a local unit to exist.

- A local unit should be self-contained within a permanent or semi-permanent structure. This means that it should be possible to identify the physical location of the local unit at any time.
- A local unit must be capable of receiving deliveries and of storing products, materials or stock. This implies that the local unit should have a postal address.
- A local unit is taken to be a place from which the work is organised or from which the enterprise controls this local unit.

4.221 Consequently, the place of work for an office-cleaning enterprise does not exist as a local unit.

4.222 Major long-term sites constitute an exception. It is deemed desirable to record them as local units if they meet the following three criteria:

- the planned duration of the site is at least 2 years at the time that the site is opened;
- the enterprise employs more than 50 people at the site;
- recruitment and administration of a significant proportion of the labour force are performed locally.

4.223 In practice, these criteria can be adapted by each country to correspond to the criteria actually used by the administrative sources that normally supply the information needed to detect local units for the purpose of maintaining the register.

4.224 The question of activities carried out at the address of a customer under a long-term contract is rather similar. For example, it is common for an external enterprise to be put in charge of a staff canteen or restaurant, a school canteen or the provision of cleaning or security services.

4.225 Should a separate local unit be recognised and hence recorded for each enterprise working on the premises of a customer enterprise? The question is important in view of the present trend in most countries towards outsourcing of a number of ancillary services.

4.226 Where a legal unit provides ancillary services on a subcontracting basis for a parent legal unit, the general view taken for statistical purposes is that only one enterprise exists, unless the services are also provided for other, unrelated units. In this case, there is only one local unit even if paid employees of several different legal units work there.

4.227 In the case of genuine outsourcing, in other words where the enterprise providing services on a subcontracting basis is not controlled by the contracting enterprise, there are two possibilities.

- The service contract is a contract for a specified long term (at least 2 years), providing for the permanent allocation of employees of the subcontractor to premises placed at its disposal. This is often the case with restaurants and canteens put out to contract. The subcontractor will then be deemed to have its own local unit on the premises allocated to it.
- The service contract is for an unspecified period, or for a specified short term (less than 2 years) even if it is renewable, or it is long term but makes no provision for the subcontractor to be provided with premises that it is responsible for running. In these three cases, the subcontractor's activity will be handled as a site activity. This means that no local unit will normally be recorded. The subcontractor's activities are deemed to be carried out by the local unit (of the subcontracting enterprise) in charge of administration of the workers used at those sites.

4.228 There are many activities that involve the services of workers under exclusive contracts: commercial representatives, travelling salespersons, insurance agents. Such workers may or may not be treated as employees of the enterprise, depending on the nature of the contract binding them to the enterprise. The decision to be taken on this matter, which is an important one for maintenance of the register, must be consistent with the concepts of business statistics according to the EBS regulation.

4.229 In cases where such workers are to be treated as employees of the enterprise, they will carry out activities of the enterprise away from established premises and must be included in the workforce employed by the local unit that gives them their instructions and organises their work, in the same way as employees working at home.

4.230 On the other hand, where these workers cannot be treated as employees, each of them must be deemed to constitute an enterprise with a local unit normally situated at the worker's own home.

Box 4.16: National practice in the identification of local units

The address of a location is, in the national practices, a strong indicator of a local unit. Information on the number of employees working at the address is an additional indicator. Databases are administrative registers and, in some cases, also results of surveys.

In all the national practices collected, a local unit that just performs ancillary activities is specifically flagged in the statistical business register. These units have at least the NACE code of the ancillary activity. The NACE code of the enterprise is not always stored additionally but can be derived from the link between the local unit and the enterprise.

4.231 Further specific guidance on the identification of local units by economic activity is given in [Annex C](#).

4.6.3 Relationship with other statistical units

4.232 The local unit is defined in terms of the enterprise, in other words ‘an enterprise or part thereof ... situated in a geographically identified place’. It is therefore necessary to determine the enterprise before its local units can be delimited. Local units may have more than one activity, and can, for statistical purposes, be seen to consist of one or several LKAUs. The LKAU is not required to be included in statistical business registers according to the EBS regulation but is recorded in the business registers of several Member States. The main reasons for including the LKAU in a statistical business register are that it is a valuable tool in the production of regional statistics, that it is important for national accounts and so that secondary activities can be better represented in business statistics. It should be noted, however, that the LKAU can still consist of more than one activity, particularly where data on the activities are not available separately.

4.233 Each enterprise has at least one local unit, namely the location where the enterprise is registered as a legal unit. If an enterprise is registered at an address that is different from the addresses of the other local units, the registered address still forms a separate local unit, even if no one is working there.

4.234 In the case of an enterprise with only one local unit, this local unit corresponds to the KAU and to the LKAU. If an enterprise has two or more local units, the following relations may occur: one of the local units may correspond to one of the KAUs of the enterprise, as well as to one of the LKAUs of the enterprise. As already stated earlier, a local unit may not correspond to a KAU or to an LKAU, when the activity of the local unit is only ancillary.

4.235 Article 2(6) of the EBS regulation states that ‘Local units of foreign enterprises not constituting separate legal entities (branches), and classified as quasi-corporations in accordance with Regulation (EU) No 549/2013, shall be deemed to be enterprises for the purposes of national statistical business registers and the EuroGroups Register.’

4.236 This means that, in such cases, the enterprise is considered to be equivalent to the local unit or group of local units under common foreign control. Typical examples are the offices of overseas airlines in major airports.

Section 4.7 Kind-of-activity unit

4.7.1 Definition and character of kind-of-activity units

4.237 Whereas the enterprise is a unit that may be engaged in more than one economic activity at one or more locations, the KAU should be a unit that is more homogeneous in terms of activity. If the enterprise has more than one location, the KAU will bind together the operations of all local units in which the specific activity takes place. So a KAU cannot be split by country. However, basing the statistical collection on the KAU results in more homogeneous data with respect to the economic activities. Such statistics provide a more homogeneous picture of the structure and development of the industries in a country, as the various economic activities of an enterprise are allocated to each specific activity. This allocation is done by classifying the KAU according to the NACE activity classification.

4.238 The KAU was devised as an observation unit in order to improve homogeneity by activity and hence international comparability. Splitting an enterprise among all its different economic activities would practically be impossible, not only because of the high burden that would be incurred by the enterprise, but also because of the limited availability of appropriate enterprise data.

Box 4.17: Definition of the kind-of-activity unit

The kind-of-activity unit (KAU) groups all parts of an enterprise contributing to the performance of an activity at class level (four digits) of NACE Rev. 2 and it corresponds to one or more operational subdivisions of the enterprise. The enterprise's information system must be capable of indicating or calculating for each KAU at least the value of production, intermediate consumption, manpower costs, the operating surplus and employment and gross fixed capital formation.

Source: Council Regulation (EEC) No 696/1993 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community

4.239 The definition of the enterprise mentions that it may have secondary activities, which results in heterogeneity of activities defined in terms of NACE at the class level. The KAU is meant to reduce such heterogeneity, as follows from its definition and explanatory notes in the statistical units regulation. These notes also make it clear that the KAU can only fulfil this purpose to the extent that data are available. The KAU should therefore normally correspond to one or more organisational (sub)divisions of the enterprise. The same regulation also defines a perfectly homogeneous unit, the UHP, which can be used for analytical purposes, but, unlike the KAU, it is not directly observable. Data on the UHP are not required under European legislation on business statistics.

4.240 A KAU can produce secondary products outside the homogeneous activity group to which the KAU is classified that cannot be separately identified from available accounting documents. Conversely, the KAUs classified under a particular heading in the classification system on the basis of a principal activity do not produce the entire output of homogeneous groups of specific products because the same products can be produced in secondary activities of KAUs falling under some other classification heading.

4.241 All the costs of ancillary activities of an enterprise must be allocated to the principal and secondary activities and thus to the KAUs observed within the enterprise. As secondary activities, by definition, cannot be ancillary, an entity that carries out ancillary activities for the enterprise to which it belongs cannot be considered as a separate KAU.

4.242 The definition of the unit KAU also lists some variables that should be available for a KAU: value of production, intermediate consumption, manpower costs, operating surplus, employment and gross fixed capital formation. Some of these indicators might be easier to collect from the enterprise. This will mainly be valid for the value of the output, employment and manpower costs. Other indicators (for example intermediate consumption) may not be so easily collectible, because the appropriate information is missing from the enterprise's accounting system. For instance, it may not be the case that data on all intermediate inputs are recorded by the enterprise at the level of the intended KAUs. An example might be overhead costs, costs that do not directly occur in the KAU itself, but are to the enterprise as a whole. However, there are also two further indicators where in principle the practical implementation would be not really feasible. In order to obtain data on the operating surplus, data on depreciation of the capital stock by KAU would be needed. In the case of gross fixed capital formation, a part of the investments in fixed capital will be in IT, software, transportation equipment, etc., which will not be attributed to the various KAUs. This is similar to the overhead costs in intermediate consumption.

4.7.2 Operational rules for kind-of-activity units

4.243 Operational rules for the KAU must balance the need for homogeneity against data availability, while also taking into account the costs of maintaining the KAU, the response burden and the efforts required to maintain consistency with statistics based on the enterprise. It is therefore recommended to be pragmatic in choosing the operational rules for delineating the KAU and not to split enterprises into KAUs lightly. It is also recommended not to distinguish KAUs from enterprises if there is no statistical need to do so.

4.244 The current operational rules can be found in Box 4.18.

Box 4.18: Operational rules for the kind-of-activity units

1. Thresholds

In the practical implementation, the delineation of KAU may be restricted to enterprises which because of their size (e.g. production value) have:

i. a significant influence on the aggregated (national) data at NACE activity level,

and

ii. at the level of the individual enterprise, as guidance one secondary activity accounts for:

a. more than 30 % of its total production at the 4-digit (class) level of the valid NACE classification,

or

b. more than 20 % of its total production at the 2-digit (division) level of the valid NACE classification.

2. Other KAUs

In the case of enterprises which are not covered by rule 1, the KAU is considered to be equal to the enterprise.

3. Estimates

In case that not all of the economic indicators are available from the respondents, they may also be estimated by the national statistical authorities.

Source: Eurostat (2015), Notice of intention of the BSDG and the DMES on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units

4.245 In order to improve the implementation of the KAU, the operational rules have been adapted by introducing certain thresholds and the possibility that KAU data might also be estimated by the national statistical authorities when the enterprise is not able to provide sufficient data. However, any estimation should have a certain empirical foundation of key data about the individual enterprise.

4.246 Operational rule 1 introduces possible thresholds for the practical implementation of whether an enterprise might be split into KAUs or not. The thresholds refer to the size of the enterprise and the share of secondary output of that enterprise.

4.247 The bigger an enterprise is (for example measured in terms of the value of production), the more it will contribute to the total output of that particular activity (classes in NACE Rev. 2). This will be quite different from activity to activity in a specific country.

4.248 There are industries in which only a few big enterprises are active and each of them will have a predominant market share, while in other industries the market share of each enterprise will be small or very small and thus none of these enterprises will have a significant market share. Operational rule 1 states that enterprises with a significant influence on the aggregated data at the national activity level should be analysed in order to verify whether or not a split into KAUs would increase the homogeneity of the aggregated data. This will then be the case when their secondary output is considerably high. The proposed threshold mentions an output share of more than 30 % at the class level of NACE or more than 20 % at the division level of NACE.

4.249 These thresholds may be adapted according to the national economic structures. They are to be understood as lower limits. In the national implementation, smaller enterprises, thus with less influence on the aggregated activity data, might also be split into KAUs if their secondary output shares are quite high. For all the enterprises that are not split into KAUs, by convention the KAU is considered to be equal to the enterprise.

Relations between legal units and KAU

4.250 In principle, whether or not an enterprise should be split into KAUs has nothing to do with the legal structure of the enterprise. However, when listing operational rules, it may be practical to distinguish between cases in which:

- the KAU equals one legal unit but the enterprise consists of more than one legal unit;
- the KAU does not equal one legal unit but is composed of one or more legal units and/or parts of legal units.

4.251 The first situation can be handled by considering cases in which legal units should be combined to form an enterprise and deciding under what conditions the need for greater homogeneity requires that the enterprise should be re-divided into its legal units to form KAUs. The operational rules assume that KAUs are delineated in a top-down manner. It may also be possible to build the KAU from information on activities carried out at the local unit level. However, since the KAU is, by definition, an enterprise or part thereof, the top-down approach automatically results in consistency between the enterprise level and the KAU level.

SPLITTING ENTERPRISES INTO KIND-OF-ACTIVITY UNITS CORRESPONDING TO LEGAL UNITS

Separate legal units for different factors of production

4.252 The enterprise, which is the combination of the legal units concerned, does not have to be split, because separating single factors of production would not improve homogeneity. The NACE classification is not a list of factors of production, but a list of combinations of those factors that define economic activities. Making KAUs out of separate factors of production may also contradict the definition requirement that the KAU be an 'organisational part of the enterprise', and would not be desirable from the point of view of availability of accounts and response burden.

Ancillary activities

4.253 Legal units performing ancillary activities should not be KAUs. The first explanatory note on the definition of the KAU in the statistical units regulation states explicitly that an ancillary activity cannot constitute a KAU. This would not be desirable, because NACE is intended to reflect economic activities, each of which includes all ancillary activities necessary to perform it. If an ancillary activity within an enterprise serves more than one KAU, it should be apportioned across those KAUs regardless of whether or not it is carried out in a specific legal unit. This is possible because, unlike the enterprise, the KAU can include parts of legal units.

Vertical integration

4.254 It is not obvious what the effect on homogeneity would be if a vertically integrated enterprise were split into KAUs corresponding to the legal units. Vertically integrated activities may be represented by a single NACE code, in which case making the legal units into separate KAUs could very well reduce homogeneity, whereas, if the activities are separately identified at the NACE class level, splitting the enterprise would improve homogeneity.

4.255 A further consideration is the availability of accounts. It is possible that no accounts are available for the separate legal units, or at least no accounts in which the inputs and outputs are recorded at real market values. It is desirable that this be a requirement for the KAU.

4.256 It is recommended that legal units carrying out vertically integrated activities within an enterprise be not normally split into KAUs. They can only be considered to be KAUs if they fulfil all three of the following conditions:

- the integrated activity does not fall within a single NACE class;
- the activities of the legal units can be separately identified at this level;
- accounts are available with data on inputs and outputs at (at least approximate) market values.

Horizontal integration

4.257 If horizontally integrated legal units within an enterprise carry out the same activity, homogeneity does not increase if the enterprise is split into KAUs. If the activities were different, splitting the enterprise would increase homogeneity. It is therefore recommended that horizontally integrated legal units be only considered to be KAUs if:

- they carry out different economic activities at the NACE class level and
- separate accounts are available.

Other cases in which the enterprise consists of more than one legal unit

4.258 Another issue is whether or not market orientation is needed for a KAU in the same sense as market orientation for the enterprises. Three strongly linked criteria are used to identify units complying with the definition of the enterprise: availability of accounts, market orientation and integrated operations. These criteria are also relevant to the KAU, but it is proposed to apply them less strictly to allow for a higher degree of homogeneity.

- **Availability of accounts.** Full accounts would normally be available at the enterprise (or group) level, although the data availability aspect of the KAU definition implies that limited accounts should also be available at this level.
- **Market orientation.** The KAU does not have to have actual market clients, as long as it is operated as a market-oriented unit. This implies that it records market values or approximations of market values. This criterion is not, however, absolute, as, according to ESA 2010, R&D may correspond to KAUs if data are available.
- **Integrated operations.** The definition of the KAU states that the KAU corresponds to one or more operational (sub)divisions of the enterprise; therefore, full integration is not necessary at this level.

SPLITTING ENTERPRISES INTO KIND-OF-ACTIVITY UNITS NOT CORRESPONDING TO LEGAL UNITS

4.259 In line with the recommendations above, it is proposed that the splitting of enterprises into KAUs that do not correspond to legal units be restricted to situations that satisfy all the following conditions:

- the KAUs are operated as market-oriented, operational parts of the enterprise, although they may not have market clients;
- accounts are available with data for inputs and outputs at (at least approximate) market values;
- the activities of the KAUs can be identified at the NACE class level;
- the activity of the enterprise does not fall within a single NACE class.

4.7.3 Relations to other statistical units

4.260 An enterprise can have one or more KAUs. In the case of only one KAU, the KAU unit corresponds to the enterprise. If an enterprise has in principle more than one activity, but the activities are not separated into various KAUs, this enterprise is also deemed to have just one KAU.

4.261 A KAU can correspond to one local unit when at the local unit only one activity is carried out, or may correspond to more than one local unit when the local units are performing the same activity as the KAU. However, it could also be that in a local unit two or more different activities are carried out that are split into several KAUs.

Section 4.8 Units in specific economic sectors

4.8.1 Units in agriculture, forestry and fishing

INTRODUCTION

4.262 The main purpose of this section is to describe the framework and procedures for the agricultural units. A coherent system of information is essential, especially for the purposes of national accounts.

4.263 Recording of the units active in agriculture (as well as in forestry and fishing) is important, as non-agricultural units might be active in agricultural activities and vice versa. Secondary output of agricultural units might refer to tourism services, transportation activities, producing processed food, etc. In this context, 'agriculture' refers to activities that are included in farm structure surveys (FSS) and surveys on agricultural production methods (SAPM). In NACE Rev. 2, they are classified to Classes 01.11 to 01.50 as principal or secondary activities. From Class 01.49 onwards, only the raising and breeding of ostriches, emus and rabbits and beekeeping are included. According to Regulation (EU) 2018/1091 of the European Parliament and of the Council on integrated farm statistics the 'maintenance of agricultural land in good agricultural and environmental condition' of Group 01.6 are also to be covered. The other activities in Section A are also examined briefly under 'Units in support activities to agriculture, in forestry and in fishing' below.

4.264 The observation unit (the basic unit for which data are collected) in agricultural statistics is an 'agricultural holding'. It has similar features to the statistical units used in economic statistics, as defined in the statistical units regulation (Council Regulation No 696/93), but it does not have a clear one-to-one relationship directly with any of them and may refer to different units in different cases. However, for the vast majority of cases, the agricultural holding = the local unit = the enterprise.

4.265 The reporting unit is often also the agricultural holding, but in some countries it may be another unit, the legal unit or the enterprise, which has agricultural activity. Any unit having any agricultural activity could, in principle, be considered an agricultural holding, even if the agricultural activity is marginal to the enterprise as a whole (in terms of income, output, etc.). The threshold issue is examined under 'Summary of rules for linking agricultural holding to business register units' below.

4.266 Economic accounts for agriculture are satellite accounts to be compiled in accordance with Regulation (EC) No 138/2004 of the European Parliament and of the Council. The basic units used are the same as in the ESA: the institutional unit and the local kind-of-activity unit (LKAU), which are defined in the statistical units regulation. There is additional information in paragraph 1.17 of Annex I to Regulation (EC) No 138/2004 on their relation to agricultural holdings. It states that the strict application of the ESA rule to units and their grouping should result in a division of the agricultural holding into separate LKAUs when several of the NACE four-digit activity classifications are performed on the same holding (which is very often the case). Therefore, it is stated in Regulation (EC) No 138/2004 that 'the variety of agricultural activities that can be performed on agricultural holdings makes them a special type of local KAU', which is the practical approach most appropriate to the agricultural activity.

THE CONCEPT OF AN AGRICULTURAL HOLDING

Statistical definitions

4.267 Regulation (EU) 2018/1091 of the European Parliament and of the Council of 18 July 2018 on integrated farm statistics and repealing Regulations (EC) No 1166/2008 and (EU) No 1337/2011 defines an agricultural holding as follows (Article 2(a)):

'farm' or 'agricultural holding' means a single unit, both technically and economically, that has a single management and that undertakes economic activities in agriculture in accordance with Regulation (EC) No 1893/2006 belonging to [Groups 01.1, 01.2, 01.3, 01.4, 01.5] or to the 'maintenance of agricultural land in good agricultural and environmental condition' of [Group 01.6] within the economic territory of the Union, either as its primary or secondary activity.

4.268 The relationship between this definition and that of the enterprise is examined in detail under 'Enterprises and kind-of-activity units in agriculture' below. The regulation on integrated farm statistics cover agricultural holdings where the utilised agricultural area or the land area used for farming is 5 hectare or more. Member States shall extend the frame by establishing lower thresholds, or by establishing additional thresholds, or both.

4.269 The geographical location of the agricultural holding is specified in the Handbook on implementing the FSS and SAPM definitions (Eurostat):

'The agricultural holding is located where the main part or all agricultural production takes place. It can be an agricultural building (in other words largest administrative building/construction used to house livestock or other buildings, or constructions used for agricultural production, for example a greenhouse) or another identified part of the holding such as the most important parcel of the holding.'

4.270 The definition is in line with the discussion on the local unit in agriculture (see under 'Local units and local kind-of-activity units in agriculture' below).

4.271 For the sake of completeness, the Food and Agriculture Organization of the United Nations definition is also given below; it is relatively similar to the definition above:

'An agricultural holding is an economic unit of agricultural production under single management comprising all livestock kept and all land used, wholly or partly, for agricultural production purposes, without regard to title, legal form, or size. Management may be exercised in the following ways: singly, be exercised by an individual or household; jointly by two or more individuals or households, by a clan or tribe, or by a juridical person such as a corporation, cooperative or government agency. The holding's land may consist of one or more parcels, located in one or more separate areas or in one or more territorial or administrative divisions, providing the parcels share the same production means, such as labour, farm buildings, machinery or draught animals' (FAO 2005, *Programme for the 2010 World Census of Agriculture*, Rome, p. 21, para. 3.23).

Administrative definitions and sources

4.272 Administrative registers can be important sources of statistics, but their definitions of agricultural activities and units may differ from the statistical ones. This is a major hurdle to the development of farm registers at Member State level and their possible harmonisation at European level. The administrative registers referred to below may include large or complex units or units in other sectors than agriculture. Links to business registers can be utilised to identify such units and eliminate possible over-coverage.

4.273 A holding is defined in Regulation (EU) No 1307/2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy:

'holding' means all the units used for agricultural activities and managed by a farmer situated within the territory of the same Member State.

4.274 A farmer is defined in the Regulation (EU) No 1307/2013 as follows:

'farmer' means a natural or legal person, or a group of natural or legal persons, regardless of the legal status granted to such group and its members by national law, whose holding is situated within [Community territory] and who exercises an agricultural activity.

4.275 These definitions are mainly for policymaking purposes. The definition of a holding is very broad and could, in extreme cases, comprise even a truncated enterprise group (there is no restriction to a technically and economically single unit).

4.276 Moreover, in the future, it may be necessary to face the problem of cross-border holdings, when the plots of the agricultural holdings are located in neighbouring Member States. The regulation also provides that each Member State must set up an integrated administration and control system that will apply to the support schemes. The system must have the following elements:

- a computerised database;
- an identification system for agricultural parcels;
- a system for the identification and registration of payment entitlements;
- aid applications;
- an integrated control system;
- a single system to record the identity of each farmer who submits an aid application.

4.277 Another useful regulation for administrative sources on agriculture is Regulation (EC) No 1760/2000 of the European Parliament and of the Council (amended by various regulations) establishing a system for the identification and registration of bovine animals. The regulation requires that each Member State establish a system with the following elements:

- ear tags to identify animals individually;
- computerised databases;
- animal passports;
- individual registers kept on each holding.

4.278 A third useful regulation is Council Regulation (EEC) No 834/2007 on organic production and labelling of organic products. Organic farming registers can also be used as sources.

The institutional sector

4.279 When looking at the agricultural holding from the perspective of the institutional sector, the majority of holdings consist of a family (or part of it) or a single person and thus belong to the household sector as own-account workers or employers (S.141 or S.142 in ESA 2010; Eurostat, 2013, Table 2.1). In most countries, the majority of agricultural production takes place in the household sector. There is usually a one-to-one relationship between an agricultural holding and a household, as the agricultural production by members of a household is usually undertaken under single management.

4.280 An agricultural holding can also be a non-financial corporation (S.11; it can be national, private, public or foreign controlled) or it can belong to the general government sector (S.13). The forms of ownership also vary greatly. Cooperatives and non-profit institutions are recognised as independent legal entities. Partnerships may or may not be legal entities (or quasi-corporations); if they are not, they belong to the household sector along with sole proprietors.

4.281 The agricultural holding can thus be an institutional unit and an enterprise. However, the situation becomes more complicated in the non-household sector when the agricultural holding is only part of an institutional unit. In such cases, the agricultural holding may be equal to the KAU. This is examined in more detail under 'Enterprises and kind-of-activity units in agriculture'.

LEGAL UNITS IN AGRICULTURE

4.282 The definition of the legal unit depends on national legislation, and there are considerable differences between Member States. In some countries, the legal units in agriculture can be defined in the same way as in other economic activities, in other words they are either legal persons or natural persons who are engaged in an economic activity in their own right. The legal units are used for taxation (with some possible exceptions) and for subsidies (because there may be specific fiscal regimes for agricultural activities, legal units may also be created for purposes of taxation or subsidy). An agricultural holding may be a legal unit; on the other hand, agricultural holdings may be based on the recording of units that comply with the thresholds of agricultural variables (area, number of animals, etc.), independently of their legal status. One legal unit often comprises both agricultural and other activities. The legal unit can be the owners' association. In rare cases, it may be possible that the agricultural holding consists of several legal units, natural persons or separate production factors, such as machinery or land.

4.283 A legal unit forms the legal basis for an enterprise. Similarly, an agricultural holder is defined as the person legally and economically responsible for the holding.

4.284 The holder is the natural person, group of natural persons or legal person on whose account and in whose name the holding is operated and who is legally and economically responsible for the holding, in other words someone who takes the economic risks of the holding.

4.285 The holder can own the holding outright, rent it or be a hereditary long-term leaseholder, a usufructuary or a trustee.

4.286 The holders are divided into three categories.

- A natural person who is a sole holder where the holding is independent. Spouses or close family members who own or rent a holding together should normally be considered to have one independent holding managed by one sole holder.
- One or more natural persons who is/are a partner where the holding is a 'group holding'. Partnerships not recognised as separate legal persons belong to this category.
- A legal person.

4.287 The holder may have delegated all or some of its decision-making powers regarding the normal daily financial and production routines of running of the holding to a manager, who is defined in Commission Regulation (EU) 2015/1391 of the European Parliament and of the Council as follows:

'Manager of the holding is the natural person responsible for the normal daily financial and production routines of running the holding concerned.'

4.288 The manager is generally, but not always, the same person as the holder if the holder is a natural person.

4.289 In cases where the holder is not also the manager, they have charged or employed someone else to run of the holding. This could, for example, be a member of their family or their spouse, but may also be a person with no family ties to the holder.

4.290 There can be only one manager of the holding.

4.291 For group holdings, it can be inferred that no decision-making power has been delegated to a manager if a separate manager has not been appointed.

4.292 The owner is the person who owns the holding. They are not always the holder, although in family holdings they are usually one and the same. The owner may lease the holding to another person, the holder, who is then responsible for the management of the holding. The contract between the owner and the holder may vary: it can be a flat rent for the use of the land or it may be related to the profits or losses. The role of the manager, who is responsible for the day-to-day management of the holding, may also vary: they can be a hired person or can actually be the holder, if the owner is just interested in the holding financially, without participating in the decision-making process.

4.293 The definition does not specify any duration for the lease to the holder, so the period of the contract could be only the few months during which the crop is growing. It would be logical to define a time threshold before a contractor can become a holder, for instance 1 year or 2 years, to be consistent with the rule on temporary sites in [Section 4.6.2](#). However, a practical solution for business registers is to follow agricultural statistics in applying the definition.

4.294 If the owner and the holder are different and the owner is a natural person who is not recorded in the business register, the recording can be restricted to the holder. Recording the owner(s) would involve considerable additional burden, which may not be justifiable. The owner could also change without influence on the operation of the holding when it is rented out. Knowing the owner could be useful for defining the institutional sector, but this can generally be inferred from the legal form (household or corporation) and the control information if the unit belongs to an enterprise group, whether a private group based in the same country (the normal case), foreign or government controlled.

ENTERPRISES AND KIND-OF-ACTIVITY UNITS IN AGRICULTURE

4.295 The agricultural holding does not directly correspond to any of the units in the statistical units regulation. It has many features in common with the enterprise, but it can also be the agricultural part of a multi-activity enterprise and thus could be regarded as a KAU. These are not required to be separately recorded in business registers. KAUs are generally used only for large enterprises with important secondary activities and are observation units used mainly in short-term business surveys. KAUs can be recorded separately (in some Member States) or identified from secondary activities, which are required for enterprises subject to surveys. If an agricultural holding corresponds not to an enterprise but to a part of it, it should be checked if it could be related to a local unit or a legal unit, which are required in business registers. If a country records KAUs separately, the practice in agriculture should be the same as in other sectors. In the following paragraphs, the definition of an agricultural holding given under 'The concept of an agricultural holding' above is compared with the definitions of a KAU and an enterprise.

An agricultural holding is a single unit both technically and economically

4.296 In general, this is indicated by a common use of labour and means of production (machinery, buildings, land, etc.). It is close to the 'organisational unit producing goods or services' in the enterprise definition. If the agricultural holding has several activities, it does not fit well with the KAU, which is a part of the enterprise mainly performing a single activity at NACE 4-digit level.

An agricultural holding has a single management

4.297 The single management can also be carried out by two or more persons acting jointly. Single management is related to the 'autonomy in decision-making' in the enterprise definition. Although the KAU is an operational subdivision of the enterprise, there are no specifications for its management. The single management refers to the agricultural activity, but it does not exclude the single management from also comprising other activities, generally the whole enterprise.

An agricultural holding undertakes agricultural activities within the economic territory of the EU, either as its primary or secondary activity

4.298 The word 'secondary' raises a question: should agriculture be the principal activity of the agricultural holding? This is not specified in the proposed regulation, but, if agriculture is not the principal activity of the multi-activity enterprise, the agricultural holding should instead be defined as the agricultural part of the enterprise, not as the whole enterprise. The agricultural holding should comprise all the agricultural production and service activities of the enterprise, and it may also cover other activities. The agricultural holding should be one unit (enterprise, KAU, local unit or LKAU) and should not be divided into several units.

4.299 The agricultural holding may or may not be a separate legal unit. When an agricultural holding consists of a legal unit, it can generally be regarded as an enterprise. This is not the case for the agricultural holdings of research institutes, sanatoria and convalescent homes, religious communities, schools and prisons, industrial enterprises, etc. Even if the holding is a separate legal unit, these cases may differ from the enterprise definition, as the holding is usually strongly integrated with the main unit operating under a single management and which undertakes economic activities, for example the persons working in the holding are staff of the main unit. In this case, the agricultural holding will be a KAU and possibly not registered in the business register, where only the main unit is registered. If it is a local unit or a legal unit, it will be registered as such. However, there may be cases when the agricultural holding can only be identified in the business register from the secondary activities of the main unit, if these are recorded, and cross-checking between the farm and business registers must be introduced to ensure that there is no duplication of such units. Defining the principal activity in these cases is also often complicated. For instance, the use of value added could lead to a religious organisation being classified under agriculture (or manufacturing or distributive trade). In such cases, the employment could be a better measure. Moreover, problems with separate bookkeeping, division of general costs, etc. prevent enterprises from being forced to split into KAUs.

4.300 Another important situation is when the agricultural products are used as input for manufacturing or trade, for example in a shop or restaurant managed by the holder. If all the agricultural output is consumed by this other activity, the agricultural activity is in a vertical integration chain, which can include all three sectors, for example the production of grapes, manufacture of wine and selling of wine. However, if the agricultural output is also sold elsewhere on the market and there are separate legal units for the agricultural and other activities, these separate legal units are also separate enterprises. As using value added may pose problems for defining the sector of the principal activity, the introductory guidelines to NACE Rev. 2 (Eurostat, 2008, p.32, paragraph 92) give the following guidance:

'In agriculture, a frequent situation where the decomposition of the value added presents difficulties is when the unit produces grapes and manufactures wine from the own-produced grapes, or when it produces olives and manufactures oil from the own-produced olives. In these cases, the most suitable proxy variable is the "number of hours worked", and its application to these vertically integrated activities would generally lead to the classification of the units in agriculture. In the same case for other agricultural products, units will be classified in agriculture by convention, in order to guarantee a harmonised treatment.'

LOCAL UNITS AND LOCAL KIND-OF-ACTIVITY UNITS IN AGRICULTURE

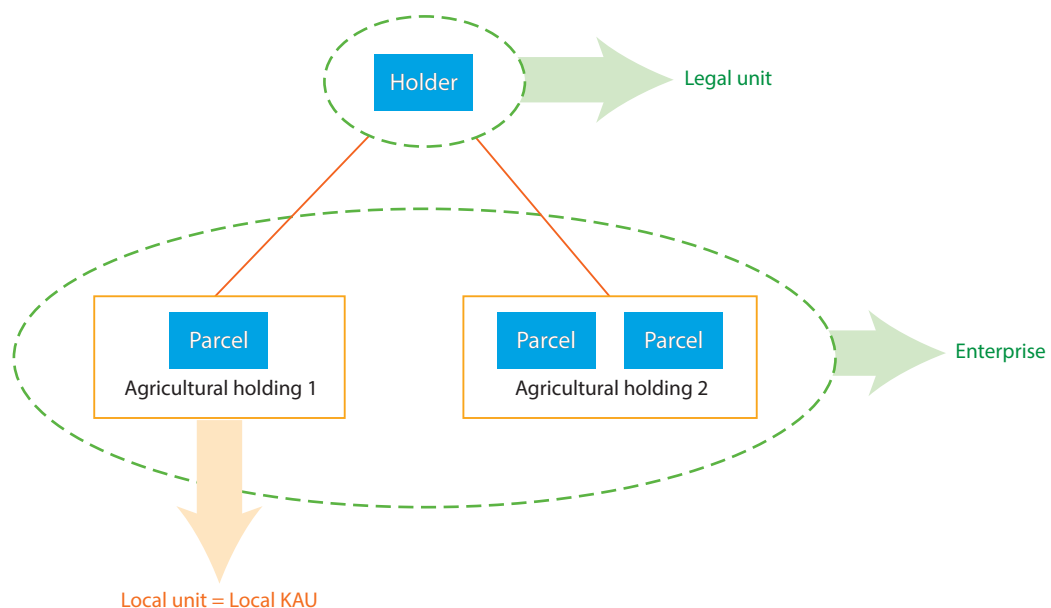
4.301 LKAUs are not required in the EBS regulation, but they are included in some Member States and can then be used for the link with agricultural holdings. More generally, it can be possible to link agricultural holdings directly to local units, taking into account their principal and possible secondary activities. This can also be the case for holdings in the non-household sector, where the LKAU is generally the same as the local unit. Although, in theory, the link between the agricultural holding and local unit may be on a many-to-many basis, such cases are likely to be rare in practice.

4.302 The local unit should generally be located at the address of the farm building or the place from which the agricultural activities are directed (see [Annex C](#)). There is no requirement that the local unit should be restricted to a contiguous land area; it may comprise several parcels located in one or more areas separated either administratively or geographically, providing that the same production means, such as labour, farm buildings or machinery are shared.

4.303 Care must be taken in the matching of addresses because, when conducting agricultural surveys, the address of the holder is very important and whether this refers to the seat of enterprise, legal unit or local unit may vary by country and type of holding.

4.304 Figure 4.8 illustrates the situation between the agricultural units and the business register units. If the holder could be assimilated to the legal unit, the totality of the agricultural holdings under the holder's control (even if each holding is characterised by using different production means) could represent the enterprise, while single agricultural holdings could be considered local units (or local KAUs). The figure does not cover all possible situations, notably if an enterprise consists of only one local unit but two (or more) KAUs, one of which is in agriculture. Such a situation requires careful cross-checking or matching of the units, as examined under 'Enterprises and kind-of-activity units in agriculture' above.

Figure 4.8: Relationship between agricultural holding and the statistical units



UNITS IN SUPPORT ACTIVITIES TO AGRICULTURE, IN FORESTRY AND IN FISHING

4.305 The local units in these activities are examined in [Section 4.6](#).

Support activities to agriculture

4.306 In this group (NACE Rev. 2 Group 01.6), the units are generally different from farms. They are normally registered as legal units and included in business registers. The service activities listed in the NACE explanatory notes are similar to the service activities in other parts of the economy.

Hunting, trapping and related service activities

4.307 This group of activities (NACE Rev. 2 Group 01.7) are seldom principal or secondary activities, but most often recreational and then included in NACE Rev. 2 Class 93.19.

Forestry and logging

4.308 Forestry and logging (NACE Rev. 2 Division 02) are important in certain areas. A holding is defined as a term in the *UN-ECE/FAO Temperate and Boreal Forest Resources Assessment 2000* as:

‘One or more parcels of forest and other wooded land which constitute a single unit from the point of view of management or utilisation. For State-owned forest and other wooded land a holding may be defined as the area forming a major management unit administered by a senior official, for example a Regional Forestry Officer. For forest and other wooded land that is owned publicly, other than by the State, or owned by large-scale forest owners, for example forest industries, a holding may constitute a number of separated properties which are, however, managed according to one corporate strategy. Under any category of ownership, other than State-owned, one holding may be the property of one or several owners.’

4.309 Forestry and logging are increasingly carried out by specialised enterprises, which are included in business registers. There can also be many small-scale forest owners but their secondary or hobby-like activity may not be within the scope of the business register. It is also common for forestry to be combined with farming or other activity, and the value added for deciding the principal activity, whether forestry, farming or some other, may vary annually. It is therefore important that the NACE stability rule be followed, in other words that the secondary activity should add the most value for 2 years before it becomes the principal activity.

4.310 Gathering of wild-growing, non-wood products such as mushrooms and berries can be for own use or an activity carried out seasonally by individual persons, but is often organised by enterprises whose activity is in the refinement of agricultural products. Such enterprises should be in the business register, whereas for the individuals it is mostly a secondary activity and difficult to capture.

Fishing and aquaculture

4.311 Fishing and aquaculture (NACE Rev. 2 Division 03) are comparable to agriculture in complexity. The Food and Agriculture Organization of the United Nations has defined ‘aquacultural holding’, as a statistical unit for the aquacultural census, in a similar way to an agricultural holding as follows: ‘An economic unit of aquacultural production under single management, comprising all aquaculture facilities without regard to title, legal form, or size. Single management may be exercised by an individual or household, jointly by two or more individuals or households, by a clan or tribe, or by a juridical person such as a corporation, cooperative or government agency. The aquacultural holding’s aquaculture facilities are located in one or more separate areas or in one or more territorial or administrative divisions, providing the facilities share the same production means, such as labour, buildings and machinery.’ (FAO, 2005, *Programme for the 2010 World Census of Agriculture*, Rome, p. 50, para. 7.9). The problems with units in fishing and aquaculture are very similar to those examined above for agriculture, and the solutions should be found in a similar way. A unit often specialises either in fishing or in aquaculture, but may be involved in both, and sometimes also in agriculture.

4.312 Fishing and aquaculture generally require licences or other types of regulatory procedure. There should therefore be administrative sources for these activities, usually separate from farm registers. Both fishing and aquaculture are strictly regulated, and for aquaculture operations there are generally no thresholds; they are inspected at least on an annual basis to prevent disease outbreaks, etc. The available sources can form the basis of an input to the business register, although their structure may not always be very suitable for statistical use. Given the varying national situations and administrative sources available, special solutions should be found to cover fishing and aquaculture in business registers; fortunately, the number of units is much smaller than in agriculture.

4.313 Subsistence fishing, which is common and could be defined in a similar way to subsistence farming (below), is excluded. Recreational fishing and its supporting activities belong to NACE Class 93.19.

RELATIONSHIP BETWEEN STATISTICAL BUSINESS REGISTERS AND FARM REGISTERS

4.314 It is expected that the business register data on agriculture come from administrative sources and farm registers and do not involve collecting any data directly from the units themselves (apart from perhaps some exceptional cases). Tax and social security data are used for agriculture as for other sectors, mainly for units with employees or subject to VAT. The key source for business register data on agriculture is the farm registers, which exist in almost all Member States in different forms. The farm registers can also use various administrative sources available in the Member State (subsidy registers, animal registers and organic farming registers), but statistical surveys are also very important, especially for agricultural holdings of natural persons.

4.315 The farm registers should include an identity number for the agricultural holding and information on the links with other registers, including the business register. The link between the two registers could be best performed by including the business register identity number of the unit in the farm register and the agricultural holding identity number in the business register. The agricultural holding may have a one-to-one relationship to different units (ranging from LKAU to enterprise) in the business register, but, as the identity numbers for these different units in the business register are in different formats, unequivocal linkage should always be possible. The relation of the agricultural holding to units at higher hierarchical levels in the business register is thus also known. Another important factor is consistency in data-updating processes for both registers. Because the farm register situations in Member States differ greatly, it is not possible at this stage to provide more detailed recommendations on how to implement the relationship between farm registers and business registers.

Thresholds and coverage

4.316 The coverage of the existing farm registers in Member States varies greatly. The threshold for the inclusion of units can be based on one of several different criteria:

- commercial farms that sell more than 50 % of the production (farms where the holder's household consumes more than 50 % of the production are referred to as subsistence holdings);
- subsidised farms that benefit from common agricultural policy measures;
- a physical threshold, which includes units that exceed a predefined threshold based on utilised agricultural area or number of livestock (see the thresholds enclosed to the Regulation (EU) 2018/1091 on integrated farm statistics, Annex II);
- a macroeconomic threshold that excludes the smallest units, which contribute less than, for example, 1 % to the total agricultural value added;
- a microeconomic threshold based on predefined standard output;
- some other criteria.

4.317 The coverage of small units in farm registers is generally wider than in business registers, as thresholds for farm registers are often lower. Farm registers in some Member States may also include subsistence holdings, but, in order to be consistent with business register coverage in other sectors, subsistence holdings should be excluded from business registers.

4.318 Agriculture should be handled in the same way as other activities in business registers. The national situation on the coverage of the smallest units in other NACE sections in the Member State should be the guiding principle when considering the need to cover small agricultural holdings in business registers. The EBS regulation requires full coverage of all enterprises, including the very small ones. This should also be the case for agriculture. If non-subsistence agricultural holding (recognised in the farm register) below the 0.5 full-time equivalent (FTE) threshold forms a secondary activity for a unit already in the business register, the link between the registers should be stored.

4.319 However, employment may not be the only criterion for the inclusion of units in business registers. Many farms are operated by holders who earn their main income from other activities, for example as employees. In principle, such farms fulfil the enterprise criteria, and sometimes a significant part of agricultural means and production can come from these farms. In such cases, value added or turnover could also be used as criteria.

4.320 The EBS regulation makes no difference between the agricultural and non-agricultural units to be covered in the statistical business register. However, traditionally each of these units are maintained in two separate registers. This may have historical and organisational reasons, as well as reasons concerning the administrative databases required, which may be quite different as well. However, running two separate registers will always lead to certain inconsistencies in the data: the data model, the updating procedure, the maintenance rules, etc. might differ. A mere link between the related units in both registers is certainly a good step to avoid over- and under-coverage. However, full integration of both registers should be the ultimate goal. This is already the case in several Member States.

SUMMARY OF RULES FOR LINKING AGRICULTURAL HOLDING TO STATISTICAL BUSINESS REGISTER UNITS

4.321 This summary brings together the main rules examined in this section. The rules should be applied in a top-down approach, first checking if an agricultural holding can be linked to an enterprise (the majority of cases). If this is not possible, then it should be linked to a local unit. If this is not possible either, then it must be linked to an LKAU or KAU if these are separately recorded in the business register; if they are not, there is no one-to-one relationship between the units, and the link should be to an enterprise or local unit that has agriculture as a secondary activity.

Agricultural holding linked to an enterprise

4.322 If an agricultural holding consists of a legal unit legally responsible for an enterprise, the holding should be linked with the corresponding unit in the business register if there is one. In this case, agriculture should be the principal activity of the enterprise.

4.323 If there is no corresponding unit in the business register, this generally means that the holder is a natural person. In this case, the holding can be below the threshold defined in the business register, in which case no link will be recorded. This may not be easy to decide, because turnover in agriculture may not be taxable (in which case income tax could be used) and the employees can be in a separate social security system (which could be used as a source) or be unpaid family workers.

Agricultural holding linked to a local unit

4.324 If different agricultural holdings are controlled by the same management unit (the holder: a natural person or a legal person) and the holdings are situated in different geographically identified locations, then each holding should be linked with the corresponding local unit if there is one.

4.325 If there is no corresponding local unit, but the controlling unit is recorded in the business register (a unit controlling several holdings should in general exceed the business register threshold), consideration should be given to the creation of a local unit that corresponds to the agricultural holding.

Agricultural holding linked to a KAU or LKAU

4.326 If the holding is neither an enterprise (with agriculture as principal activity) nor a separate local unit, it must consist of an agricultural activity that is a secondary activity of the main unit situated in the same place.

4.327 If KAUs or LKAUs are separately recorded in the business register, the linking of the agricultural holding to them can be done in a similar way to that for local units, or a KAU or LKAU that corresponds to the holding can be created.

4.328 When KAUs and LKAUs are not separately recorded in the business register, a secondary (agricultural) activity must be recorded for the corresponding enterprise or local unit.

4.329 If the farm register is maintained separately, the identity number of the agricultural holding should be stored for the corresponding unit in the statistical business register, including when this is only the secondary activity of the enterprise or local unit. Thus, once the links between the units have been created by a unique identifier or by matching names and addresses, the exchange and updating of information can be done by using the existing linkage, and further updating of the links is only necessary when business demographic events take place.

4.8.2 Statistical units in the public sector

CHARACTER OF THE PUBLIC SECTOR

4.330 The main purpose of this section is to provide operational rules for determining the different levels of statistical units within public-sector organisations, held in statistical business registers. The aim of this section is to ensure the definition of statistical units in the public sector is consistent across that sector, and between economic activities. This will lead to improved harmonisation of public-sector units between EU Member States and will facilitate coherent survey results for different NACE sections, and the production of comparable indicators by economic activity or region.

4.331 The public sector is defined as covering all institutional units that are classified in the following institutional sectors:

- general government (S.13),
- public non-financial corporations (S.11001),
- public financial corporations (S.12201–S12901).

4.332 Public-sector units should be defined in a way that is consistent with that used for private-sector units wherever possible. NACE is very clear that a unit (an enterprise, or in a broader sense a legal unit) should be classified according to its real activity (schools in education, hospitals in human health and social work, etc.). The concepts of enterprise and local unit are especially important for eliminating institutional differences for the purposes of comparisons, particularly regarding the inclusion of data on activities performed by the public sector that are not considered purely administrative (in other words activities outside NACE Rev. 2 Section O).

4.333 Units in NACE Section O (public administration and defence; compulsory social security) provide certain general services — foreign affairs, defence, justice, police, fire department, etc. — as well as regulation of services including health, education and culture (NACE Sections P, Q and R). The costs of producing such services are covered by the collection of taxes, or possibly directly from the users of these services. Public administration is also involved in direct redistribution of income between households and other sectors of the economy when it manages taxes, pensions and social security funds.

4.334 The services included in Section O are considered to be provided to the community in such a way that generally there is no 'market' for these services. However, some of these services can be outsourced, for instance to private prisons. They still belong to Section O, but, although they are strictly supervised (controlled) by the government, they may (theoretically) belong to the private sector on condition that they are market producers (sales cover more than 50 % of the production costs).

4.335 Goods and services provided by public-sector units in NACE sections other than Section O may be provided on market terms, although there are also areas such as health and education where public-sector services are provided to the whole population, funded largely through taxation or similar compulsory contributions. The way in which public-sector activities are funded can be useful for determining the appropriate statistical unit structure, although a range of other factors that need to be taken into account are discussed below.

THE PUBLIC SECTOR AND THE STATISTICAL UNITS REGULATION

4.336 Section IV of the annex to the statistical units regulation (Council Regulation No 696/93) has the following additional explanatory notes on government and non-profit bodies:

1. In the case of general government bodies, the appropriate statistical unit for the collection and compilation of statistics is very variable (for example central government, social security administration, or local government of the region, province, department, county, municipality, metropolitan area, etc.). These various bodies collectively plan, supervise and administer the finances of their constituent bodies (which can be ministries, directorates-general, directorates, bureaus, agencies, offices, etc.). As regards the type of activity, however, some of these bodies, particularly local authorities, are likely to be much more heterogeneous than corporate enterprises.
2. The activities of these bodies often belong to Section O of NACE Rev. 2 'Public administration and defence; compulsory social security', although other bodies carry out activities which basically belong to other sections, including 'Education' (Section P), 'Human health and social work activities' (Section Q), 'Arts, entertainment and recreation' (Section R) and 'Other service activities' (Section S).
3. When series of data on private-sector entities have to be combined with data on these general government and private non-profit institutions classified by type of economic activity, their identification and classification must be carried out using statistical units corresponding to entities which are closest to the statistical units defined in the private sector. This is why all the criteria used in the private sector are — by analogy — applied to general government bodies. The same applies to private non-profit institutions.

4.337 These notes refer to the public sector as a whole, not just to public administration. The general government bodies mentioned in point 1 are legal units rather than statistical units. Point 3 is the most important and gives some guidance on the relation between general government and private non-profit institutions, the legal unit and the enterprise.

4.338 The statistical units regulation states that 'in the corporate enterprises sector, the enterprise corresponds to the institutional unit' (statistical units regulation, annex, section III B, explanatory note 1). According to the guidelines for ISIC 'an institutional unit in its capacity as a producer of goods and services is known as an enterprise' (United Nations, 2008, ISIC, page 16, paragraph 77). This statement does not differentiate between the public and private sectors.

4.339 The features of the institutional unit as described in the statistical units regulation are:

- that it is an elementary economic decision-making centre characterised by uniformity of behaviour; and
- it has decision-making autonomy in the exercise of its principal function.

4.340 This can be compared to the autonomy in decision-making for the enterprise. An institutional unit has to have a complete set of accounts (with some exceptions such as households).

4.341 In the public sector a complete set of accounts and responsibility for its budget mean in practice that such a unit has to set up a budget plan for the coming year and has to have a complete set of accounts for its budget and possibly for its assets (if available).

4.342 Autonomy in decision-making in the exercise of its principal function means that it:

- can be an owner of goods or services; and
- is responsible for carrying out its economic activities; and
- can make contracts on its own initiative and enter into obligations by itself.

4.343 In practice this means that the tasks and aims of these units are described precisely but they have a certain degree of freedom in carrying out their tasks and how to reach their aim. The institutional unit can be made operational by checking if they draw up a budget plan in advance and if they have a complete set of accounts on their budget (and their assets). However, the relation of institutional unit, as used in government accounts, to enterprise is not always straightforward, as discussed below.

THE PUBLIC SECTOR IN THE EUROPEAN SYSTEM OF ACCOUNTS

4.344 This section considers the relationship between the statistical units in business registers and those in ESA 2010. As the units used in statistical business registers and ESA 2010 (which uses institutional units and LKAUs) are not the same, a one-to-one relationship is not always possible. Trying to link business register units too closely to those in ESA 2010 could cause problems for the use of business registers as survey frames for certain surveys concerning non-market units. Another important issue concerns the institutional sector classification of enterprises in business registers.

4.345 The public sector comprises general government units (S.13) and public corporations. Public corporations are market producers that are under the control of government units. Control over a corporation is defined in ESA 2010 (Eurostat, 2013, paragraph 2.35) as the ability to determine general corporate policy, for example by choosing appropriate directors, if necessary. ESA 2010 paragraph 2.38 includes a list of the indicators that are the main factors to consider in deciding whether or not a corporation is controlled by government. Public corporations can be further split into public non-financial and financial corporations.

4.346 In ESA 2010, the institutional unit is an economic entity characterised by decision-making autonomy in the exercise of its principal function. A resident unit is regarded as constituting an institutional unit in the economic territory where it has its centre of predominant economic interest if it has decision-making autonomy and either keeps a complete set of accounts or is able to compile a complete set of accounts.

4.347 According to ESA 2010, if a unit does not keep a complete set of accounts and is not able to compile a complete set of accounts (if required) it is not an institutional unit and it has to be combined with the institutional unit into whose accounts its partial accounts are integrated. If the entity, while keeping a complete set of accounts, has no autonomy of decision in the exercise of its principal function, it should be combined with the unit that controls it. It can happen that a non-market institutional unit classified as part of the general government sector has a secondary market activity (which may be recognised as KAUs), which will be also included in the general government sector.

4.348 The institutional unit defined in ESA 2010 is not always equal to the enterprise as used in business registers; however, convergence of country practices towards the assumption that such equality exists is to be encouraged. If there is a need to combine several legal units within public administration to form an enterprise, this can be done in accordance with the normal rules, which apply both to institutional units and to enterprises.

4.349 There are two cases that may involve difficulties. The first concerns the treatment of market activities within a government that are not sufficiently autonomous to be considered enterprises. These can often be treated as local units (or KAUs/LKAUs, if these are recorded in business registers). The second problem concerns quasi-corporations and the definitions of institutional unit and enterprise in the general government sector. Public quasi-corporations do not possess the legal characteristics of independent corporations but behave sufficiently differently from their owners, and more like entities in the non-financial or financial corporation sector, to be recognised as institutional units. The hierarchical structures of central, regional and local government vary between Member States. Thus, to maximise comparability it is necessary to define public-sector units independently from national hierarchy structures where possible.

LEGAL UNITS AND QUASI-LEGAL UNITS IN THE PUBLIC SECTOR

Legal units

4.350 Legal units of central government are units responsible for the central administration, for the legislative assembly and for other bodies that control or advise the central government but are independent from it, such as the judiciary. The legislative assembly usually allocates the budget of all legal units of central government. Legal units of state governments are similar to those of the central government.

4.351 The statistical units regulation states that local governments cover governments of the region, province, department, county, municipality, metropolitan area, etc. Legal units of, for example, municipal governments can include the municipal assembly, the municipal administration, headed by an identifiable leader (for example a mayor), and other independent bodies, which control and/or advise the local government.

4.352 NACE does not make any distinction regarding the institutional sector (as defined in the SNA and ESA) in which the institutional unit is classified. Moreover, there is no NACE category that describes all activities carried out by the government as such. Consequently, not all government bodies are automatically classified in Section O, 'Public administration and defence; compulsory social security'.

4.353 Units carrying out activities at national, regional or local level that are specifically attributable to other areas of NACE are classified in the appropriate section. For example, a secondary school administered by the central or local government is allocated to Group 85.3 (Section P) or a public hospital is allocated to Class 86.10 (Section Q). On the other hand, not only government bodies are classified in Section O: private units performing typical 'public administration activities' are also classified here.

4.354 The public sector also includes legal units that operate with varying degrees of autonomy to perform specific tasks, whether administrative or outside NACE Section O. For example, a central IT service supports all ministries of the government with system and application management.

4.355 Social security funds managed by central, state or local governments are often separate legal units. Because of the significance of the funds involved, there may be different legal units according to the nature of the social security benefit (for example sickness, work accident, unemployment, retirement, etc.) and the regional level.

4.356 Social security funds controlled by government are not exactly the same as NACE Rev. 2 Class 84.30, compulsory social security activities. It is possible that a private institution manages compulsory social security funds and on the other hand a government may also control non-compulsory funds (for example in NACE Rev. 2 Class 65.30, pension funding).

4.357 Public corporations often operate in similar ways to private corporations, although they are controlled by institutional units in the general government sector. They may be created to produce goods or services on market terms. Examples include special bookshops for the sale of official publications, and the sale of timber by government forest agencies. There can also be public corporations that provide ancillary services to general government units, which should be combined with their customer units.

4.358 Public non-profit institutions should be considered as separate legal units. Many of them provide services that are not listed in Section O of NACE Rev. 2. These services can be provided to the community (for example research) or to households (for example some medical services). Usually, a unit provides services classified in a single NACE class, or in closely connected classes. They are normally considered separate enterprises, except where they have been created to provide ancillary services to general government units, when they should be combined with their customer unit as usual.

4.359 Other non-profit institutions serving households can also be considered as legal units. Most of them collect funds from households or enterprises and either redistribute them to other non-profit institutions or provide specific services to households or to the community (health, social services, public research, education, etc.).

Quasi-legal units

4.360 The legal environment concerning public administration varies considerably between Member States. In some countries legal units are defined officially only at a very high level, in others at a much lower level of the hierarchy (there may be differences even within a country depending on the sector). Using the national official definitions of legal unit would lead to incomparability in public administration. To avoid that, the concept of 'quasi-legal unit' is introduced below. It should be noted that this concept is only to be followed in exceptional cases, such as if no appropriate legal unit is available for the case in focus.

4.361 A quasi-legal unit is defined as an entity that has similar attributes and operates in a similar way to a legal unit, but does not necessarily have all the features of a legal unit. A quasi-legal unit receives a separate budgetary allotment within the general decision on the annual budget. Units without budgetary allotments are not qualified as quasi-legal units. The degree of freedom granted to the head of the quasi-legal unit is comparable to those of heads of legal units. A unit that is responsible in the organisation hierarchy for another unit or receives a delegation from the top governing body can be considered a quasi-legal unit. Regarding the relation of legal units and quasi-legal units, a legal unit at the top of the organisation structure can be the head of a group of quasi-legal units (assumed to be the majority of cases) or a quasi-legal unit can consist in several dependent legal units. The concept of quasi-legal units should help to construct the enterprise in the public sector.

4.362 Quasi-legal units in the public sector can meet the following criteria.

- **Auditability.** The unit must be capable of being audited to ensure that the budgetary allotment it receives is used appropriately. This also implies a degree of accountability to some higher body, and the recoding of financial transactions.
- **Provision of financial accounts.** The unit must produce some form of financial accounts showing at least income and expenditure. These accounts have to be available at least for scrutiny by a publicly elected body (parliament, regional or local council, etc.).
- **Identifiable leader.** There must be an identifiable individual leading the organisation or bearing at least partial responsibility for the activities of the organisation.
- **Legal personality.** The unit must be capable of being a party in legal proceedings, in other words it can be a plaintiff or defendant in a court case.
- **Contractual powers.** The unit must be capable of being a party to a commercial contract. As such, it must be able to negotiate terms and enter into binding agreements with other private- or public-sector units. Note: this may not be the same as a unit having legal personality if there is some form of joint responsibility within government.

4.363 If at least three of the above criteria are applied, quasi-legal units in the public sector that meet these conditions should be generally comparable with legal units in the private sector.

There are a few additional cases to be considered for quasi-legal units.

- If a unit provides service for several entities and is funded by these entities, it can be regarded as a separate quasi-legal unit. Example: an administrative institution is responsible for the payment of employees in different offices.
- If budget allotments for one quasi-legal unit come from two (or more) levels of government (legal units), the quasi-legal unit may be subdivided (provided that corresponding information is available). Example: secondary schools receive the funds for support staff and maintenance and repair from state governments while the teaching staff are paid by the central government.
- If a quasi-legal unit is financed by two (or more) legal units of the same government, the quasi-legal unit may not be subdivided. Example: an old people's home is partly financed by the ministry of social affairs and partly by the ministry of health. The funding and control of a unit for common ancillary services by other quasi-legal units, which will receive this service, can be considered to make it a quasi-legal unit. Example: the municipalities of a metropolitan area agree to create a common entity to manage public transport services.

ENTERPRISES IN THE PUBLIC SECTOR

4.364 Legal units and quasi-legal units, defined as above, provide the upper and lower bounds for enterprises in the public sector. The normal autonomy criteria should then be used.

4.365 The approach to constructing enterprises in the public sector is therefore the same as the approach to defining enterprises in major enterprise groups. The starting point is to identify legal units and/or quasi-legal units (here, '(quasi-)legal units') in NACE Section O, 'Public administration and defence; compulsory social security'. From these units an organisational structure can be deduced following a top-down approach. (Quasi-)legal units that have their main activity in Section O are not aggregated with their dependent (quasi-)legal units with a main activity outside Section O (and vice versa). (Quasi-)legal units that carry out a main activity outside Section O can be aggregated with their dependent (quasi-)legal units outside Section O. Both (quasi-)legal units can be regarded as enterprises. A candidate to be the head of the enterprise including all dependent (quasi-)legal units inside Section O can be seen in the highest (quasi-)legal unit that carries out an activity outside that section.

4.366 Public-sector enterprises can include one or more (quasi-) legal units as well as ancillary non-profit institutions and public corporations that are controlled by one of these (quasi-) legal units.

4.367 There are some special cases to be examined below for enterprises in the public sector.

4.368 It may be that many (quasi-)legal units could be included in the candidate enterprise. This can pose a problem if there is a great diversity of activities in the enterprise. In that case, it is recommended to find out if it could be broken down further into local units (or KAUs/LKAUs, if these are recorded in national business registers). It is recommended generally to leave the head of the enterprise separate. It may sometimes be aggregated with the component unit that carries out the most similar main activity.

4.369 It seems to be preferable to make several enterprises if there are different fields of activity that cannot be further broken down (provided corresponding information is available). Example: in a big city, a service in charge of housing has two directorates, one for construction of living quarters, and one for renting and selling. However, the service is also directly in charge of the maintenance and repair of the city administrative buildings. The city council votes a budget allocation for housing and maintenance in the general budget, while the mayor divides it between the three functions (construction, renting, maintenance and repair of administrative buildings) on the proposal of the head of the service, and each head of unit has responsibility for the management of the funds. One enterprise is classified in Class 41.10 of NACE Rev. 2, development of building projects, and the other in Class 68.20, renting and operating of own or leased real estate.

4.370 A (quasi-)legal unit can be present in two (or more) hierarchical lines. When a (quasi-)legal unit has its main activity in Section O, it is included with the enterprise that contributes most to its budget. When a (quasi-)legal unit has its main activity outside Section O, it will be included in a separate enterprise, and thus it will not be included with its dependent units in any other possible enterprise. Example: the premises of an urban dispensary are the property of the local authority, which also pays the non-medical personnel and ensures maintenance and repairs, while the medical staff is provided, along with the basic medical products and material (alcohol, syringes, etc.), by the city general hospital, which is run by the state government. As the expenditure of the local government (including amortisations) is often higher than the expenditure of the general hospital (salary of the medical staff plus medical products), the dispensary is regarded as a separate enterprise from the local government.

4.371 An ancillary unit may serve several enterprises. In that case it is not included in any of the enterprises it serves; it is considered an independent enterprise (it is already a separate legal unit).

4.372 Several candidates for heading enterprises depend on the same administrative (quasi-)legal unit. It is recommended to keep to the rule and not to aggregate the non-administrative enterprises with their administrative enterprise. Example: a state board of education is in charge of all secondary education institutions in the state. This responsibility covers the setting curricula and the management of the personnel of all units, whether engaged in teaching or not. However, the funds for each institution are the responsibility of the head of the unit, who also has a say in the day-to-day organisation of teaching in the institution. Each unit should be defined as an enterprise.

ENTERPRISE GROUPS IN THE PUBLIC SECTOR

4.373 According to the statistical units regulation, an enterprise group is a set of enterprises controlled by a group head. This legal unit can be related to the private or public sector. There is thus no difference between private- and public-controlled enterprise groups. As stated above, the hierarchical control structure of units in the public sector is also similar to the enterprise group structure. The head of a public-sector enterprise group is generally a directly or indirectly elected body, accountable to its electorate.

4.374 Public-sector enterprise groups may sometimes consist of several legal units and can be quite complex in their structures. Public-sector legal units cannot belong to a group of which the group head is a private corporation, and likewise private-sector legal units cannot belong to a public-sector enterprise group.

LOCAL UNITS IN THE PUBLIC SECTOR

4.375 Local units are discussed in [Section 4.6](#). All enterprises have at least one local unit, and the normal rules concerning local units can be applied to the public sector. Local units in the public sector are often more likely to have secondary activities than their private-sector counterparts. The main activity of such a local unit should be determined using the top-down method, based on employment (assuming value added is not available), but it is recommended that the secondary activities of the local unit be also listed in the business register. Example: the building of the city hall houses a municipal primary school and a small public library. The costs of the primary school are covered by the municipality, except the salaries of the teaching personnel, who are paid by the central government. The general costs for maintenance and repair of the building are taken together along with the salaries of non-teaching personnel, including library personnel. These expenses are covered by the local government. One solution could be to consider that these two activities can form separate (quasi-)legal units outside the municipality (legal unit). Even if they have the same address, they could be considered two separate enterprises under the control of the municipality and thus also be separate local units. Another solution could be to record the primary school (which is financed by both the central and local governments) as an enterprise and the public library as a local unit of the local government.

DEFINING THE MAIN ACTIVITY OF PUBLIC-SECTOR UNITS

4.376 The NACE codes of enterprises (or in a broader sense (quasi-)legal units) in the public sector are determined by their main activity, using the same rules as for private-sector units. Each enterprise therefore has a main activity code, which is in either Section O or one of the other sections of NACE Rev. 2. When not in Section O, the main activity of a public-sector enterprise is the provision of goods or services, for example health or education. In theory, public-sector units can appear in any NACE section except Sections T and U. Similarly, they can have secondary activities in any of these areas.

4.377 The principal activity should be determined using the top-down method, as specified in the [Chapter 2](#) — ‘NACE: definitions and principles’ to NACE Rev. 2 (Eurostat, 2008, p. 22, paragraph 49). In theory, value added should be used to determine the relative importance of different activities. Unfortunately, value added is often particularly hard to measure for public-sector units. In such cases, employment is recommended as a proxy.

4.378 Unfortunately, this approach can lead to rather large and heterogeneous enterprises being allocated to a specific NACE code. For example, a local council enterprise employing 50 teachers, 40 road sweepers and 30 building maintenance staff would be classified in education, even though the majority of the staff works in other sectors. The same is, of course, true of heterogeneous enterprises in the private sector, but the impact of classifying very large public-sector units in a certain way can be much greater and can lead to systematic biases in favour of public-sector enterprises that carry out similar functions. Thus, for meaningful data by economic activity it is perhaps more important for the public sector than for the private sector to consider the use of lower level units such as the local unit, or even the LKAU, if information at that level is available.

DATA SOURCES FOR PUBLIC-SECTOR UNITS

4.379 The main difficulty in recording and maintaining the units of the public sector in the statistical business register is that, although they are publicly accountable, there may be no coordinated list of public-sector entities. The coverage of public-sector units in administrative sources may vary, possibly on account of special schemes, requirements or exemptions. Some information on accounting units may be available based on annual budget allocations, and possibly some information on employees and their wages, although the units used may not correspond with the requirements for legal or statistical units.

4.380 The quality of administrative sources concerning local units may also vary greatly, often with less information available on the local units of local government enterprises. One reason could be that there are great changes in administrative sources ongoing, aiming to improve efficiency by reducing the content of information. Links to specific administrative registers, for example registers of educational institutions, hospitals, etc., may help, and should be developed where possible to make use of the information these registers contain. It is likely, however, that, for example, profiling will be necessary to determine the overall structure and ensure coverage of all activities of larger public-sector enterprise groups.

4.381 Good coordination with national accounts is recommendable in any case. The allocation of the units to the government sector in the statistical business register should be consistent with the delineation of the government sector in national accounts. Furthermore, national accounts units may also undertake some surveys in certain categories of government units. For instance, surveys might be undertaken to identify legal units that are under the control of government institutions.

5

Variables in statistical business registers

Section 5.1 Introduction

5.1 This chapter describes the variables of the units in the national statistical business registers. The variables are listed in Annex VIII to the Commission Implementing Act laying down technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European Business Statistics (the EBS general implementing act). This list covers all types of units defined in Article 2(3) of Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, repealing 10 legal acts in the field of business statistics (EBS regulation):

- legal unit,
- enterprise group,
- enterprise,
- local unit,
- kind-of-activity unit (KAU).

5.2 The statistical business registers (SBRs) shall, for the respective units defined in Article 2 of this Regulation, contain the following detailed topics by unit:

- legal units: identification, demographic events, stratification parameters, links with enterprise, links with other registers, link with enterprise group, control and ownership of units;
- enterprise group: identification, demographic events, stratification parameters and economic variables;
- enterprise: identification, link to other units, demographic events, stratification parameters and economic variables;
- local unit: identification, demographic events, stratification parameters and economic variables, and links to other units and registers;
- kind-of-activity unit: identification, demographic events, stratification parameters and economic variables, and links to other units and registers.

5.3 The first sections of Chapter 5 deal with the variables for each of the units. These variables are those listed in Annex VIII of the EBS general implementing act and the same numbering of variables has been used. The last section discusses some further variables that might be considered for the national statistical business registers and recommends them.

5.4 Although the variables are presented below under certain categories according to Annex VIII of the EBS general implementing act, the categories are not mutually exclusive; for instance, legal form (1.8) can be used as an identification, demographic and stratification variable. The variables refer to the subject matter aspect and may not necessarily be conceptually identical with a database structure. The information does not have to be separately stored for each unit, if it can be derived from (an)other unit(s).

5.5 From the legal point of view the variables are mandatory, conditional or optional.

- Most of the variables are mandatory. They should be recorded and maintained in the national statistical business registers according to the harmonised definitions, concepts and rules.
- Conditional variables are only mandatory when the information is available in the Member State. Items marked 'partially conditional' are mandatory except those parts of the items that are explicitly mentioned as conditional.
- Optional variables are never mandatory; they are only recommended.

5.6 The national statistical business register variables listed in Annex VIII have the same definitions as the corresponding variables used for the purpose of data exchange between the national statistical business registers and the EuroGroups Register (EGR) and for the provision of EGR information to the national banks, identified in Annex IX, 'Provisions for the exchange of confidential data for the purposes of the European framework for statistical business registers', of the EBS general implementing act.

5.7 Table 5.1 gives an overview of the variables of Annex VIII, 'Variables linked to the detailed topics for the European framework for statistical business registers'. This table does not show which of the variables are mandatory, conditional or optional. This is only indicated in the detailed presentation of the variables in the following sections. Conditional and optional variables are specifically indicated in the title line of the variable. Those variables without any further indication are mandatory.

Table 5.1: Overview of the statistical business register variables according to Annex VIII

Variable	Unit				
	Legal unit	Enterprise group	Enterprise	Local unit	KAU
Identification variables					
Identity number	1.1	2.1	3.1	4.1	5.1
Identity number of legal unit able to report data		2.2	3.2		5.2
Name	1.2	2.3	3.3	4.2	5.3
Text description of the enterprise group		2.4			
Website address		2.5	3.4		
Identity number of GDC		2.6			
Country of GDC		2.7			
Postal and email addresses	1.3	2.8	3.4	4.3	5.4
Identity number of GGH		2.9			
Country of GGH		2.1			
Country of residence of the UCI		2.10a			
Telephone number, etc.	1.4			4.4	
VAT number	1.5				
Type of enterprise group		2.11			
Demographic events					
Date of incorporation (commencement)	1.6	2.12	3.7	4.5	5.5
Date of cessation	1.7	2.13	3.8	4.6	5.6
Stratification parameters and economic variables					
Legal form	1.8				
Legal activity status	1.9				
Flag for branches	1.1				
Flag for SPEs	1.11				
Principal activity		2.14	3.9	4.7	5.7
Secondary activities		2.15	3.1	4.8	
Ancillary activities				4.9	
Number of employees and self-employed		2.16	3.11	4.1	
Number of employees			3.12	4.11	
Number of employees (full-time equivalents)			3.13	4.12	
Net turnover		2.17	3.14		

Variable	Unit				
	Legal unit	Enterprise group	Enterprise	Local unit	KAU
Turnover in specific sectors			3.15		
Institutional sector and subsector			3.16		
Total assets		2.18			
Countries of the group		2.19			
Size of for each KAU / size of the principal and secondary activities of the enterprise			3.17		5.8
Geographical location code				4.13	
Link with enterprise					
Identity number of the enterprise	1.12			4.14	5.9
Date of association to the enterprise	1.13				
Date of separation from the enterprise	1.14				
Links with enterprise group					
Identity number of the enterprise group	1.17		3.6		
Date of association with the enterprise group	1.18				
Date of separation from the enterprise group	1.19				
Links with other units and registers					
Reference to Intrastat/Extrastat	1.15				
Reference to administrative global identifiers, reference to balance sheet data, reference to the BoP register or FDI register and reference to the farm register, etc.	1.16				
Identity number of legal unit			3.5		
Reference to register with information on local units				4.15	
Control of units					
Identity number of resident legal unit controlled	1.20a				
Identity number of resident legal unit controlling	1.20b				
Countries of non-resident legal units controlled	1.21a				
Country of registration of non-resident legal unit controlling	1.21b				
VAT number of non-resident legal units controlled by the legal unit	1.22a				
VAT number of non-resident legal unit that controls the legal unit	1.22b				
Ownership of units					
Identity number(s) and shares (%) of resident legal unit(s) owned by the legal unit	1.23a				
Identity number(s) and shares (%) of resident legal unit(s), which own(s) the legal unit	1.23b				
Country(ies) of registration and EGR identity number(s) and Name(s), address(es) and VAT number(s) and shares (%) of non-resident legal unit(s) owned by the legal unit and dates of start and end of the shares	1.24a				
Countries of registration and EGR identity number and name, address and VAT number and shares of non-resident legal unit owing the legal unit and dates of start and end of the shares	1.24b				

BoP, balance of payments; FDI, foreign direct investment; GDC, global decision centre; GGH, global group head; SPE, special purpose entity; UCI, ultimate controlling institutional unit; VAT, value added tax.

Section 5.2 Legal unit variables

5.2.1 Identification variables

1.1 Identity number(s) (including the EGR identity number when relevant for the EGR)

Purpose. This is needed to identify the unit and to link it with other units in the register and with administrative and statistical sources. In order to link the national legal unit to the corresponding legal unit in the EGR, the EGR identity number for legal units (legal entity identifier, LEID, number) also has to be recorded in the national statistical business register if the legal unit belongs to a multinational enterprise group residing in the country. The LEID is critical for avoiding duplication of legal units. For data exchanges between the national statistical business registers and the EGR, the LEID number has to be used.

Definition. The identity number of the legal unit can be either specific to the statistical business register or an external one, common or shared with other institutions in the Member State, called a unique identifier. The latter is generally preferred. The identity number for legal units in the EGR is the LEID number. It is created by the EGR Identification Service Application. The LEID number is a combination of the country code, internal register code assigned to the national register by the EGR and national identification number of the legal unit.

Proxies. None.

Sources. If the identity number of the legal unit is the unique identifier used in the Member State, it should be updated after any changes in the administrative source that allocates the identifiers. For instance, a change of legal form from natural to legal person may result in the fiscal administration assigning a different identifier to the same economic unit.

If the identity number of the legal unit in the statistical business register is not the unique identifier, the unique identifier should be handled as a variable and a record of its changes should be kept.

Comments. A common identifier exists in the majority of Member States. Common business identifiers shared with fiscal (compare with variable 1.5) and other government departments greatly facilitate the connection of the statistical business registers with other registers.

The continuity rules for legal units depend on national legislation; there are no EU-wide recommendations.

1.2 Name

1.3 Address (at the most detailed level, including postcode)

1.4 Optional: telephone number, email address, website and information to permit electronic collection of data

Purpose. This is the necessary contact information for the unit. It should be noted that the optional information is also of primary importance, namely the telephone number, email address website and information that permits electronic collection of data. In the event that a common identifier is missing, names and addresses can also be used for the matching of units.

Definition. The information may refer to a legal or a natural person. In the case of legal persons, their official business name and address must be recorded. In the case of natural persons, it may be useful to maintain both a business and a personal address. The addresses should be recorded at the most detailed level possible.

In the case of natural persons, the following information may be recorded:

- family name(s),
- names normally used and possible pseudonyms,
- forenames,
- gender (if only for salutation purposes — Dear Mr/Ms ...).

This information is often insufficient to identify a natural person with certainty. It may therefore be useful also to record either the date of birth or the personal identity number.

Proxies. In some countries and for some legal forms, the business name may be very long and may have to be abbreviated, especially if the information technology (IT) application was created at a time when data constraints existed. In that case, very strict rules on abbreviation must be applied. Where applicable, territorial classifications and nomenclatures may be used for coding of addresses.

Sources. Administrative sources, mainly trade/company registers and surveys.

Comments. Legal persons and also sole proprietors often use initials, an acronym or a trading style instead of their official name in their business or administrative relations. There must be provision for recording this information separately (compare with variable 3.2). Recording the names of partnerships can also pose problems that may be difficult to manage.

1.5 Value added tax (VAT) registration number or, failing that, other administrative identity number

Purpose. The VAT number is useful for the utilisation of tax data for business register purposes, for the links to non-resident units (variables 1.22a and 1.22b) and for the link to Intrastat data collection system, used for international trade in goods statistics (ITGS) (variable 1.15). In the Intrastat system, the VAT number is used and it is closely interlinked with the VAT system. Intrastat data are directly collected from intra-EU trade operators once a month. References to some other registers could possibly also be based on the VAT number.

Definition. Defined nationally, often by the tax administration. A separate VAT number exists in all EU Member States, where another unique identifier (which may already be stored as variable 1.1) may be used in lieu of the VAT number.

Proxies. Certain economic activities may be exempted from VAT and thus have no VAT number, in which case another administrative identity number can be used, for instance general tax number or corporate tax number.

Sources. Mainly tax administration.

Comments. The main problem with the VAT number is that it may relate not to only one legal unit, but to a group of legal units, which may equal an enterprise or an enterprise group or its subgroup. In such cases, the VAT number can be the same for several legal units. In some countries, it may also relate to part of a legal unit or to a natural person who is not an economic operator, but who may have a VAT number for tax reasons.

5.2.2 Demographic events

1.6 Date of incorporation for legal persons or date of official recognition as an economic operator for natural persons

Purpose. The variable is needed for the inclusion of new units, whether by real births or other demographic creations.

Definition. The date of official recognition should be the date on which an identification number is given, or the date on which the legal existence was approved, be it with a company/trade register number, a VAT number or something else.

Proxies. If the exact date is not available, the year from which the unit has been monitored can be used as a proxy, including a certain date (such as 1 January) defined in the business register procedures in accordance with established rules.

Sources. Trade/company register, tax administration, social security and other administrative sources.

Comments. In general, the date is the prerequisite for a firm to engage in legal economic transactions. Given that a statistical register is usually fed with files from administrative sources, a date of official recognition should always exist and be stored in the business register. The legal unit may start its economic activity (and only then be regarded as an enterprise or part thereof; see variable 3.5, indicating link to other units) with some delay after its recognition or it may remain inactive. If the legal unit remains inactive, it should be kept in the register but marked as inactive. Keeping legally alive but economically inactive legal units in the register could facilitate the use of administrative sources.

1.7 Date on which the legal unit ceased

Purpose. This demographic variable is needed for monitoring the death and inactivity of the unit.

Definition. The legal unit ceases to be part of an enterprise when either of the following happens.

- The legal unit ceases to exist. The death of the legal unit is marked in the register.
- The legal unit ceases to be economically active and it is not part of the control chain within the enterprise group. Either the legal unit can be kept in the register and marked inactive, or its death can be marked in the register.

Proxies. Registration of the year of the event is important, if the precise day and month of its having taken place are not known, as is often the case.

It is recommended that an annual 'cleaning' of the register be carried out by comparing the populations of $t - 2$, $t - 1$ and t in order to see which units were inactive during the two previous periods. Subsequently, a date of cessation could be added, and the unit would no longer appear in the register as an active unit. Only after 24 months of inactivity may the unit be erased from the statistical business register (marked dead), and that is the date to be recorded. The register manager should be able to follow dormant (temporarily inactive) units and record the death date. The choice of 24 months as the relevant period allows for the possibility of the register being updated annually, and also meets business demography requirements that a unit should be inactive for 2 years before it can be considered a real death for statistical purposes. The 24 months rule does not concern units in the enterprise group control chain, for example special purpose entities (SPEs: brass plates, empty shells, etc.). They are considered active and kept in the register. It should be possible to separate them by automatic procedures based on NACE class, chain of control and certain variables such as employment.

Sources. Administrative sources (from which the date often comes with considerable delay), surveys.

Comments. There is usually no interest on the part of a legal unit in officially announcing its cessation of activity. This is often a slow process of diminishing activity but, even if the activity completely ceases, the owner may still think it could resume in the future, hence it may be interested in retaining a legal name, fiscal number and other legal attributes.

Between activity and real death, there is therefore often a period of inactivity during which the unit may be regarded as dormant. A sign of such a situation would be the lack of employees, the cessation of tax compliance or the inability to contact the unit after repeated efforts.

When the production factors are transferred from one legal unit to another, this is usually documented in a contract, so a record of its having occurred will exist. Even if the exact date of the event is not transmitted to the statistical institute, the year in which it occurred might be.

Most legal units in a register are not linked to any other legal unit, so that the relationship legal unit = enterprise holds in most cases. This means that an event, such as change of ownership, that may create a new unit in the administrative files may pass unnoticed, unless the new units are checked against existing units using, for example, location and activity as criteria. This may mean that the event occurred during the past fiscal year or that, having occurred earlier, it was only recently registered.

For statistical purposes, it would be sufficient to include a new link in the business register and to assume it took place during the previous period, although a direct check (for example a phone call) is recommended.

5.2.3 Stratification parameters

1.8 Legal form

Purpose. The legal form (also known as legal status) is useful for eliminating ambiguity in identification searches and as a possible criterion for selection or stratification for surveys. It is also used for defining the institutional sector (variable 3.16). Statistics according to legal form are produced in, for example, business demography.

Definition. This is defined according to national legislation.

Proxies. The character of legal or natural person is decisive in fiscal terms, because the tax regime applicable to the unit depends on this. It means that any statistical register fed with fiscal records will have that information. For the monitoring of the internal market, there is also an interest at European level in being able to distinguish publicly traded and incorporated companies. A sector classification of producer units for main standard legal forms of ownership is given in the *European System of Accounts: ESA 2010* (Eurostat, 2013, Table 2.5).

Sources. Administrative sources, surveys.

Comments. Experience has shown that it will often be useful to make adjustments to information collection processes and questionnaires according to the legal form of the legal unit operating an enterprise. A code representing the legal form should therefore be recorded in accordance with the classification of legal forms or categories.

The following legal forms can be found in most Member States.

- **Sole proprietorship.** Enterprise owned exclusively by one natural person.
- **Partnership.** Association of persons who conduct a business under a collective name. It can take the form of a limited partnership.
- **Limited liability companies.** Enterprises comprising joint-stock companies, limited partnerships with share capital and private limited companies. Harmonised rules at European level governing the publication of financial statements and related reports of certain types of undertakings are laid down in the Directive 2013/34/EU of the European Parliament and of the Council.
- **Cooperative societies.** These are bodies set down by law in each country. They observe a number of general principles; for example, they may only be entitled to provide their services to members, and profits are often distributed in proportion to members' dealings with the society.
- **Non-profit-making bodies.** A non-profit organization, also known as a non-business entity, not-for-profit organization, or non-profit institution is an organization traditionally dedicated to furthering a particular social cause or advocating a shared point of view.
A private non-profit institution (NPI) is defined as a legal or social entity acting for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gains for the units that establish, control or finance them. Where their productive activities generate surpluses, such surpluses cannot be appropriated by other institutional units (ESA 2010, p.58, paragraph 3.31).
- **Enterprises with other forms of legal constitution.** This group includes nationalised industries, publicly owned enterprises, and state or local authority monopolies.

1.9 Legal activity status

Purpose. This variable provides information on the status of the resident legal units. It is a variable that is transmitted to the EGR.

Definition. Three kinds of status are distinguished: A (active), I (inactive) and L (ceased, liquidated). Only in the case of a legal cessation should the status code be L.

Proxies. None.

Sources. Administrative sources and registers, surveys.

Comments. See also variables 1.6 and 1.7.

1.10 Conditional: flag for branches within the meaning of point 18.12 of Chapter 18 of Annex A to Regulation (EU) No 549/2013 (ESA 2010)

Purpose. This variable indicates if a unit is just a branch unit of a non-resident corporation and is a notional resident unit. This variable thus helps when delineating an enterprise.

Definition. A branch is an unincorporated unit belonging to a non-resident unit, known as the parent. A branch is treated as a resident and a quasi-corporation in the territory where it is situated. A branch may have its own legal form. The definition of branches is taken from ESA 2010 (Eurostat, 2013).

Proxies. None.

Sources. Administrative sources, foreign affiliates statistics (FATS).

Comments. A branch may be identified for construction projects or mobile operations such as transport, fishing or consulting. However, if the operations are not substantial enough to identify a branch, they are treated as an export of goods or services from the non-resident unit, and no branch unit is created.

1.11 Optional: flag for special purpose entities within the meaning of points 2.17–2.20 of Chapter 2 of Annex A to Regulation (EU) No 549/2013 (ESA 2010)

Purpose. The purpose of this variable is to indicate if a legal unit has the characteristics of an SPE and will not be viewed as a separate enterprise. This flag can help in delineating the enterprise structure.

Definition. An SPE is usually a limited company or a limited partnership created to fulfil narrow, specific or temporary objectives and to isolate a financial risk, a specific taxation risk or a regulatory risk. The definition of SPEs is taken from ESA 2010 (Eurostat, 2013, paragraph 2.17).

There is a common definition of SPEs within the meaning of points 2.17–2.20 of Chapter 2 of Annex A to Regulation (EU) No 549/2013. Usually three kinds of SPEs are distinguished: captive financial institutions, artificial subsidiaries and special purpose units of general government. For more information see [Section 4.5.3](#).

Proxies. None.

Sources. Administrative sources.

5.2.4 Links with enterprise

1.12 Conditional: identity number(s) of the enterprise(s) (3.1) to which the unit belongs

Purpose. The purpose of this variable is to identify to which enterprise(s) the legal unit belongs.

Definition. Enterprises may consist of one or more than one legal unit. However, a legal unit may also be split in order to allocate the unit to more than one enterprise, if conceptually needed.

Proxies. None.

Sources. Profiling.

1.13 Conditional: date of association to the enterprise(s)

Purpose. This variable identifies the date when the legal unit was allocated to that enterprise.

Definition. This is the date on which the legal unit was allocated to that enterprise.

Proxies. Ideally an exact date might be available. In the case of a newly created legal unit the exact date might be known. This date should be the one when the legal unit was attributed to an enterprise group to which the enterprise belongs. If the exact date is not available, the year of the actual attribution in the register might be used as a proxy, when the unit was monitored in profiling processes or by other maintenance triggers.

Sources. Profiling, administrative sources.

1.14 Conditional: date of separation from the enterprise(s)

Purpose. The purpose of this variable is to identify the date when the legal unit was separated from the enterprise.

Definition. This is the date on which the legal unit was separated from the enterprise.

Proxies. Ideally an exact date might be available. In the case of a cessation of a legal unit the exact date might be known. This date should be the one when the legal unit was separated from the enterprise group to which the enterprise belongs. If the exact date is not available, the year of the actual separation in the register might be used as a proxy, when the unit was monitored in profiling processes or by other maintenance triggers.

Sources. Profiling, administrative sources.

5.2.5 Links with other registers

1.15 Conditional: reference to the register of intra-EU operators and reference to customs files or to the register of extra-EU operators

Purpose. Both the Intrastat (and similarly Extrastat that collects data on trade in goods with non-EU countries by customs authorities and are based on the records of trade transactions in customs declarations) register and the statistical business register can benefit from the link between them. The business register has access to a reliable tool for checking the quality of its own data regarding a limited (in number), but important, subset of units. The link may help to identify inconsistencies; for example, if the product code of the exchanged goods declared by intra-EU operators is available, this can be compared with the activity code of the statistical business register. The links can be used to distinguish the units engaged in international trade in goods in the business register, and this is an important stratification factor for several types of surveys.

Definition. The VAT number (variable 1.5) is strongly recommended to be used for the link, because it is the same as the Intrastat number (or part of it) in almost all Member States.

Proxies. None.

Sources. Administrative, for instance tax sources and registers.

Comments. Instead of being a separate register, the Intrastat register could also be integrated into the business register.

As both the Intrastat register and the business register benefit from the link, the best solution would be to have the references in both registers to allow the use of the Intrastat register as a source for the business register and the use of the business register as a source for the Intrastat register and, more generally, for international trade statistics.

The reference to customs files or to the register of extra-EU operators in the business register contains the link to the register commonly known as Extrastat or, if this does not exist, the reference to customs files. The comments above for the Intrastat link apply in a similar way to the reference to the Extrastat register and to the customs files, although in Extrastat other numbers such as the VAT number are more commonly used.

1.16 Conditional: reference to administrative global identifiers, reference to balance sheet data (for units required to publish accounts), reference to the balance of payments register or foreign direct investment register, and reference to the farm register

Purpose. The first link concerns the identity number in a global administrative register system, particularly the Legal Entity Identifier (LEI) ⁽¹⁾. The implementation and use of the LEI is supported by Global Legal Entity Identifier Foundation (GLEIF). The LEI is a 20-character alphanumeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Each LEI contains information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'. Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace (GLEIF, 2020, *Legal Entity Identifier*).

The second link concerns the balance sheet data. Many Member States use the published accounts as a source for business registers, and combining the business register and published accounts data is likely to become very important in the future. It reduces the response burden and serves the production of economic and financial statistics. Availability of accounts is also a requirement to distinguish small and medium-sized enterprises (SMEs), as these are defined by threshold based on balance sheet total.

The third link concerns the balance of payments (BoP) and foreign direct investment (FDI) registers, and the usefulness of these links concerns the harmonisation of statistics related to globalisation. Conventional bank settlement data are more and more frequently being replaced by data based on direct surveys, for which the BoP compilers are increasingly relying on business registers.

⁽¹⁾ Legal Entity Identifier (LEI) is different from the LEID used as an unique identification number for the purposes of the EGR.

The fourth reference, to the farm register, is important for the coverage of main agricultural enterprises and for updating the increasing number of rural multi-activity enterprises, in which the role of agriculture as principal or secondary activity may often change.

Definition. The practical arrangement of the links, either from the business registers to the associated register or vice versa, is a matter of subsidiarity.

Proxies. The links can be achieved in several ways, for example the following.

- The reference number of the unit in the other register(s) can be recorded in the business register, together with the legal unit identity number referred to above.
- One or more marks can be added to the business register to indicate that the legal unit is also present in other register(s) under the same identity number.
- In the absence of a unique identifier, the link can also be built by name/address matching and possible use of other variables. This is less effective, but matching names/addresses can be useful for detecting errors. For every legal unit recorded in administrative sources, the different relationships should be stored separately.

Sources. Administrative sources and registers.

Comments. The requirement to publish annual accounts depends on national legislation, which may vary between countries and usually concerns incorporated and publicly traded companies. The data stemming from published accounts could be considered free from confidentiality restrictions and suitable for exchange with other statistical institutes, but this is not always the case, for example when these data are linked to data collected through surveys. The link to balance sheet data can be used to combine register and accounts data, which are generally available in satellite registers. Either the central bank or the national statistical institute (NSI) is a member of the European Committee of Central Balance Sheet Data Office, which supplies data for an increasing number of Member States.

The second reference concerns the BoP register, which in most countries is in the national central bank (NCB). In that case, a close cooperation and exchange of information between the NSI and the NCB is vital for well targeted and good-quality BoP and FDI surveys. The BoP register may also be in the NSI, or there may not be a separate BoP register, because the statistical business register is also used for BoP purposes.

The link between farm and business registers is examined in detail in [Section 4.8.1](#).

The role of several other satellite registers (for example shop register, tourist establishment register, transport register, educational institute register) can also be important for updating the business register, especially in finding out whether the units are active or not, because data on these can be collected more frequently. The harmonisation of the handling of units in these associated registers and in the statistical business register is also an important issue. As links to these can often be created directly and some of them can be in the NSI, they are not mentioned separately in the regulation.

The next section considers additional variables for legal units that are part of enterprises belonging to an enterprise group.

5.2.6 Link with enterprise group

1.17 Identity number of the enterprise group (2.1) to which the unit belongs

Purpose. This variable is needed to identify the legal units belonging to a certain enterprise group. See partially conditional variable 2.1, identity number(s). Conditional for EGR identity number if the enterprise group is multinational.

1.18 Date of association to the enterprise group

Purpose. At least the year (if exact date is not known) is needed for the consolidation of groups at European level.

Definition. This is the date on which the legal unit is associated with the group.

Proxies. If no exact date is known, in practice the date when the identity number of the group (2.1) is first stored for the unit can be used as a proxy.

Sources. Sources used for updating the enterprise group information.

Comments. This cannot be earlier than the date of commencement of the group (2.12). Concerning the selling and buying of legal units, the statistical units regulation gives the instruction to 'discount temporary links of less than a year' (annex, Section III C, explanatory note 3).

1.19 Date of separation from the enterprise group

Purpose. At least the year (if exact date is not known) is needed for the consolidation of groups at European level.

Definition. This is the date on which the legal unit separates from the group or ceases to exist.

Proxies. If no exact date is known, in practice the date when the unit no longer appears in the source used can be used as a proxy.

Sources. Sources used for updating the enterprise group information.

Comments. The separation date cannot be later than the date of cessation of the group (2.13) and should also be consistent with the date on which the legal unit ceased to be part of an enterprise (1.19). It is to be noted that this variable is filled only for historical files, when the unit ceases to be part of the group. In such cases, all the variables from 1.20a to 1.24b become historical. The cessation of economic activity of the legal unit is not sufficient if the legal unit remains in the control chain.

5.2.7 Control of units

1.20a Identity number(s) of resident legal unit(s) which is/are controlled by the legal unit

1.20b Identity number of the resident legal unit which controls the legal unit

1.21a Partially conditional: country/ies of registration, identity number(s), name(s) and address(es) of the non-resident legal unit(s), which are controlled by the legal unit. Conditional for EGR identity number(s)

1.21b Partially conditional: country of registration, identity number, name and address of the non-resident legal unit, which controls the legal unit. Conditional for EGR identity number

1.22a Conditional: VAT number(s) of non-resident legal unit(s), which is/are controlled by the legal unit

1.22b Conditional: VAT number of the non-resident legal unit, which controls the legal unit

Purpose. These variables (zero, one or several legal units may have to be stored for 1.20a and 1.21a) define the control links in the national territory and to the first foreign parent and foreign subsidiary. Without this variable, the group structure cannot be established, and it cannot be used for the delineation of enterprises within the group. The links are a key issue for the consolidation of truncated groups at European level.

Definition. Control is defined as the ability to determine the general policy or programme of an institutional unit in accordance with the ESA 2010 (Eurostat, 2013, p. 8, paragraph 1.36) and examined in detail in [Chapter 4](#). It can have only two values, 1 = yes and 0 = no. For the identity numbers of resident units, see variable 1.1.

The non-resident identity numbers, names, addresses and VAT numbers should be in the same format as in the country where they are resident and are included in the appropriate ones for resident units.

For the country of registration, the *Balance of Payments Vademecum* (Eurostat, 2017) appendices 3 and 4 are used as reference. It includes both the country and territory codes, which are consistent with ISO two-letter codes, how the classification is made, the inclusions (for example Monaco is classified under France) and the exclusions (for example Jersey is excluded from the United Kingdom).

Proxies. The information available in the commercial sources can be used as a proxy.

Sources. National statistical business register, business registers in other Member States, administrative and commercial sources, surveys, EGR.

Comments. It is up to the country to decide whether it wants to use the top-down or bottom-up method for the resident links. In a relational database both upward and downward links can be recorded; this is useful for consistency and error checking.

Matching the cross-border links with only names and addresses without the VAT number would be extremely difficult. Although obtaining information on the non-resident units both upwards (first foreign parent) and downwards (first foreign subsidiaries) may be difficult, it is necessary, because the links may be via a non-European country, so they cannot be obtained even by the cross-border exchange of information in Europe.

5.2.8 Ownership of units

The ownership can be recorded either top down (1.23a, 1.24a) or bottom up (1.23b, 1.24b). The threshold is 10 % or more of direct ownership.

1.23a Conditional:

(a) Identity number(s) and

(b) shares (%) of resident legal unit(s) owned by the legal unit

1.23b Conditional:

(a) Identity number(s) and

(b) shares (%) of resident legal unit(s), which own(s) the legal unit

1.24a Conditional:

(a) Country/ies of registration and

(b) EGR identity number(s) and

(c) name(s), address(es) and VAT number(s) and

(d) shares (%) of non-resident legal unit(s) owned by the legal unit and

(e) dates of start and end of the shares

1.24b Conditional:

(a) country/ies of registration and

(b) EGR identity number(s) and

(c) name(s), address(es) and VAT number(s) and

(d) shares (%) of non-resident legal unit(s), which own(s) the legal unit and

(e) dates of start and end of the shares

Purpose. Majority shareholding is very often used as a proxy to control and record the percentage-share ownership for identifying international indirect control links. The information is necessary for identifying units for FDI relationships, both with (1 = yes) and without (0 = no) control. Shareholding is also necessary in distinguishing autonomous and partner SMEs from linked units. It is useful in identifying associate relationships and trade interest links and thus helps in dealing with monopolies policy.

Definition. The variables refer to the shareholding that are taken into account in the definition of control. Concerning the volatility of the ownership, the instruction in the statistical units regulation 'discount temporary links of less than a year' (statistical units regulation, annex, section III C, explanatory note 3) is applicable.

Proxies. There is a lot of flexibility allowed for these variables. If the information or part of it (for example the VAT number) is not available in the administrative sources, it can be omitted.

Sources. Administrative sources and commercial sources, surveys, EGR.

Comments. This is a group of variables, as several legal units and their shareholdings may need to be stored for each case. The top-down or bottom-up method can be chosen. The threshold is 10 % or more of direct ownership.

In FDI statistics, as reported in the BoP, holdings of at least 10 % of the voting power are considered in the IMF (2009) *Balance of Payments and International Investment Position Manual* and in the *OECD Benchmark Definition of Foreign Direct Investment* (OECD, 2008). On the other hand, IAS 27 on consolidated accounts encompasses units in which the stake of the parent company is 20 % or more, and it may be possible that only data above this threshold are available in the administrative source. Recording shares below 10 % (portfolio investment) is likely to be too burdensome for register updating.

Joint ventures (50–50 % cases, as well as $3 \times 33.3\%$) belong to the ownership cases (control = 0) unless there is evidence at national level that one partner has control. Control cases without majority ownership need to be proved as well. (The commercial data providers in general just use majority ownership as a proxy for control). However, joint ventures may require special attention, as they may be large and important units, and it is especially important to record the main and predominant shareholding.

Section 5.3 Enterprise group variables

5.3.1 Identification variables

2.1 Partially conditional: identity number(s). Conditional for EGR identity number if the enterprise group is multinational

Purpose. This variable identifies the enterprise groups to follow their continuity.

Definition. The identity number of an all-resident group is given nationally in the business register or it may be shared with other institutions. The identity number of a multinational group is given centrally in the EGR procedure. As the continuity rules for enterprise groups should be applied, the identity number should remain the same while the group is considered as continuous (defining the continuity is examined in [Chapter 7](#)). For all-resident groups, the general enterprise group continuity rules apply and different methods can be used, for example profiling for large groups and automated procedures based on administrative information for small groups. The continuity of the truncated group is based on the continuity of the global group.

Proxies. While the EGR does not yet cover all multinationals, the identity number of the truncated group, which is not yet covered, is given nationally in the business register (the national number may, of course, always be used in addition). As the continuity of the group may remain while the group head changes, it is not advisable to use the identity number of the group head as the identity number of the group.

Sources. The identity number of an all-resident group can be given internally in the business register or be obtained from an administrative source. The identity number of a multinational group comes from the EGR or, failing that, is given internally.

Comments. Within the national territory, there may be several seemingly unlinked truncated groups that in fact belong to the same multinational group. In such cases, these separate groups generally have the same type of NACE activities and it can be advisable to define them as separate enterprises. A truncated group can also consist of only one unit of the group, parent or subsidiary in the national territory, and such cases may be difficult to identify nationally.

2.2 Optional: identity number(s) of the legal unit(s) able to report data on the enterprise group

Purpose. This variable flags the legal unit of an enterprise group that serves as the contact point for data collection.

Definition. The unit that is the contact point and responsible for data collection will normally be the group head or the decision centre of the group. If these units are non-resident the appropriate resident legal unit is the one that was identified in the profiling process as the best representative of the group.

Proxies. None.

Sources. Profiling

2.3 Name of the enterprise group, for multinational groups the EGR name

Purpose. The name is used to identify the enterprise group in addition to the identity number. The storing of the name of a group may be important for survey or profiling purposes.

Definition. For all-resident groups, the official group name according to their financial reports should be taken; for multinational groups, the name stored in the EGR is to be taken. The name of the truncated group should not be exactly the same as the name of the multinational group.

Proxies. None.

Sources. administrative sources, commercial data sources, financial reports, EGR, profiling, internet.

2.4 Optional: short text description of the enterprise group

Purpose. This optional variable is used to identify the enterprise group in addition to the name of the enterprise group.

Definition. There is no standard for a short description of the enterprise group; it should give a full picture of the business segments of the group. It should describe the type of products the group is dealing with as well as the branches in which the group is engaged, or any other information on the group that is useful for profiling or maintaining the unit in the statistical business register.

Proxies. None.

Sources. Financial report, internet, profiling.

2.5 Optional: website address of the enterprise group

Purpose. The website address information is used as a contact information and to identify an enterprise group.

Definition. The website address is a website's location of an enterprise group on the internet.

Proxies. None.

Sources. Financial report, internet, profiling.

2.6 Identity number of the legal unit being global decision centre. If the GDC is non-resident, the EGR identity number. For natural persons that are not economic operators, the country of residence has to be recorded under 2.10a.

Purpose. This variable is to indicate the GDC of an enterprise group. The information is used in the EGR data exchange on multinational enterprise groups and is needed for profiling purposes.

Definition. The identity number of the legal unit that is identified as GDC. If the GDC is non-resident, the EGR identity number should be used.

Sources. Administrative sources, commercial data sources, EGR.

2.7 Country of registration of the GDC, if non-resident, the EGR country of registration

Purpose. This variable is to indicate the country of registration of the GDC of an enterprise group. It is used in the EGR data exchange on multinational enterprise groups and is needed for profiling purposes.

Definition. The country where the GDC of an enterprise group is registered and where the strategic decisions are taken.

Sources. Administrative sources, commercial data sources, statistical surveys, EGR

Comment. The country where the GDC is located is often referred to as the 'nationality of the group', although nationality can be understood in other ways, for instance to refer to the nationality of the owner.

2.8 Optional: postal and email addresses of the GDC

Purpose. The postal and email addresses is optional variable for the statistical business register. It provides a contact information for the GDC and is needed for profiling purposes.

Definition. Contact information for the GDC.

Sources. Administrative sources, commercial data sources, financial report, internet, profiling, EGR.

2.9 Identity number of the legal unit being the GGH. If the GGH is non-resident, the EGR identity number. For natural persons that are not economic operators, the country of residence has to be recorded under 2.10a.

Purpose. This variable identifies the group head, including the all-resident group head and the multinational group head. The conditional recording of natural persons as group heads is due to their importance in a number of countries where they may not be registered as a legal unit; in other countries this is generally the case. The difference is taken into account in the *OECD Handbook on Economic Globalisation Indicators*, which recommends the inclusion of natural persons.

Definition. This is the identity number of the legal unit that is the group head. If the GGH is non-resident, the EGR identity number should be used.

Proxies. For natural persons who are not registered in the business register as economic operators, a quasi-unit with an identity number can be created when necessary. If this is done, it should be possible to identify natural persons separately.

Sources. Administrative sources, commercial data sources, EGR, financial report, internet, profiling.

Comments. For domestically controlled multinationals (group type 2 in variable 2.11), the GGH is in the national statistical business register.

The frequency and importance of natural persons as controlling units may depend on national legislation and thus vary considerably between countries. It would be useful to study the effect of their inclusion/exclusion on the consistency of data between Member States.

2.10 Optional: country of registration, postal and email address of the GGH; if non-resident, the EGR country of registration

2.10a Conditional: country of residence of the ultimate controlling institutional unit (UCI), if the controlling unit is a natural person who is not an economic operator

Purpose. This variable identifies the all-resident group UCI and the multinational group UCI if the UCI is a natural person who is not an economic operator. The conditional recording of natural persons as controlling units is due to their importance in a number of countries where they may not be registered as a legal unit; in other countries this is generally the case. The difference is taken into account in the *OECD Handbook on Economic Globalisation Indicators*, which recommends inclusion of natural persons.

Definition. The country of the UCI is the country where the unit is resident which is in the upstream of the control relations not controlled by another unit.

Proxies. None.

Sources. Administrative sources, commercial data sources, control links in the statistical business register, EGR, internet, profiling.

Comments. For domestically controlled multinationals (group type 2 in variable 2.11), the GGH is in the national statistical business register.

2.11 Type of enterprise group

- all-resident group
- multinational group domestically controlled
- multinational group foreign controlled

Purpose. The type is an important stratification variable, and the importance of many other variables depends on the type. It allows the calculation of many economic indices at national level by type, such as proportion of different group types (and independent enterprises) in employment or turnover per person employed. The units belonging to foreign-controlled truncated groups comprise the foreign-controlled inward FATS population.

Definition. An all-resident enterprise group has all its legal units in the same country; a multinational enterprise groups has at least two legal units located in different countries. The difference between domestically and foreign controlled groups is determined by the country code of the UCI (2.10a) or, if that is not available, the country of the GGH (2.10).

Proxies. None.

Sources. Administrative sources, commercial data sources, surveys, EGR.

Comments. Enterprise group type may also be inferred from other variables, but it is advisable to record it separately. This is especially the case if much of the national enterprise group information is in a satellite register, where the coverage may vary according to the group type.

5.3.2 Demographic events

2.12 Date of commencement of the enterprise group

Purpose. The date is needed for the demography of enterprise groups.

Definition. The date refers either to the date when a new all-resident group is born (for definition of birth, see [Chapter 7](#)) or to another creation date of a new group (by merger, break-up, split-off or restructuring).

Proxies. The birth of a new group may be difficult to define in practice, if the smallest groups of no statistical importance to the Member State are not monitored. The date from which the group is being monitored should then be used as a proxy. However, the approximate dates are important in order to determine from which year a certain multinational group is monitored in different countries.

Sources. Administrative sources, surveys.

2.13 Date of cessation of the enterprise group

Purpose. The date is required for the demography of enterprise groups.

Definition. Cessation of a group means either death of the group (dissolution of the links of control between the units belonging to the group) or (more commonly) another cessation date by merger with or takeover by another group, break-up, split-off or restructuring into two or more groups.

Proxies. If no exact date is known, the approximate date is important in order to know the situation of multinational groups in different countries.

Sources. Administrative sources, surveys.

Comments. It should be noted that variable 2.13 is filled in only for historical files, when the group ceases to exist or is not monitored any more. In such cases, all the variables from 2.1 to 2.19 become historical.

5.3.3 Stratification parameters and economic variables

2.14 Principal activity code of the enterprise group at NACE 2-digit level; if multinational group, the EGR principal activity code

2.15 Optional: secondary activities of the enterprise group at NACE 2-digit level; if multinational group, the EGR secondary activity code

Purpose. The activities can be used for stratification, demographic and economic analysis. Secondary activities are important for observing the homogeneity of the group.

Definition. The activities are defined according to the NACE rules. The principal activity is identified by the top-down method as the activity that contributes most to the total value added. In the case of a multinational group, the principal activity code is to be taken from the EGR.

Proxies. If value added cannot be used, it is recommended that employment be used as the criterion. The activities can be decided based on the activity codes and number of persons employed in the units belonging to the group at national level. Turnover is less suitable because it is more sensitive to local sales and intragroup transactions.

Sources. Administrative sources, surveys, profiling.

Comments. Principal and secondary economic activities can be inferred from the economic activities of the enterprises composing the truncated group. In order to give the group a principal and a secondary activity, the standard methodology should be used according to the NACE Rev. 2 - Statistical classification of economic activities in the European Community. When assigning the principal activity to the group, it is advisable to rank the main activities in descending order of importance, including their proportions of total value added.

It is recommended that the principal activity be recorded as precisely as possible, at NACE 4-digit level. As this is not always practically possible in some countries, it is voluntary.

2.16 Conditional: number of employees and self-employed persons in the enterprise group; if multinational group, the EGR number of employees and self-employed persons

Purpose. Employment can be used for stratification, demographic and economic analysis. Together with the activity code, it provides information on the role of the truncated group in the global framework.

Definition. For the all-resident groups, the numbers of persons employed in the units that belong to the group are added up from the register. For multinational groups, the corresponding number from the EGR should be recorded.

Proxies. Number of employees.

Sources. Business register, EGR.

Comments. The difference between persons employed and employees is less significant for enterprise groups than for enterprises; therefore, there is no need to list both, and the former is recommended.

2.17 Conditional: net turnover (and currency) of the enterprise group; if multinational group, the EGR net turnover (and currency)

Purpose. Turnover is an important size indicator for stratification. The variable refers only to the net turnover, not to a consolidated turnover. Turnover information might be useful for profiling purposes.

Definition. The turnover is defined in the EBS regulation (see variable 3.14 below). In the case of a multinational group, the net turnover figure is to be taken from the EGR.

Proxies. None.

Sources. Administrative sources, surveys, profiling, EGR.

2.18 Conditional: total assets (and currency) of the enterprise group; if multinational group, the EGR total assets (and currency)

Purpose. The total assets of the enterprise group are an important size variable and needed for the production process of the EGR.

Definition. ‘Total assets’ refers to the sum of the balance sheet items at the end of the accounting period. It covers economic assets, which are divided into financial and non-financial assets. In the case of a multinational group, the data on total assets are to be taken from the EGR.

Proxies. None.

Sources. Financial reports of enterprise groups, administrative registers on company balance sheet data, EGR, profiling.

2.19 Optional: countries where non-resident enterprises or local units are located; for multinational group, the EGR countries of registration

Purpose. This variable provides information about in which countries the enterprise group is active. This information is useful for European profiling.

Definition. These are the countries of residence of enterprises or local units that are controlled by the same group head. In the case of a multinational group, the countries of registration are to be taken from the EGR.

Proxies. For denoting the country, it could be sufficient to refer to the country of residence of the legal units.

Sources. EGR.

Section 5.4 Enterprise variables

5.4.1 Identification variables

3.1 Partially conditional: identity number(s) — conditional for the EGR identity number when recorded in the EGR

Purpose. This allows one to identify the unit and to follow its continuity and the demographic events leading to discontinuity.

Definition. This is specific to the statistical business register. As the continuity rules for enterprises (see [Chapter 7](#)) should be applied, the identity number should remain the same while the enterprise is considered as continuous.

Proxies. If the legal unit equals the enterprise and the legal unit identity number is specific to the business register (the unique administrative legal unit identity number is stored as a separate variable and its changes are followed), the two identity numbers can be the same.

Sources. Assigned in the business register procedure.

Comments. In the case of a 1:1 relation between the legal unit and enterprise, the same identity number is often used.

3.2 Optional: identity number of the legal unit(s) able to report data on the enterprise

Purpose. This flags the unit that would be responsible for data reporting within an enterprise. This variable has the same purpose as variable 2.2 for the unit enterprise group.

Definition. The unit that will normally be the contact point and responsible for data delivery will be the head office or the unit that serves as the headquarters.

Proxies. None.

Sources. Profiling.

3.3 Name

3.4 Optional: postal, email and website addresses

Purpose. This provides contact information, when necessary, in addition to variables 1.3 and 2.5. The website can also be used for statistical purposes.

Definition. Member States can decide what information to store to meet their needs.

Proxies. The enterprise name may be the same as the legal unit name, but it may also differ (trade name) even if it comprises only one legal unit. An enterprise often uses the name of the main legal unit that operates it. It is then unnecessary to record this name again, as long as a record is kept of the link between the enterprise and that legal unit.

An alternative solution is to record addresses for local units only and, in the cases of legal units and enterprises, to record the identity number of the local unit that is their registered office (the location given by the legal unit to registration authorities). This solution is implicitly recommended by explanatory note 1 on the definition of the local unit, annexed to the statistical units regulation, which specifies: 'all legal units that serve as the legal basis for an enterprise or a part thereof must have a local unit which is the registered office, even if nobody works there' (statistical units regulation, annex, section III F, explanatory note 1).

Sources. Administrative sources, websites, business register procedures, surveys.

5.4.2 Link to other units

3.5 Identity number(s) of the legal unit(s) of which the enterprise consists

Purpose. The enterprise must be linked with the legal units it comprises.

Definition. This is simple for enterprises consisting of one legal unit only. In the case of complex enterprises, the identity numbers of all legal units must be recorded.

Proxies. None.

Sources. Created in business register procedures, profiling.

Comments. It is recommended that the dates when the links are created and dissolved be also recorded.

3.6 Identity number of the enterprise group to which the enterprise belongs

Purpose. The enterprise must be linked with the enterprise group to which it belongs.

Definition. This is simple for enterprises consisting of one legal unit only. In the case of complex enterprises, the identity numbers of all legal units must be recorded. The link to the enterprise group is only to be recorded when the enterprise belongs to a group.

Proxies. None.

Sources. Created in business register procedures, profiling.

Comments. It is recommended that the dates when the links are created and dissolved be also recorded.

5.4.3 Demographic events

3.7 Date of commencement of activities

Purpose. The date is required for monitoring the demography of enterprises.

Definition. The date refers to the birth or other creation date of the enterprise.

Proxies. The date of birth is, in principle, the date on which the first financial commitments are made, although in practice it may refer to the registration date in the administrative source (and thus be the same as variable 1.6) if the unit starts its economic activities immediately after that. However, the legal unit may change and be re-registered, for instance after a change of legal form, while the enterprise remains the same, because the continuity rules for enterprises should be applied.

Sources. Administrative sources, surveys.

3.8 Date of final cessation of activities

Purpose. The date is required for monitoring the demography of enterprises.

Definition. The date refers to the death or other deletion date of the enterprise (when it becomes historical).

Proxies. As explained about the corresponding variable for legal units (1.7), this date may not be available with any precision; only the fact that the enterprise has ceased to exist or has ceased its activities during the reference year may be known, in which case it should be estimated.

Sources. Surveys, administrative sources, business register procedure.

Comments. The variable is interpreted in a similar way to the corresponding variable (4.6) for local units. The links between local or legal units and enterprises should be checked, because the conditions relating to the continuity of the enterprise should be met.

5.4.4 Stratification parameters and economic variables

3.9 Principal activity code at NACE 4-digit level

Purpose. The principal activity code is a key stratification variable. The code is also very important in judging the role of certain units in the enterprise group structure, mainly the group head, the head office and SPEs included in NACE Rev. 2 class 6430, but also in general in enterprise group structuring and demography. The enterprise group's worldwide dispersion of employment by activity can also be studied by its constituent units.

Definition. The activity code is decided in accordance with the NACE classification rules for activities and units (NACE Rev. 2, Chapter 3). The activities actually pursued in the enterprise will be taken into account.

Proxies. Several criteria can be used to define the principal activity code, if value added is not available. Employment and turnover by different activities can be used (when available), but also activity descriptions, etc.

Sources. Surveys, administrative sources.

Comments. Administrative sources may include a range of activities if the enterprise has the legal capacity to operate in different trades. However, quantitative information on the importance of all such activities may not be available in the source, unless the enterprise has been the subject of surveys. If the enterprise is linked to just one local unit, the principal activity for both should be the same (see variable 4.7).

3.10 Conditional: secondary activities, if any, at NACE 4-digit level

Purpose. Knowing the secondary activities of the large enterprises is very important, for instance when conducting short-term business surveys and for determining KAUs. If KAUs are not recorded in the register as separate units, variable 3.9 offers the possibility of analytically defining them.

Definition. The activity codes are decided in accordance with the rules in the NACE classification of economic activities in the European Community. The activities actually pursued in the enterprise will be taken into account.

Proxies. Several criteria can be used for defining the principal activity code, if value added is not available. Employment and turnover by different activities can be used (when available), but also activity descriptions, etc.

Sources. Surveys, administrative sources.

Comments. The variable primarily concerns enterprises that are surveyed in surveys other than the register update survey. As such units are generally large and important, the information should be requested and updated in the register.

Box 5.1: National practices on the determination of the NACE code

The determination of the main and secondary NACE codes should conceptually be based on the value added criterion using the top-down approach. However, value added information is usually not available and therefore substitute criteria should be used. According to the national practices, the main substitute criteria used are employment data and turnover data. For enterprises that are profiled, the determination of the NACE codes is part of the profiling tasks.

In Austria, the coding is based on turnover data, which are collected in an online application from the legal units: the legal units are asked to provide information on the proportions of each activity performed within total turnover. The data on the turnover structure are transformed into value added structures using the value added shares from the structural business statistics for each of the NACE 4-digit codes. The value added structure then makes it possible to calculate automatically the main and secondary activities using the top-down method. According to national law, the enterprises have to be informed of their NACE codes.

3.11 Number of employees and self-employed persons

3.12 Number of employees

3.13 Optional: number of employees in full-time equivalents

Purpose. The register should record the actual numbers of persons employed and employees, both as head counts (point in time and annual average) and the latter also in full-time equivalents (FTEs). The main aim is to obtain stratification variables as well as statistical information. Persons employed are preferable for stratifying survey samples for very small units. The business register employment figures are used especially for small area statistics, for which the business register is the only comprehensive source. In addition, employment figures can be used by employment statistics where needed, as well as for business demography statistics.

Furthermore, the following aspects should be mentioned.

SMEs are defined in accordance with Commission Recommendation 2003/361/EC and consist of independent enterprises employing fewer than 250 persons full-time. The proportions of SMEs and small (fewer than 50 persons) and micro (fewer than 10 persons) enterprises can be calculated.

The employment in the enterprises of which an enterprise group consists can be used to define the continuity of the enterprise group. The enterprise group's worldwide dispersion of employment by activity and the impact of offshoring can also be studied by its constituent units.

Definition. The EBS definitions of the employment variables (120101, 220102 and 220103) should be used. Whereas the EBS requirements refer only to annual average data, the employment data in the statistical business register need to be measured also on a point in time basis, and preferably on a monthly basis. This is necessary for survey frames and also to derive annual averages. Annual averages are also needed for the annual copy of the statistical business register that is to be stored according to the EBS regulation. For stratification purposes, the intention is to

use the situation at the end of the year (including seasonally active units). The number of employees in FTEs might be calculated for a full year as well as for the period in which the enterprise is active. If the number of employees in FTEs is used as the stratification variable, the calculation for the active period should be used, while for statistics covering a year the calculation should cover the whole year.

Self-employed persons are persons who were at some time during the reference period the sole owners or joint owners of the statistical unit in which they work. Family workers and outworkers whose income is a function of the value of the outputs of the statistical unit are also included.

Employees are persons hired by the statistical unit to provide services to it on a regular basis, in exchange for benefits and where the services provided are not part of an independent business. For the sake of clarity, apprentices, if hired under such conditions, are considered employees.

FTE means the number of employees converted into full-time equivalents.

Figures for the number of persons working less than the standard working time of a full-time worker for a year should be converted into FTEs, with regard to the working time of a full-time employee for a year in the unit. It is the total hours worked divided by the average annual number of hours worked in full-time jobs within the economic territory. Since the length of a full-time job has changed through time and differs between industries, methods that establish the average proportion and average hours of less than full-time jobs in each job group have to be used. A normal full-time week must first be estimated in each job group. If possible, a job group can be defined, inside an activity, according to people's sex and/or kind of work. Hours contractually agreed upon can constitute, for employee jobs, the appropriate criteria for determining those figures. FTE is calculated separately in each job group, and then added up.

Included in this category are people working less than a standard working day, less than the standard number of working days in the week or less than the standard number of weeks/months in the year. The conversion should be carried out on the basis of the number of hours, days, weeks or months worked.

As the enterprise may consist of one or more local units, it is clear that the size of the labour force in the former should equal the sum of the latter. The same is true of KAUs.

Proxies. These figures can be obtained directly in some countries, whereas other countries may have an administrative source available only for the number of paid employees. However, the latter countries can obtain total employment by making a statistical adjustment to their figures on paid employees by adding a constant representing unpaid employment (including working proprietors), calculated, for example, according to legal form and activity:

- for sole proprietors, total employment = paid employees + 1;
- for partnerships, total employment = paid employees + 2.

Depending on the availability of administrative sources, more sophisticated methods have been devised in some countries. Note also that 0 means less than half a person, whether calculated as head counts or FTEs.

Sources. Administrative sources, surveys, calculations.

Comments. Note that the reference period used for the measurement of employment in business demography is a year, in other words the labour force should be an annual average, although this can be approximated by using the number of persons employed at any given moment during the year if this is the only information available. How the annual average is calculated depends on the updating frequency of the register. If the unit operates during only part of the year (seasonal, new enterprises), the average should be calculated for that period.

Both head counts and FTE have certain advantages and the latter should be recorded if possible. Head count is the number of physical persons, full-time and part-time, employed by a unit. FTEs are defined in the Commission Implementing Act laying down the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 and also in national accounts (FTE employment is the number of full-time equivalent jobs, defined as total hours worked divided by average annual hours worked in full-time jobs). FTEs are a more accurate measure of labour input, but they are available in fewer countries. As the concept of full-time may vary, the definition does not really make the FTE data comparable. Given the administrative origin of the data, it may not be possible to calculate FTEs in some countries. Another possibility would be to use hours worked directly. This is gaining favour in employment statistics, but the comment on data availability is also likely to apply to this variable.

3.14 Net turnover, except that provided in 3.15

3.15 Optional: net turnover for agriculture, hunting and forestry, fishing; public administration and defence, compulsory social security; private households with employed persons and activities of extraterritorial organisations

Purpose. For some surveys, mainly cyclical ones and for some spheres of activity, it may not be appropriate to stratify according to employment. Moreover, for accurate calculation purposes, the size of enterprises should also be measured in terms of their turnover.

SMEs are defined in accordance with Commission Recommendation 2003/361/EC and consist of independent enterprises defined according to employment (variable 3.11) and turnover (variable 3.14) or balance sheet total.

Net turnover is not an additive measure, which restricts its direct (non-consolidated) use for the enterprises in the enterprise group framework. However, it can be used for calculation of consolidated turnover at country level and for group-related R&D intensity calculations.

Definition. In principle, the EBS definition of net turnover (variable 140202) should be used.

For all activities except for NACE 64, 65 and some activities of NACE 66, net turnover consists of all income arising during the reference period in the course of ordinary activities of the statistical unit, and is presented net of all price reductions, discounts and rebates granted by it.

Income is defined as increases in economic benefits during the reference period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.

The inflows referred to arise from contracts with customers and are realised through the satisfaction by the statistical unit of performance obligations as laid down in those contracts. Usually, a performance obligation is represented by the sale (transfer) of goods or the rendering of services; however, the gross inflows can also contain revenues obtained as a yield on the use by others of the statistical unit's assets.

The following are excluded from net turnover:

- all taxes, duties or levies linked directly to revenue;
- any amounts collected on behalf of any principal, if the statistical unit is acting as an agent in its relationship with that principal;
- all income not arising in the course of ordinary activities of the statistical unit, usually classified as 'Other (operating) income', 'Financial income' or 'Extraordinary income' or under a similar heading, depending on the set of generally accepted accounting standards used to prepare the financial statements.

Proxies. Fiscal sources will usually provide this information, on the basis of either corporate income tax or VAT returns. In cases where units are not subject to VAT, the information may be unavailable. One possibility is to estimate it based on the level of employment using a standard turnover per head ratio calculated by the NACE class. As turnover is most relevant to market units, it should not be estimated for non-market units (as defined in variable 3.14). The optional turnover for agricultural, fishing and public-sector units should be recorded if it is available, but not estimated.

Sources. Surveys, administrative sources.

Comments. The figure used should be the actual turnover. Turnover may be available with some delay, especially for newly created enterprises. This may cause problems mainly for business demography and it may be necessary to impute turnover for that purpose.

As turnover from different sources is not always the same, a bias may arise from using different sources.

Turnover excludes VAT. Turnover is an essential piece of accounting data. Even if comparing turnover between enterprises across different NACE sections may not make much sense, it is the only parameter that permits a breakdown by product or allows exports to be ascertained.

3.16 Institutional sector and subsector within the meaning of Regulation (EC) No 549/2013 (ESA 2010)

Purpose. The institutional sector classification in business registers has at least four important functions.

1. It is significant where business registers are used for national accounts, something that is becoming more and more important (although practice varies considerably between Member States).
2. It can be used for separating market and non-market activities for business statistics and business demography.
3. It can be used to separate information on public enterprises.
4. It can be used to separate privately and publicly controlled enterprises and to find the volume (for example share of employment in the market) of the state as the ultimate controller of enterprises in the economy.

Definition. ESA 2010 (Eurostat, 2013) gives the classification in its Table 2.1. The classification applies to the institutional unit and, according to the statistical units regulation, the enterprise corresponds to the institutional unit in the corporate enterprises sector. For other sectors, the relationship is further examined in [Chapter 4](#). Each enterprise should be capable of being classified in an institutional sector.

Separate recording of all the subsectors is required by the EBS regulation. In principle, the recording of the institutional sector code should be done at the subsector level. However, for practical reasons some subsectors may be combined or left out completely, depending on what is needed by the users. The separation of the following subsectors for the non-financial corporation sector is thus necessary: public, national private and foreign controlled. As far as this classification (S.12201–S.12901, S.12202–S.12902 and S.12203–S.12903) is available, certain financial corporation subsectors could be combined. However, separating all of them according to their NACE class should pose no problems and would also be useful for checking the coherence and quality of the classification. Recording all the subsectors of general government, S.13x, is similarly strongly recommended. Of the household sector, only the subsector of employers and own account workers, S.141 + S.142, is relevant. This subsector includes sole proprietors and partnerships not recognised as independent legal entities. Household subsectors S.143–S.145 fall outside the scope of the business registers. Non-profit institutions serving households (S.15; it is to be noted that this includes only part of the legal form ‘non-profit institutions’) and the rest of the world (NACE Rev. 2 Section U, ‘Activities of extraterritorial organisations and bodies’) are also within the scope of the business register.

Proxies. From the information available, it may not always be possible to define the subsector accurately. In such cases, large and important units could be checked manually. A proxy can be derived from NACE code, legal form and country of GDC.

Sources. Business register procedure, administrative sources.

Comments. In practice, the institutional sector is defined in statistical business register by applying a business register procedure in cooperation with national accounts according to established rules and manuals (Manual on Government Deficit and Debt — Implementation of ESA 2010) based on business register information and using administrative sources when necessary.

In the vast majority of cases, it is possible to calculate the institutional sector code from other explicitly recorded variables, especially legal form (1.8), NACE principal activity code (3.9), legal unit(s) of which the enterprise consists (3.5) and the enterprise group, to which the enterprise belongs (3.6). Algorithms can be used for this purpose. The institutional sector must not conflict with the principal activity, and whether or not the enterprise is foreign controlled must be consistent with the corresponding variables of the enterprise group to which it belongs.

The principal activity of the enterprise separates financial from non-financial corporate enterprises. Two criteria can be applied to separate corporate and quasi-corporate enterprises from enterprises attached to the household sector: the legal form of the legal unit operating the enterprise and, if the legal unit is a natural person, whether or not it keeps annual accounts for the assessment of its tax liability. It may therefore be appropriate to provide an intermediate code indicating, in the case of enterprises operated by a natural person, whether they keep accounts or not. That code might perhaps record whether the enterprise is taxed on profits on the basis of its accounts (actual profits) or on the basis of an assessment.

Business statistics cover only market activities, and a code indicating whether the activity of an enterprise is market or non-market is essential for them. The distinction is sometimes difficult to make and can be definitively determined only by looking at the accounts. Market enterprises cover institutional sectors S.11, S.12, S.141 and S.142.

A public undertaking is defined in Article 2 of Commission Directive 2006/111/EC as 'any undertaking over which the public authorities may exercise directly or indirectly a dominant influence by virtue of their ownership of it, their financial participation therein, or the rules that govern it. A dominant influence on the part of the public authorities shall be presumed when these authorities, directly or indirectly in relation to an undertaking:

1. hold the major part of the undertaking's subscribed capital; or
2. control the majority of the votes attaching to shares issued by the undertakings; or
3. can appoint more than half of the members of the undertaking's administrative, managerial or supervisory body'.

This could be one legal form or it could be obtained from an administrative source. It may be interpreted in different ways in different administrations. The key issue is that public authorities control public undertakings. The definition does not clearly specify whether or not a public undertaking should be market oriented. Distinguishing between a public undertaking and a government unit is sometimes difficult and may require the information from its accounts (whether more or less than 50 % of production costs is covered by sales). The precise method to be used for separating public enterprises is to define them by the sum of institutional subsectors: S.11001 + S.12201 + S.12301 + S.12401 + S.12501.

It is advisable that the allocation of the institutional sectors be done in close cooperation with the national accounts units. The classification of the government sector in the national accounts should be supported by the statistical business register and should thus be consistent with it. Usually, national accounts do have additional information on the units that might fall under the government sector and can thus more easily measure whether the unit fulfils the 50 % cost criteria or not. Cooperation with the central banks is also advisable in order to correctly determine the units in the various subsectors of the financial sector, S.12. This would also support consistency with the financial accounts.

3.17 Optional if 5.1–5.9 are used: size (for example turnover, employment) of the principal activity and each of the secondary activities of the enterprise, which due to their size have a significant influence and whose KAUs have a significant influence on the aggregated national data

Purpose. The activity code as well as the size of each KAU unit (for example turnover, employment) of an enterprise is necessary for data collection, especially of short-term statistics.

Definition. This comprises an activity code at NACE 4-digit level as well as a size variable (for example turnover) for each KAU of the enterprises that have been split into two or more KAUs.

Proxies. Strictly speaking there is no turnover figure for KAUs. Turnover is a measurement concept for enterprises or enterprise groups. The real size measure would be the production value as the output value of a KAU including the deliveries within the enterprise. Employment could also be a proxy but may not always correspond to the size of the production value.

Sources. Profiling, surveys.

Comments. The definition of the enterprises for which this variable should be recorded is to be based on national criteria, specifying those enterprises that have a significant influence on the aggregated national data. These criteria should consider the different industries, as the enterprise structure is heterogeneous between economic activities.

Section 5.5 Local unit variables

5.5.1 Identification variables

4.1 Identity number

Purpose. This variable is to identify the unit and to follow its continuity.

Definition. It is recommended to use a register-specific identity number for local units. The identity number of a local unit should remain the same while the unit is considered continuous according to the continuity rules as defined in [Chapter 7](#) (even if the enterprise to which it belongs may change).

Proxies. Using a unique administrative identity number is also possible (if it exists), but it may cause problems with the continuity of the local unit.

Sources. Assigned in the business register procedure, unless the administrative number is used.

Comments. External (shared) identity numbers may exist for local units, but, as these may change during the existence of the unit, it is recommended that external identity numbers be treated as variables, keeping track of their changes.

4.2 Name

4.3 Address (at the most detailed level, including postcode)

4.4 Optional: telephone number, email address and information to permit electronic collection of data

Purpose. The necessary contact information for the unit.

Definition. The official name of the local unit is generally the same as the enterprise that controls it, with some additional part usually specifying location or activity. If there is only one local unit in the enterprise, a separate name may not exist. The actual address of the location of the unit and the contact information should always be recorded.

Proxies. Different local units within an enterprise may use different trading styles, also known as signboard names or commercial names, and provision should be made for recording the different trading styles where they exist.

Sources. Administrative sources, surveys.

Comments. The address could be given a code referring to a national territorial nomenclature that corresponds to at least level 2 of the Local Administrative Units for Statistical Purposes (LAU; former Nomenclature of Territorial Units for Statistics, NUTS, level 5). It would be preferable if that nomenclature or national geographical code enabled the unit to be pinpointed as accurately as possible, at the level of the street, section of street and building.

It will always be useful to provide for the possibility of recording a correspondence address in addition to the physical address of the local unit if the unit wishes correspondence relating to statistical surveys to be sent elsewhere (see variable 1.3 for legal units).

5.5.2 Demographic events

4.5 Date of commencement of activities

Purpose. The date is needed for monitoring the demography of local units.

Definition. This date should refer to the birth or other creation date of the local unit according to the continuity rules.

Proxies. If the exact date is not known, it should be estimated, but it must be consistent with the information on the corresponding legal unit and enterprise.

Sources. Surveys, administrative sources, estimates.

4.6 Date of final cessation of activities

Purpose. The date is needed for monitoring the demography of local units.

Definition. The date refers to the death or other deletion date of the local unit.

Proxies. As explained about the corresponding variable for legal units (1.7), this date may not be available with any precision; only the fact that the local unit has ceased to exist or has ceased its activities during the reference year may be known, in which case it should be estimated.

Sources. Surveys, administrative sources, business register procedure, estimates.

5.5.3 Stratification parameters and economic variables

4.7 Principal activity code at NACE 4-digit level

Purpose. The principal activity code is a stratification variable and important in the compilation of regional and small area statistics.

Definition. The activity code is determined in accordance with the rules in the NACE handbook. The activities actually pursued in a local unit will be taken into account, even when they are ancillary in the context of the enterprise.

Proxies. Several criteria can be used for defining the principal activity code. Employment in different activities can be used (if available), but also activity descriptions, etc.

Sources. Surveys, administrative sources.

Comments. If the activities are ancillary in the context of the enterprise, variable 4.7 should indicate this.

4.8 Conditional: secondary activities, if any, at NACE 4-digit level; this point concerns only local units that are the subject of surveys

Purpose. Secondary activities can be used for determining the KAUs or the local kind-of-activity units (LKAUs), the former being important for short-term statistics, the latter of key importance for national accounts. Both the KAUs and the LKAUs can be recorded in the register as separate units.

Definition. The activity codes are decided in accordance with the rules in the NACE handbook. The activities actually pursued in a local unit will be taken into account.

Proxies. Several criteria can be used for defining the secondary activity code(s). Employment in different activities can be used (if available), but also activity descriptions, etc.

Sources. Surveys, administrative sources.

Comments. The variable primarily concerns local units that are surveyed in other surveys than the register update survey. Such units are generally large and important, and the information should be requested and updated in the register.

4.9 Optional: activity carried out in the local unit constituting an ancillary activity of the enterprise to which it belongs (yes/no)

Purpose. This distinguishes ancillary local units from non-ancillary local units. This variable enables statistical analyses to reallocate the cost of ancillary activities to the activities for the benefit of which they are pursued.

Definition. Ancillary activities are defined in the statistical units regulation.

Proxies. Certain NACE classes often constitute ancillary activities (see [Chapter 4](#)).

Sources. Administrative sources, surveys.

Comments. If the local unit has been identified as an ancillary unit, this fact should be indicated with 'yes' in the register; if it has clearly been identified as a non-ancillary unit, it should be indicated with 'no'. The absence of any mark should be interpreted as no knowledge about this variable.

4.10 Number of employees and self-employed persons

4.11 Number of employees

4.12 Optional: number of employees in full-time equivalents (FTEs)

Purpose. The register should record the actual numbers of persons employed and employees, both as head counts (point in time figures and annual averages) and the latter also in FTEs. The main aim is to obtain stratification variables as well as statistical information.

Definition. See variables 3.11–3.13.

Proxies. These figures can be obtained directly in some countries, whereas other countries may have an administrative source available only for the number of paid employees. However, the latter countries can obtain total employment by making a statistical adjustment to their figures on paid employees by adding a constant representing unpaid employment (including working proprietors), calculated, for example, according to legal form and activity:

- for sole proprietors, total employment = paid employees + 1;
- for partnerships, total employment = paid employees + 2.

Depending on the availability of administrative sources, more sophisticated methods have been devised in some countries. Note also that 0 means less than half a person, whether calculated as head counts or FTEs.

Sources. Administrative sources, surveys, calculations.

Comments. See variables 3.11–3.13.

4.13 Geographical location code

Purpose. The geographical location code complements the address and postcode (4.3) and can be used to derive classifications relating to the geographical location of units at the most detailed level. Other national classifications such as administrative regions, travel-to-work areas, and health or education regions can also be derived from it.

Definition. Member States can decide which code is most useful for their own purposes.

Proxies. The geographical location code can refer to the LAU (see variable 4.3) classification at the most detailed level used in the country. It can refer to geocoding — the accurate geographical identification system according to latitude and longitude points recorded from a Global Positioning System unit in countries where the exact site of the local unit can be recorded.

Sources. Administrative sources.

5.5.4 Links to other units and registers

4.14 Identity number(s) of the enterprise(s) (3.1) to which the local unit belongs

Purpose. The local unit must be linked with the enterprise to which it belongs.

Definition. This link can be included in the register by adding the identity number of the enterprise to the local unit file (and vice versa).

Proxies. Other ways are conceivable; for example, when the enterprise consists of only one local unit another (simple) arrangement of the business register is possible.

Sources. Created in business register procedures.

4.15 Conditional: reference to register(s) in which the local unit appears and containing information that can be used for statistical purposes

Purpose. The associated register(s) can offer one or more important administrative sources for updating the local unit information.

Definition. The practical arrangement of the links, either from the business registers to the associated register or vice versa, is a matter of subsidiarity.

Proxies. For possibilities for creating the link see variable 1.16.

Sources. Administrative sources.

Comments. This variable is very country-specific. There may not be any such files in some countries, whereas in other countries they may be important and there may be many references for one local unit. The associated registers (for example labour administration register) may refer to the local unit, but also to a legal unit (or local legal unit), so the reference unit should be checked carefully. This might be the case when the local unit is located at the residence of a legal unit that comprises several local units. In the case of a complex enterprise, there may be several legal units with a local unit at the same address, probably forming one local unit for statistical purposes. In this case, all links should be stored.

Section 5.6 Kind-of-activity unit variables

5.6.1 Identification variables

5.1 Optional if variable 3.17 is used: identity number

Purpose. To identify the unit and to follow its continuity and the demographic events leading to discontinuity.

Definition. Specific to the statistical business register. As the continuity rules for KAUs (see [Chapter 7](#)) should be applied, the identity number should remain the same while the KAU is considered continuous.

Proxies. If the KAU equals the enterprise, the two identity numbers will be equal. This will be the case for all enterprises that are not split by activity.

Sources. Assigned in the business register procedure.

Comments. In the case of a 1:1 relation between the KAU and the enterprise, it is not recommended to use the same identity number.

5.2 Optional if variable 3.17 is used: identity number of the legal unit(s) able to report data on the kind-of-activity unit

Purpose. To flag the unit responsible for data reporting on the kind-of-activity unit within an enterprise. This variable has the same purpose as variable 2.2 for the unit enterprise group and variable 3.2 for the unit enterprise.

Definition. The unit that will normally be the contact point and responsible for data delivery will be the head office or local unit that serves as the headquarters.

Proxies. None.

Sources. Profiling.

5.3 Optional if variable 3.17 is used: name

5.4 Optional if variable 3.17 is used: address to permit data collection

Purpose. Contact information, when necessary, in addition to variables 1.3 and 4.3.

Definition. Member States can decide what information to store to meet their needs.

Proxies. The name of the KAU will usually be the name that is given in the internal references of the enterprise or it may be created by the statistical business register profiling staff. However, it will be important that the enterprise understand exactly which of its activities would fall into each differentiated KAU. This is important for consistent data reporting.

In contrast to a local unit, a KAU might not have one specific address, as the same activity might be undertaken in different local units. It can also be assumed that data delivery is not done by each KAU separately, but centrally by the enterprise (headquarters). Addresses for KAU units are thus more indicative than operational.

Sources. Administrative sources, websites, business register procedures, surveys.

5.6.2 Demographic events

5.5 Optional if variable 3.17 is used: date of commencement of activities

Purpose. The date is required for monitoring the demography of KAUs.

Definition. The date refers to the commencement of activities of the KAU.

Proxies. When the exact date is not available, the year when the activity started may be used as a proxy, including a certain date (such as 1 January) defined in the business register procedures.

Sources. Administrative sources, surveys.

5.6 Optional if variable 3.17 is used: date of final cessation of activities

Purpose. The date is required for monitoring the demography of KAUs.

Definition. The date refers to the final cessation of activities of the KAU.

Proxies. As explained about the corresponding variable for legal units (1.7), this date may not be available with any precision; only the fact that the KAU has ceased to exist or has ceased its activities during the reference year may be known, in which case it should be estimated.

Sources. Surveys, administrative sources, business register procedure.

Comments. The variable is interpreted in a similar way to the corresponding variable (4.6) for local units (see above).

5.6.3 Stratification parameters and economic variables

5.7 Optional if variable 3.17 is used: activity code at NACE 4-digit level

Purpose. The activity code of a KAU is central for its allocation to the correct activity and thus to achieving a more homogeneous picture of the industrial structure of the economy.

Definition. The activity code of a KAU is either the main activity code of the enterprise, if the enterprise will not be split into more than one KAU, or one of the activity codes of the secondary activities of the enterprise.

Proxies. Concerning the criteria for deriving the principal and secondary activities, see variables 3.9 and 3.10.

Sources. Surveys, especially short-term and structural business statistics.

Comments. The split of enterprises into more than one KAU is only done if the enterprise is large and has different substantial activities. This does not mean that a separate KAU is created for each of the secondary activities. Smaller secondary activities might be allocated together or integrated into the principal activity.

5.8 Optional if variable 3.17 is used: size (for example turnover, employment) of the kind-of-activity unit

Purpose. Knowing the size of secondary activities of the large enterprises is very important, for instance when conducting short-term business surveys and for determining KAUs. If KAUs are recorded in the register as separate units, variable 3.10 offers the possibility of defining them. This may be necessary for the creation of links to associate registers (for example farm registers), which may include only a part (KAU) of the enterprise.

Definition. The size of a KAU may be measured by turnover or production value, or by employment.

Proxies. Strictly speaking there is no turnover figure for KAUs. Turnover is a measurement concept for enterprises or enterprise groups. The real size measure would be the production value as the output value of a KAU including the deliveries within the enterprise. Employment might also be a proxy for the size of the KAU.

Sources. Surveys, especially short-term statistics.

5.6.4 Link to other units and registers

5.9 Optional if variable 3.17 is used: identity number of the enterprise of which the kind-of-activity unit is part

Purpose. The KAU must be linked to the enterprise to which it belongs.

Definition. This links the KAU to a certain enterprise identity number (variable 3.1).

Sources. Created in the business register procedure.

Section 5.7 Possible additional variables

5.8 The statistical business registers are used as survey frames, as a pivot for linking administrative and statistical registers and various statistics, and as a source for certain statistics (business demography, small area statistics, statistics by institutional sector, etc.). According to the EBS regulation, only a certain number of variables should be recorded on a mandatory basis. However, it is also possible that the statistical business registers include extensive data from administrative sources such as accounting data. Furthermore, in recent years national statistical business registers have been integrated into data warehouses. In many EU Member States, the contents of the national statistical business registers are broader than what is mandatory. Some of the most important possible additional variables are briefly mentioned below. The EGR also includes additional variables obtained from private sources.

5.9 This section discusses some additional variables that are not listed in Annex VIII of the Commission implementing act laying down the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152, as well as other conceptual issues that are recommended.

5.7.1 Identification variables

5.10 Identity numbers must not change throughout the life of the unit identified (the possible exception is the legal unit, as examined in variable 1.1). Therefore, although the variable attached to the unit may change during the life of the unit, its identity number must be independent of those variables.

5.11 Experience has shown that a good solution is to give each unit a non-significant serial number and a computer control key.

5.12 It is important to avoid confusing the identity numbers of the different categories of units. It is therefore preferable to adopt different identity number structures (length and type of character) for each type of unit. Various solutions are possible.

5.13 Since one function of the register is to enable information in administrative files to be mobilised, cross-links with those files must be maintained. The identity numbers used to record units in administrative files should therefore be included in the business register.

5.14 The problem is solved automatically in countries where a common identity number is used, at least for certain units. It should then be in the interests of statisticians to adopt this number for their own purposes. It is unlikely, however, that such units will meet the definition of the statistical unit concerned (for example enterprise), so separate identity numbers for statistical units will usually be needed.

5.7.2 Demographic events

5.15 The dates required in the EBS regulation must be recorded for each unit, to permit an initial demographic analysis of the population of enterprises, enterprise groups, local units and KAUs. It is also important to record the dates of certain events, as recommended above for certain variables. For certain purposes, for example the analysis of lags between real-world events and their reflection in the business register, it may also be useful to hold additional information, for instance on the date of entry of legal or local units or enterprise groups in the register. If the real dates are not known, the date of entry can be used as a proxy, because estimation is much more useful than a missing date.

5.16 The EBS regulation applies both to economically active (as defined in Article 2(3)) enterprises, KAUs, local units and enterprise groups and to inactive legal units that are part of an enterprise in combination with economically active legal units (Article 2(8)).

5.17 In practice, there are reasons why it is necessary to take account of dormant (temporarily inactive) units in the register or to retain, for a certain period (at least the 2 years defined in business demography), enterprises or other statistical units that have ceased trading, apart from keeping historical records on them. The two main reasons are to be able to study the demography of these units, as described in [Chapter 7](#), and to record the control links between legal units, which may also involve otherwise inactive units.

5.18 A code should then be used to specify at least the 'live', 'dormant' or 'dead' status of the unit, and perhaps also other (sub)categories, which may be available at national level (liquidation, etc.). For a legal unit, that status will be legal; for statistical units, it will be economic. This sort of code is not explicitly required in the EBS regulation for the statistical units, but gives useful extra information beyond the compulsory variables of date of commencement and date of cessation.

5.19 An additional code that is also useful to apply is to distinguish continuous activity from seasonal activity and the period of seasonality.

5.7.3 Stratification parameters and economic variables

ACTIVITY CLASSIFICATION

5.20 Almost all countries have a more detailed national activity classification based on NACE, generally recorded at NACE five-digit level, in addition to the mandatory NACE four-digit level for enterprises, KAUs and local units. The rules for defining the principal activity in the NACE Rev. 2 introductory guidelines (NACE four-digit level) apply to all units, although it should be noted that, in the absence of information on value added, its best possible substitute may vary according to unit and NACE category. It is also important to follow the stability rule, in other words that a secondary activity should exceed the principal activity for 2 years before it is changed.

5.21 An important point in the NACE Rev. 2 Introductory guidelines concerns outsourcing:

- a principal (company) that completely outsources the transformation process should be classified under manufacturing only if it owns the raw material used as input to the production process (and therefore owns the final output);
- a principal that outsources only part of the transformation process is to be classified under manufacturing;
- in all other cases, the principals should be classified according to the value added principle: it might be in Section G, 'Wholesale and retail trade' (according to the activity and the specific goods sold), or in other sections such as M, 'Professional, scientific and technical activities', or N, 'Administrative and support service activities';
- in the case of outsourcing of employment services, a distinction should be made between outsourcing on a temporary basis and on a long-term or permanent basis (for detailed instructions see NACE Rev. 2 introductory guidelines).

5.22 Although outsourcing of parts of the (physical) production process is not a new phenomenon, it is increasingly also the case that the whole production process is outsourced to another enterprise, which could be resident or non-resident. This situation is called factory less goods production and, in contrast to traditional outsourcing, the principal does not own the raw materials. The classification of the principal — the enterprise that outsources — is still under discussion: should it be in wholesale trade, in the appropriate manufacturing class or even in a newly defined activity class? Whatever solution is chosen, it is recommended as a first step to mark in the statistical business register those enterprises that have been identified as principals.

VALUE ADDED

5.23 Value added is the basic concept for the determination of the classification of a unit according to economic activities. It is included in the business registers only in a few countries, but, when the registers are updated from survey results or administrative sources, the activity classification can be based on value added.

SIZE MEASURES

5.24 A size measure for statistical units is essential for sample design, grossing up the results to the population and analysing the business population. Several criteria may be used to construct a size indicator: employment, turnover, balance sheet total, etc.

5.25 What matters is that this indicator can be updated (at least) annually for all units regardless of whether or not they were selected the previous year for inclusion in a survey sample. Only indicators that can be updated from exhaustive administrative sources should therefore be used. That constraint limits the choice of possible indicators.

5.26 After employment and turnover, the most requested size variable is balance sheet total, which is used in many statistics and in the definition of SMEs.

5.27 For enterprises in the financial market sector with activity falling within Section K (financial and insurance activities) of NACE Rev. 2, the amount of assets can also be relevant. The balance sheet data are not included in the national statistical business registers; however, on a conditional basis, a link to balance sheet data should be recorded (see variable 1.16).

RESPONSE BURDEN

5.28 As explained in [Chapter 2](#), the statistical business register can also support response burden measures, which can be used for response burden analysis and policy. An initial step would be to introduce variables in the statistical business register whereby for each appropriate unit it is recorded in which statistical survey and for which reference period the unit was part of the survey/sample population and therefore has to report data. This could be done for obligatory surveys as well as for voluntary ones.

5.29 Based on this information, various tabulations can be made showing how many units have been requested to report data, for which statistical domain and in which activity. Furthermore, the distribution of survey requests over the business population can be analysed: how many units were out of the scope of any survey request and the number of questionnaires that were sent to the enterprises, by activity, size class or other stratification variables.

5.30 The mere number of questionnaires is not a sufficient measure of the actual response burden, as the burden is not the same for each questionnaire. This information should be supplemented by data on the actual response burden as reported by the enterprises. The actual burden can be defined as the time needed to fill in the survey. In many countries it is already good practice to ask (at the end of a questionnaire) the respondents to provide data about the time they needed. Integrating these data into the statistical business register would make it possible to analyse total response burden over time and its distribution by statistical domains, industries and size classes. This would thus be an empirical basis for the development of a response burden policy.

5.7.4 Links with other registers

5.31 The links are extremely important for the growing role of the business registers as a pivot in connecting various registers and thus creating the possibility of integrating statistics, especially economic statistics. Because the national situations differ greatly, the requirements are rather limited in the EBS regulation and the linking is, apart from the links to international trade registers, on a conditional or optional basis.

5.32 Establishing and maintaining links with other statistical business registers, such as the statistical register of the central bank, should also be considered. This would facilitate the exchange of data in which both institutions have an interest, for instance the institutional sector coding.

5.7.5 Link with enterprise group

5.33 The link is required for both legal units and enterprises that belong to enterprise groups, but it can also be created for local units and KAUs via their link to enterprises. For local units and KAUs, it can be useful to establish the link to the group, for instance in the context of profiling.

5.7.6 Control and ownership of units

5.34 Although majority ownership (over 50 %) of voting rights is generally used as a proxy for control, the two variables must always be kept separate. Control can only have two values, 1 (yes) or 0 (no), and can be exercised only by one unit, while ownership can vary between 0 and 100 %. Recording control of legal units is compulsory according to the EBS regulation, whereas ownership is conditional (subject to availability in sources).

5.7.7 Treatment of missing values

5.35 Missing values of statistical business register variables are a general quality issue, as missing values may have a negative effect on the derived population frames.

Box 5.2: National practices on the treatment of missing values

National practices show that making estimations and imputations is not common practice in the EU Member States. The only exception relates to employment data, for which estimates — if needed — are based on the legal form of the unit. However, missing values for stratification variables seem to be quite a small problem.

6

Data sources

Section 6.1 Introduction

6.1 This chapter deals with the various kinds of data sources for the establishment and maintenance of the national statistical business registers. The focus will be on administrative data, as these are the core data used for the statistical business registers (SBRs). However, other kinds of relevant data sources will also be dealt with. The various kinds of data sources can be grouped into three categories:

- administrative sources;
- statistical sources, including feedback from economic surveys, profiling and statistical business register quality or improvement surveys;
- other sources, such as data from private suppliers and internet research.

6.2 The structure of this chapter follows the three categories of data sources. [Section 6.2](#) deals with administrative data sources, which are the main sources used for the statistical business registers. [Section 6.3](#) deals with statistical sources and [Section 6.4](#) with the other data sources.

Section 6.2 Administrative data sources

6.3 Administrative data sources are not only the main data category for updating the statistical business registers. Given their nature and characteristics, they are indispensable for an up-to-date and comprehensive statistical business register. This is specifically the case for the European countries where well-developed administrative registers are run by the administrative institutions and bodies. In countries with less developed administrative infrastructures, the statistical business registers must to a considerable extent use statistical sources, which are usually not so timely, and their realisation is connected with quite high costs. Therefore, a high-quality administrative data infrastructure is in the interest of official statistics, and the NSIs should contribute to its development.

6.4 This section on administrative data sources starts with a discussion on definitions of administrative data ([Section 6.2.1](#)) and explains why administrative data should be used ([Section 6.2.2](#)). [Section 6.2.3](#) deals with the issue of access to administrative data and the recommended features of cooperation with their holders. Access is greatly supported by European law. The following two sections deal with problems in the use of administrative data and what are the main features to be considered in the practical application. The last section ([6.2.6](#)) introduces the concept of associated registers.

6.2.1 Definitions of administrative data sources

6.5 A traditional definition of administrative sources is that they are files of data collected by government bodies for the purposes of administering taxes and benefits or monitoring populations. This narrow definition is gradually becoming less relevant as functions previously carried out by the government sector are, in many countries, being outsourced, either wholly or in part, to the private sector and the availability of good-quality private-sector data sources is increasing. It is therefore necessary to consider a wider definition of administrative sources.

6.6 For the purposes of this manual, administrative sources are therefore defined in the widest possible sense: **sources containing information that is not primarily collected for statistical purposes**. This wide definition allows virtually the whole range of non-survey input to business registers to be considered, regardless of origin.

6.7 Eurostat collects information on the administrative and other data sources used for statistical business registers in the annual quality reports on the business registers. This questionnaire is also used by the United Nations Economic Commission for Europe (UNECE), so it covers a wide range of countries including most of the Organisation for Economic Co-operation and Development (OECD) countries. The most commonly used sources relate to taxation systems such as value added tax (VAT) and personal income tax or to compulsory business registration systems, often administered by chambers of commerce. Information is also obtained in some cases from published accounts, private-sector business data providers or utility company records. In some cases, different sources are used for specific categories of units defined by criteria such as size, economic activity or legal form. EU Member States use many different administrative sources to maintain their statistical business registers. These sources can sometimes be used to create 'associated registers'. These are examined in more detail in [Section 6.2.6](#).

6.8 Some international organisations and individual countries are exploring the possibility of automatically extracting data from the internal financial or management accounting systems of businesses. Under the wider definition set out above, this should also be considered the use of data from an administrative source.

6.2.2 Why use administrative sources?

6.9 The following paragraphs explore the reasons for using administrative sources, focusing on the advantages of this type of data. The use of administrative sources also raises a number of problems, which are considered, along with possible solutions, in [Section 6.2.4](#).

6.10 The main advantage that administrative sources offer over survey data is usually cost. Surveys are very expensive, particularly if they are conducted as censuses or involve the use of personal interviews. Administrative sources are accessible free of charge for the national statistical institute (NSIs) according to European law. It is thus much cheaper to use administrative data than to collect the same information through a survey. Fewer staff are usually needed to process the data and there is no need for response chasing. The size and scope of statistical business registers makes it very difficult and expensive to satisfactorily populate and maintain them solely with survey data.

6.11 Using data from administrative sources also helps to reduce the response burden on businesses. While businesses usually understand the reasons for supplying data for registration and taxation purposes, even if they do not like doing so, they may see statistical data requests as an extra, less necessary, burden. If they have already provided details to other government departments, they may become annoyed at receiving similar requests from the NSI. An associated advantage is that the use of administrative data may, in some cases, allow statistics to be produced more frequently with no extra cost to businesses.

6.12 Administrative sources often give complete or almost complete coverage of the target population, whereas sample surveys often directly cover only a relatively small proportion. The use of administrative sources therefore eliminates survey errors, removes (or significantly reduces) non-response and provides more accurate and detailed estimates for various subpopulations, for example businesses in small geographical areas. Coverage is often of particular interest from the viewpoint of statistical business registers, given that such registers should cover all businesses or at least all businesses with a labour input of one person half-time or more (see [Chapter 3](#)).

6.13 The use of administrative sources may increase the quality of the statistical business registers by allowing access to more up-to-date information concerning certain variables, such as:

- name and address (usually at legal and local unit levels);
- the opening and closing of units and the dates of these events;
- the economic activity code (for legal units, local units and perhaps other units);
- size data (number of employees or turnover).

6.14 As well as improving the timeliness of variables, the use of data from administrative sources can, in some cases, improve the timeliness of statistics that are derived from business register data either directly or via samples. This is because statistical surveys generally take time to plan, to design and pilot forms, to analyse the population and optimise the sample, etc. This is particularly the case for annual or ad hoc data collections. Therefore, access to a suitable administrative source via the business register can be a more efficient solution. It should be noted, however, that there are also likely to be cases in which the use of administrative sources leads to a reduction in timeliness, particularly regarding short-term indicators (see [Section 6.2.4](#) below).

6.15 Public opinion relating to the sharing of data, particularly between different government departments, varies considerably from country to country. Where public opinion generally accepts or is in favour of data sharing, the increased use of existing data sources can help to enhance the prestige of an NSI by making it more efficient and cost-effective.

6.16 Finally, it should also be mentioned that the use of administrative sources is in line with Principle 5 of the United Nations Fundamental Principles of Official Statistics (UN General Assembly, 2014): 'Data for statistical purposes may be drawn from all types of sources, be they statistical surveys or administrative records. Statistical agencies are to choose the source with regard to quality, timeliness, costs and the burden on respondents.' The *European Statistics Code of Practice* (European Statistical System Committee, 2017) goes even a step further and stipulates that 'Administrative and other data sources are used whenever possible to avoid duplicating requests for data' (Principle 9, Non-excessive burden on respondents; Indicator 9.4). This means that the use of administrative data should be preferred to statistical data collections. However, the administrative data that replace data collected by surveys should fulfil the necessary quality criteria, so that the resulting statistical data do have at least the same quality as they would have if the data had been collected by a statistical survey.

6.2.3 Access to administrative sources

6.17 The principle of access to administrative sources is stated in the Regulation (EC) No 223/2009 of the European Parliament and of the Council on European statistics (European statistics law). The Regulation (EC) No 223/2009 was amended by Regulation (EU) 2015/759 of the European Parliament and of the Council of 29 April 2015. The Article 24 was replaced by Article 17a of Regulation (EU) 2015/759. The new Article 17a on access, use and integration of administrative records (see [Box 6.1](#)) broadened the competences of the NSIs and the other national authorities with respect to administrative records:

- access to administrative records shall be prompt and free of charge;
- the NSIs shall be consulted on, and involved in, the initial design, subsequent development and discontinuation of administrative records, thus facilitating the further use of those records for the purpose of producing European statistics;
- the NSIs shall be involved in the standardisation activities concerning administrative records that are relevant to the production of European statistics;
- administrative records made available to NSIs and other national authorities shall be accompanied by relevant metadata;
- for the purpose of access to administrative records, the NSIs and the data owners shall establish the necessary cooperation mechanism.

Box 6.1: Legal basis for the access to administrative data: European statistics law

The following Article is inserted to the amended Regulation (EC) No 223/2009 on European statistics (European statistics law)

New Article 17a, Access, use and integration of administrative records

- 1. In order to reduce the burden on respondents, the NSIs, other national authorities as referred to in Article 4, and the Commission (Eurostat) shall have the right to access and use, promptly and free of charge, all administrative records and to integrate those administrative records with statistics, to the extent necessary for the development, production and dissemination of European statistics, which are determined in the European Statistical Programme in accordance with Article 1.*
- 2. The NSIs and the Commission (Eurostat) shall be consulted on, and involved in, the initial design, subsequent development and discontinuation of administrative records built up and maintained by other bodies, thus facilitating the further use of those records for the purpose of producing European statistics. They shall be involved in the standardisation activities concerning administrative records that are relevant for the production of European statistics.*
- 3. Access by, and involvement of the NSIs, other national authorities and the Commission (Eurostat) pursuant to paragraphs 1 and 2 shall be limited to administrative records within their own respective public administrative system.*
- 4. Administrative records made available by their owners to the NSIs, other national authorities and the Commission (Eurostat) in order to be used for the production of European statistics shall be accompanied by relevant metadata.*
- 5. The NSIs and owners of administrative records shall establish the necessary cooperation mechanisms.*

Source: Regulation (EU) 2015/759 of the European Parliament and of the Council of 29 April 2015 amending Regulation (EC) No 223/2009 on European statistics

6.18 The right to access administrative records in accordance with the European Statistics Law has been taken over in the European business statistics (EBS) regulation (Article 5) with the additional specification of the statistical requirements under the EBS regulation and the update of the national statistical business registers and the EuroGroups Register (EGR) (see [Box 6.2](#)).

Box 6.2: Legal basis for the access to administrative data: European business statistics regulation

European business statistics regulation

Article 4, Data sources and methods

Member States shall produce the statistics referred to in Articles 6 and 7 as well as set up their national statistical business registers in accordance with Article 9, using any relevant data sources while avoiding excessive burden on respondents and taking due account of the cost effectiveness of the NSAs [national statistical authorities].

For the production of the statistics and the national statistical business registers required under this Regulation, and provided that the results comply with the quality criteria referred to in Article 17, NSAs may use the following data sources, including a combination thereof:

- (a) surveys;*
- (b) administrative records, including information from tax and customs authorities such as annual financial statements;*
- (c) exchanged microdata;*
- (d) any other relevant sources, methods or innovative approaches insofar as they allow for the production of data that are comparable and compliant with the applicable specific quality requirements.*

For surveys, as referred to in point (a) of the second paragraph, reporting units called upon by the Member States shall provide timely, accurate and complete information needed for the production of the statistics and the national statistical business registers required under this Regulation.

The methods and approaches referred to in point (d) of the second paragraph shall be scientifically based and well documented.

Article 5 (1), Access to administrative records and communication of information

In accordance with Article 17a of Regulation (EC) No 223/2009, the NSAs and the Commission (Eurostat) shall have the right to access and use, promptly and free of charge, all administrative records and to integrate those records with other data sources to meet the statistical requirements under this Regulation and update the national statistical business registers and the EuroGroups Register. Access to those records by the NSAs and the Commission (Eurostat) shall be limited to administrative records within their own respective public administrative systems.

Source: Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics

6.19 Furthermore, Article 4 of the EBS regulation states the kinds of data sources that may be used for the production of European business statistics and the update of the national statistical business registers: survey data, administrative records, exchanged microdata and any other relevant sources, methods and innovative approaches. These sources may be also be used in combination.

6.20 There are two aspects to gaining access to administrative sources: the first concerns the legal framework, whereas the second covers the practical issues surrounding the transfer of data. The European legal framework gives the NSAs the right to access the administrative data that are needed to meet their obligations under European statistical legislation. However, such access is still subject to national legislation. The preferred approach is to have an automatic right of access to administrative data enshrined in a general statistical act. The practical issues concerning access to administrative sources also vary from country to country, but here it is more appropriate to consider good practices and how they can be spread.

6.21 The annual (statistical) business register quality inquiry conducted by Eurostat has shown that the main administrative sources used for statistical business registers are tax records (for example those relating to VAT or employee income tax) or details of compulsory registration with bodies such as company/trade registers and

chambers of commerce. Access to such public-sector sources should be free, but may be difficult to obtain because of policy, legal or resource considerations. Private-sector administrative sources are also used, for example for information on links and ownership. Access to these sources is usually easier to arrange but is normally subject to a charge.

6.22 It is recommended that some sort of formal agreement be obtained with administrative data suppliers, such as a legally binding contract with private-sector suppliers, or a service level agreement or memorandum of understanding within the public sector. These agreements should describe the rights and responsibilities of both parties, data confidentiality constraints and data security provisions, quality standards, frequency and delivery timetable, format of data transfer and procedures to follow in case of disputes. Such agreements are also part of the commitments of the *European Statistics Code of Practice* (European Statistical System Committee, 2017, Principle 8, Indicator 8.6).

6.23 In addition to formal arrangements, it is also strongly recommended to build a good working relationship with administrative data suppliers. This can be achieved through regular contact, preferably at least partly face to face. It is usually worth devoting some time to visiting suppliers to gain a greater knowledge of their work, systems and constraints. This leads to a better appreciation of quality issues and can help to build goodwill and mutual understanding, which in turn help to identify and resolve problems as they arise and before they escalate.

6.2.4 Problems using administrative sources

6.24 Although there are many good reasons for using administrative sources, there are also a number of common problems associated with their use. The following paragraphs outline some of these problems and propose methods to solve them, or at least to minimise their impact on statistical business registers.

6.25 [Section 6.2.2](#) considers how public opinion might favour the sharing of data in some countries. In other countries, however, there may be public unease at the thought of data being shared throughout the government. It is very difficult to reduce such concerns, but possible approaches could include the publication of clear limits and rules regarding the use of data, ensuring that businesses understand that sensitive data will not be fed back to other parts of government (particularly tax agencies). This is in line with the United Nations Fundamental Principles of Official Statistics (UN General Assembly, 2014), where Principle 6 ('Individual data collected by statistical agencies for statistical compilation, whether they refer to natural or legal persons, are to be strictly confidential and used exclusively for statistical purposes'), establishes the principle of the one-way flow of data. The publication of analyses of the costs and benefits, both to government and to businesses, of the use of different sources may also be beneficial.

6.26 One major problem often encountered when using administrative sources is that the units used in those sources do not correspond exactly to the definition of the required statistical units. The process of converting from administrative units (which may often be equivalent to legal units) to statistical units (in other words enterprises and local units or enterprise groups) is known as profiling and is examined in [Chapter 9](#), along with rules for combining legal units into enterprises.

6.27 As well as differences in the definitions of units, there are also likely to be differences in the definitions of variables between administrative and statistical systems. The data in administrative sources have generally been collected for a specific administrative purpose, and the needs and priorities relating to that purpose are likely to be different from those of the statistical system. For example, turnover for VAT purposes may not include turnover related to the sales of VAT-exempt goods and services, whereas the statistical system is likely to require total turnover.

6.28 Similarly, the classification systems used within administrative sources may be different from those used in the statistical world. Even if they are the same, they may be applied differently depending on the primary purpose of the administrative source. Where classification systems are different, it is usually necessary to construct conversion matrices to map the codes in the administrative classification onto those required for statistical business registers. Such mappings may be one to one, one to many or many to many. In the second and third cases, some sort of probabilistic allocation is often required. This should result in accurate coding at the aggregate level, but not necessarily at the level of individual units.

6.29 Another common problem encountered when using data from administrative sources relates to timeliness. Data may not be available in time to meet statistical needs, or it may relate to a period that does not coincide with that required for statistical purposes; for example, a tax year may not coincide with the calendar year required for structural business statistics. There will generally be some sort of lag between an event happening in the real world and its being recorded by an administrative source. This is then followed by a further lag before the data are made available to the statistical business register. Lags relating to births and deaths of enterprises are a major source of register coverage errors. If these lags can be measured, allowance can be made for them in any statistics based on register data.

6.30 Public-sector administrative sources are generally set up for the purposes of collecting taxes or monitoring government policies. This means that they are susceptible to political changes. If a policy changes, administrative sources may be affected in terms of coverage, definitions, thresholds, etc., or possibly even abolished completely. Such changes may happen suddenly, with little warning, particularly following a change of government. Reliance on a particular source always carries a certain degree of risk. These risks can be managed to some extent by legal or contractual provisions, by regular contact with those responsible for the administrative source to try to obtain early warning of possible changes and by drawing up contingency plans.

6.31 If data from several administrative sources are used, it is likely that the manager of the statistical business register will be faced with problems matching the data. Matching is relatively easy if there is some form of common identification number, but, if not, it usually has to be based on variables such as name, address and Statistical Classification of Economic Activities in the European Community (NACE) code. In such cases, it is likely that there will be a certain proportion of false matches and false non-matches, giving rise to a need for the clerical investigation of possible matches.

6.32 Another problem when multiple sources are used concerns consistency between the sources. Data from one source may appear to contradict those from another source. This may be due to different definitions, classifications or timing, or simply to an error in one source. How can the manager of the statistical business register determine which source is more reliable? There is no simple answer to this question, but there are several possible approaches, which may be used in combination. It can be useful to compare sources in terms of coverage and accuracy of the variables. This can be aided by some sort of quality survey to determine the correct values of certain variables. The closeness of administrative units and variables to the units and variables required for statistical business registers can be an important factor in determining the quality of an administrative source. The fewer transformations required, the lower the risk of error or bias.

6.33 At the end, it is necessary to establish priority rules, by deciding which source is most reliable for a particular variable. Once a priority order of sources has been determined for a variable, it should then be possible to ensure that data from a high-priority source are not overwritten from a lower priority source. This process is made much easier if source codes and dates are stored alongside the main register variables.

6.34 Perhaps the best way to assess the quality of an administrative source is, however, to build up a thorough knowledge of that source, including the primary purpose of the source and the way the data are collected and processed. Thorough understanding of a source will allow a more accurate assessment of strengths and weaknesses. To help develop and document this knowledge, particularly for the benefit of future register staff, it is useful to develop some form of template to record information on contacts, units, variables, quality and formats. The information in the templates should be agreed with those responsible for the administrative source and should be reviewed regularly. (This could be a task within the arrangements included in the memorandum of understanding between the NSI and the owners of administrative records.)

6.2.5 Using administrative sources in practice

6.35 The following paragraphs consider the processes that are often necessary to transform data from administrative sources into the variables required for statistical business registers. The main processes are listed and explained in brief, although they will need to be adapted to fit the specific requirements of each country and source. A principle adopted by several NSIs is that the statistical business register should serve as the gateway for administrative microdata relating to individual businesses. This means that such administrative data should be fed through the statistical business register in order to achieve consistency of the appropriate units. This enables the units and variables in the administrative data source to be matched to those in statistical surveys based on the register.

6.36 The administrative data that are regularly received from various administrative bodies should be stored in a separate database, which is appropriately updated with each data delivery. The main reason for a separate database outside the business register is to avoid mixing administrative information with data for statistical units. It is important to maintain clear procedures on data sources and statistical transformations. Another possible reason is if administrative data are used for other statistical purposes. In fact, most of the administrative records used in the statistical business registers are also used for business, labour market and social statistics, for example. Administrative data are usually extracted from live databases, and cannot be replicated for the same reference period at a later date. So keeping the administrative data in their original state should be good practice.

FIRST STEPS AND THE TRANSITION FROM ADMINISTRATIVE TO STATISTICAL DATA

6.37 The first steps generally concern processing the administrative data to check its quality and coverage. Preliminary analyses may be useful, or even necessary, to check several points including that:

- the file is the expected size, in other words it contains the expected number of records and variables;
- the main variables are in valid formats, for example dates are within a permissible range, text fields contain only text characters, numeric fields contain only numbers, etc.;
- the main variables are covered, for example that identity numbers, addresses, economic activity codes, etc. are present for all units.
- the variables are plausible, for example numeric variables are within an acceptable range and any codes used are valid.

6.38 If the preliminary analyses show that the source is of sufficient quality and may help to increase the quality of the business register, a second group of procedures is required to translate the data to meet the requirements of the statistical business register. These procedures relate to the pre-treatment of the administrative data, including the application of statistical definitions of units and variables.

6.39 An administrative source is unlikely to use the same definition of units required by a statistical business register, especially in the case of complex businesses. The translation of the administrative data into statistical data may therefore involve steps such as the creation of algorithms or look-up tables to convert variables and classifications, for example tables that convert economic activity codes to NACE codes and location details into geographic location codes.

LINKING AND MATCHING

6.40 The next step is to identify the link between units in the administrative source and the corresponding units in the statistical business register. This is relatively easy if there is a common reference number for businesses, as long as there are no errors in this number in either the administrative source or the register.

6.41 If there is no common identification code, a probabilistic approach to record linking can be adopted by identifying correspondences or similarities in the name and address or other variables (legal form, economic activity code, etc.). This process is generally referred to as matching. However, this approach makes it possible to link units in error (sometimes known as false matches).

6.42 Quality checks of the results of the matching should be carried out. These can take the form of checks of auxiliary variables, for example economic activity codes, size or legal form. If these variables are consistent, it is more likely that the match is correct. If not, further clerical checks may be needed, particularly where larger units are concerned.

6.43 It is also useful to periodically check the non-matched units and attempt to establish further links or to determine why they do not match. If the non-matched units are genuine, the mismatches may be due to timing or scope differences between the administrative source and the statistical business register.

QUALITY IMPROVEMENTS AND ADDITION OF SPECIFIC STRATIFICATION VARIABLES

6.44 Administrative sources can provide a useful check for existing register variables, for example name, address, contact details, size and classification variables. Where the administrative source and the statistical business register do not agree, it should be possible to investigate the reasons, and thus gain a greater understanding of the register's quality. Surveys may be used to investigate such discrepancies, either specifically for this purpose or as part of some other data collection exercise.

6.45 Administrative sources often hold variables not normally found in statistical business registers. These may be of use for stratification purposes for certain types of surveys. Such sources may be used to develop associated registers, which are examined further in the next section.

6.2.6 Associated registers, including the example of the Intrastat register

CONCEPT OF ASSOCIATE REGISTERS

6.46 One way of using administrative data in practice is to organise these data into specific registers linked to the statistical business register. The storage of administrative data in databases outside the statistical business register should not per se be viewed as an associated register. Associated or satellite registers meet further criteria and are therefore defined as registers that are available to the national statistical system (in the NSI or elsewhere), contain information about businesses and fulfil the following conditions.

- they are not an integral part of the national statistical business register as referred to in the EBS regulation, but are capable of being linked to it;
- they are more limited in scope than the statistical business register, for example in terms of NACE, but within that scope they may have more extensive coverage of units and/or variables;
- they contain one or more variables that are not found in the statistical business register; such variables are generally capable of being used for stratification purposes.

6.47 Thus, associated registers can be constructed using information from administrative sources, statistical surveys or a combination of both. In some cases, they may add, combine or otherwise transform variables, although in others they may be more or less identical to a particular source. To ensure that associated registers are sufficiently coherent with statistical business registers, it may be useful to consider additional criteria, for example common unit identifiers, common definitions and classifications. The greater the coherence, the more useful an associated register is likely to be.

6.48 The scope of associated registers can be determined by:

- economic activity — they may contain businesses with similar activities, for example retail trade, accommodation, road haulage;
- size — they may contain units with a certain number of employees or turnover over a certain level, for example they may contain the subset of 'large enterprises';
- other characteristics — they may contain units with a common characteristic, for example those that engage in foreign trade (units in the register of intra-Community operators).

6.49 Variables specific to a particular sector of economic activity may be made available by using associated registers, for example the variable 'sales space' for businesses in the retail trade, or the variables 'category/number of stars' or 'number of beds' for hotels (detailed discussion papers on associated registers for distributive trade and tourism are available from Eurostat). Associated registers can add value to statistical business registers by adding a wider range of variables both for stratification and analysis purposes.

6.50 One factor that greatly facilitates the use of associated registers concerns the rights and mechanics of access to administrative sources for statistical purposes. Many potential associated registers are likely to exist, but they are of no real use if the legal and technical means to link them to the statistical business register are not in place.

6.51 The use of associated registers can increase sampling efficiency (in other words a reduction in the number of units sampled, while still retaining the same level of accuracy of survey results) in two ways:

- the statistical business register includes links to additional stratification variables via associated registers;
- the statistical business register benefits from the improved quality of variables thanks to the ability to cross-check this register with external sources.

6.52 The use of associated registers can reduce the response burden on businesses either through increased sampling efficiency or by removing the need to conduct a survey altogether. They may also include additional units not present in the statistical business register, thus extending the coverage of the population of interest.

THE EXAMPLE OF INTRASTAT REGISTERS

6.53 The following paragraphs consider the potential links between statistical business registers and registers of intra-Community operators (Intrastat registers) and the possible benefits deriving from these links. An Intrastat register can be considered a form of associated register. This example is of particular interest because Annex VIII of the EBS general implementing act includes a requirement for a specific variable to be held at legal unit level: 'Reference to the register of intra-EU operators and reference to customs files or to the register of extra-EU operators' (variable 1.15).

6.54 Council Regulation No 638/2004 of the European Parliament and of the Council on Community statistics relating to the trading of goods between Member States defines the rules for the compilation of statistics relating to the trading of goods between Member States. According to this regulation, Member States should have a register of intra-Community operators at their disposal (Article 8).

6.55 Commission Regulation No 1982/2004 implementing Regulation (EC) No 638/2004 of the European Parliament and of the Council on Community statistics relating to the trading of goods between Member States defines a list of minimum data fields to be recorded in the Intrastat register in Article 5:

- full name of the natural or legal person,
- full address including postcode,
- VAT registration number,
- taxable amount of intra-Community acquisitions and deliveries of goods,
- tax period.

6.56 The links between the statistical business register and the Intrastat register can be analysed according to the following elements.

- **Sources of information.** Fiscal registers are the main source of information of the Intrastat register, and are usually an important source for statistical business registers.
- **Reference units.** The EBS regulation identifies five reference units for statistical business registers: the legal unit, the enterprise group, the enterprise, the kind-of-activity unit and the local unit. The Intrastat regulation does not define any unit of reference, but, as fiscal registers are the main source of information for Intrastat registers, it can be assumed that the unit of reference is generally the legal unit, in other words every legal unit responsible for the control of the operator that has intra-EU import/export movements.
- **Variables.** Commission Regulation No 1982/2004 specifies the variables to be included in the Intrastat register. Among these, the name and address of the person or firm correspond to variables 1.2 and 1.3 of the legal unit in the statistical business register. Another possible common variable is the VAT registration number, which appears as variable 1.5 in the statistical business register.

6.57 Given these similarities, there should be a strong link between the Intrastat register and the statistical business register. Conceptually, the Intrastat register represents a logical subset of the business register corresponding to the legal units with intra-EU exchanges. The subset should be identified using variable 1.15 of the legal unit in the statistical business register, which should be present by definition in the Intrastat register. It is possible to establish the link by using an identity number, for example the VAT registration number (variable 1.5) or by matching based on name and address.

6.58 It should be noted that there may be some units in the Intrastat register that may not be included in the statistical business register, for example non-resident traders and natural persons, not involved in economic activity. Whether such units should be included in the business register or not must be decided on the basis of the

maintenance of the consistency of the business register but may require certain factors to be checked. For example, if the unit is part of an enterprise group, it clearly needs to be included.

6.59 Both the Intrastat register and the statistical business register can benefit from the link between them. Specifically, the statistical business register has access to a reliable tool for checking the quality of its own data regarding a limited (in number) but important subset of enterprises. The link between the Intrastat register and the statistical business register may also help to identify inconsistencies. For example, if the product code of the exchanged goods declared by intra-EU operators is available, this can be compared with the activity code of the statistical business register.

6.60 The link between the statistical business register and the Intrastat register is not only beneficial for the quality of both but has been intensively used to compile a new type of statistics: international trade in goods by enterprise characteristics (TEC). TEC data describe the trade in goods between the countries from the viewpoint of the enterprises. Trade in goods between countries is broken down by economic activity, the size class of the enterprise, trade concentration and geographical diversification, and products traded. For more details, see Eurostat (2020), 'Compilers guide on European statistics on international trade in goods by enterprise characteristics (TEC)'.

6.61 TEC data cover trade in goods both between EU Member States and with countries outside the EU. Hence, the required linking has also to include the operators of the extra-EU trade. There is no legal requirement for the Member States to also establish and maintain an Extrastat register similar to the Intrastat register. However, some countries do also have such a register or link at least the operators of extra-EU trade with the units in the statistical business register for the purpose of compiling TEC data. Variable 1.15 of the statistical business registers should cover both references, to the intra-EU and the extra-EU operators.

Section 6.3 Statistical data sources

6.62 Statistical sources refer to data collected by statistical processes carried out by NSIs and other producers of statistics. Statistical sources may be grouped into three categories:

- feedback from economic surveys,
- statistical business register quality or improvement surveys,
- profiling.

6.63 Feedback from various business surveys can help to update name, address, activity status or other variables of the statistical units. However, there are clearly some limitations if updating is only based on survey feedback: new units will not be discovered by surveys and the update will only refer to the units that are part of the survey frame. Units that are sampled with certainty (usually only the bigger ones) may be updated by survey feedback. However, the medium-sized and smaller units are usually only sampled. For the units not in the sample there is clearly no feedback. This leads to a bias in future sample surveys, as the statistical business register population cannot be updated for the non-sampled units.

6.64 statistical business register improvement surveys are undertaken by the statistical business register unit and aim to update information that cannot be gained by other sources. However, such improvement surveys are usually also sample surveys. Related to improvement surveys are quality surveys, which aim to collect information on the accuracy of certain variables. In contrast to improvement surveys, the interest is primarily not in the individual feedback result, but in the resulting statistical picture in order to derive appropriate quality indicators and quality improvement policies (see also [Chapter 8](#)).

6.65 The third category of statistical data sources is profiling. Profiling is a method of analysing the legal, operational and accounting structures of large and complex enterprise groups, in order to establish the statistical units, their links and the most efficient structures for the collection of statistical data. Profiling of the large and complex enterprise groups usually involves establishing contact with the group, including visits to the company. For more information see [Chapter 9](#).

Section 6.4 Other data sources

6.66 In addition to the administrative and statistical data sources, various other sources have emerged and are intensively used. This is closely related to the rise of the internet and the increasing numbers of possibilities and databases that can be found on the worldwide web. Internet searching is today a daily routine when updating information is needed. More or less all big enterprises and enterprise groups have their own internet domains. If smaller enterprises do not have their own websites, they are normally listed in online directories of professional organisations.

6.67 Internet can also be used as a big data source for official statistics. Among the possible future uses, data from enterprise websites are of particular interest for business statistics and the statistical business register. First studies in this area have been performed by the European Statistical System Network (ESSnet) Big Data I (project) in the work package 'Web scraping of enterprise web sites', where the goal was to investigate if web-scraping, text-mining and inference techniques could be used to collect, process and improve general information about enterprises.

6.68 Another group of sources refer to data from private companies. These could for example be public utilities companies, accounting service providers or companies whose primary trade is the collection and selling of business data. Such data from private data providers are, for instance, utilised for the delineation of enterprise groups.

7

Demographic events

Section 7.1 Introduction

7.1 A statistical business register (SBR) aims to reflect the businesses of the real, observable world insofar as they are considered relevant to the users of statistics. Such a projection of reality is necessarily limited in the sense that it is the result of a choice about what aspects of the real, observable world are considered. A similar choice must be made if one tries to reflect the dynamics of the real world. In principle, these dynamics can be described in many ways, but it stands to reason that such a 'dynamic view' in this manual be considered in such a way that it is consistent with the 'static view' represented by the statistical business register at any point in time. Therefore, the criteria developed below focus on the dynamics of the combined populations of statistical units of different types and their relationships.

7.2 The *Business Registers Recommendations Manual* (Eurostat, 2010) deals with business demography in six chapters, with major overlaps with the *Eurostat–OECD Manual on Business Demography Statistics* (Eurostat, 2007). This chapter is a partial integration of those previous chapters considering statistical business registers as providers of input for the process of producing structural business statistics, among them business demography. Central in this role is securing continuity of statistical units, which is a crucial feature for all kinds of structural business statistics. More detailed recommendations are provided by the Eurostat–OECD manual.

7.3 A statistical business register is primarily designed to serve the production of coordinated business statistics, including business demography, by providing master frames as the basis for the selection of survey frames. This does not automatically allow the direct generation of demographic events from a statistical business register. Statistical business register updates resulting in changes in the statistical unit structures and the unit variables do not always reflect demographic events that are the subject of statistics on business demography. For example, statistical business register updates can refer to changes in methodology, rules or guidelines.

7.4 When defining events, it is important to take the uses to be served into account. One can distinguish between external and internal uses.

7.5 The external uses can be subdivided into business demographic statistics and other statistics to which demographic categories are relevant. An example of the former is statistics on the births and deaths of units; an example of the latter is time series for populations of statistical units such as enterprise panels, in which, for example, the numbers of births and deaths of units are specified and their possible impact on the variables measured is quantified.

7.6 Internal uses concern statisticians who use master frames as the basis for the selection of survey frames for producing business statistics. They want to know how units included in survey frames relate over time and what causes entrance to and exit from survey frames. They need this information not only for obvious practical reasons of data collection and processing, but also for the interpretation of the data collected, for example to analyse the development of the economy.

7.7 Demographic events can be defined for all types of statistical units (enterprise group, enterprise, kind-of activity unit (KAU) and local unit). The enterprise is the central statistical unit, as all other types are defined with respect to it. A local unit results from a division of an enterprise by geography. As a KAU is not a subject of statistics on business demography and an obligatory statistical unit, to be included in a statistical business register, events relating to this type of unit are out of the scope of this chapter.

7.8 Changes in survey populations may be caused by demographic as well as non-demographic events, for example correction of errors or implementation of adapted statistical unit structures as a result of profiling actions. From the user's point of view, it is important to separate demographic from non-demographic changes.

7.9 External uses are served by means of statistical products such as structural business statistics, which include, among others, statistics on business demography. The *Eurostat–OECD Manual on Business Demography Statistics* (Eurostat, 2007) and *Guidelines on the use of statistical business registers for business demography and entrepreneurship statistics* (UNECE, 2018) provide guidelines for the production of these statistics.

7.10 The scope of this chapter is focused on providing recommendations for maintaining a statistical business register with information on demographic events for internal uses. [Section 7.2](#) describes the definitions and typology of demographic events, which provide guidance for the maintenance of statistical business registers as live registers, of logs and of journal tables serving as input for the production of longitudinal data on statistical units. This typology is based on the consideration that the enterprise is the central unit of the statistical system. [Section 7.3](#) is devoted to demographic events in enterprise groups. This section focuses on the events reflecting (de)concentrations and restructuring of enterprise groups at national and global levels. [Section 7.4](#) describes demographic events in enterprises. This section describes a typology of events specifically for the enterprise, by considering the continuity of enterprises and the existence of enterprises present before and after a particular demographic event. In this way, existential changes (births and deaths) can be defined as events that involve the transition from no enterprise to one enterprise, or vice versa. Changes in the distribution of production factors, however, require that at least one enterprise be in existence both before and after the event. [Section 7.5](#) describes demographic events in local units. The continuity of a local unit is defined in terms of continuity of its location and production factors. As a statistical business register has to serve internal uses, among them the production of structural business statistics, [Section 7.6](#) describes how a statistical business register can meet the need for inputs to the process of creation and maintenance of longitudinal data, including information on demographic events.

Section 7.2 Typology of demographic events

7.11 The enterprise is defined as 'an organisational unit producing goods or services which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources' (statistical units regulation, annex, section III, A). Changes in the existence of such combinations of production factors must be important events to the users of statistics based on the units concerned. The same goes for changes in the existence of parts of those combinations of production factors, if these parts are distinct in respect of location. Moreover, it is important to determine whether or not a change in the existence of an enterprise also affects the existence of the group to which it belongs.

7.12 Which demographic events are relevant? By definition, demographic events have an impact on the existence of statistical units and links between them. The statistical units have been identified and defined in view of the observation and analysis of the production system, as stated in the statistical units regulation. Therefore, changes in the constituent factors of the production system as well as in the structure of business organisations in terms of statistical units are relevant.

7.13 Demographic events can be split into two types:

- existential change, in other words a change involving the emergence or disappearance of the combination of production factors constituting a statistical unit;
- distributional change, in other words a change in the distribution of production factors between units.

7.14 A production factor is any good or service used to produce output. Production factors are normally grouped into categories such as employment, machines and equipment, land, buildings, management and intangible assets. The continuity of a statistical unit is determined by the continuity of its production factors.

7.15 Apart from changes in the existence of production factors as combined in statistical units, changes in the distribution of existing production factors are relevant to the users of business statistics. For such changes to be demographic, they must result in changes in the existence of the statistical units involved or in the links between them.

7.16 Distribution changes can be considered at several levels. If the enterprise level is taken as the level of reference, redistribution can take place within the enterprise and can involve changes at the local unit level. A redistribution can also take place among enterprises, which may result in a decrease in the number of enterprises (concentration, for example resulting from the merger of enterprises) or in an increase (deconcentration, for example as a consequence of a split-off of an enterprise from an existing enterprise). The number of enterprises may also remain the same, in which case the redistribution may take the form of a local unit transfer or a restructuring of business activities. If the enterprise group level is taken into account, redistribution among enterprises may or may not concern more than one group, and an enterprise may be transferred from one group to another.

7.17 The following types of demographic events are relevant.

First category — changes in the existence of combinations of production factors

- emergence of combinations of production factors
 - birth of an enterprise
 - birth of a local unit
 - birth of an enterprise group
- appearance of combinations of production factors
 - death of an enterprise
 - death of a local unit
 - death of an enterprise group

Second category — changes in the distribution of production factors

- redistribution of the production factors within one enterprise
 - redistribution of production factors between local units
- redistribution of the production factors of more than one enterprise
 - concentration of enterprises
 - concentration with no enterprise group involved
 - concentration within an enterprise group
 - concentration involving more than one enterprise group
 - deconcentration of enterprises
 - deconcentration with no enterprise group involved
 - deconcentration within an enterprise group
 - deconcentration involving more than one enterprise group
 - transfer of production factors between enterprises
 - transfer of a local unit with no enterprise group involved
 - transfer of a local unit within an enterprise group
 - transfer of a local unit between enterprise groups
 - enterprise restructuring
 - restructuring with no enterprise group involved
 - restructuring within an enterprise group
 - restructuring involving more than one enterprise group
- redistribution of the production factors within one enterprise group
 - redistribution of production factors between local units of more than one enterprise
 - redistribution of production factors between enterprises
- redistribution of the production factors of more than one enterprise group
 - concentration of enterprise groups
 - concentration involving more than one enterprise group
 - deconcentration of enterprise groups
 - deconcentration involving more than one enterprise group
 - transfer of production factors between enterprise groups
 - transfer of an enterprise between enterprise groups
 - enterprise group restructuring
 - restructuring involving more than one enterprise group

7.18 For proper understanding, a couple of remarks must be made. The categories of the typology are the main types of events distinguished. Each event must be classified into one, and only one, category of the typology. However, a real-life event may not match the definition of any category precisely. For instance, it is possible that a business organisation is restructured and at the same time some production factors disappear. As is the case with many other classifications, in such cases the most appropriate category must be determined.

7.19 Another remark concerns the first category, changes in the existence of combinations of production factors. The application of the subcategories of events should be consistent. For instance, if an enterprise and its local unit are born, the birth may take place within an existing enterprise group or, most often, without the involvement of an enterprise group. There are thus no direct relationships between the births and deaths of the different statistical units but a logical one: an enterprise group cannot be born without (an) enterprise(s), or an enterprise without (a) local unit(s).

7.20 The next remark concerns concentration and deconcentration. These terms are known to have a wider meaning. In daily usage, they may be understood to refer to the enterprise level or to the enterprise group level, meaning a reduction or increase in the number of groups. The use of the terms in the typology should then also always indicate the reference unit.

7.21 Births and deaths of statistical units are not the same concepts as the creation and deletion of identity numbers, for two reasons. First, births and deaths are events (concerning the real, observable world) and the creation and deletion of identity numbers can be 'technical' updates of the statistical business register. Second, births and deaths involve only one statistical unit, whereas other events, such as mergers, involve several statistical units and may also result in the creation and deletion of identity numbers.

Section 7.3 Demographic events in enterprise groups

7.22 This scope of this section is restricted to continuity rules and events in all-resident (domestic) and global enterprise groups. Demographic events in truncated groups are out of scope.

7.23 Existential changes are events involving only one enterprise group after the event and none before (birth), or only one enterprise group before and none after (death).

7.24 The birth of an enterprise group is the establishment of (a) control link(s), direct or indirect, between two or more independent legal units, where no control link previously existed, and no other enterprise group is involved.

7.25 The death of an enterprise group is the cessation of all control links, direct or indirect, between the legal units of which the enterprise group consists. The legal units become independent again or cease to exist. No other enterprise group is involved.

Box 7.1: Existential changes to enterprise groups

Such existential changes (events involving only one enterprise group after the event and none before, or only one enterprise group before and none after) can be the result of an administrative event or a real event.

An example of an administrative birth event is when an enterprise decides to change the legal unit structure from one legal unit to two or more. An example of a real birth event is the establishment of a new enterprise group consisting of more than one legal unit.

The same applies to the death of an enterprise group. The death can be an administrative event, for example if the management of an enterprise decides to change the legal unit structure from two or more to one legal unit, or a real event, for example the death of an enterprise consisting of more than one legal unit.

7.26 National statistical business registers and the EGR represent the existence of an enterprise group by attaching a unique identity number to a record for the group. Statistical business registers and the EGR use their own identifier systems.

7.27 The creation and deletion of records are logically linked to the creation and deletion of identity numbers and are intended to correspond to changes in the existence or births and deaths of enterprise groups. Similarly, if the enterprise group is not discontinued, its identity number should not change.

7.28 In cases of **creation or deletion of identity numbers** of enterprise groups, it is important to include in a business register information on whether or not more than one enterprise group is involved: concentration or deconcentration. The question of **continuity** plays a key role in situations where more than one enterprise group is involved.

7.29 Concentration is an event involving more than one enterprise group before and one enterprise group after the event: **merger or takeover**.

7.30 Deconcentration concerns an event involving one enterprise group before and more than one enterprise group after the event: **break-up or split-off**.

7.3.1 Continuity rules on enterprise groups

7.31 In principle, because the enterprise group is mainly a financial and strategic player, its continuity depends on continuity in its decision-making on the overall policy on production, sales and profits, financial management and taxation, and a centralised strategy concerning the units it comprises. The continuity of these factors is too abstract to be measured and weighted, and therefore practical rules must be applied.

7.32 The basic continuity rule is that the identity of a group is represented by the legal unit that is considered to be the incorporated unit where the strategic decisions referring to an enterprise group are taken: the global decision centre (GDC). The concept of GDC also applies to all-resident groups: the resident legal unit, in which strategic decisions are taken. Presently the continuity rules regarding global enterprise groups (GEGs) are under discussion.

7.33 If the decision on continuity has a major (financial, concentration of economy) impact, this basic rule can be complemented with options for profiling or other methods to decide whether one of the groups involved should be continued or not (see example in Box 7.2), which affects the classification of a major event and, finally, statistics on business demography.

Box 7.2: Example of a merger versus a takeover

In 2016 the GEGs KONINKLIJKWE AHOLD N.V. (NL) and DELHAIZE GROUP (BE) merged (business news presented it as a merger) into a group named KONINKLIJKE AHOLD DELHAIZE N.V. Application of the basic continuity rule implies that KONINKLIJKE AHOLD DELHAIZE N.V. is a continuation of KONINKLIJKE AHOLD N.V. The identifier of the GDC legal unit stayed unchanged (only the name was changed). As a consequence, this event should according to this basic rule be classified as a takeover and not as a merger, as presented to stakeholders and in business news.

7.3.2 Mergers and takeovers

7.34 These events concern concentration, involving more than one enterprise group before and one enterprise group after the event.

7.35 They denote concentration of the economy; there will be fewer and larger economic actors, in other words enterprise groups, dominating the market at either a national or an international level. There is a clear demand for information on concentration; the sharing of production and markets by a reduced number of units is a very important economic phenomenon. It may sometimes be difficult to distinguish between a merger and a takeover, but the effect may be considerable in the case of large groups, although the occurrence of such concentration is not frequent. If concentration is studied from the point of view of the statistical business register, the distinction between the two events is based on the rules concerning the continuity of enterprise group identity numbers.

7.36 In the case of a merger, all the identity numbers of the enterprise groups existing prior to the event are deleted and an identity number is created for the emerging enterprise group. In the case of a takeover, the enterprise group that takes over the other group(s) retains its identity number, so no register creation takes place.

7.37 The date on which the change is considered to have taken place is the date when both parties have accepted the merger or takeover and it has been approved by the competition authorities (when this is required).

7.3.3 Break-ups and split-offs

7.38 Deconcentration regards events in which one enterprise group is involved before the event and more than one enterprise group after it.

7.39 An enterprise group may disintegrate into two or more groups. These events are the exact opposites of merger and takeover. The counterpart of merger is break-up, when an enterprise group is divided in such a way that neither/none of the groups retains the identity of the original group. The counterpart of takeover is split-off, when the enterprise group(s) that is/are split off generally become(s) much smaller, with the larger group retaining the identity of the original group.

7.40 As with mergers and takeovers, break-ups and split-offs apply to domestic as well as global enterprise groups. Since break-ups and split-offs are the counterparts of mergers and takeovers respectively, their registration in business registers is analogous to the registration of mergers and takeovers. In the event of a break-up, identity numbers are created for all the enterprise groups existing after the event and the identity number of the original group is deleted. In the event of a split-off, a new identity number is only assigned to the split-off enterprise group(s).

7.3.4 Restructuring within an enterprise group

7.41 Changes of group head and restructuring within an enterprise group involving the creation or cessation of one or more enterprises under common ownership, without resulting in enterprise births or deaths, are events that should not have a direct impact on the continuity of global or national enterprise groups.

7.3.5 Restructuring involving more than one enterprise group

7.42 Complex restructuring may entail a number of register creations and deletions. Restructuring of multinational groups should be coordinated by the EGR, and restructuring of national groups by a national statistical business register.

Section 7.4 Demographic events in enterprises

7.43 Table 7.1 contains the main demographic events in enterprises, the number of enterprises involved in the events and their consequences for business registers in terms of the number of creations and deletions in the statistical business registers.

Table 7.1: Main demographic events in enterprises

Event	Real, observable world		Business register	
	Number of enterprises before the event	Number of enterprises after the event	Number of creations	Number of deletions
Birth	-	1	1	-
Death	1	-	-	1
Change of ownership	1	1	-	-
Merger	n	1	1	n
Takeover	n	1	-	n-1
Break-up	1	n	n	1
Split-off	1	n	n-1	-
Creation of a joint venture	n	n+1	1	-
Cessation of a joint venture	n	n-1	-	1
Restructuring within an enterprise	1	1	-	-
Restructuring within an enterprise group	n	n	0 or more	0 or more
Change of group	1	1	-	-
Complex restructuring	n	n	0 or more	0 or more

Note: n = 2 or more.

7.44 The explanations of the resulting unit structures caused by the demographic events listed above are as follows.

7.45 **Birth.** This is an independent event affecting only one enterprise and involving the creation of a new combination of factors of production.

7.46 **Reactivation.** The enterprise is dormant for a period of less than 2 years and then recommences activity in a way that complies with the definition of continuity.

7.47 **Death.** This is an independent event affecting only one enterprise and involving the dissolution of the combination of factors of production.

7.48 **Change of ownership.** This is a restructuring of the legal basis of an enterprise. The enterprise remains alive and active; it is said to continue (or, equivalently, to survive) and there is no impact on the demographic variables.

7.49 **Merger.** This is the opposite of a break-up: the consolidation of the production factors of two or more enterprises into a single new enterprise. No enterprise survives, but the closures of the original enterprises are not considered deaths; similarly, the new enterprise is not considered a birth.

7.50 **Takeover.** This is the opposite of a split-off. The enterprise that does the takeover survives; the enterprise that is taken over is closed, in other words it does not survive, but the closure is not considered a death.

7.51 **Break-up.** This is the opposite of a merger: division of the production factors of an enterprise into two or more new enterprises. The original enterprise is closed, but its closure is not considered a death; similarly, the new enterprises are not considered to be births.

7.52 **Split-off.** This is similar to a break-up except that the original enterprise does survive; there is no death; one or more new enterprises are created, but these are not considered to be births.

7.53 **Creation of a joint venture.** Two or more independent enterprises agree to commit some of their resources to work together on a common project towards a common goal; none of the independent enterprises has control over the joint venture. A joint venture is considered a birth if it involves the creation of a new combination of production factors.

7.54 Cessation of a joint venture. This is the opposite of a creation of a joint venture; it is considered a death if less than half of the employment is transferred back to the participating enterprises.

7.55 Restructuring within an enterprise. This involves only one enterprise and has no impact on the demographic variables.

7.56 Restructuring within an enterprise group. This involves the creation or cessation of one or more enterprises under common ownership; it does not result in enterprise births or deaths.

7.57 Change of group. This is similar to change of ownership. The enterprise remains alive and active; there is no impact on the demographic variables.

7.58 Complex restructure. This is similar to restructuring within an enterprise group but involves two or more enterprise groups; depending on the kind of restructuring, the outcomes in terms of demographic events may be quite different from one another.

7.59 A key message from these definitions is that the creation (entry) of an enterprise does not necessarily mean the birth of an enterprise as defined above. A birth in a business demography context can result from other demographic events, such as a merger, break-up, split-off, or change of ownership. This may well be confusing for statistical business register staff, who are quite likely to refer to the creation of an enterprise in the statistical business register as a birth. Likewise, the cessation (closure, deletion) of an enterprise does not necessarily mean a death in the business demography context. It can result from other demographic events, such as a merger, takeover, split-off or change of ownership. Again, this may well be confusing for statistical business register staff, who are quite likely to refer to the closure of an enterprise in the statistical business register as a death. However, where only one enterprise is involved, the statistical business register and business demography definitions of birth coincide, as do the definitions of death.

7.60 The core conceptual basis for the treatment of demographic events in the statistical business register and in business demography in the case of a single enterprise is the continuity rules, in other words the conditions for keeping or changing an enterprise identity number. Various enterprise characteristics are considered in defining continuity (also called survival), depending on the use of the resulting data.

7.61 In the statistical business register and in business demography, the continuity of an enterprise is defined in terms of the continuity of its production factors. If its factors of production are considered to have continued, the enterprise is considered to have continued. It is discontinued if its factors of production are discontinued. In practice, all the production factors cannot be analysed in detail, and more practical rules are used.

7.4.1 Continuity rules for the enterprise

7.62 This section describes the continuity rules for the enterprise, in other words the conditions for keeping or changing an enterprise identity number in the business register. For instance, if the controlling legal unit of the enterprise changes, should the identity number of the enterprise also change, in other words should the record of the enterprise be deleted and another one created in the business register? If so, this would imply that it is interpreted as a death of an enterprise in the real, observable world, followed by the birth of another, if no other enterprises are involved. If not, what are the necessary conditions for deletion and creation in the register?

7.63 The question of continuity also plays a role in situations where more than one enterprise is involved. In the event of a concentration, the distinction between merger and takeover depends on whether or not the unit after the event is considered the same as one of the enterprises before. Likewise, the distinction between break-up and split-off also depends on the question of continuity. For these cases, the continuity rules must be chosen in such a way that consistency is maintained. For example, in the case of a concentration, the continuity rules must not lead to the conclusion that the enterprise after the event retains the identity of more than one of the enterprises present before the event.

7.64 The question of continuity can be examined in theory and practice. In theory, the continuity rules would be derived from the definition of the enterprise and its statistical uses. In practice, the continuity rules depend on considerations of cost-efficiency, notably availability of information, costs of collecting additional information for the statistical institute and the effects on the response burden.

7.65 When reading this section, it should be remembered that, where the deletion of an enterprise record is mentioned, it is recommended that the business register keep track of the deletions by marking 'deleted' records as historical and, in cases of concentration, registering the relationships between units before and after the event. In this way, the statistical business register greatly enhances its possible uses. The continuity rules have a great impact especially on the production of business demography statistics, in which the survival of enterprises is based on the continuity rules.

7.66 The statistical unit enterprise is an organisational unit producing goods and services. It is logical to define continuity of the enterprise in terms of continuity in its production factors. A factor of production is any good or service used to produce an output. In economics, factors of production are normally grouped into the categories of land, labour and capital. Capital includes intermediate inputs. The production factors include management, so that the element of 'a certain degree of autonomy in decision-making, especially for the allocation of its current resources' is covered. The definition would also allow the legal units to be an element to consider, but the legal units are building blocks for the enterprise and belong to the administrative world; they do not, as such, have a bearing on the use of the enterprise. Continuity of the legal units would be an element for the operational definition of continuity rather than the theoretical definition. In view of the fact that the 'managing' or controlling legal unit might be considered an approximation of entrepreneurship, special attention must be paid to this unit.

7.67 The conclusion is that, in principle, an enterprise is considered to be continued if its production factors are continued. It is discontinued if its production factors are discontinued. The production factors must therefore be listed and weighted.

7.68 The main production factors to look at, in terms of their continuity, are employment, machines and equipment, land, buildings, management and intangible assets such as goodwill. It is clear that measuring the continuity of all these factors and weighting them can be quite difficult and costly. This might be feasible for large units, but for the large number of small units there is a clear need for more practical criteria.

THREE PRACTICAL CRITERIA

7.69 Which operational criteria are easily applicable and could be used as proxies for the production factors mentioned in the previous paragraph? Considering what is available in business registers and can be updated to a large extent by using administrative sources, the following three criteria are very practical.

- **Control.** The controlling legal unit controls the production factors of the enterprise. Continuity in the management of the enterprise may be assumed to be positively correlated with continuity in the controlling legal unit. The same may be assumed of some intangible assets.
- **Economic activity.** Economic activities are recorded in terms of NACE at the class level. Continuity in the four-digit NACE code of the principal activity may be assumed to be positively correlated with the continuity of several production factors, especially employment, machines and equipment, land and buildings. However, this criterion must be applied with care, especially to large enterprises, because a gradual shift in activities may occur that will, at a certain moment, result in a reclassification of the enterprise. In such cases, there is continuity in production factors, and the change of activity must be ignored when considering the question of continuity of the enterprise.
- **Location.** The continuity of the locations where the activities are carried out is of course closely linked to the continuity of the land and buildings used by the enterprise. Since the clientele of an enterprise may very well depend on its locations, a positive correlation with the intangible asset 'goodwill' may be assumed. The criterion is very practical if there is only one location. In the case of a multi-location enterprise, it would be practical to look at the main location, that is, at the location of the local unit with the largest number of persons actually employed. In that case, however, the criterion must be applied with care. If a change of main location is the result of a small increase in the size of the second largest location, there is continuity in production factors and the change of main location must be ignored when considering the question of continuity of the enterprise.

7.4.2 Application of the criteria

7.70 Since the three criteria cover the most important production factors, the question of continuity arises only if one or more of these factors change. It is clear that discontinuity may be assumed if all three factors change.

7.71 The time dimension also needs to be taken into account. Demographic events should in principle be able to analyse and 'explain' changes in the structure of master frame populations.

7.72 Moreover, in maintenance procedures of business registers, events consist of updates, spread over time. For example, when the controlling legal unit changes, the changes to principal activity and main location often occur after some delay. Therefore, at the moment of the production of statistics on business demography, the changes to one or both of them should be taken into account after the change in the controlling legal unit.

7.73 In most cases, the ideal (theoretical) criteria for continuation cannot be applied in practice, but one could formulate rules for each of the next six sub-headings (7.4.3–7.4.8).

7.4.3 Change of controlling legal unit (no other changes)

7.74 This administrative change is, for example, very common for one-person enterprises that have a natural person as their legal basis. That person may decide to set up a company, in other words a new legal person, to accompany the growth of the enterprise and protect their personal assets. After retirement, the enterprise may be sold to another natural or legal person, or be given to the heirs. More generally, a change of controlling legal unit may result from a decision by the legal person(s) operating an enterprise to pass or sell their enterprise to another, existing or new, legal unit. It depends on the rules of the administrative register concerned whether the legal unit will receive a new administrative identity number or not.

7.75 The changes described may very well take place without other immediate changes; all the local units where the enterprise has carried out its activities may be passed on and the same activities may be carried out.

7.76 The convention for the case described is that there is deemed to be continuity of the enterprise. Change of controlling legal units is not sufficient reason in itself to delete an existing enterprise record and create a new one in the business register.

7.77 It should be noted that, in the case described, the administrative address of the enterprise may change. This variable is more closely connected with the controlling legal unit than with the enterprise itself. If the location(s) where the persons employed actually work does not change, the change of administrative address does not have any consequence for the continuity of the enterprise.

7.4.4 Change of principal activity (no other changes)

7.78 Although a change of principal activity is reflected in the business register by a change in the NACE code at a certain date, in reality the change often takes place gradually, as mentioned above. In that case, the production factors of the enterprise do not change abruptly, at least not all of them together, in particular not employment. If they do, this will often be accompanied by changes in the location(s) where the activities are carried out and is frequently initiated by a change of controlling legal unit.

7.79 The convention for the case of an abrupt change of principal activity resulting in a change in the four-digit NACE code is that there is deemed to be continuity of the enterprise if the controlling legal unit and the main location remain the same. Change of principal activity of the enterprise is not sufficient reason in itself to delete an existing enterprise record and create a new one in the business register.

7.4.5 Change of main location (no other changes)

7.80 In the case of an enterprise ceasing its activities at its main location and resuming its activities at another location within the national territory, the answer to the continuity question is not obvious. If the activities do not move far, the probability that the production factors other than land and buildings are largely continued is high. However, if the move is over a long distance, the enterprise may lose its clientele and have to start again from scratch (loss of goodwill); it will probably also experience a change in employment. It may be noted that, although most moves are over short distances, enterprises engaged in certain service activities are becoming less dependent on location as a factor influencing their clientele, particularly in the area of information and communication technology services.

7.81 The convention for the change of main location is that there is deemed to be continuity of the enterprise. Change of main location is not sufficient reason in itself to delete an existing enterprise record and create a new one in the business register.

7.4.6 Change of controlling legal unit and principal activity, same main location

7.82 If the principal activity (in other words the NACE code at the four-digit level) changes as well as the controlling legal unit, the activity change may be interpreted as being caused by the new controlling legal unit rather than by a gradual shift in production factors.

7.83 The convention is that the combination of a change of controlling legal unit and a change of principal activity entails discontinuity of the enterprise. The existing enterprise record will be deleted and a new one created.

7.4.7 Change of controlling legal unit and main location, same principal activity

7.84 In general, the combined change of the controlling legal unit and the main location of the enterprise can be interpreted as indicating a major discontinuity of the production factors of the enterprise. Therefore, the convention is that, in such cases, there is deemed to be discontinuity, in other words the existing enterprise record will be deleted and a new one created.

7.85 There is, however, one important exception. If a non-corporate enterprise expands and moves to new premises, it may very well decide to simultaneously change its legal form to a limited liability company. This change of legal form from non-corporate to corporate is, in many countries, regarded as a change of legal unit, even though the controlling person is the same. In this case, the convention is to consider the enterprise as being continued.

7.4.8 Change of principal activity and main location, same controlling legal unit

7.86 The main location of an enterprise is understood as the location of the local unit with the largest number of persons actually employed. A change of principal activity and main location rarely takes place without a change of the controlling legal unit. If it does, the convention is to consider the enterprise to be discontinued, in other words the existing enterprise record will be deleted and a new one created.

7.87 The criteria for distinguishing demographic events as mentioned in [Section 7.4.1](#), namely the existence and distribution of (combinations of) production factors, must be applied to the enterprise in a systematic way. This must be done in accordance with the user needs. The demand concerns not only business demography statistics (see Eurostat, 2007, Eurostat-OECD Manual on Business Demography Statistics) but also other economic statistics that are affected by these events. Users in this context include both users of statistics and statistical staff who need this information to manage surveys.

7.4.9 Typology of demographic events in enterprises

7.88 Application of the criteria results in the events at the enterprise level listed below. The events are followed by explanatory notes and an indication of the related demand for statistical information. The terminology chosen is intended to be in accordance with what is common among the users of the statistical information. The events listed are mutually exclusive. Since the list is also exhaustive, it is a full typology of events.

7.89 **Existential changes** are events involving only one enterprise after the event and none before or only one enterprise before and none after:

- birth,
- death.

7.90 Births and deaths of enterprises are not the same concepts as new enterprises created or enterprises deleted by the creation and deletion of identity numbers. This is for two reasons. First, births and deaths are events concerning the real, observable world, and the creation and deletion of identity numbers can be register updates. Second, births and deaths involve only one enterprise, whereas other events involving many enterprises may also result in the creation and deletion of identity numbers, for instance mergers.

7.91 The convention of this manual to restrict births and deaths to involve only one enterprise is very important. The convention is chosen because it is in line with the terminology of users who are interested in questions such as 'How much employment is generated by enterprise births?' If the term 'birth' is used in this type of question, enterprises emerging from mergers or split-offs, for instance, are not to be included.

7.92 Thus, the birth of an enterprise is the bringing into being of an enterprise where no enterprise existed before and no other enterprises are involved. The death of an enterprise is the opposite. Since the enterprise is an organisational unit producing goods or services (according to its definition), a birth amounts to the creation of a combination of production factors and a death amounts to the dissolution of a combination of production factors, both with the restriction that no other enterprises are involved in the event. The definitions of number of births of enterprises and number of deaths of enterprises for the purposes of structural business statistics are fully consistent with those used in this manual.

7.93 One problem associated with births and deaths is the date of occurrence of these events. At what point in time is an enterprise considered to be born, conceptually? In principle, the date could be determined by referring to the definition of the enterprise: the birth takes place at the (first) moment when the conditions of the definition are met, in other words the moment when there is an organisational unit producing goods or services.

7.94 Changes within an enterprise are events that do not involve creations or deletions:

- change of ownership,
- restructuring within an enterprise,
- change of enterprise group.

7.95 A **change of ownership** is when a new legal unit is formed to take over the activities of an existing enterprise. An example is when a sole proprietor retires and sells the enterprise to a new entrepreneur. Although the legal unit changes, this event should not in itself affect the continuity of the enterprise; therefore, there are no births or deaths of enterprises.

7.96 **Restructuring within an enterprise** does not affect the continuity of the enterprise, but changes its structure in the process. An example could be the creation or deletion of a local unit or KAU. Restructuring may affect key variables such as size or principal activity. It could be argued that this is not really a demographic event at the level of the enterprise, but it is included here for the sake of completeness and because it could affect the way the enterprise is included in demographic statistics.

7.97 **Change of enterprise group** could be regarded as a special case within the definition of complex restructuring given below. It is worth distinguishing it at the level of the enterprise, as it does not involve a creation or deletion. In this case, the same combination of production factors exists before and after the event. After the event it belongs to a different enterprise group from before. The phenomenon of change of group has been prominent in the economic and financial press for many years. There is certainly a high demand for information on it.

7.98 **Concentration** events involve more than one enterprise before and one enterprise after the event:

- merger,
- takeover.

7.99 Enterprises may integrate to the extent that the number of existing enterprises is reduced, in other words concentration takes place. Such integration may take different shapes. If two enterprises integrate entirely, either the enterprises involved may lose their identity because they are dissolved beyond recognition in the new organisation or one of the enterprises may remain relatively unchanged. In the latter case, the other enterprise is generally much smaller; it is merely absorbed by the larger enterprise. If both enterprises lose their identity, the event is referred to as a merger; if one of them retains its identity, it is referred to as a takeover. In such cases, it is not possible for both enterprises to retain their identity, because then the number of enterprises would not change.

7.100 Although the number of enterprises is reduced in the case of concentration, mergers and takeovers do not involve the death of units, as explained earlier. Death is a different event. But these events may all entail the deletion of records in the business register. Likewise, the emergence of a new enterprise from a merger of enterprises is not considered a birth. It should also be pointed out that, as a consequence of a takeover, some variables of the enterprise that retains its identity may change. For instance, it may enter a different size class or get a different principal economic activity. Such effects are very important, especially to survey statisticians.

7.101 A demand for information on concentration clearly exists; the integration of production capacity into a reduced number of units is a very relevant economic phenomenon. The distinction between a merger and a takeover may, however, be of less importance for users of statistics, especially if the frequency of occurrence is taken into account (the terminology is not established: 'merger' can be used to cover both mergers and takeovers, or 'takeover' can be restricted to hostile takeovers). This distinction is, however, very relevant to statistical survey managers, since it affects which units in samples and sample frames remain the same over time. If concentration is studied from the point of view of the statistical business register, the distinction between the two events is easy to make, thanks to the rules concerning the continuity of enterprise reference numbers.

7.102 **Deconcentration** covers changes involving one enterprise before and more than one enterprise after the event:

- break-up,
- split-off.

7.103 The events of deconcentration mirror those of concentration: the counterpart of the merger is the break-up and the counterpart of the takeover is the split-off. In a break-up, the enterprise is divided in such a way that neither (none) of the new enterprises retains the identity of the original enterprise. In a split-off, the new enterprise(s) is/are generally much smaller and the identity of the original enterprise is retained by the larger enterprise. The remarks on the terminology for mergers and takeovers apply here as well.

7.104 The remaining changes involve more than one enterprise before and more than one enterprise after the event:

- creation/cessation of a joint venture;
- restructuring within an enterprise group;
- restructuring involving more than one enterprise group (complex restructuring, which comprises other possible events).

7.105 A **joint venture** is created when two or more independent enterprises agree to commit a certain amount of resources to work together on a common project or on a continuous business relationship (generally on an equal basis, for example a 50–50 % shareholding or three partners each holding one third of the shares). In most cases, none of the original enterprises exercises outright control over the joint venture created, but there may be exceptions, for instance due to national legislation, which may allow, for example, only 50 % foreign ownership in some countries or activities. The legislation concerning joint ventures may vary by country, but irrespective of their legal structure they are considered to be enterprises (or quasi-enterprises). The two or more original enterprises remain in existence and retain their identity, so there is an increase in the number of enterprises by one. Similarly, the cessation of a joint venture results in a reduction of the number of enterprises by one. The demand for data on joint ventures is clear, because some joint ventures involve the transfer of considerable parts of production capacity to the new enterprise, while others involve the transfer of financial capital or know-how.

7.106 **Restructuring within an enterprise group** is a change (for example creation and/or cessation of one or more enterprises) involving more than one enterprise before and more than one enterprise after the event, when all enterprises involved are under common control. It affects the identity of at least one enterprise, though the total number of enterprises before and after the event may be the same. A typical example is the complete reorganisation of the production capacity of a large enterprise group involving many enterprises and possibly, but not necessarily, entailing a change in the number of enterprises of the group.

7.107 **Complex restructuring** is a similar event, but not restricted to one enterprise group. An example is the transfer of a number of enterprises or parts of enterprises between groups. Restructuring may affect variables of the units that retain their identity; their principal economic activity and size class may change, for instance. Since the economic interests involved may be considerable, restructuring is relevant both from an information demand point of view and for statistical staff, although its heterogeneous nature and infrequent occurrence make it a difficult phenomenon to cover in statistics.

7.108 As was mentioned above, demographic events may alter variables of units that retain their identity. In this respect, size and principal economic activity are particularly important. Of course, changes in these variables may also occur without any demographic event taking place. The demand for information about changes in size class and in principal economic activity is clear, both as such and in relation to other statistical information. Within size, changes in both employment and turnover class are important, partly because small and medium-sized enterprises are defined in terms of both employment and turnover. Changes in variables are also very important for survey management because they may lead to changes in the population of units covered by a survey and may be used for stratification.

Section 7.5 Demographic events in local units

7.109 This section describes the demographic events involving local units and the updates in business registers they entail. Where appropriate, changes of variables are also considered. The demographic events described are those that are considered relevant to users of data based on statistical business registers.

7.110 As was the case for enterprises, business registers represent the existence of a local unit by the attachment of a unique identity number to a record for the local unit. The creation and deletion of records are logically linked to the creation and deletion of identity numbers and are meant to correspond to changes in the existence of local units. Similarly, if there is no discontinuation of the local unit, its identity number should not change.

7.5.1 Continuity in relation to the definition and use of the local unit

7.111 The definition and use of a statistical unit are relevant to the question of continuity. The statistical units regulation defines the local unit as follows: 'The *local unit* is an enterprise or part thereof (for example a workshop, factory, warehouse, office, mine or depot) situated in a geographically identified place. At or from this place economic activity is carried out for which — save for certain exceptions — one or more persons work (even if only part-time) for one and the same enterprise' (annex, Section III F).

7.112 The local unit is not a simple relationship between the entities 'enterprise' and 'geographical place' or 'location'; it corresponds to a tangible part of the enterprise. The local unit consists of production factors combined to produce goods or services, as is the case for the enterprise, but it is not necessarily an organisational unit and its clientele may be another part of the same enterprise. The production factors include employment, with a minimum of one person part-time. The local unit need not benefit 'from a certain degree of autonomy', as the enterprise does. As a consequence, the data that can be collected for the local unit may be more limited.

7.113 In the European Statistical System, the local unit mainly serves regional statistics relating to the production of goods and services or employment. The unit is primarily used in respect of variables that can be linked with geographically identified places. The main variables relate to employment and activity.

7.114 Given the definition and uses, it is logical to define continuity of the local unit in terms of continuity of location and production factors, with emphasis on production factors that can be readily identified at the level of the local unit, in other words land, buildings and, in particular, employment.

7.115 As was the case for the enterprise, the importance of the different continuity criteria must be determined. It makes sense to place more weight on the criterion of continuity of location, but this cannot be an absolute condition because moving a local unit a short distance should be possible without loss of identity. If the same activity is continued with the same employment at a short distance from the old location, the move generally does not interrupt the local or regional function of the local unit.

7.116 On the other hand, a move over a long distance would entail loss of identity. When considering the criterion of continuity of location, it should always be remembered that the location is not an administrative address but the actual site of the factory, warehouse, office, depot, etc. If the premises remain the same, the location is considered to remain the same, even if the administrative address changes.

CONTINUITY IN PRACTICE

7.117 In view of the weighting on the criterion of continuity of location and the relevance of the distinction between short- and long-distance moves, the following paragraphs are structured accordingly. First, local unit continuity is discussed if the location does not change and then if the location changes over a short distance (if the location changes over a long distance, continuity will be lost). This is followed by a short discussion of the special case of reactivations.

THE LOCATION DOES NOT CHANGE

7.118 If the location remains the same, operational rules are required for the continuity of production factors. In practice, the criterion of continuity of economic activities carried out can be applied by considering the principal activity in terms of NACE at the four-digit level.

7.119 Although economic activity reflects all production factors, including employment, to a certain extent, the criterion of continuity of employment can be applied in addition, to give it a higher weight. A practical convention would be to deem employment continued if 50 % or more of the persons employed by the local unit continue to work at or from the same location, and discontinued if the figure is less than 50 %. In applying this convention, care should be taken in cases where the number of persons employed at the site is very low (particularly where it is only one) or where working proprietors are included in the site employment and there is a change in ownership.

7.120 If principal economic activity and employment change, then the local unit is considered to lose its identity.

MOVE OVER A SHORT DISTANCE

7.121 If a local unit moves over a short distance, some important production factors (land, buildings) have changed. If one or more of those mentioned above (principal economic activity and employment) also change, the local unit is deemed to lose its identity.

7.122 That is clear enough, but what is a short distance? Rather than defining a distance, it would be very practical to apply a classification by region: a move outside the region of the local unit would imply loss of identity, a move inside not. That is, if the new location is within the same region as the old one, the local unit retains its identity if the enterprise, the principal economic activity and employment remain the same; otherwise, identity is lost. In that case, the regions should be defined as the smallest administrative areas mentioned in the annex, Section II B 2, to the statistical units regulation. These are equivalent to Local Administrative Units for Statistical Purposes level 2 (LAU 2; former Nomenclature of Territorial Units for Statistics, NUTS, level 5) areas. Another option is to apply travel-to-work areas where these are in use in a particular country.

REACTIVATIONS

7.123 As was the case with the enterprise, a practical problem may exist in respect of reactivations. If a local unit ceases and resumes its activities, the business register must decide whether or not the old identity number is reused. As is the case with the enterprise, the convention of this manual is that the local unit is deemed to be continued (in other words it retains its old identity number) in cases where it carries out seasonal activities or resumes its activities within 24 months after temporary suspension of activities due to paralysis of production for external reasons or sickness, accident, military service of the entrepreneur, etc.

7.5.2 Typology of demographic events in local units

7.124 The considerations mentioned above lead to the following very short list of demographic events involving the local unit.

EXISTENTIAL CHANGES: BIRTH AND DEATH

7.125 The birth of a local unit is the emergence of a local unit that did not exist before, and death is its disappearance. Since the local unit is a part of an enterprise, situated in a geographically identified place, and the enterprise is a combination of production factors, the birth of a local unit amounts to the creation of a (partial) combination of production factors at a geographically identified place. A death is its dissolution.

7.126 As is the case with the birth and death of enterprises, a problem associated with the birth and death of local units is the date of occurrence of these events. At what moment is a local unit considered to be born? In principle, this question can be answered by referring to the definition of the local unit. The birth takes place at the (first) moment when the conditions of the definition are met, in other words the moment when there are production factors belonging to an enterprise in a geographically identified place.

LOCAL UNIT TRANSFER

7.127 Every local unit is linked to one and only one enterprise. Therefore, if a link ceases to exist and the local unit is continued, in other words it does not lose its identity, a new link with another enterprise will come into being. Similarly, if a link from an existing local unit to an enterprise comes into being, the link it had with the enterprise of which it was part ceases to exist. Clearly, changes of links amount to transfers of local units between enterprises.

EXTENSIONS

7.128 Changes in size class and principal economic activity are particularly important. There is a demand for these categories, not least from statisticians for reasons of survey management. Apart from their link to changes in market orientation of the local unit, changes of ancillary status are important because they imply changes in the links between data related to the enterprise and those related to the local unit.

Section 7.6 Statistical business registers and production of statistics on business demography

7.129 One of the roles of a statistical business register is *provision of information on master frames and on events affecting changes in the master frame populations in consecutive periods as input for the production of statistics on business demography* (see [Chapter 2](#)).

7.130 Some of the statistical business register components, decision rules and concepts — be they the live register, master frames, journal tables, statistical units, demographic events, continuity/survival rules, statistical business register maintenance or update procedures — are directly linked to the creation of a database to support business demography.

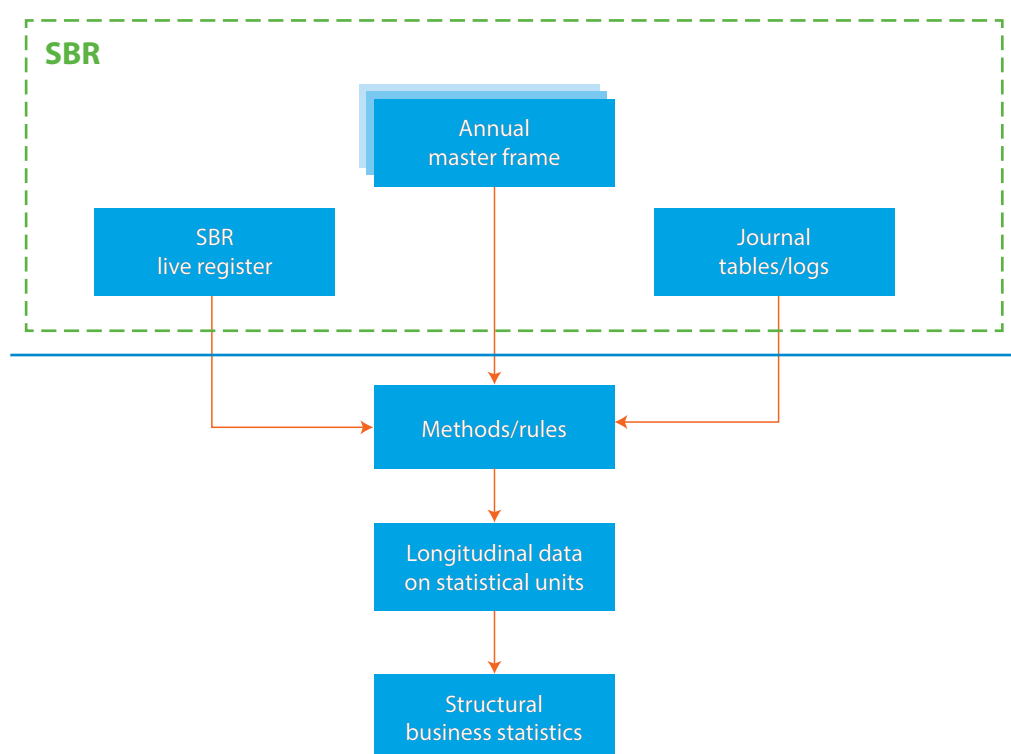
7.131 However, the structure of a statistical business register is primarily designed to serve the production of consistent business statistics (including statistics on business demography) by offering master frames as ‘backbones’. This does not automatically imply and allow easy and efficient generation of business demography statistics.

7.132 Taking into account the different roles of a statistical business register, the fact that a statistical business register is to a large extent dependent on administrative sources (with their own methods, legal bases and timetables for maintenance) and data quality management strategies in relation to the available resources, a statistical business register usually does not have all the capabilities needed to secure continuity rules and define and provide 'longitudinal units' and demographic events as required by the methodology for business demography.

7.133 A statistical business register continuously or periodically processes updates provided by internal and external sources. Updates cannot always be directly 'translated' into business demographic events. Some events, for example a merger of enterprises, are the result of time-consuming processes. Especially in cases of large and complex enterprises, additional action by business register's profiling team is often required to define the continuity of statistical units and type and dates of events, including in consultation with statistical domains and enterprises.

7.134 Moreover, a statistical business register usually does not have up-to-date information on the moment when master frames have to be created. Finally, a statistical business register that has the capabilities to provide data fully compliant with the methodology for business demography would be a very complex and costly system. For this reason, it is recommended to establish/maintain an environment linked to the statistical business register, in which a longitudinal component and other relevant demographic information (for example defining the active units and number of persons employed) are produced (see Figure 7.1).

Figure 7.1: Role of a statistical business register in the production of business demography statistics



7.135 The annual master frames build (like other business statistics) the 'backbone' for business demography. Master frames do not provide a fully up-to-date picture of the business population in terms of real births, deaths and survivals as defined by the methodology for business demography. How up-to-date they are is dependent on the data quality management of a live statistical business register and can vary by size; for example, statistical unit structures that are subject to intensive profiling will be closer to the demographic reality than statistical unit structures maintained by automated procedures.

7.136 The statistical business register live register contains the most up-to-date image of the structure of the business population (statistical units as well as administrative units). The statistical business register live register is refreshed on a continuous or regular basis with the latest information available.

7.137 Every change and update to the live register is recorded with a time stamp, in the journal tables. Journal tables are the record keepers of all changes ever made in the statistical business register. Whereas later values supersede earlier ones in the live statistical business register, earlier values are not overwritten in the journal tables. A view of the statistical business register at any point in time past can, in principle, be generated from the journal tables. For example, for every update to the statistical business register, journal tables hold, among other items, information on time relationships between statistical units, the new and old values, source of the update, reasons for the change, date of correction (if applicable) and effective date of change.

7.138 Information stored in the journal tables are essential to construct a historical image of the statistical units. Journal tables have limitations as well, especially in case of under-coverage. Master frames may miss information on a part of the population of statistical units for the reference period concerned.

7.139 Structural business statistics provide not only information on the structure of the business population by reference year, but also information on changes/dynamics in the structure over two or more consecutive years: business demography. This requires the maintenance of longitudinal representation of data about statistical units, in other words identification of continuing units versus pure births and closures during the reference year concerned.

7.140 The creation of a longitudinal representation of the businesses can consist of several iterations, making a distinction between establishing a first longitudinal representation and the subsequent maintenance of the longitudinal data. Whereas past/historical master frames and journal tables are needed to construct the early years of the longitudinal data, decisions on the content, scope, content and characteristics of this information should be future oriented, mainly driven by (a) the current and future state of the statistical business register live register, and (b) the desired business demography statistics. The alternative data sources, rules, and methods used to create longitudinal data (versions) should be well documented.

7.141 The creation of longitudinal data requires the identification of longitudinal units either by maintenance of time relationships between statistical units of subsequent reference periods (record linkage methods) or by using an additional identifier system (see Eurostat, 2007, *Eurostat-OECD Manual on Business Demography Statistics*; UNECE, 2018, *Guidelines on the use of statistical business registers for business demography and entrepreneurship statistics*).

7.142 Business demography statistics provide data on the development of the business population over time and the core variables that describe this development. The focus is thus on the longitudinal aspect of business dynamics, and core data are those on the birth of businesses, the survival of newly created businesses and the death of businesses. Based on the number of births, survivals and deaths, various indicators can be derived, such as birth, survival and death rates.

7.143 Conceptually, business demography statistics is based on the concept of the demographic events as described in this chapter. If the statistical business register follows these rules, the statistical business register can serve as a source for the establishment of business demography statistics. However, in the practical implementation it is not always possible to follow these rules in the daily maintenance processes. It might therefore be necessary to make certain checks before the business demography process can start.

7.144 Box 7.3 provides some information on selected national practices on three basic issues in respect of the identification and treatment of demographic events in the statistical business register.

Box 7.3: National practices on demographic events

Continuity rules for the enterprise

The core concept refers to the continuity rules of the enterprise: if an enterprise is continuing, then it is clearly not a new enterprise and thus not an enterprise birth. Three criteria should be taken into account to determine whether continuity exists or not: change of controlling legal unit, of principal activity or of main location. If two of these three criteria have changed, then continuity does not exist.

As the continuity rules are quite basic concepts in the statistical business register system, the national practices follow these rules as much as possible. In cases where an enterprise consists of just one legal unit, the checking of the continuity is easier than in cases where an enterprise consists of more than one legal unit. These cases need to be checked case by case, using the profiling information. Furthermore, matching processes are also applied: the main indicators are the location and the NACE code of the enterprises.

Change in legal form

A change in the legal form of one or more legal units of which an enterprise consist does not mean a disruption of the continuity of the enterprise. Practical implementation problems are given when this statistical rule is not followed in the administrative registers, which is usually the case: a change in the legal form will result in a new unit in the administrative register with a new identity number (ID).

The national practices follow the rule that a mere change in the legal form does not mean a disruption of the enterprise continuity. A distinction must be made between a change from a sole-proprietorship business (natural person) to a legal person (such a change will always mean a change in the administrative ID) and a change of the legal forms within the different juridical persons. Such changes might or might not mean a change in the administrative ID, depending on the administrative data system in the country.

However, both cases of changes need to be identified in the statistical business register process and registered as continuity events without a change in the statistical ID. Matching processes are of help to identify such cases.

Maintenance process

It is preferable if the demographic events are considered and checked as part of the continuous statistical business register maintenance process rather than at a later point in time when frames are provided, including those for the establishment of business demography data.

Checking of demographic events is usually done on a regular basis as part of the normal maintenance process. Additional checks based on specific analysis of the administrative data are also performed. However, there are countries where this kind of check is only done once a year, specifically before drawing up business demography statistics.

8

Statistical business register quality management

Section 8.1 Introduction

8.1 Eurostat's mission is to provide high-quality European statistics. The *European Statistics Code of Practice* (European Statistical System Committee, 2017) sets the standard for developing, producing and disseminating European statistics. The statistical business register (SBR) quality management is implemented based on the European Statistics Code of Practice by using the *Quality Assurance Framework of the European Statistical System* (European Statistical System Committee, 2019), which provides methods for verifying conformance.

8.2 To support the mission of providing high-quality business statistics, EBS regulation aims to strengthen the role of the framework of national statistical business registers and the EuroGroups Register (EGR) by enhancing its role as basic infrastructure ('backbone') for the collection and compilation of European business statistics.

8.3 The notion of 'enhancing' assumes a change from a more or less voluntary uncoordinated use of statistical business registers towards using them as a backbone for business statistics. This implicitly includes a commitment to the required quality of statistical business registers.

8.4 To fulfil its mission, the framework must be equipped with a coherent quality management approach ensuring the quality of the data in the framework of national statistical business registers and in the EGR, a quality that is agreed with users. The credibility of this approach is enhanced by building a reputation for good management and efficiency, which means a sound methodology, appropriate statistical procedures and cost-effectiveness. The preparation and implementation of recommendations must support the management and efficiency of the statistical business register processes.

8.5 The quality management will be based on a quality strategy that defines the quality targets on the basis of user needs, quality reporting and assessment procedures, and a quality programme for the achievement of quality targets. The quality programme consists of actions to monitor and assess quality levels, to stay up to date on present and future user needs, to define quality improvements, and to support quality improvements by providing recommendations and information on best practices. The quality strategy requires approval from the Working Group on Business Registers and Statistical Units.

8.6 Coherent quality management will improve the consistency and comparability of maintenance processes and outputs of business registers. Moreover, it offers opportunities to develop common tools and processes in the longer run.

Section 8.2 Statistical business register quality dimensions

8.7 This section describes statistical business register quality dimensions or aspects of quality relating to statistical business registers.

8.2.1 Compliance

8.8 Quality commitment means complying with the statistical business register mission to build national statistical business registers and the EGR as a framework of European statistical business registers, which provides a European infrastructure for the collection and compilation of consistent European business statistics.

8.9 The EU legal framework offers a common basis for the maintenance of statistical business registers that are able to provide standard products and to cooperate by sharing/exchanging data needed in cases of cross-border statistics or more general statistics on globalisation, for example variables of enterprises involved in foreign trade, foreign direct investment statistics or variables of global enterprise groups (GEGs).

8.2.2 Data accessibility and data exchange

8.10 Access to sources for the maintenance of statistical business registers and options for sharing statistical business register information are crucial components of data quality management processes.

8.2.3 Access to administrative data sources

8.11 National statistical authorities (NSAs) and Eurostat have the right to access and use, promptly and free of charge, all administrative records and to integrate those records with other data sources to update the national statistical business registers and EGR, as regards administrative data within their own respective public administrative systems.

8.2.4 Data exchange

8.12 Exchange of and access to data for the purpose of the European framework for statistical business registers are allowed, to ensure the quality of the information about multinational enterprise groups in the EU or to reduce response burden. Such exchange of confidential data on multinational enterprise groups and on the units belonging to those groups must take place, exclusively for statistical purposes, between the staff contributing to the production of the EGR in the NSAs of different Member States.

8.13 When the exchange is explicitly authorised by the competent NSA that provides the data, national central banks may be parties to the exchange of confidential data, exclusively for statistical purposes.

8.14 The regulation prescribes that NSAs are to transmit data on multinational enterprise groups and on the units belonging to those groups to Eurostat. Eurostat is allowed to transmit confidential data to the appropriate competent NSAs of each Member State, when at least one legal unit of the group is located in the territory of that Member State.

8.15 The identification of legal units is a key function in EGR data quality management. The regulation prescribes that NSAs are to transmit data on incorporated legal units exclusively for the purpose of unique identification of legal units in the EU. Eurostat has the right to share this information with other NSAs of each Member State, also exclusively for the purpose of identification of legal units.

8.16 NSAs and Eurostat have the right to flag which data are confidential or not. It is recommended to keep information received from public administrative sources as non-confidential and to flag data as confidential only when it is explicitly agreed with data providers.

8.17 Data quality management is optimally served if use and sharing of statistical business register data are restricted as little as possible by confidentiality rules. For example, in register maintenance, including profiling, the sharing of available information on the structure of (multinational) enterprise groups with staff of the group involved and partner national statistical institutes (NSIs) can help in the maintenance of statistical business register information with minimal burden and costs.

8.2.5 Relevance

8.18 Relevance means meeting user needs. A major criterion for the relevance of a statistical business register is if the delivered basic infrastructure (backbone) via master frame populations is in fact used for the production of comparable and coherent business statistics.

8.19 Another aspect is how statistical domains use the frame populations provided. Do they follow their own (uncoordinated) procedures for the maintenance of their survey frames in case of imperfections or changes detected, or do they strictly follow (updated) master frames? In the first case, the risk remains that statistical products are not coherent and cannot be compared or combined.

8.20 The provision of sets of master frames each referring to a particular reference period is a critical solution for ensuring that statistical domains select and use coordinated survey frames, fulfilling the backbone role. Even the provision of different versions of a master frame for the same reference period can contribute by coordinating data collections. In all cases, such provisions should be accompanied with procedures/rules for coordinated handling of imperfections/updates in master frames.

8.21 Relevance is determined by measuring periodically the extent to which statistical business registers' master frames and other expected services (see [Chapter 2](#)) are used. This measurement also offers the opportunity to assess the gap between the services provided by statistical business registers and the services expected by the statistical domains. Such an assessment builds input for data quality programmes.

8.2.6 Accuracy and reliability

8.22 In statistical business registers, accuracy is a measure of the extent to which master frame populations are created that reflect the target populations. Maximum accuracy will be achieved by assessing and validating source data, the outcome of data integration processes and finally the master frame populations and other statistical business register products.

8.23 An appropriate way to create statistical business register output that is reliable over time is to measure accuracy and document the results of these measurements in combination with regular actions to improve source data, production processes and output.

8.2.7 Timeliness and punctuality

8.24 A regular or 'live' statistical business register keeps track of events and updates continuously or periodically, including information on reference dates and the date of the event. The speed at which statistical business registers are updated to reflect real-world events is an important quality criterion for many users.

8.25 As master frames are selected at a point in time when statistical business registers are not fully up to date, this leads to a conflict between having master frames as current as desired and the prerequisites for assuring comparability and coherence in statistical production processes.

8.26 Regarding this conflict, a distinction is made between stratification/classifying variables included in a master frame (see [Chapter 10](#)) and other statistical business register variables, such as persons employed, turnover or total assets, and whether a unit is active or not.

8.27 Unit structures and stratification/classifying variables provided in master frames should in principle stay stable ('frozen'). Updates should take place only in the event of apparent errors with statistical relevance and in accordance with a procedure that assures that all statistical domains involved process the updates (frame error procedure).

8.28 For information needed in data collection procedures, for example name and address of reporting units, current available information from the live statistical business register can be used.

8.29 Statistical variables such as persons employed, turnover or total assets, and also information on whether a unit was really active or not, can be stored and maintained by reference period in a storage linked to the master frames.

8.30 Both over- and under-coverage are statistical business register quality issues. Over-coverage arises as a result of units not belonging to the target population and units being covered more than once. Under-coverage results from the omission of units that should belong to the target population. A statistical business register can contribute to statistical solutions by collecting and disseminating information on under- and over-coverage. Such information can be used in grossing-up procedures.

8.31 The measurement of time lags between real events and their recording in the statistical business registers can give important indications of register quality.

8.32 A statistical business register agrees with users on an annual timetable for the release of master frames and other statistical business register products and services. Users expect punctuality in the delivery of master frames and other products and service.

PUNCTUALITY OF MASTER FRAMES

8.33 Considering its role as backbone, a master frame must be available at the moment a statistical domain needs it to select a survey frame. If the statistical domain is using direct data collection, this moment is generally close to the end of a reference period (month, quarter or year). In the case of use of administrative or other already available data, the moment of needing a master frame is dependent on the policy for release of statistics and the timing of the production processes concerned.

8.34 Generally, both means of data collection are used, which means in practice that statistical domains need a master frame at different times. In these cases, the creation of more than one version of a master frame is a solution, for example an initial and a final version or even intermediate versions too.

8.35 Taking into account that national practices differ, release calendars of national master frames are defined and published by NSAs, taking into account timing requirements for the production of global master frames. National statistical business registers' data quality management policies have to be coordinated with these release calendars.

8.36 Global master frames are produced with national master frames as input (copy) by adding cross-border information on information on global statistical units, for example GEGs.

8.37 The release calendar for global frames is dependent on the timetables of the producers of statistics on globalisation. The production of outward foreign affiliates statistics (FATS) is partly based on direct data collection, which means that there is a need for an initial global frame soon after the end of the reference year. In the case of inward FATS, statistics are based on attaching the country of the ultimate controlling institutional unit (UCI) to the statistical unit enterprises as defined in the national master frame. This is to be done on the basis of the final global frame. The release calendar is defined and published by Eurostat.

PRODUCTION OF ANNUAL COPIES

8.38 NSIs have to make a copy annually that reflects the state of the national statistical business registers at the end of the year and keep that copy for at least 30 years for the purpose of analysis. This copy exists of the final 'volume annual master frame' for reference year t and should be available 12 months after the end of reference year t . In any case, this copy has to be available at the latest 16 months after the end of reference year t . The annual copy consists of the final annual master frame (volume population) with the content as described in [Chapter 10](#) and, in addition, the other variables required by the Commission Implementing Regulation (EU) 2020/1197.

RELEASE OF OTHER STATISTICAL BUSINESS REGISTER INFORMATION

8.39 A statistical business register also has other roles than the provision of master frames (see [Chapter 2](#)).

8.40 If a statistical business register holds information on response burden and sampling methods taking into account measures of response burden, the statistical business register must publish a release calendar for this kind of information.

8.41 Direct data collection processes need (ideally) current identifying information, for example names and identifiers, and current information on addresses, etc. This requirement implies the need for frequent updating and provision of this kind of information.

8.42 Generally, a live statistical business register contains more and, in the course of time, also more up-to-date information than is included in the master frame, for example information on the number of persons employed or on whether or not a unit really was active in a reference period. This information can be used in statistical production processes in grossing-up or imputation procedures.

8.43 A statistical business register can also provide actual information on the links between administrative and statistical units to support statistical production processes, which are based on the use of administrative data.

8.44 Statistics on business demography need information on events registered in a statistical business register.

8.45 These roles require the definition and publication of release calendars for this kind of information.

8.2.8 Coherence

8.46 Statistical business registers play a major role in the production of business statistics by providing master frames that give coherent information on populations of statistical units, including information on the relationships between the unit types.

8.47 As master frames are derived from live statistical business registers, internal coherence in the live statistical business register must be ensured by consistent processing of updates or, in cases of large and complex groups, by profiling.

8.48 The increasing use of other administrative registers or, generally, existing information, causes an increasing need for coherence with other registers (external coherence). External coherence can be supported by the introduction and use of unique identifiers or by storing information on links between different identifiers.

8.49 The increasing demand for high-quality statistics on globalisation also affects the need for coherence. The framework of national statistical business registers and the EGR builds an infrastructural solution that not only enables coherence between master frames, especially regarding information on multinational enterprise groups, but also improves statistics on cross-border transactions by offering services for unique identification of units and options for sharing information.

8.2.9 Comparability

8.50 There are three subcomponents to comparability: comparability between regions, comparability over time and comparability between statistical domains.

8.51 In terms of statistical business registers within the European Union, comparability between regions is covered by legislation. Thus, the obvious quality measure is the degree of compliance with the EBS regulation. This sort of comparability is very important, as statistical business registers are vital for many areas of business and other statistics.

8.52 Comparable registers make the task of harmonising and improving the consistency between the statistics derived from them considerably easier. Comparability of units and classifications used within statistical business registers is also an aim of European statistical legislation.

8.53 Key statistical indicators are indicators that provide a picture of the development of the economy. A statistical business register can contribute by ensuring that units are comparable over time by using statistical continuity rules and appropriate quality management procedures, for example profiling. In addition, if methodologies change (for example classifications), a statistical business register can contribute by offering transition information.

8.2.10 Data revision

8.54 Generally, at the moment at which master frames are needed and created by a statistical business register, a statistical business register is not able to produce a fully up-to-date picture of the reality. The consequence is that master frames can contain errors and outdated information.

8.55 As the primary role of a master frame is the coordination of populations between statistical domains and the provision of stratification/classifying variables, corrections of previous frames can have considerable consequences on survey frames, statistical production processes and even statistics. They may require complex solutions for imputation and grossing-up procedures. They may also affect the comparability of and coherence between short-term and annual statistics.

8.56 Moreover, they may have organisational impact, for example if the organisation of production of statistics is based on stratification variables, for example NACE or country of UCI.

8.57 Consequently, an efficient application of master frames requires a release policy complemented with a revision policy and adequate solutions and procedures for handling of errors and outdated information in national frames as well as global frames (see [Chapter 10](#)).

8.58 As mentioned before, a statistical business register must provide regularly (in accordance with an agreed release plan) updates of other variables, such as addresses, persons employed, turnover.

Section 8.3 Quality management

8.59 Statistical business register quality management consists of a national component and an EU component. This section is focused on the quality management of the framework of statistical business registers (national statistical business registers and EGR).

8.60 The statistical business register quality management approach is based on the *European Statistics Code of Practice* (European Statistical System Committee, 2017) by a system of annual quality reports, annual setting of quality targets, annual quality assessments and annual quality improvement programmes, which together form a statistical business register data quality programme. A statistical business register data quality programme is annually approved by the ESS Working Group on Business Registers and Statistical Units.

8.61 Statistical business register quality management is based on a systematic and annual process of assessing the actual quality (as is) against the quality targets (to be), analysing the gap and defining actions with priorities needed to close or shrink the gap, to define recommendations on quality actions and finally to implement improvement actions. Quality actions are broken down into Q-topics. Each Q-topics includes one or more quality actions, approved by the Working Group on Business Registers and Statistical Units, including recommendations that should be followed by the NSIs.

8.3.1 Quality reporting

8.62 Quality reporting consists of two types of reports: annual statistical business register quality report and metadata report. Two sets of quality reports are produced annually: on national statistical business registers and on the EGR.

8.63 The national statistical business register quality report collects numerical information on units and variables as recorded in the national statistical business register. The annual quality report provided by each Member State is used by Eurostat to monitor the quality of the national statistical business registers.

8.64 Eurostat uses the national statistical business register quality reports for internal purposes only, to assess statistical business registers' compliance status in the course of the Data Quality Programme assessment phase.

8.65 Eurostat collects the required information from Member States via the ESS Metadata Handler. First, Eurostat prepares country-specific templates. Then Member States get access to the report templates and have a period of 6 weeks to prepare the quality report. Once a Member State has finished the work on filling in the template, the quality report should be sent for validation to Eurostat via the Metadata Handler.

8.66 The results of national statistical business register quality reporting are summarised in a statistical business registers quality report that includes information on compliance and implementation of additional quality targets in the EU Member States and European Free Trade Association (EFTA) countries.

8.67 Analogous to the national statistical business register quality report, an EGR quality report aims to report on the quality of the EGR accordingly. Eurostat calculates three types of quality indicators for the EGR process: input indicators, throughput indicators (process indicators) and output indicators. Some of the output quality indicators require a calculation at national level based on microdata.

8.68 The national statistical business register metadata report follows the standardised ESS structure for collecting metadata, the Euro Statistical Data and Metadata eXchange (SDMX) Metadata Structure. Eurostat also uses that structure for metadata reporting of the EGR frame.

8.69 Eurostat provides prefilled country-specific templates of the national statistical business register metadata reports annually. The templates include metadata information provided in the previous year and need to be updated either if a national process has changed or if the guidelines concerning a specific concept do not well describe the information required. Once an NSI has finished the work on filling in the template, the metadata report is to be sent for validation to Eurostat via the ESS Metadata Handler.

8.70 The information collected by national metadata reports is used to generate a synthesis report containing general information on each concept for NSIs. The synthesis metadata report does not include individual data for countries. The national statistical business register synthesis report aims to inform ESS users of the background of national statistical business registers.

8.71 Eurostat prepares an EGR metadata report that is updated and published annually after dissemination of the final EGR frame to the users.

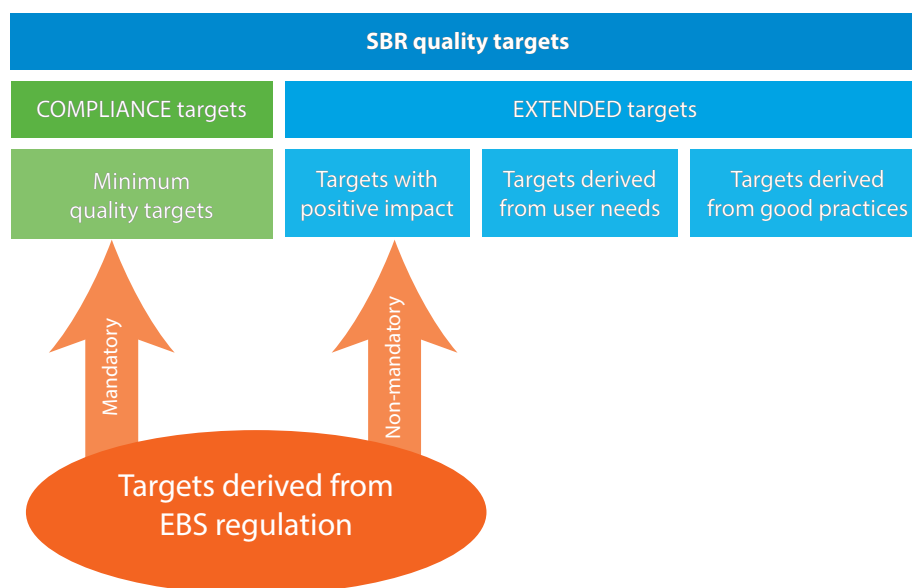
8.72 On the basis of quality reporting, Eurostat assesses each quality target separately to identify concrete deficits. All results are documented in country-specific assessment reports for national statistical business registers and a report assessing the EGR.

8.73 All assessment reports are for statistical business register-internal purposes. Assessment criteria, including the weighting of the specific targets, are regularly reviewed in cooperation with the NSIs. The results of assessments are used as input for the annual review/update of quality actions and continuous improvement of the statistical business registers' quality.

8.3.2 Quality targets

8.74 The quality of statistical business registers is exclusively dependent on how far user needs are met by the statistical business registers. There are two sets of quality targets: compliance targets and extended targets.

Figure 8.1: Statistical business register quality targets



8.75 To identify quality targets, a regular and standardised consultation of statistical business register users is organised. To assess the gap between the information available in current registers and the information needed by users, Eurostat, in cooperation with the NSIs, periodically makes an inventory, aiming to:

- collect information on the current use of the national statistical business registers and the EGR;
- collect information on the needs of potential users of the national statistical business registers and the EGR;
- collect information on possible future user needs;
- identify the shortcomings of national statistical business registers and the EGR from the users' perspective.

8.76 Compliance targets cover information that is mandatory according to legislation. They are based on legislation and are stable over time as long as the legislative framework is not replaced or amended. In agreement with the Working Group on Business Registers and Statistical Units, compliance quality targets and compliance measurement are set periodically.

8.77 Extended targets meet all remaining user needs that are not mandatory, either based on non-mandatory parts of the legislation or based on consultation of user needs. In the future, a catalogue of good practices could also become input for data quality programmes.

8.78 Extended targets reflect more needs for the short and medium terms. A regular evaluation and review of these kind of targets is needed.

8.3.3 Quality assessment

8.79 A compliance exercise is launched annually by Eurostat to follow up the shortcomings indicated in the national quality reports.

8.80 The assessment is done for each quality target separately to identify concrete deficits. All results are documented in country-specific assessment reports for national statistical business registers and a report assessing the EGR. All assessment reports are for statistical business register-internal purposes.

8.81 The definition of assessment criteria (for example the weighting of the specific targets) is supposed to be discussed and regularly reviewed with the Member States.

8.82 Beyond compliance, the statistical business register quality assessment should also include extended quality targets. No scoreboards will be based on the extended targets. Summary information on extended quality targets will be included in the annual statistical business register quality report.

8.83 EGR macro- and micro-indicators are calculated for the quality of the EGR final frame. Eurostat calculates the macro-indicators for the EGR initial, preliminary and final frames. The macro-indicators include input indicators for the EGR system input files, throughput indicators on the EGR data processing and output indicators on the EGR output files. The micro-indicators on the EGR output are calculated by NSIs, comparing national EGR and FATS populations in order to measure the completeness of data integration between the two frames.

8.3.4 Quality improvement

8.84 Statistical business register quality improvement is a continuous process aiming to improve the quality of statistical business register by meeting the predefined and agreed quality targets.

8.85 If NSI is categorised as non-compliant in the annual assessment, Eurostat invites this NSI to explain in a bilateral meeting the means of and the envisaged timeline for solving non-compliance issues. Next, Eurostat compiles a quality report including a description of the causes of non-compliance as well as the actions planned by the NSI to become compliant. This is an annual process.

8.86 For the set of extended targets, Eurostat, in agreement with the Working Group on Business Registers and Statistical Units, reviews and updates annually a list of quality actions, called Q-topics. This list contains information on priority and status, for example 'approved' or 'pending'.

8.87 On the Q-topics, Eurostat prepares recommendations, which, in agreement with the Working Group on Business Registers and Statistical Units, are considered for inclusion in the *European Statistical Business Registers Manual*. Currently five such recommendations have been agreed and should therefore be followed by the NSIs.

Box 8.1: Quality recommendations as decided by the Working Group on Business Registers and Statistical Units (May 2019)

SBR Recommendation Q 1 on updating frequency and annual copy

- Entries of legal units onto the registers should be updated at least quarterly. The legal activity status of legal units in the registers should be updated at least quarterly.
[Remark: This recommendation goes beyond the legal requirements which prescribe an annual frequency (EBS regulation, Annex III, Part B, 3).]
- The frequency of updating the variables should be at least annually. The frequency of updating the variables of legal units — in particular the variables [1.1–1.11 and 1.15 of the Annex VIII to the Commission Implementing act of EBS regulation] — should be quarterly, e.g. by using all appropriate data sources.
[Remark: Also, this recommendation goes beyond legal requirements which state that 'The frequency of updating shall depend on the kind of unit, the variable considered, the size of the unit and the sources generally used for the update'.]
- The annual copy of the national business register that reflects the final state of the register for a year *t* should cover all units active within the reference year. The variables in this copy should refer to year *t*. The annual copy for year *t* should be available 12 months after the end of the reference year *t*. In any case this copy has to be available latest 16 months after the reference year *t*.
[Remark: The legal requirements prescribe that the copy is to be kept for 30 years for the purpose of analysis. However, the legal requirements do not specify when this copy should be available nor that the variables should all refer to the same reference period of year *t*.]

SBR Recommendation Q 2 on reference dates of the final frame

- Reference dates of all variable in the final frame should refer to the reference year *t*, reflecting the final picture of national statistical business registers of the reference year *t*.

SBR Recommendation Q 3 on EGR coverage

- NSIs should send foreign controlled legal units to the EGR without knowing the direct parent. (GDC [global decision centre] country should be known.)
- NSIs should send foreign controlled legal units to the EGR without any relationship for foreign controlling parent but specifying that the legal unit is foreign controlled. Based on this information, the EGR will create groups with one or more domestic [legal units].
- NSIs should add the country code of the GDC for these groups later in the process, in the GEG file or in EGR Interactive module (EGR IM).

SBR Recommendations Q 10 and Q 11 on over- and under-coverage

- Q 10: In order to reduce over-coverage and duplication of legal or statistical units (local unit, enterprise and enterprise group) in the SBR, it is recommended that all relevant sources and matching procedures are used and regular updates and analyses of the SBR population are done.
Turnover, employment, investments, survey response/non-response, data from administrative files (e.g. VAT [value added tax], social security) can be used for identifying cases with over-coverage.
- Q 11: In order to reduce under-coverage of legal and statistical units in the SBR, it is recommended to use all relevant sources (administrative and statistical), to shorten the inclusion period of newly created units and to reduce errors in the unit identification, classification, coding, etc.
Statistical surveys can be used to address under-coverage.

Source: Eurostat (2019), SBR recommendations approved by the Working Group on Statistical Units and Business Registers (<https://circabc.europa.eu/w/browse/86baa132-30c7-4335-9e4e-c1f1b8f0f173>)

9

Profiling of large and complex businesses

Section 9.1 Introduction

9.1 Large enterprise groups (domestic as well as multinational or global enterprise groups, GEGs) play a dominant role in the production of goods and services. Correct measurement of these groups is a critical success factor for producing high-quality business statistics. The impact of globalisation through GEGs has increased substantially during the last few decades, which has increased the need for coherent and consistent supranational statistics and, in connection with this, consistent information on statistical unit structures.

9.2 The use of high-quality global and national master frames for selecting survey frames is a condition for correct measurement. Profiling is a tool for the establishment and maintenance of statistical units within an enterprise group, the links between them and links with other unit types, for example administrative units and reporting units. As such, profiling builds the most efficient and effective structures for the collection of statistical data. Thus, profiling is an important tool in the data quality management of statistical business registers (SBRs) and the creation of high-quality master frames.

9.3 The 2019 conference of the Directors General of the National Statistical Institutes (DGINS), held in Bratislava, on economic globalisation, indicates several actions to be undertaken with respect to the treatment of large and complex multinational groups: bringing the various activities related to multinational enterprises (MNEs) into a systematic, coordinated, cost-effective joint approach to ensure high-quality statistics for users; emphasising the role of high-quality statistical business registers (national or EU) as infrastructures for coordination and data exchange on MNEs; considering large case units (LCUs), or similar functions, and networks of LCUs to improve the consistency of MNE data; prioritising and frequent profiling of MNEs with significant statistical impact; communicating to users and MNEs in an understandable and effective way; and support reinforced cooperation with MNEs.

9.4 Profiling is one of the main capabilities required to realise the vision of the Riga memorandum (European Statistical System Committee, 2014); see also *ESBRs Business Architecture — state of play and next steps* (Eurostat, 2016).

9.5 [Section 9.2](#) describes the definition and scope of profiling, as it is considered to be a provider of input for the creation of master frames. [Section 9.3](#) describes the workflow and [Section 9.4](#) gives some considerations regarding the timing of profiling processes. *European Business Profiling — Recommendations manual* (Eurostat, 2020) offers a more extended description of this process.

9.6 Until now, profiling has been considered a task closely related to and integrated in data quality management procedures for statistical business registers. The need for microdata that are linkable and consistent between statistical domains, and for efficient statistical production processes from data collection to the production of national accounts avoiding unnecessary time-consuming process feedback loops (internally as well as with enterprise groups), has led to other organisational solutions, in which the maintenance of statistical unit structures through profiling is combined with other tasks in statistical production processes: the establishment of LCUs. [Section 9.5](#) recommends designing and implementing that kind of organisational solutions.

Section 9.2 Profiling: definition and scope

9.7 Profiling is a method of analysing the legal, operational and accounting structure of an enterprise group at national and, in the case of GEGs, European levels, in order to establish the statistical units within that group, their links and the most efficient structures for the collection of statistical data. The types of statistical units (output units) to be included in profiling processes are described in the regulations on the different business statistics or statistical domains. The core statistical unit is the enterprise.

9.8 In profiling, it is important to define and maintain links between statistical unit types and non-statistical unit types (for example legal units or tax units), used inside as well outside statistical offices. An inside example: a major objective is to produce trade in goods statistics by enterprise characteristics (TEC statistics), which implies linking unit types that report data on external trade with the statistical unit type 'enterprise', to bridge two major statistical domains that have traditionally been compiled and used separately (external trade and structural business statistics, SBS). Another example is foreign direct investment (FDI) statistics, which aims to measure investment relationships between enterprises. An outside example: increasingly, data are available having been collected by other statistical authorities (for example national central banks⁽¹⁾) or administrative organisations (for example tax administrations). The maintenance of links between these external identifiers should be a point of attention in profiling too.

9.9 The extent to which the legal, operational and accounting concepts behind the administrative and legal structures of enterprise groups differ from concepts behind the pursued statistical unit structure varies from Member State to Member State.

9.10 Profiling dramatically improves the relevance and the quality of business statistics. However, the shift from legal units to profiled enterprises has a big impact on data collection, data processing and the disseminated statistics. It implies a conceptual change and not a real change in the composition of populations of statistical units. The conceptual change aims to provide a more appropriate statistical description of the economy. Implementation requires close interaction with all the statistical domains concerned on the reference period in which a profile should be implemented.

9.11 The increasing globalisation of business activities is affecting the complexity of the production of meaningful and consistent business statistics and national accounts. This is one of the main challenges for statistical business registers and profiling. Globalisation has an impact on the measurement of activities, and the collection of data is becoming more complex and difficult. Globalisation is accompanied by the development and implementation of global production arrangements, often with complex ownership structures (see UNECE, 2015, *Guide to Measuring Global Production*). These developments affect the production of statistics on globalisation and add new requirements for statistical business registers to be able to deal with global production arrangements and global production chains.

9.12 As the production of microdata-based statistics is done by national statistical institutes (NSIs), there is a need to produce statistical information on enterprises on a country-by-country basis in a mutually consistent way. Therefore, there is a need for profiling of statistical unit structures to include an analysis of the operational and organisational structures of GEGs.

9.13 The term 'profiling' is usually used for the work of staff in getting, in direct and regular interaction with the headquarters of a group, an agreement on the delineation of statistical and reporting units on the basis of an analysis and understanding of the operational and organisational structure of the group. This kind of profiling is called intensive profiling.

9.14 In this case, the profiling process starts with analysing the legal, operational, organisational and accounting structure of a group on the basis of an annual report, website and data provided by statistics surveys and administrative sources. This step is followed by defining a proposal for the statistical unit structure on the basis of operational rules for delineation of statistical units, and after that checking with the headquarters of group the feasibility of providing data accordingly, ending up with an agreement with the group on the statistical units and appropriate reporting structures for the different statistical domains (annual as well as sub annual statistics). For instance, to identify an enterprise within the group, it is necessary to check that it has a certain degree of autonomy within the group.

⁽¹⁾ The Legal Entity Identifier (LEI) is aimed at improving the identification of entities in financial transactions and information on control/ownership relationships.

9.15 This kind of profiling is applied to the most complex and statistically most important enterprise groups. As users value time series enabling analysis of economic developments, comparability of statistical unit structures over time is a key requirement. Therefore, intensive profiling includes proactive and continuous monitoring of a group for statistically relevant changes in structures, ensuring that changes in statistical unit structures reflect changes in economic reality.

9.16 Profiling as a proactive process implies a process of constantly analysing updates provided by the sources of the statistical business registers, analysing changes or inconsistencies in data reported in surveys or by administrative sources, reading (sub)annual group reports and following public news or website information, and last but not least maintaining relationships with a group (account management).

9.17 As changes in the legal structure are generally linked to exact points in time, changes in operational and organisational structures are generally the results of time-consuming processes. This implies that, in interaction with the group and statistical domains concerned, it has to be defined in which reference period a change in the statistical unit structure has to be implemented.

9.18 A second type of profiling is called light profiling and is generally applied to (medium-sized) groups that have a simpler legal, operational and organisational structure. This type is mainly based on desk analysis of the legal, operational and accounting structures of small or medium-sized groups using information provided by administrative sources, annual reports, websites and statistical surveys. Light profiling can include, incidentally, the involvement of a group in delineating the statistical unit and reporting structure. Generally, no intensive interaction is needed with groups and statistical domains. Light profiling should ensure secure 'communication' about the content of statistical profiles with groups if they are involved in direct data collection in one or more statistical surveys.

9.19 A third type of profiling is automatic profiling. The maintenance of statistical unit structures of groups that are not subject to intensive or light profiling takes place using business rules integrated in software procedures of a statistical business register.

9.20 Costs and benefits of profiling should be in balance. Therefore, to work as cost effectively as possible, it is important to select enterprise groups, and decide on the type of profiling to be applied, based on a well-defined set of criteria.

9.21 The statistical relevance and size (for example gross value added, turnover, annual income, value of production, balance sheet total or number of employees) of a group are important criteria. Experiences of statisticians during statistical production processes, for example with data collection, can also result in a need to start a profiling process. Other important selection criteria are:

- complexity, expressed by the number of layers in the legal unit structure of enterprise groups;
- number of legal units in the group;
- dynamics of legal unit structures;
- complexity of operations by activity or geographical area;
- level of consistency of data provided;
- level of transparency of organisational structures;
- reorganisation of organisational structures in the group;
- involvement in global production arrangements;
- involvement in global financial arrangements.

Section 9.3 Profiling process

9.3.1 Introduction

9.22 This chapter describes profiling as a **systematic process of continuously monitoring** changes in the legal, operational, organisational and accounting structures of an enterprise group, ensuring that a master frame contains up-to-date statistical unit structures. Such a process differs from creating an initial profile (including timing); see [Section 9.4](#).

9.23 Profiling, based on a top-down approach, starts with an analysis of the legal, operational and accounting structure at group level and using this information as input for defining statistical unit structures.

9.24 The establishment of the statistical unit structure is based on the application of operational rules for the consistent implementation of statistical units as described in [Chapter 4](#).

9.25 Operational rules have been developed for the following statistical units (see [Chapter 4](#)): **enterprise group, enterprise, kind-of-activity unit, local unit and local kind-of-activity unit**. In addition, examples of ancillary activities are given.

9.26 For GEGs, two levels are distinguished: **European (or global) and national profiling**.

- **European profiling.** The NSI of the country of the global decision centre (GDC) delineates the global enterprise (GEN) in cooperation with the group, and, in order not to lose sight of the global dimension of groups and their cross-border structure, the NSIs of the countries in which a GEG has operations link their national enterprises to the group's GENs, thus linking national and European profiling.
- **National profiling.** Each NSI defines the national statistical units' structure within a group, in a way that reflects the national needs. These national enterprises are the output of national profiling. In cases of GEGs, it is recommended that NSIs link their national enterprises to the group's GENs, thus linking national and European profiling.

9.27 In cases of global enterprise groups, the aim of European profiling is:

'to identify the enterprise (GEN) at the world level and collect several variables (NACE code, turnover, employment) and the countries in which these GENs have operations will allow to improve the quality of statistics at the world level but at the national level too. It allows to improve coordination and consistency across Member States for situations where enterprise groups operate across borders, thereby ensuring an accurate description of the activities of the enterprise group in the EU without double counting or omissions and consistent with the methodology of national accounts and balance of payments, improving the quality of the data at national level and providing the basis for meeting the increasing need for data on cross-border aspects of the statistical system in the European Union, including those data to better inform the work on global value chains.'

9.28 The output of the process of European profiling consists of information on the unit type 'global enterprise group', its perimeter (in terms of controlled legal units), information on the unit type 'global enterprise', and the countries in which these GENs have operations. This information supports the delineation of national enterprises and their links with GENs.

Box 9.1: Output of European profiling

The unit type ‘global enterprise’ is not (yet) defined as a statistical unit to be used in business statistics. Information on this unit type supports national profiling to delineate national statistical units by providing information on the global legal and operational structures of GEGs.

Meanwhile there is a need for the correct measurement of aspects of globalisation, among them statistics on global value chains (GVCs), foreign affiliates statistics (FATS) and foreign direct investment (FDI) statistics. These statistics refer to ‘enterprises’.

GEGs have organised their economic relations and production across national borders. Global production (sometimes referred to as multiterritory enterprises ^(*)) is used to describe an increasingly common way of organising production activities across national borders, meaning that enterprise groups operate in more than one country. Global production arrangements may be set up and managed in various ways. Sometimes the chain follows the organisational structure of a GEG. Alternatively, the production chain may include enterprises not controlled by the group (for example by outsourcing).

As mentioned, the concept ‘global enterprise’ is not defined as a statistical unit. Some GEGs organise their economic activities in ‘operating segments’, which can be used as a starting point for the identification of GENs and after that, the identification of national enterprises.

Additional conceptual and methodological work is needed, for example on the place of concepts such as ‘global enterprises’, ‘business functions’, ‘global production arrangements’ and ‘global production chains’ in the statistical unit model, which can support the production of coherent and consistent statistics in globalisation (for example FATS and statistics on FDI and GVCs).

In 2020, *European Business Profiling — Recommendations manual* was published (Eurostat, 2020). The objective of this manual is to serve as a reference for the work of profilers, guiding them on methodological issues in a concrete, precise and clear way, in particular regarding the operating rules to delineate the GENs. These recommendations could also be adapted and applied to national profiling processes.

An information exchange platform for identifying national practices could be a tool for further research and development (R&D) of a proper conceptual framework, including operational rules for global statistical unit types such as ‘global enterprise’.

For the moment, the minimum set of information recommended for this unit type is:

1. identifier of the GEN;
2. identifier of the GEG to which the GEN belongs at the end of a reference year;
3. name of the GEN;
4. employment and turnover of the GEN;
5. size class of the GEN;
6. NACE of the GEN, division level;
7. countries in which the GEN has operations including information on employment.

9.29 Consistent output of European and national profiling processes requires cross-border cooperation and coordination. The ESBRs interoperability framework (Eurostat, 2018) specifies the set of common elements such as integrated processes, concepts, standards, recommendations, guidelines and (best) practices on profiling.

(*) ‘Some enterprises may operate as a seamless operation over more than one economic territory. Although the enterprise has substantial activity in more than one economic territory, it is run as an indivisible operation with no separate accounts or decisions, so that no separate branches can be identified. Such enterprises may have operations including shipping lines, airlines, hydroelectric schemes on border rivers, pipelines, bridges, tunnels and undersea cables’ (SNA 2008).

9.3.2 European profiling workflow

9.30 European profiling aims to ensure the quality of the annual global master frame concerning the statistically most relevant GEGs and its statistical units, serving statistics on globalisation. This section describes the main steps in the process.

EUROPEAN PROFILING STEP 1: MAINTENANCE OF THE POPULATION OF GLOBAL ENTERPRISE GROUPS TO BE PROFILED

9.31 The NSI of the country of the GDC (called GDC NSI) of GEGs decides, in cooperation with Eurostat and National Accounts, the population of GEGs that on the basis of criteria such as those mentioned in [Section 9.2](#) are selected to be subject to European profiling for reference year t .

9.32 The number of groups is dependent on the amount of resources a GDC NSI decides to invest in European profiling. For structural investments in profiling, the composition of the groups subject to European profiling should be rather stable over the years.

9.33 In addition, the GDC NSI decides which type of profiling (intensive or light) will be applied to which group.

9.34 As a main aim of European profiling is 'to improve coordination and consistency across Member States for situations where enterprise groups operate across borders', another major criterion can be that a GEG has significant operations in one or more other EU Member States. The GDC NSI takes into account analysis of partner NSIs and Eurostat showing inconsistencies in statistical data provided by NSIs.

9.35 The other European NSIs that participate in the European profiling, in countries where groups have legal units, are called partnering NSIs.

9.36 The GDC NSI is recommended to share the list it has decided (including information on the type of profiling and the periodicity of maintenance, and indicative information on the extent/significance of operations in other EU Member States) with Eurostat and partnering NSIs, offering them the opportunity to take this list into account in selecting groups that are subject to national profiling.

EUROPEAN PROFILING STEP 2: VALIDATION OF THE INFORMATION ON GDC, THE PERIMETER AND GLOBAL ENTERPRISE STRUCTURE BY THE GDC NSI

9.37 The GDC NSI validates and updates the variables, the perimeter and the structure (including the country dimensions) of the GEGs that belong to the selected population of GEGs at the end of reference year t .

9.38 The global enterprise structure includes information on the unit type 'global enterprise' and the countries in which these enterprises have operations.

9.39 The GDC NSI validates whether or the country of the GDC should stay unchanged for reference year t . If not, the GDC NSI initiates a procedure to achieve at the European Statistical System (ESS) level a coordinated decision on the country of the GDC. A proposal for change can also be initiated by a partnering NSI.

9.40 The GDC NSI documents the results of this validation — in the form of background information on changes, information on the impact on statistics and methodological considerations — in a log, which is shared with the statistical domains involved, partnering NSIs and Eurostat.

EUROPEAN PROFILING STEP 3: PROFILING BY THE GDC NSI

9.41 The GDC NSI validates and updates the national legal and statistical unit structures of national parts of GEGs (see also [Section 9.3.3](#)).

9.42 National profiling includes validation and updating of information on cross-border control relationships in cooperation with partnering NSIs.

9.43 The GDC NSI documents the results of this validation — in the form of background information on changes in cross-border control relationships, information on the impact on statistics and methodological considerations — in a log, which is shared with the statistical domains involved, partnering NSIs and Eurostat.

9.3.3 National profiling workflow

9.44 National profiling aims to define the enterprise under the definition of Council Regulation (EEC) No 696/93 of 15 March 1993 and use it as a statistical unit to ensure the quality of the national master frames concerning the statistically relevant national (parts of) enterprise groups and their statistical units, serving national business statistics, including statistics on globalisation.

NATIONAL PROFILING STEP 1: MAINTENANCE OF THE POPULATION OF NATIONAL ENTERPRISE GROUPS TO BE PROFILED

9.45 The NSI decides the population of national enterprise groups that are selected to be subject to national profiling for reference year *t*. National enterprise groups can be all-resident groups or parts of GEGs.

9.46 The NSI also decides which type of profiling (intensive, light or automatic) will be applied to which national group (all-resident groups or parts of GEGs). The number of national groups that are profiled by an intensive or light process is dependent on the amount of resources a NSI decides to invest in national profiling.

9.47 If the group is part of a GEG and the NSI is also the GDC NSI of the selected group, it is recommended that European profiling also be carried out (see [Section 9.3.2](#)). But this point is also dependent on the amount of resources the NSI has, because European profiling causes an additional workload.

9.48 In cases of national groups being part of GEGs and the NSI being a partnering NSI, the NSI is recommended to share the list it has decided (including information on the type of profiling) with GDC NSIs, other partnering NSIs involved and Eurostat.

NATIONAL PROFILING STEP 2: PROFILING OF ALL-RESIDENT GROUPS AND NATIONAL PARTS OF GLOBAL ENTERPRISE GROUPS

9.49 The NSI validates and updates the national legal and statistical units' structure of national enterprise groups in the national statistical business register.

9.50 If a European profile is available, it is recommended that a partnering NSI use this information as reference for validating and updating national legal and statistical units' structure.

9.51 A partnering NSI includes in national profiling the validation of information on cross-border control relationships, national enterprises and information on the GDC. In case of changes, a partnering NSI initiates a procedure to achieve at the ESS level a coordinated decision on cross-border control relationships and the country of the GDC.

9.52 The NSI documents the results of this validation — in the form of background information on changes in statistical unit structures, information on the impact on statistics and methodological considerations — in a log, which is shared with statistical domains involved and possibly GDC NSIs, other partnering NSIs and Eurostat.

Box 9.2: National practices on light and intensive profiling

Statistics France (INSEE)

The selection of groups subject to profiling is based on:

- their economic weight measured by their value added and the number of employees in France;
- the potential complexity of the group according to the number of legal units it is made of in France;
- the degree of concentration of the turnover — if the concentration is low, the interflows are potentially higher and more complex to identify;
- the variety of activities, measured through the main activity of the legal units (observed through the SBS survey) and/or the annual report.

Statistics Italy (ISTAT)

Profiling is considered a continuous activity.

At the beginning of the year, groups are chosen that should be manually investigated during the year, for the different necessary objectives: national profiling, international profiling, validation phase of the national statistical business register or the EuroGroups Register (EGR). The identification of groups to be both manually validated and profiled involves different statistical domains.

Groups are selected by using an algorithm that was developed internally. This algorithm is based on dimensional criteria such as employment, assets and turnover thresholds. Some other groups relevant to the Italian economy because they operate in special economic sectors, such as the digital economy, are chosen in agreement with Italian National Accounts experts. Furthermore, some collaboration with FATS colleagues is carried out to fill the information gap about multinational groups. In addition, the list of groups to profile has to be agreed with SBS colleagues, since they are responsible for the Italian survey that measures intra-flow in multinational groups.

Statistics Netherlands (CBS)

Light profiling is limited to the statistical business register department. Instead CBS has introduced a 'macro-validating process' to check the quality of monthly master frames. Changes in the variables of the statistical units (mostly related to changes in the NACE code or the size class) are monitored at the macro level by comparing the variables of a statistical unit in the draft frame with those in the previous master frame. The macro-validator (or the statistical department) determines whether or not a major change in a characteristic should be a trigger for a profiler to validate a change.

The selection of groups that are subject to intensive profiling is based on criteria such as:

- complexity statistical impact score, based on criteria such as size (total assets, employment), number of layers in the legal unit structure and contribution (%) to employment figure of NACE division;
- significant issues with integration of data of a group in calculating national accounts;
- if the group is critical for the quality of foreign trade statistics;
- significant issues in the legal unit structure of groups, for example groups that are part of multinationals or include legal units used for financial purposes (for example special purpose entities).

Box 9.2 (continued)

Intensive profiling consists of two types: active and reactive.

Reactive profiling is a continuously ongoing process. If there is a relevant change, a profiler has to investigate the correctness of the information and find out the consequences for the group structure and statistics. Every month, a master frame is created in the business register. All data that have been approved by the profilers are recorded in a preliminary frame. The reactive process can thus lead to 12 different monthly views of a group. For short-term statistics this is essential.

Active profiling is a time-consuming process, which can take several days for one group. The first step is to create a control cluster to delineate the (national) enterprise group. The second step is to check the method of consolidation. The third step is to create the enterprises within the enterprise group, following a top-down approach. The fourth step is to link the legal units to the enterprises. The final step is to make a report, which contains an explanation of the decisions made on the delineation of statistical units. Depending on the changes in a group, a new profile might have to be created from scratch or the existing one could be updated.

Statistics Norway

The groups are selected based on an indicator of the complexity of the structure of a group. This indicator is calculated from the number of legal units in the group, the number of different four-digit NACE codes, whether or not the group is a multinational, the number of ancillary units and the number of holding companies. The higher the indicator score, the larger and/or more complex is the group.

In addition, the needs of the statistical domains are taken into consideration when selecting groups for manual profiling. The most complex / largest groups will be subject to intensive profiling.

9.3.4 Automatic profiling

9.53 Sections 9.3.2 and 9.3.4 describe profiling as a manual process. European and national profiling can also be carried out automatically. In this case, algorithms in software applications are used to derive and maintain the statistical unit structures.

Box 9.3: National practices on automatic profiling

Statistics France (INSEE)

The scope of automatic profiling covers groups that are not manually profiled. The legal units are split into two parts.

1. The legal units within the scope of SBS, excluding the financial sector, are combined into one [enterprise].
2. The other legal units, if any (foreign or belonging to the agriculture or financial sector), are each considered an [enterprise] consisting of a single [legal unit].

Thus, each group will include at least one [enterprise]. The creation of [enterprises] in the SBR is also accompanied by the automatic calculation of essential variables of the business register (main activity, workforce, turnover). These variables are necessary for the definition of the scope and for stratification purposes in sampling frames.

Source: UNECE (2017), The calculation of the automatically profiled enterprises characteristics in the statistical business register, France

Statistics Italy (ISTAT)

The method of automatic profiling developed and implemented by ISTAT aims to automatically identify the enterprises as sets of resident legal units under joint control. This method is applied by using microdata from an integrated database that links together different national data sources. The Italian Business Register of Enterprise Groups is the core; in addition, the following data sources are used: (1) the Italian statistical business register of active legal units, (2) the statistical register frame SBS, which provides the main economic aggregates, among them the key SBS variables necessary for the algorithm such as value added, revenues and costs, and (3) economic information from financial statements.

The automatic approach is applied to all enterprise groups labelled as 'SBS groups', which are groups whose principal economic activity is consistent with the SBS target population, which covers Sections B to S of NACE Rev. 2, excluding financial and insurance activities, which are investigated by the National Bank (Section K), the sector of public administration and defence, and compulsory social security (Section O), and Division 94 (activities of membership organisations).

Statistics Norway

Automatic profiling is applied to enterprise groups not subject to manual profiling, if all legal units in the groups belong to the non-financial and non-public sectors. Automatic profiling is not applied to enterprise groups that have legal units within the financial or public sector.

The source of enterprise groups is the enterprise groups register at Statistics Norway. Before applying the algorithm for automatic profiling, additional information on the legal units is added from the national statistical business register and from accounting data. At the group level, information on foreign ownership is added from the EGR, inward foreign affiliates statistics (IFATS) and outward foreign affiliates statistics (OFATS). The algorithm starts by calculating several variables needed: the number of legal units in the groups, the number of ancillary units and the number of holding companies.

For all legal units in a group, the algorithm combines all legal units with the same four-digit NACE-code and the same institutional sector code into an enterprise. Ancillary units are marked and have the NACE code of the legal unit they are ancillary to, so they are automatically assigned to the correct enterprise. Holding companies are also marked. They are automatically assigned to the enterprise with the same NACE code, if there is one, or otherwise given the NACE code of the largest legal unit in the group based on employment or turnover. An indicator is calculated based on the number of legal units, ancillary units and holding companies in the group. This indicator is used to identify groups that are complex and should be checked manually before being approved.

Section 9.4 Timing of profiling processes

9.54 A profiling process should take into account timetables for creating master frames, global as well as national. A crucial process requirement is: **profiling precedes the process of creation of master frames**. In case of the use of a sub annual frame, the timing has to be coordinated with the timetable for creating these frames too.

9.55 As explained in [Chapter 10](#), the moment of creation of a master frame is dependent on the timing of statistical production processes. Statistical production processes based on direct data collection need a master frame for deriving survey frames soon after the end of a reference period. Statistical production processes based on the use of administrative data need a master frame at the moment when (sufficient) data are available. Moreover, a complicating factor is that the timing and methods of statistical production processes differ from Member State to Member State.

9.56 Generally, direct data collection is still a major way of collecting data on large enterprise groups. If sub annual and annual master frames are coordinated, profiling is a proactive process of continuously analysing and processing of updates in the live register, coming from business register sources, or of information coming from statistical surveys or provided by public news channels and, of course, (sub)annual reports or direct communication with contact persons at enterprise groups.

9.57 Certainly, if profiling is also intended to support the production of consistent sub annual statistics, profiling is a continuous process of actively following developments in the legal and organisational structures of groups, for example through news channels, quarterly and annual reports, business register updates and feedback from enterprise groups and statisticians.

9.58 Regarding GEGs, international coordination of profiling processes is a major challenge. The timing and the way of implementing the role of statistical business register as a backbone for business statistics differ from NSI to NSI. So do the composition of the population of (national parts of) GEGs to be profiled, and national practices of data collection (direct data collection via surveys, use of data available in administrative and other sources) and of data processing.

9.59 Nevertheless, international coordination of profiling processes offers opportunities to improve the efficiency and effectivity of data quality management of statistical business registers and of statistical production processes, and to coordinate, step by step, the timetables for the creation of master frames and profiling processes.

9.60 Regarding timing, a distinction has to be made between the establishment of an initial profile and the timing of structural profiling processes. The timing of an initial profiling process will usually follow a different timetable.

9.61 Producing a first intensive profile is time-consuming and should be carried out carefully. Such a profile should be based on a thorough analysis of data in business registers, annual reports and legal, operational, organisational and accounting structures. It requires interaction with the groups themselves as well as with the statistical domains, including getting agreement on the timing of implementations in master frames.

Section 9.5 Organisation of business statistics via management approaches

9.62 As profiling is aimed at the delineation and maintenance of statistical unit structures in statistical business registers, traditionally profiling is organised in units responsible for the maintenance of statistical business registers. However, the use of multiple sources, different survey methodologies and periodicities, and different statistical units, in combination with complex organisational structures of enterprise groups, easily brings about consistency issues in the process of compiling short-term statistics (STS), as well as SBS, international trade in goods statistics (ITGS), international trade in services statistics (ITSS), FDI statistics, FATS and statistics on GVCs, and ultimately as a source for compiling balance of payments (BoP) and national and European accounts.

9.63 Globalisation increases the importance of GEGs. In cases of complex ownership structures and global production arrangements, the measurement of their activities and proper recording of their transactions create major challenges for the national statistical authorities, NSIs and national central banks (NCBs).

9.64 These developments influence traditional organisational structures of statistical institutes and, as a consequence, necessitate more (vertical as well as horizontal) coordination of statistical production processes. Given the importance of large enterprise groups, the establishment of an LCU is an organisational solution for coordinating and monitoring (at national as well as European level) the different inputs and outputs of statistical production processes concerning large and complex enterprise groups. In the case of an LCU approach, the relationship with profiling needs to be clarified and defined. The main purpose of such a unit is to improve the quality, consistency and coherency of the data of various statistical domains, whereas profiling is a method to identify statistical units, especially the unit 'enterprise'.

9.65 The main tasks of such a unit could be the following.

- Account management. This involves maintenance of communication and good working relationships with large enterprise groups.
- In cases of GEGs, participation in international networks of similar organisational units. Generally, statistical production processes do not follow a strict logical sequence of activities (production chain) with coordinated timing. Statistical production chains rather operate as a network of processes connected by recursive loops and cross-relationships.
- Defining, in consultation with statistical domains and enterprise groups, the statistical units and reporting structures for different kind of statistics.
- Management of linked statistical processes: coordination and monitoring of production chains. This involves different connected and interdependent processes, including maintenance and updates of the statistical business register, data collection, consistency checks on data provided, the analysis of estimates of primary SBS and STS variables (for example turnover, employment and wages) and integration into quarterly accounts and national accounts.
- Carrying out consistency checks on data collected, either by direct surveys or extracted from administrations, for example tax administration. Generally, inconsistencies are detected in the production of BoP and national and European accounts. Since all processes are linked together, improving the quality of one process and its outcome will affect the other processes and their outcomes as well. Improving the quality at the beginning of these linked processes (inputs) will be more rewarding and beneficial than improving the quality at the end (outputs): if a statistical outcome is corrected without correcting the source of the error, the error may reappear over and over again. Such a solution may also contribute to improving efficiency and reducing the statistical reporting burden on groups.

9.66 There are different options for placing such a unit in the organisational structure of a statistical office, but it is recommended to organise such a unit close to data collection and business registers.

Box 9.4: National practices on large case units

Statistics France (INSEE)

The profilers belong to the unit called *Profilage et traitement des grandes unités*, located in the Business Directorate, as part of the department responsible for business registers and structural business statistics.

Statistics Italy (ISTAT)

ISTAT's LCU started its activities at the beginning of 2017. It operates within the Directorate for Economic Statistics. Currently its main objective is to keep the internal users informed of the main restructuring events in the top 140 enterprise groups by:

- strengthening cooperation between the various domains;
- sharing information on restructuring cases;
- creating specific data reporting procedures for single groups;
- developing methods to promptly identify consistency problems.

The LCU is also in charge of the early warning system.

Annually, the groups selected in the target for reference year t are compared with those of reference year $t - 1$ in order to identify the most significant differences. This comparison is necessary to assess the perimeter from a longitudinal point of view.

ISTAT's LCU is organised as a network. About 15 experts are annually involved in the LCU's activities, making a total of 3 full-time equivalents. The members of the team are currently from statistical business register, SBS, STS, FATS and foreign trade statistics.

The LCU cooperates with the Directorate for National Accounts in order to have a common and coherent treatment of specific and complex cases as well as to consistently manage the globalisation aspects.

The main task of the LCU is internal monitoring. It shares, internally as well as externally, signals and reports on the main restructuring events.

The LCU is not directly involved in data collection, but promoting good cooperation with the enterprise groups is another task of the LCU, jointly carried out with the Directorate for Data Collection. In addition, the LCU can carry out an account management role with statistical domains.

Profiling activities are not a task of the LCU. Profiling is carried out by another team within the Directorate for Economic Statistics.

Statistics Netherlands (CBS)

Profiling of the largest and statistically most important groups is organised in an LCU, which is not part of but closely connected to the business register department (for more detail, see Vennix, K., 2017).

Profiling tasks are combined with account management and involvement in different stages of statistical production processes such as data collection, consistency checks on collected data, maintenance and updates of the business register, the analysis and estimates of primary SBS and STS (for example turnover, employment and wages) and integration into quarterly accounts and national accounts.

Statistics Norway

In Norway the LCU group works on data quality, while profiling is mainly the responsibility of the profiling group. Since the main focus is on data quality, the focus is on legal units (not groups). However, to evaluate data on legal units in an enterprise group, it is sometimes necessary to evaluate the data on some specific units in connection with other legal units in the same group (ancillary activities, head offices, etc.).

10

Frame population methodology

Section 10.1 Introduction

10.1 One of the principles of the *European Statistics Code of Practice* is that ‘European Statistics are consistent internally, over time and comparable between regions and countries; it is possible to combine and make joint use of related data from different data sources’ (European Statistical System Committee, 2017, Principle 14).

10.2 Another principle of the *European Statistics Code of Practice* is that ‘Sound methodology underpins quality statistics. This requires adequate tools, procedures and expertise’ (Principle 7).

10.3 This chapter describes the methodology of how a statistical business register (SBR) can contribute to the achievement of consistent and comparable business statistics by creating and using coordinated populations of statistical units. The concept of ‘frame population methodology’ refers to a method, rules and procedures for defining and using frame populations in statistical production processes.

10.4 While the live register changes on an ongoing basis, statisticians need coordinated survey populations by reference period as input for their processes. If surveys are conducted on the basis of frames for a given reference period selected at different points in time, the composition and the quality of the population of statistical units in the live register at the times the survey frames are drawn will differ. This indicates the need to select survey populations from a master frame. The ‘backbone’ role of the statistical business registers means that statistical users coordinate their survey population on the same version of a frame population in their statistical production processes. A master frame is selected from the live register.

10.5 A master frame and the predefined subpopulations help to compose survey frames and support the integration of the statistics both vertically and horizontally as well as regionally, nationally and globally. Moreover, integrated survey frames improve the effectiveness of the data collection and the survey process, and help to reduce the response burden.

10.6 The increasing importance of globalisation triggers additional needs to extend the backbone role for national business statistics to facilitating the integration of data on statistical units, as created and used by national statistical institutes (NSIs) from different countries (facilitating vertical integration). For this reason, the scope of the frame population methodology includes the global dimension.

10.7 There is a need to use short-term business statistics as predictors of changes in annual business statistics. Master frame populations are created by reference period. To observe the above principle that ‘Statistics are consistent internally, over time’, annual and sub-annual master frame populations should be coherent and consistent too. Business statistics are produced by reference period, which implies that frame populations should in principle refer to all units that are (partly) active during that reference period.

10.8 The core of the frame population methodology described in this chapter is intended to make recommendations for the production and use of an annual master frame.

10.9 Another requirement is to provide recommendations for the production and use of annual master frames containing master frame populations of the unit types ‘enterprise group’, ‘enterprise’ and ‘legal unit’, and relationships between these units with their core subpopulations defining variables.

10.10 These unit types are relevant to statistical domains such as the following.

- **Structural business statistics (SBS).** Business demography statistics are considered as part of this theme.
- **Short-term statistics (STS).** The scope is restricted to statistical production processes, which are based on the collection of kind-of-activity unit (KAU) information at the level of the unit type 'enterprise' (primary and secondary activities).
- **Statistics on the structure and activity of foreign affiliates.** These cover inward and outward foreign affiliates statistics (FATS).
- **Statistics on foreign direct investment (FDI).** This includes inward and outward FDI (annual and sub-annual).
- **Statistics on science and technology.** Examples are statistics on research and development and on innovation.
- **Global value chains (GVCs).** Structural information about the enterprise and its business organisation, about the organisation of the GVCs in the enterprise and about the factors influencing the organisation of the GVCs.

10.11 The master frame is also relevant to business statistics using other unit types, for example intra- and extra-EU trade operators, by offering links with statistical unit types such as 'enterprise' and 'legal unit', enabling the integration of different kinds of business statistics.

Section 10.2 Definition of an annual master frame

10.12 This chapter is based on the definition of an annual master frame shown in Box 10.1.

Box 10.1: Definition of an annual master frame

The annual master frame consists of the populations of statistical units and their relationships active at the end of the reference year (year t) according to the state of information in the national statistical business register and the EuroGroups Register (EGR) at the point in time of selection.

10.13 An annual master frame can refer to a point in time, in which case it is known as a '**point in time annual master frame**', or to a volume frame. Statistics, such as SBS and business demography statistics use the concept of '**volume frame population**', which includes not only units active at the end of a reference year but also units active during a part of that reference year (see [Section 10.5](#)). Other statistics, such as FATS, refer to a state at the end of a reference year.

Box 10.2: National practices on (sub)annual master frames

Statistics Estonia

An annual master frame population contains enterprises that had the status 'active' in the statistical business register during year t (a volume master frame population). Enterprises that were active for at least a part of the year are covered.

Statistics Finland

Statistics Finland introduced an integrated production system for business statistics called YTY in 2013. YTY is a (very) large production system including the statistical business register, SBS, business demography and STS.

Since YTY is an integrated production system, the statistical business register does not (literally) publish/distribute master frames for SBS and STS. Instead, statistical business register information is located and processed in the same (physical) database tables as SBS information, and these two statistical domains have integrated production processes.

Box 10.2 (continued)

STS have their own dedicated database tables for monthly information, but information on, for example, Statistical Classification of Economic Activities in the European Community (NACE) codes, events and changes in statistical unit structures are shared with the statistical business register and SBS. This does not necessarily mean that figures published in all YTY-based business statistics will be harmonised, especially if selection criteria vary between statistical domains.

YTY's production database serves as a place for processing unit-level data. Production processes include extract, transform and load processes, automatic and manual validation phases, editing and imputation. YTY Data Warehouse (DW) contains several versions for each reference year, in other words the latest (live/open) version and released (frozen/fixed) versions.

Business statistics are published based on released versions. Depending on their survey-specific needs, YTY users selecting survey frames can choose between a volume frame population (for example DW version for structural business and financial statement statistics) and a point in time annual frame (open DW version).

Statistics Ireland

The master frame contains enterprises with activities during the calendar year, regardless of the time of year at which that activity takes place.

Statistics Netherlands (CBS)

A monthly master frame consists of all validated active statistical units — enterprise groups, enterprises, local units — at the moment of selection and is considered to be a volume master frame for the reference month concerned.

Each monthly master frame (M01–M12) is used as a survey frame to draw a sample of ENTs for the data collection for the monthly STS surveys.

Each third month is used to draw a sample of enterprises for the data collection for the quarterly STS surveys (Q1, M03; Q2, M06; Q3, M09; Q4, M12).

For SBS the master frame of December (M12) serves as the sample frame for annual statistics.

The enterprise population used to describe SBS indicators consists of all enterprises that occur in at least one of the monthly master frames of reference year t . This refers to an annual volume master frame. This frame is also used for business demography.

Statistics Portugal (INE)

The master frame population contains enterprises that had the status 'active' during reference year t and all enterprises born during year $t + 1$ plus all enterprises reactivated during year $t + 1$.

Statistics Sweden (SCB)

Statistics Sweden produces both point in time frame versions and volume frame versions.

The frame population produced in November of year t (the reference year) is a point in time frame version of the national statistical business register and is usually considered the frame population reflecting the state of the business population (enterprise, legal unit, local unit, KAU and local KAU) and its variables at the end of reference year t .

Both point in time frame versions and volume frame versions are produced based on the national statistical business register. The statistical domains are free to choose the frame(s) most suitable for the surveys they produce. Should modifications of frames made available from the national statistical business register take place, this is not the responsibility of the national statistical business register.

SBS use the November point in time frame version from the national statistical business register.

The business demography statistics use a volume frame, which is based on the November point in time frame but also takes into account all enterprises that have been active at any time during reference year t . The volume frame is produced in May of year $t + 1$.

10.14 Business statistics are produced on a '**target population**'. The target population is the population about which **information is to be sought**. In practice, comprehensive information on a target population is seldom available. For this reason, statistical domains define **survey frames**, which contain information on the population from which **information can be obtained**. The annual master frame is used to derive survey frames for statistical domains producing annual coordinated business statistics.

10.15 The increasing impact of globalisation on the way production and financing processes are organised causes an increasing demand from statisticians for information on the global context. Statistical business registers are requested to produce national frames including global information. For this purpose, the EGR was established, which is expected to produce global master frames. A global master frame consists of integrated national master frames complemented with a global dimension: global enterprise groups (GEGs), cross-border control relationships and links with national statistical units.

10.16 Master frames are used to select statistical units that are the subject of a specific kind of statistics or statistical domain. These selections are called **survey frames**. It has been decided in the survey design phase whether the survey observes all units of the frame population (census-type survey) or selected units of the population only (sample survey). In the latter case, the survey frame serves as a basis for sampling; therefore, the survey frame will be a **sample frame**.

10.17 Statistics are comparable if based on the same populations classified according to their main and shared variables such as NACE code, size class, country code or institutional sector code. This requires a common definition of the content of an annual master frame (see [Section 10.3](#)).

10.18 The survey strategy determines at what time an annual master frame population should be available for selecting a survey frame. In principle, master frames can be produced at different points in time, optimised for each statistical domain.

10.19 However, individually optimised frames will be at the expense of cross-domain consistency. A shared master frame for reference year t , selected and available at an appropriate and agreed moment, is needed to ensure consistency of statistics as far as it is dependent on the composition of the population (see [Section 10.4](#)).

10.20 After the creation of an annual master frame for reference year t , changes in the live register could affect frame populations, and changes in frame populations could affect survey populations and finally statistical output. For example, if in a live register it is detected that the NACE code of an enterprise should be changed, and the NACE code is used for the selection of a master frame and subsequently for the selection of a survey frame, correcting the master frame would affect the statistical production processes of different statistical domains from data collection to grossing-up and calculating aggregates. A common approach is needed for handling changes (see [Section 10.6](#)).

Section 10.3 Content of an annual point in time master frame

10.21 This section describes the recommendations for the content of an annual master frame as a point in time annual master frame. The backbone role of the statistical business registers means that statistical users can coordinate with each other by using the same version of a frame population in their statistical production processes, expressed by a coordinated/shared use of three types of variables: identification variables, economic/stratification variables and variables used to facilitate integration of data.

10.22 This section refers to the content of an annual master frame. However, if there is a need for coherence between annual indicators (for example SBS) and those covering a shorter period (for example STS), this requires coherence between the underlying monthly, quarterly and annual master frames (see [Section 10.6](#)).

10.23 Table 10.1 gives an overview of the basis set of unit types, their variables and their relationships. The table includes information on which frame is source for which unit type and which variable. The application of the authentic source principle⁽¹⁾ is a critical factor in the creation and use of an annual master frame as a backbone that includes the national as well the global dimension.

⁽¹⁾ The authentic source principle means that the national statistical institute business registers are defined as exclusive or non-exclusive sources of information on specific entities in EGR.

Table 10.1: Example of unit types and variables from annual (global or national) master frame

Unit type	Variable	Backbone role
Global enterprise group Source: global master frame	Identity number of the global group	Identification variable
	Name of the global group	Identification variable
	LEID of the global group head	Identification variable
	Country of GDC	Economic/stratification variable
	Country of residence of UCI	Economic/stratification variable FATS
	Size class	Economic/stratification variable
	Date in annual master frame population	Statistical date of entrance of GEG into master frame population
National enterprise group (EU area) Source: national master frame	Identity number of the national enterprise group	Identification variable
	Identity number of the GEG Source: global master frame	Identification variable
	Name of the national enterprise group	Identification variable
	Identity number of the head of the national enterprise group	Identification variable
	Type of national enterprise group: all-resident group; domestically controlled national enterprise group with enterprises abroad; foreign-controlled national enterprise group Source: global master frame	Economic/stratification variable
	Principal activity code of the national enterprise group at NACE two-digit level	Economic/stratification variable
	Size class of national enterprise group	Economic/stratification variable
Enterprise (EU area) Source: national master frame	Identity number	Identification variable
	Name	Identification variable
	Identity number of the national enterprise group to which the enterprise belongs	Facilitating integration
	Principal activity code at NACE 4-digit level	Economic/stratification variable
	Size class	Economic/stratification variable
	Institutional (sub)sector according to European System of Accounts Source (partly): global master frame	Economic/stratification variable
	Country code	Economic/stratification variable
	Identity number of the global group Source: global master frame	Facilitating integration

Unit type	Variable	Backbone role
Legal unit (worldwide) Sources: resident legal units: national master frame non-resident legal units: EGR IS	LEID	Identification variable
	Identity number in national SBR	Identification variable
	LEI	Identification variable
	Source: GLEIF	
	Name	Identification variable
	Country code	Identification variable
	Identity number of the enterprise	Facilitating integration
	Identity number of the national enterprise group to which the unit belongs	Facilitating integration
	Identity number of the global group	Facilitating integration
	Source: global master frame	
	Type of legal unit (branch, incorporated unit or natural person)	Facilitating integration
	Special purpose entity code	Identification variable
	Value added tax registration number	Identification variable and facilitating integration of tax data
	Reference to the register of intra-Community operators set up in accordance with Regulation (EC) No 638/2004 of the European Parliament and of the Council, and reference to customs files or to the register of extra-Community operators	Identification variable and facilitating integration of trade data with enterprise information
Control of legal units Sources: control relationships between resident legal units: national master frame cross-border control relationships or control relationships between non-EU resident legal units: global master frame	References to other administrative registers	Identification variable and facilitating integration of administrative data
	LEID(s) of legal unit(s) controlled by the legal unit (assigned by EGR IS)	Identification variable
	LEID of the legal unit that controls the legal unit (assigned by EGR IS)	Identification variable
	Kind of control (direct or indirect)	Economic/stratification variable
Foreign ownership of legal units Source: global master frame	Date of start of the control relationship	Economic/stratification variable
	LEID(s) of legal unit(s) owned by the legal unit (assigned by EGR IS)	Identification variable
	% of shares (10 % or more)	Economic/stratification variable
	Date of start	Economic/stratification variable

Note: GDC, global decision centre; GLEIF, Global Legal Entity Identifier Foundation; IS, Identification Service; LEI, legal entity identifier (GLEIF); LEID, legal entity identifier (EGR); UCI, ultimate controlling institutional unit.

10.24 Note, regarding the definition of the size class: although the size class is an important variable in defining harmonised survey frames and sampling procedures, this variable is not a legally required business register value. The legally required business register value is the actual number of employees and self-employed persons. Furthermore, business statistics use different size class variables. Member States have the option to include such variables in their registers. Depending on national needs and available data, they may include one or more types of size class variables in their register, for example based on employment, turnover or balance sheet total. The most used size class criterion in business statistics and business registers is the number of employees and self-employed persons.

10.25 The annual master frame provides (a minimal set of) backbone information on the organisational structure of the business population.

10.26 To serve other roles (see [Chapter 2](#)), more information may be attached to an annual master frame and provided to statistical domains, for example:

- current information to support data collection, for example current contact information on reporting units;
- current information on the number of persons employed by reference year, which may be used in statistical production processes, for example for imputation in case of missing information;
- up-to-date information on whether or not a statistical unit included in the annual master frame was really active in the reference year concerned;
- current information on economic demographic events for compiling register-based statistics, for example business demography statistics (the production of register-based statistics is considered a separate statistical production process);
- information on response burden, which may be used as a stratification variable to spread the response burden.

10.27 This kind of information can be tailor made and offered to statistical users as additional services.

GLOBAL ENTERPRISE GROUP

10.28 The population of GEGs consists of groups that operate enterprises in two or more countries.

10.29 There may be cases in which information on the global group structure is incomplete, for example at national level validated information is available that a national enterprise is part of a global group, but the EGR does not have full information on the organisational structure of a global group. The methodology expects that in such cases a global group is included in the global master frame.

10.30 In most cases of GEGs, the country of residency of the global group head defines the variable 'country of UCI [ultimate controlling institutional unit]'. The UCI in FATS may also be identified as another unit, or group of units, not reflected in the EGR (or other cross-border information on the statistical business register). If a natural person is the controlling unit and does not act as an economic operator, the country of residence of the natural person defines the country of the UCI that is available in the EGR.

10.31 The variable 'size class' serves as an economic/stratification variable allowing sampling procedures (among which cut-off samples). The size class may also play a role in selecting the largest group for data quality management of UCI information and the handling of changes after a master frame has been created.

ENTERPRISE

10.32 The statistical unit 'enterprise' is the core statistical unit type. The enterprise is the statistical unit to which most business statistics refer.

10.33 This chapter considers this unit a **national** unit acting as a producer of goods and services. Regarding the EU / European Free Trade Association (EFTA) area, the enterprise is defined by NSIs either by profiling or by the application of automated algorithms in the live register.

10.34 The primary identity number is the unique identifier as assigned in a national master frame. In addition, the institutional sector code, the NACE code and the size class are key variables for delineating, coordinating and stratifying survey populations in producing comparable and consistent business statistics and national accounts. The list contains a minimum set. An NSI may use additional variables for statistical as well as stratification purposes.

10.35 The identity number of the global group is needed and has to be attached to the economic/stratification variables such as country of the GDC and country of residence of UCI.

10.36 The annual master frame contains enterprises operating in the EU area and does not contain enterprises outside the EU area. Outward foreign affiliates statistics (OFATS) follow the same underlining principles for delineating enterprises as those established for delineating the resident units. The difference would be a practical one, in that access to necessary information may be more difficult to obtain for compiling statistics on enterprises outside the EU.

LEGAL UNIT

10.37 This unit type is a core unit for communicating with the real world about the composition of statistical units and linking to unit types on which data from external sources such as value added tax (VAT) are available.

10.38 The primary identity number is the unique identifier provided by the EGR Identification Service (EGR IS).

10.39 The Legal Entity Identifier (LEI) is a global unique identifier assigned to legal units by the Global Legal Entity Identifier Foundation (GLEIF). It is an important identification variable, allowing access to or use of information on control relationships and financial transactions.

Box 10.3: About the Global Legal Entity Identifier Foundation

Established by the Financial Stability Board in June 2014, the GLEIF is tasked with supporting the implementation and use of the LEI. The foundation is backed and overseen by the LEI Regulatory Oversight Committee, representing public authorities from around the globe that have come together to jointly drive forward transparency within the global financial markets. GLEIF is a supranational not-for-profit organisation headquartered in Basel, Switzerland.

GLEIF makes available the Global LEI Index, the only global online source that provides open, standardised and high-quality legal entity reference data. By doing so, GLEIF enables people and businesses to make smarter, less costly and more reliable decisions about whom to do business with.

The LEI is a 20-character alphanumeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Each LEI contains information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'.

Source: GLAIF (<https://www.gleif.org/>)

10.40 The population of legal units consists of incorporated and unincorporated units. This population includes quasi-legal units too (see the variable 'type of legal unit'), for example an establishment in country B of a legal unit resident in country A.

CONTROL RELATIONSHIP BETWEEN LEGAL UNITS

10.41 The set of control/ownership relationships shows the situation at the end of a reference year (including relationships dissolved immediately before 1 January of the next reference year).

10.42 The 'date of start' of the control/ownership relationship is a statistical date, pointing to the date from which the control relationship is part of the annual master frame population.

10.43 The variable 'kind of control' is required to enable the identification of the global group head without registering the full chain of direct control relationships.

Section 10.4 Timing of creation and use of an annual master frame

10.44 The timing of the creation of an annual master frame population depends on the requirements of statistical production processes and it is often a compromise between timeliness and accuracy. The length of the time lag between the reference year t and the moment when an annual master frame is needed for the selection of survey frames, the sampling procedures and the subsequent data collection processes is a compromise between timeliness (shorter is better) and accuracy (more is better).

10.45 Statistics published close to the reference period are generally more interesting (high timeliness), but the accuracy of the master frame on which these statistics are based could have some defects. On the other hand, statistics published late after the reference year will have low timeliness, but the accuracy of the frame will normally be better.

10.46 Statistical domains have different requirements regarding the moment a frame population is needed. Those requirements also vary from NSI to NSI. Statistical production processes based on surveys and direct or primary data collection may need a population right at the end (or close after the end) of a reference year. If administrative data are used (secondary data collection) this moment may be later. More and more, statistical production processes consist of a mixture of primary and secondary data collection.

Box 10.4: National practices on timing of creation and use of (sub)annual master frames

Statistics Estonia

A preliminary frame is compiled by the end of October of year t and it is used for compiling the samples of SBS for the same year and STS for the next year. There are subpopulations for annual and short-term statistics in the frame. For example, units that ceased their activity in year t are included only in the annual part of the frame, whereas units that were registered during year t and show no life signs yet are only in the short-term subpopulation.

The final frame will be implemented by the end of October year $t + 1$, and will be used for producing the final results of SBS. In general, SBS data are collected by survey.

Statistics Ireland

The frame of reference year t , used as a basis for business demography and SBS, is created in April year $t + 1$, with an updated frame file at the end of year $t + 1$.

Statistics Netherlands (CBS)

At the start of each month, a monthly master frame is extracted from the live statistical business register.

Each third month is used to draw a sample of enterprises for the data collection for the quarterly STS surveys (Q1, M03; Q2, M06; Q3, M09; Q4, M12).

The sample of enterprises for the annual SBS survey is drawn from the frozen frame of December (M12).

The enterprise population to describe SBS indicators consists of all enterprises that are active in at least one of the monthly frozen frame of the reference year. This refers to an annual master frame.

Statistics Portugal (INE)

The master frame population of enterprises is selected in December $t + 1$ and is available for selecting survey frames in January $t + 2$.

Statistics Sweden (SCB)

In each reference year four frame populations are created. All of them are based on frozen, point in time versions of the live statistical business register. The last one is produced at the end of November of reference year t and made available to users 1 week later. The November version is used by SBS and other enterprise-based annual statistics.

For business demography statistics, the basis is the point in time frame version of the national statistical business register from November. At the beginning of year $t + 1$, registrations and deregistrations of legal units made in December are accounted for (for almost all cases in the national statistical business register, an enterprise = a legal unit). Then, all enterprises that were active (but closed down) during year t are included. Finally, the numbers of employees are updated, which affects the updates of size classes. The frame is produced five months after the end of year t .

10.47 The master frames can be produced at different moments optimised for each statistical domain, considering the quality level of a live register. However, individually optimised frames will be at the expense of cross-domain consistency and of efforts to produce statistics based on integration of outputs of various production processes. Instead, a shared master frame population is needed to ensure consistency and to facilitate integration as far as it is dependent on the composition of the population.

10.48 The conflict between accuracy, consistency and timeliness can be handled by producing several population frames: a preliminary frame for quick sampling of a target population, for instance, and a final frame for quality adjustment and better consistency between statistics disseminated.

10.49 Generally, in cases of direct or primary data collection, a survey frame population (and thus a master frame) is needed directly after the end of the reference period in the phase of 'Create frame & select sample' in the Generic Statistical Business Process Model (UNECE, 2019, phase 4.1) namely in the first quarter of the year following the reference year t and then at the end of March year $t + 1$. Several NSIs that use statistical business registers as a backbone for business statistics create at, or immediately after, the end of reference year t a national annual master frame population of enterprises, enabling the selection of coordinated survey frames serving coordinated sampling and data collection processes at the beginning of year $t + 1$.

Box 10.5: Create frame and select sample

This sub-process establishes the frame and selects the sample for this iteration of the collection, as specified in sub-process 2.4 (Design frame and sample). It also includes the coordination of samples between instances of the same statistical business process (for example to manage overlap or rotation), and between different processes using a common frame or register (for example to manage overlap or to spread response burden). Quality assurance and approval of the frame and the selected sample are also undertaken in this sub-process, though maintenance of underlying registers, from which frames for several statistical business processes are drawn, is treated as a separate business process. The sampling aspect of this sub-process is not usually relevant for processes based entirely on the use of pre-existing sources (e.g. administrative sources) as such processes generally create frames from the available data and then follow a census approach.

Source: Generic Statistical Business Process Model (GSBPM), version v5.0

10.50 If statistical production processes are based on secondary data collection, a master frame is needed at the moment when comprehensive data from other sources are available and have to be processed: the phase of 'Integrate data' (GSBPM, phase 5.1).

Box 10.6: Integrate data

This sub-process integrates data from one or more sources. It is where the results of sub-processes in the 'Collect' phase are combined. The input data can be from a mixture of external or internal data sources, and a variety of collection modes, including extracts of administrative data. The result is a set of linked data. Data integration can include:

- *combining data from multiple sources, as part of the creation of integrated statistics such as national accounts;*
- *matching / record linkage routines, with the aim of linking micro or macro data from different sources.*

Source: GSBPM, version v5.0

10.51 Given the increasing importance of statistics on globalisation — about 30 % of the production value created worldwide is created by GEGs — the timely availability of a global master frame is a critical part of the framework of business registers and of the processes of statistics on globalisation.

10.52 The core of the data quality management process of the EGR is focused on producing and disseminating an initial global master frame in the first quarter of $t + 1$ (for reference year t) and a final frame at the end of March $t + 2$. The EGR timetable, methodology and guidelines are available in a wiki communication space (restricted access).

10.53 If statistics on globalisation are based on primary data collection, a global master frame is needed in GSBPM phase 4.1, which implies the availability of a (preliminary) global master frame with coordinated information on the structure of GEGs directly after the end of a reference year.

10.54 For example, OFATS are produced by the NSI of the country of residence of the UCI. The EGR aims to be the provider of a global master frame with complete and unique information on the population of UCIs. For this purpose, the EGR provides an initial version of a global master frame (initial version) for reference year t not later than the end of March $t + 1$.

Box 10.7: Outward foreign affiliates statistics

OFATS describe the activities of foreign affiliates abroad controlled by a UCI resident in the compiling country.

A UCI is an institutional unit higher up a foreign affiliate's chain of control that is not controlled by another institutional unit.

Section 10.5 Point in time annual master frame versus volume annual master frame

10.55 The frame population methodology in this chapter is based on a selection of data on the business population at the end of a reference year according to the situation of the live register at the moment of selection: a point in time annual master frame.

10.56 Business statistics such as SBS and business demography statistics are produced on all the enterprises active during a reference year, which implies the need for a volume annual master frame. A volume annual master frame contains all units that, according to the business register at the moment of selection, were active during a reference year.

10.57 Theoretically it would be possible to create an annual master frame based on a volume approach. Generally, business registers contain information on previous statistical unit structures. Most statistical units included in a point in time annual master frame existed throughout the whole reference year or were created as 'born' during the reference year. However, some statistical units will have undergone changes in structure, for example events such as merger, takeover or split-off, and are de facto continuations of business activities that already existed at the beginning of the reference year. These changes could be real changes but also technical changes, for example as a result of initial profiling actions or corrections of mistakes.

10.58 The creation and use of a volume annual master frame including information on the dynamics during the reference year would imply complex functionalities in business register and statistical production processes. Such an annual master frame should contain information on many changes not only in units themselves but also in linkages (including over time: continuity) between units and whether changes are real or corrective. A master frame based on a volume approach has a serious risk of complications in data collection and validation procedures, for example confusion with data providers and risk of double counting.

10.59 For practical reasons, the recommendations in this chapter are restricted to the point in time approach. To meet the need for information on volumes, additional data sets could be created and disseminated to statistical domains that have to produce statistics on volume populations.

10.60 The final volume annual master frame to be provided to Eurostat must include information for all units that have been active on at least 1 day of the reference year. Reference dates of all variables in the final frame should refer to reference year t , reflecting the final picture of reference year t in the national statistical business register.

Section 10.6 Handling corrections of annual master frames: frame correction procedure

10.61 The business population is a very dynamic one, which makes it very complex to monitor and to interpret events promptly and correctly. The maintenance of live registers is largely dependent on administrative registers with their own concepts and data quality management procedures, which do not always meet the quality requirements of statistical business registers.

10.62 In practice this means that a user of a master frame (statistician) is confronted with imperfections in the population provided. The backbone function also requires rules and procedures on the handling of corrections to the content of master frames.

10.63 To enable coordinated handling, it is required to have common rules and procedures for dealing with these imperfections. Here they are called the frame correction procedure, which is part of the frame population methodology. These rules and procedures should take into account considerations of organisational, methodological and statistical relevance.

10.64 The processing of (all) changes in a final annual master frame, and after that in survey frame populations, increases the complexity of statistical production processes, not only methodologically but also technically and organisationally.

10.65 A change in the NACE code could imply a change from one survey frame to another and could have an impact on other statistical production processes. A change in the country of UCI would imply a change in organisation of the production of OFATS. In sample-based surveys, a change in the NACE code affects grossing-up procedures (methodological issue).

10.66 Another question is if processing all changes affects the quality of business statistics. Many changes do not affect the quality of statistics at an aggregate level.

10.67 The objective must be to minimise the kind and number of updates of a final annual master frame, and to restrict the kind and number of updates of the content of a final master frame and survey frames to updates that have a significant impact on the quality of statistics.

Box 10.8: National practices on handling of corrections on annual master frames

Statistics Estonia

As a basic rule, all changes are made in the operational database, not in the frame. Only in special cases are changes, such as including or excluding units or changing the principal activity or number of persons employed, also made in the preliminary frame.

Changes in the frame can be accepted if the unit's number of persons employed is 50 + or in cases when data significantly influence a certain field of statistics. All changes in the frame must be agreed with users.

The final frame will be produced in $t + 10$ months, as by this deadline all significant data on year t will be received. Statistics Estonia does not foresee any changes in the final frame after this deadline.

Statistics Ireland

For consistency and coherency across SBS, once the final frame is closed off, it is seen as final. After tests are run (legal form, NACE, county code, coverage, duplicates), a first cut of it is sent to the SBS department for comment, error checking and suggested amendments before the frame is closed. After that, any changes are noted and applied to the next frame.

Statistics Netherlands (CBS)

Statistics Netherlands no longer makes a distinction between real changes and technical changes. Its statistical business register maintenance strategy aims to prevent frame errors in larger and complex enterprise groups by applying macro validation.

Specialists of each statistical department are provided with information about changes in the larger and complex groups caused by the dynamics in the sources about a week before the monthly final frame is derived. During this week the specialist should make a decision in cooperation with the profilers of the statistical business register to prevent or correct major frame errors.

Some frame errors are treated (corrected) in the frame population used to compile business demography statistics.

Statistics Portugal (INE)

When the users of a population frame, be they methodologists or statisticians, detect errors that it is important to correct in the sample or to maintain coherence and accuracy in the production of indicators, they can propose a correction (update) of the annual population frame as a special case. All users can benefit from the correction.

Statistics Sweden (SCB)

In general, it is not possible in the current technical environment to document or make a non-manual distinction between real changes and technical changes (such as corrections in data from administrative data sources).

However, a structural change in the data from one of the administrative data sources is usually known in advance and can be documented. For instance, the threshold for having to pay VAT has changed a few times, which affected the legal activity status for a number of legal units (and enterprises). Likewise, a change in the methodology behind the compilation of the national statistical business register or the production of frame versions of the national statistical business register would be known in advance and documented accordingly.

There are no imputations or corrections, either in the point in time frame versions or in the volume frame versions of the national statistical business register.

10.68 The quality of an annual master frame regards the quality of information on the structure of the business population at the end of a reference year (as described in Table 10.1). The structure is expressed in statistical units, their identifiers and classifying variables such as institutional sector code, NACE code, size class and country of GDC. Survey frame populations consist of subpopulations selected from the master frame on the basis of the categorising variables such as institutional sector code, NACE code and size class.

10.69 The quality of a master frame can be boiled down to the dimension of coverage: under- and over-coverage. Treatment of units missed as a consequence of the decision to restrict the annual master frame to the situation at the end of a reference year requires a separate procedure.

10.70 The master frame for the end of reference year t misses enterprises that existed in the previous master frame ($t - 1$), or did not exist in either frame but were partly active in year t . A master frame for year t may contain enterprises that were involved in processes of organisational changes during the reference year, and that will affect the master frame populations. Moreover, the master frame for year t misses units that were included in the live register after the selection of the master frame.

10.71 Annual master frames may not be up to date because the following are missing:

- **existential changes** — real births or deaths of units (emergence or disappearance of a combination of production factors);
- **distributional changes** — changes as a result of a takeover, a break-up, a split or a merger (changes in the distribution of production factors between units);
- **changes of variables** — changes in institutional sector code, NACE code or size class.

10.72 Generally, the omission of such changes, called business events, is the result of time and the speed of the process determining the change. For example, the number of persons employed in an enterprise can vary from day to day. A change in the size class of an enterprise is the result of a process of growing or shrinking in terms of employment. A conclusion on a statistically relevant change in a size class is dependent on the speed of such a process and the length of the observation period. The length of an observation period is a statistical methodological decision. Similar considerations apply to changes in the NACE code.

10.73 Another example is a takeover of an enterprise by another group with the objective of integrating this enterprise with an existing one. It consists of a legal action, which is connected to a certain point in time, and the process of integrating the acquisition. Such an integration process takes time. Often the moment of real and full integration into a single enterprise is a management decision, and, in production of business statistics, may be a statistical decision taken in agreement with the management of a group. Even a birth or death is often a process of starting up or liquidation.

10.74 On the other hand, changes in the legal structure of the business population are events related to a point in time: administrative events. Often, administrative events precede business events. As statistical business registers rely heavily on administrative sources, the main challenge of statistical business registers is to 'translate' administrative events into business events.

10.75 Considering that business events are the result of processes, and the definition and implementation of a business event is a statistical decision, this means that not every change detected after the creation of a master frame has to be processed in the master frame immediately. For example, a change in size class of an enterprise can be implemented in the master frame of the following reference year based on the consideration that an enterprise has to show that a change in size class is lasting for some time (stability rule).

10.76 In cases of large and complex groups, such decisions may be taken on the basis of profiling actions that include not only methodological considerations but also consideration of the abilities of enterprises to provide data.

10.77 The fact that an annual master frame is used by several statistical domains in statistical production processes, which also may differ in the timing of the process steps, creates the need for a well-defined procedure for implementing corrections of a master frame and management of its organisational and methodological consequences. An option to manage these consequences is by applying chain management. Chain management means applying changes at each stage in the chain of the statistical production process. It pays off, bearing in mind the need to achieve high-quality statistical output at minimal cost because usually the analysis and repair of inconsistencies applies in the final phase of statistical production processes results in extra costs.

Section 10.7 Coordination of annual and sub annual master frames

10.78 A statistical policy may be to use the changes (by comparison with the previous year) in the values of a short-term indicator (for example STS) as a predictor of the overall change in the corresponding annual indicator. Thus, there needs to be coherence between short-term and annual indicators and hence between the underlying frames: monthly or quarterly point in time master frames must be coherent with annual point in time master frames.

10.79 In principle, the content and construction of a sub annual master frame are equivalent to those of the annual master frame that includes all the processed corrections and business events.

10.80 The coherence between sub annual frames and the annual frame is strongly dependent on the application of continuity rules on statistical units in data quality management processes of the live register.

10.81 There exist different solutions to ensure coordination between annual and sub annual master frames. National practices can be different. For example, one solution is freezing the values of classifying variables such as NACE and size class from the beginning of a reference year. Another solution could be processing changes in sub annual frames followed by a revision of statistics produced on the basis of master frames of the previous month(s) or quarter(s).

Box 10.9: National practices on coordination of sub annual and annual master frames

Statistics Estonia

The preliminary frame is created from the live register, which contains all the data on year t that are available at that point in time. The final frame is created using data from the preliminary frame and additional data on year t that have been received by that time. The main source of additional data is annual accounts, and in Estonia the deadline for the submission of annual accounts is 1 July $t + 1$.

Statistics Finland

Information on events is saved in dedicated event tables in the production database. YTY's relationship tables (available in the production database and DW) include information on the identification numbers of the units concerned (for example enterprise and legal unit, legal unit and establishment), as well as the start and end dates of the relationship.

YTY's production database has dedicated tables — called satellite tables — whose purpose is to track changes in important unit variables (for example name, address, NACE code, legal form, owner type, sector code and activity status). Besides the identification number of the unit and the value of the characteristic, these satellite tables include the start and end dates of the value as well as information on whether the value was real/valid or not.

Statistics Netherlands

Annual and sub annual frames are stabilised by freezing the national activity codes (NACE) and the size classes (based on an estimated value for the number of persons employed) at the beginning of the reference year as a coordinated value.

The coordination is realised by following rules for creating sub annual and annual master frames:

- $Q1 = M01 + M02 + M03$
- $Q2 = M04 + M05 + M06$
- $Q3 = M07 + M08 + M09$
- $Q4 = M10 + M11 + M12$
- $YY = Q1 + Q2 + Q3 + Q4$.

Statistics Sweden (SCB)

In the continuous, weekly cycle of maintenance of the national statistical business register, the focus is on the largest legal and local units with more than 15 employees. This process may also include contact with legal units to verify or check a change, if deemed necessary by the maintenance team. Changes recorded in the administrative data from the Swedish Tax Agency (and other sources) for small legal units are generally processed automatically and update the national statistical business register without manual checks. All changes that update the live statistical business register, such as changes in activity codes and size classes, are reflected in the point in time frame versions of the national statistical business register.

For the production of the volume frame versions of the national statistical business register, the basis is the November point in time frame version of the national statistical business register, which contains the latest known information regarding the variables of the enterprises. For enterprises that are inactive at this point in time but have been active during the reference year, information from one of the other three point in time frame versions of the national statistical business register for year t is used. To find out which frame version to use, the procedure starts with the November frame and then goes backwards during the reference year until the date of inactivation of the enterprise. For examples, if an enterprise is inactivated at the beginning of November, information from the point in time frame version of the national statistical business register from August will be used. If an enterprise is inactivated in June, information will be used from the point in time frame version of the national statistical business register from May.

Annexes

Annex A Confidentiality rules with respect to data for the purpose of the European framework for statistical business registers

INTRODUCTION

The exchange of and access to microdata by the national statistical authorities that produce business statistics and maintain the European framework for statistical business registers (SBRs) should be enabled, for the development, production and dissemination of national or European business statistics or for increasing the quality of European business statistics. The exchange of microdata should therefore be limited to duly justified cases.

In order to ensure uniform conditions for the technical implementation of certain elements of requirements including for statistical business registers, the format, security and confidentiality measures and the procedure for the exchange of confidential data for the purpose of the European framework for statistical business registers, the data and metadata transmission, data quality and metadata reports and derogations, implementing powers should be conferred on the Commission.

Articles 10 and 18 of Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, repealing 10 legal acts in the field of business statistics, define the confidentiality rules.

Article 10

Exchange of and access to confidential data for the purpose of the European framework for statistical business registers

1. Member States shall exchange confidential data.

For that purpose, the exchange of confidential data on multinational enterprise groups and on the units belonging to those groups, comprising the variables listed in Annex IV, shall take place, for statistical purposes, between the NSAs [National Statistical Authorities] of different Member States, where the exchange is to ensure the quality of the multinational enterprise groups information in the Union. Such exchanges may also take place with the purpose of reducing response burden.

Where the exchange of confidential data is carried out to ensure the quality of the multinational enterprise groups information in the Union and the exchange is explicitly authorised by the competent NSA which provides the data, national central banks may be party to the exchange of confidential data, exclusively for statistical purposes.

2. The Commission (Eurostat) and Member States shall exchange confidential data.

For that purpose, NSAs shall transmit data on multinational enterprise groups and on the units belonging to those groups, comprising the variables listed in Annex IV, to the Commission (Eurostat), to provide information, exclusively for statistical purposes, on multinational enterprise groups in the Union.

In order to ensure a consistent record of data and to use them exclusively for statistical purposes, the Commission (Eurostat) shall transmit to the competent NSAs of each Member State data on multinational enterprise groups, including the units belonging to those groups, comprising the variables listed in Annex IV, when at least one legal unit of the group is located in the territory of that Member State.

In order to ensure efficiency and high quality in the production of the EuroGroups Register, exclusively for statistical purposes, the Commission (Eurostat) shall transmit to the NSAs data on all multinational enterprise groups recorded in the EuroGroups Register, including the units belonging to those groups, comprising the variables listed in Annex IV.

3. The Commission (Eurostat) and the Member States shall exchange confidential data for the identification of legal units.

For that purpose, NSAs shall transmit data on incorporated legal units, limited to the identification and demographic variables and the stratification parameters listed in Annex IV, to the Commission (Eurostat), exclusively for the purpose of unique identification of legal units in the Union.

In order to ensure efficiency and high quality in the production of the EuroGroups Register, the Commission (Eurostat) shall transmit to the NSAs of each Member State data on legal units, limited to the identification and demographic variables and the stratification parameters listed in Annex IV, exclusively for the purpose of identification of legal units in the Union.

4. The exchange of confidential data between the Commission (Eurostat) and the central banks may take place, exclusively for statistical purposes, between the Commission (Eurostat) and national central banks, and between the Commission (Eurostat) and the ECB [European Central Bank], where the exchange is to ensure the quality of multinational enterprise groups information in the Union, and the exchange is explicitly authorised by the competent NSAs.

5. The Commission may adopt implementing acts specifying technical details of the variables listed in Annex IV.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 23(2).

6. In order to ensure that the data exchanged under this Article are used exclusively for statistical purposes, the Commission may adopt implementing acts setting out the format, security and confidentiality measures for such data, as well as the procedure for the data exchange

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 23(2).

7. When the Commission (Eurostat), NSAs, national central banks and the ECB receive confidential data on units located inside or located outside the national territory pursuant to this Article, they shall treat that information confidentially in accordance with Regulation (EC) No 223/2009.

Transmission of confidential data between NSAs and the Commission (Eurostat) shall take place to the extent that such transmission is necessary exclusively for statistical purposes for the production of European statistics. Any further transmission must be explicitly authorised by the national authority that collected the data.

8. Member States and the Commission shall take appropriate measures to prevent and penalise any violations of statistical confidentiality of the data exchanged. The penalties provided for shall be effective, proportionate and dissuasive.

Article 18

Data and metadata transmission

1. Member States shall provide the Commission (Eurostat) with the data and metadata required by this Regulation in accordance with data and metadata exchange standards. When the data transmitted is confidential, the true value will be sent with a flag indicating that it is subject to confidentiality and cannot be disseminated.

The Commission may adopt implementing acts establishing such standards as well as a procedure for the transmission of data and metadata. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 23(2).

2. Following a duly reasoned request from the Commission (Eurostat) Member States shall carry out statistical analyses of the national statistical business registers and transmit the results to the Commission (Eurostat).

The Commission (Eurostat) may adopt implementing acts specifying the format and the procedure for the transmission of the results of such statistical analyses.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 23(2).

The Commission (Eurostat) shall ensure that such implementing acts do not impose a significant additional cost or burden on the Member States or on the respondents.

3. Following a duly reasoned request from the Commission (Eurostat), Member States shall provide any relevant information with regard to the implementation of this Regulation in the Member States. Such Commission requests shall not impose a significant additional administrative or financial burden on the Member States.

Annex B European legislation on enterprise groups

This annex contains references to key relevant European legal texts and International Financial Reporting Standards (IFRS) relating to enterprise groups. The following sources are considered here:

- Council Regulation (EEC) No 696/93 on the statistical units for the observation and analysis of the production system in the Community;
- Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings;
- Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards.

Chapter 4 is based on the statistical definition of the enterprise group, as given in Council Regulation (EEC) No 696/93 on statistical units for the observation and analysis of the production system in the Community. A considerable part of the chapter discusses how to make the definition operational, and the recommendations in this chapter go further than that stipulated in the regulation. Chapter 4 also examines how the statistical concept of an enterprise group can be derived from the accounting group, as defined in the Directive 2013/34/EU and IFRS.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS are set by the International Accounting Standards Board and are used primarily by publicly accountable companies — those listed on stock exchanges — and by financial institutions, such as banks. Authoritative interpretations of the standards, which provide further guidance on how to apply them, are developed by the IFRS Interpretations Committee and called IFRIC Interpretations (<https://www.ifrs.org/issued-standards/list-of-interpretations/>).

The definitions relevant to enterprise groups are presented in IFRS 10, 'Consolidated Financial Statements'. This standard outlines the requirements for the preparation of consolidated financial statements, requiring entities to consolidate entities they control.

This standard:

- requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether or not an investor controls an investee and therefore must consolidate the investee;
- sets out the accounting requirements for the preparation of consolidated financial statements;
- defines an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity.

It defines control as follows.

An investor determines whether it is a parent [an entity that controls one or more entities] by assessing whether it controls one or more investees. An investor considers all relevant facts and circumstances when assessing whether it controls an investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. [IFRS 10:5–6; IFRS 10:8]

An investor controls an investee if and only if the investor has all the following elements: [IFRS 10:7]

- power over the investee, in other words the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

Power arises from rights. Such rights can be straightforward (e.g. through voting rights) or be complex (e.g. embedded in contractual arrangements). An investor that holds only protective rights cannot have power over an investee and so cannot control an investee [IFRS 10:11, IFRS 10:14].

An investor must be exposed, or have rights, to variable returns from its involvement with an investee to control the investee. Such returns must have the potential to vary as a result of the investee's performance and can be positive, negative, or both. [IFRS 10:15]

A parent must not only have power over an investee and exposure or rights to variable returns from its involvement with the investee, a parent must also have the ability to use its power over the investee to affect its returns from its involvement with the investee. [IFRS 10:17]

When assessing whether an investor controls an investee an investor with decision-making rights determines whether it acts as principal or as an agent of other parties. A number of factors are considered in making this assessment. For instance, the remuneration of the decision-maker is considered in determining whether it is an agent. [IFRS 10:B58, IFRS 10:B60]

DIRECTIVE 2013/34/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON THE ANNUAL FINANCIAL STATEMENTS, CONSOLIDATED FINANCIAL STATEMENTS AND RELATED REPORTS OF CERTAIN TYPES OF UNDERTAKINGS

This directive defines a group as a parent undertaking and all its subsidiary undertakings (Article 2(11)). A 'parent undertaking' means an undertaking that controls one or more subsidiary undertakings (Article 2(9)). A 'subsidiary undertaking' means an undertaking controlled by a parent undertaking, including any subsidiary undertaking of an ultimate parent undertaking (Article 2(10)).

Annex 1 to the directive lists the types of undertakings to which this directive refers.

Undertakings controlled by the parent undertaking should be considered as subsidiary undertakings. Control should be based on holding a majority of the voting rights, but control may also exist where there are agreements with fellow shareholders or members. In certain circumstances control may be effectively exercised where the parent holds a minority or none of the shares in the subsidiary. Member States should be entitled to require that undertakings not subject to control, but which are managed on a unified basis or have a common administrative, managerial or supervisory body, be included in consolidated financial statements. [recital 31]

Small groups should be exempt from the obligation to prepare consolidated financial statements as the users of small undertakings' financial statements do not have sophisticated information needs and it can be costly to prepare consolidated financial statements in addition to the annual financial statements of the parent and subsidiary undertakings. Member States should be able to exempt medium-sized groups from the obligation to prepare consolidated financial statements on the same cost/benefit grounds unless any of the affiliated undertakings is a public-interest entity. [recital 33]

Small groups shall be groups consisting of parent and subsidiary undertakings to be included in a consolidation and which, on a consolidated basis, do not exceed the limits of at least two of the three following criteria on the balance sheet date of the parent undertaking:

- (a) balance sheet total: EUR 4 000 000;
- (b) net turnover: EUR 8 000 000;
- (c) average number of employees during the financial year: 50. [Article 3(5)]

Medium-sized groups shall be groups which are not small groups, which consist of parent and subsidiary undertakings to be included in a consolidation and which, on a consolidated basis, do not exceed the limits of at least two of the three following criteria on the balance sheet date of the parent undertaking:

- (a) balance sheet total: EUR 20 000 000;
- (b) net turnover: EUR 40 000 000;
- (c) average number of employees during the financial year: 250. [Article 3(6)]

Large groups shall be groups consisting of parent and subsidiary undertakings to be included in a consolidation and which, on a consolidated basis, exceed the limits of at least two of the three following criteria on the balance sheet date of the parent undertaking:

- (a) balance sheet total: EUR 20 000 000;
- (b) net turnover: EUR 40 000 000;
- (c) average number of employees during the financial year: 250. [Article 3(7)]

REGULATION (EC) NO 1606/2002 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON THE APPLICATION OF INTERNATIONAL ACCOUNTING STANDARDS

‘This Regulation has as its objective the adoption and use of international accounting standards in the Community with a view to harmonising the financial information presented by the companies referred to in Article 4 in order to ensure a high degree of transparency and comparability of financial statements and hence an efficient functioning of the Community capital market and of the Internal Market’ (Article 1).

IFRS are required for domestic public companies. All domestic companies whose securities trade in a public market are required to use IFRS as adopted by the EU in their consolidated financial statements.

Foreign companies whose debt or equity securities trade in a public market in the jurisdiction of the EU are required to use IFRS as adopted by the EU in their consolidated financial statements.

Annex C Local unit guidelines for specific activities

Specific guidelines are given below for the identification of local units depending on type of activity. These guidelines are presented according to the highest level (sections) of the NACE Rev. 2 activity classification, with the exception of Section H, which is further broken down owing to the nature of the activities involved.

SECTION A — AGRICULTURE, FORESTRY AND FISHING

Agricultural and hunting activities can, by nature, take place over wide areas and may not be confined to any geographically distinct location. The one local unit is generally located at the address of the farm building or the place from which the farming activities are directed.

Activities within Group 01.6, 'Support activities to agriculture and post-harvest crop activities', are often carried out on behalf of third parties on the land of customer enterprises. Typically, these are site activities, which are generally of short duration. These sites are not recorded as separate local units.

Forestry and logging work generally take place over large areas and cover tree planting, maintenance and felling for commercial purposes. These activities are often directed from an office located in the forest or nearby. This office is then used as the address of the local unit. If the operation in question covers plots of forest that are not adjoining but are managed from that address, all these lands must be regarded as a single local unit.

Like ancillary agricultural services, 'Support services to forestry' activities in Group 02.4 are often site activities on behalf of third parties and are treated as such; they should not be regarded as giving rise to a local unit unless the contract relates to a period of at least 2 years. In this case, the site specified in the contract should be regarded as a local unit of the enterprise conducting forestry activities on behalf of third parties.

Fish farms and hatcheries are covered by the definition of local units. Fishing boats pose particular problems, as do other commercial vessels. Under social and maritime legislation, each vessel is often handled as an establishment of the ship owner. However, for the purpose of maintaining the register, the recommendation is that they be regarded as a working tool used for itinerant activities from the office of the ship owner, generally situated in the port of registry of the vessels. In the case of small-scale fishing, the local unit where the enterprise is established will often be the home of the owner-operator.

SECTION B — MINING AND QUARRYING

Most mining and quarrying activities concern mineral deposits requiring large amounts of capital investment for their exploitation. Ore is an exhaustible asset and reserves of such a product must be sufficient to justify the capital outlay and the use of labour over a long period. The mine and the point to which the ore is delivered correspond to the definition of the local unit.

However, some methods of extraction do not entail the installation of permanent fixed equipment and can be handled in the same way as working sites.

Some large deposits of peat are worked over long periods and can be appropriately defined as local units. Small deposits are often worked for short periods and in that way are like forests managed for comparable periods by enterprises working on behalf of third parties. Such deposits cannot be regarded as local units unless the extraction activities last for at least 2 years, or are expected to do so.

A group of oil wells worked by the same enterprise at the same deposit, on land or offshore, is conventionally regarded as forming a single local unit. The same applies to a group of prospecting sites.

SECTION C — MANUFACTURING

Manufacturing is generally a process carried out at a fixed site, so the definition of a manufacturing local unit is normally clear. One case in which complications may arise is when a manufacturing unit has some retail activity, for example a factory shop selling products directly to the public. In general, it is better to have a separate local unit for the retailing part if possible, particularly if the retail part occupies a clearly identifiable part of the main site and/or sells products bought in from other sources.

SECTION D — ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY

Activities relating to the generation or production of electricity, gas, steam or air conditioning take place in local units similar to those found in manufacturing industries and are covered by the definition of the local unit. In contrast, in the case of the operation and maintenance of distribution networks — high-voltage lines, substations, gas, steam or air conditioning pipelines, pumping stations, etc. — according to the definition of a local unit, installations that do not use any permanent staff (even part-time) are not regarded as autonomous local units but are incorporated in the local units from which they are operated and controlled.

SECTION E — WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES

The rules for Section E are generally the same as for Section D above. Unstaffed distribution and collection facilities are not recognised as separate local units, whereas processing, treatment and administration sites where staff are employed should be recorded as local units.

SECTION F — CONSTRUCTION

Activities under this section of NACE employ large numbers of people, and a strict interpretation of the definition of the local unit would lead to the inclusion of all construction sites (building or civil engineering). However, considering all construction sites as local units would result in a vast register of very short-lived units (from less than 1 month, for example, in the case of most repair work, to around 1 year for most housing or factory building sites).

Although it is sometimes necessary to have information on such construction sites, even if they are short-term, or on the labour force employed at such sites, it does not seem appropriate to incorporate them in the statistical business register.

On the other hand, it is felt that large, long-term sites should be incorporated in the register as local units. Their labour force — and particularly unskilled labour — is recruited on a temporary basis for the site in question.

The distinction between large sites and ordinary sites not to be recorded in the register as local units can be drawn in terms of both duration and cost of the work. The general criterion for working sites should be used for these construction sites. It could also be the case that for such large sites separate legal units are established, which means that these sites should also be treated as separate local units.

For large, long-term construction sites, the location of the local unit is represented by the site itself. For instance, a structural engineering firm is in charge of the day-to-day organisation of the work on the site (from recruitment of casual workers to planning the delivery of materials and coordination of the various aspects of the project). For some construction sites, the engineering firm may assign several subcontractors to specific tasks. In this case, the engineering firm only acts as coordinator (one local unit) whereas the subcontractors run massive activities (each comprising one local unit). For projects such as large-scale road or bridge building or the laying of pipelines, the choice of address of the local unit must also be practical if it is arbitrary. The postal address of the engineering firm office should be chosen. Its office is liable to move as the site progresses; such a move is comparable in some ways to a change of location of the site. A choice must then be made: either amend the address of the local unit or record the disappearance of a local unit followed by the creation of a new one. In view of the rules on continuity of local units defined in [Section 7.5.1](#), this move of the centre of gravity of a site will be treated as a change in the address of the local unit.

SECTION G — WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES

The definition of a local unit is set out in terms of a manufacturing activity. There are no specific references to a 'shop' or 'store'. A retail store is commonly understood as a fixed sales premises, which customers enter to make their purchase. The term 'shop', which is in equally common use, may be regarded as defined identically.

Clearly, there are many local units in retailing that are not stores. These are examined below. However, it is desirable that, where relevant, retail local units and stores be precisely equivalent. In almost all cases, this will automatically be so.

Two aspects of the definition are worth noting. First, there is the issue of 'shops within shops' — the letting out of space within, say, a department store to individual retailers. Here, while to a casual customer there may appear to be only one shop, the definition of a local unit as a part of an enterprise implies that there are a number of local units and an equal number of shops.

A more difficult case is where there are two geographically distinct but reasonably close outlets of a retailer. If the two outlets have different addresses, they should be regarded as two stores and two local units (even if employment may have to be allocated in a slightly arbitrary manner between them). If the outlets share the same address, it is desirable to regard them in general as representing a single store and a single local unit, although there may be special circumstances in which the lack of any internal routes from one part to another of the combined store suggests they should be regarded as two distinct stores.

There are also potential problems of interpretation when retailing is not carried out via a traditional store as defined above. Various forms of distance selling, ranging from traditional mail order to the fast-increasing use of webshops, are relevant. These are relatively straightforward; the major activities will be carried out centrally at one or more sites, which will correspond to local units. Individuals employed by these enterprises, essentially to deliver goods or possibly to coordinate orders, and operating from their own homes should not be regarded as defining separate local units. A centralised distance selling operation may have more than one local unit, however, if various aspects — such as taking orders, dealing with payments and dispatching goods — are handled at separate locations.

There is also a range of problems relating to selling via stalls, either fixed or mobile, and selling by fully itinerant traders. Some aspects of this are clear. A fully itinerant trader, travelling from place to place — perhaps in a specially adapted vehicle — will represent one local unit, generally located at their home or, if it exists, their business address. At the other extreme, an enterprise owning fixed stalls operating at distinct markets or locations will represent one local unit per stall and one also for the business address of the enterprise. In cases where an enterprise operates a number of mobile stalls or vehicles that, by definition, are not permanently sited at any one location, these activities should be covered by a single local unit at the enterprise address.

Different issues are relevant in wholesaling. Here the main problem is the extent to which it is possible to seek a reasonable range of information for individual local units. The contrast with retailing is clear. For retailing, it is almost always possible to seek information on turnover of a local unit; for wholesaling — in which the local unit may be a distribution depot — it may not be possible to define this basic variable.

In some countries, the registration of local units for activities in Group 46.1, 'Wholesale on a fee or contract basis', presents some difficult practical problems. Some enterprises may in fact have a large volume of activity conducted by telephone by the head of the enterprise from their home address but are legally obliged to register at a different address if the building in which they live is not licensed for commercial activities. Which address should be used in this case? It is recommended that the address of the local unit should be deemed to be the one supplied by the enterprise for value added tax purposes, since the tax authorities in some Member States refuse to take account of addresses used only as letter boxes. If the business is not registered for value added tax, it is possible to take the address on the letter heading as the address of the local unit.

SECTION H — TRANSPORTATION AND STORAGE

This section contains various diverse activities that pose a number of problems in relation to the delineation of local units. There are few general rules for this section, so the different activities are handled in turn below.

Division 49: Land transport and transport via pipelines

Rail transport enterprises pose complex problems for the definition of local units. Their activities may fall into various NACE classes relating to the operation of rail services as well as passenger and freight facilities. In such cases, the primary activity will normally be the operation of the rail service (within Division 49), with the other activities (typically in Division 52) being treated as ancillary.

Often, the various activities connected with the operation of rail freight transport take place not in specific buildings or structures but outdoors in goods yards or marshalling yards. In such cases, it should be possible to identify a base location from which these operations are directed, and this should be regarded as the local unit.

The continuous maintenance of track and signals presents problems similar to those already examined in connection with local units involved in the operation of energy distribution networks. It is not desirable that all structures on a section of railway — such as shelters used by plate layers — should be regarded as local units. Nor is there any advantage from the statistical viewpoint in regarding each signal box as a local unit. In the case of work that proceeds along railway tracks, the address of the smallest unit responsible for managing a function such as continuous track maintenance or signalling on a particular section should be deemed to be the local unit. Another possibility is to define the local unit of a railway company as all the infrastructures situated on a section of track corresponding to a certain administrative district.

If several enterprises carry on their activities at the same station, whether or not the activities relate to railways, then obviously each enterprise has a local unit at that location. For example, a stall in a station booking hall, rented to a retailer by the railway company, is a local unit of the retailer (and enterprise, if the stall is the only one belonging to the retailer in question).

According to a strict interpretation, the definition of a local unit would mean that taxi ranks and bus stations ought to be deemed to be local units of the enterprises using them. This strict interpretation may often be impractical, and generally a local unit should be deemed to exist wherever the road transport service operator has a building for administrative or other uses (depot) in connection with that service.

The local units for businesses engaged in transport via pipelines will generally be the sites from which pipelines are controlled, monitored and/or maintained. This is similar in principle to the guidelines for railways set out above.

Division 50 — Water transport

Vessels — barges, lighters and other inland waterway, coastal or ocean-going vessels — will be deemed to be not autonomous local units but equipment of the local unit of their ship-owner at their usual port of mooring, which may be other than their home port if operating under a flag of convenience.

Division 51 — Air transport

The guidelines for water transport above should also be applied to air transport. Aircraft are not considered to be local units.

Division 52 — Warehousing and support activities for transportation

For most of this division the delineation of local units is generally straightforward. There are, however, two issues relating to Class 55.22 that need further comment.

In the case of navigable waterways, where locks may or may not be manned, local units should be defined in a similar way to functions along railway tracks, in other words a local unit corresponds to the section of navigable waterway attached to the smallest administrative unit.

Permanently manned lightships and lighthouses are increasingly rare, but where they exist they must be deemed to be local units of the enterprise (legal entity) responsible for their maintenance.

Division 53 — Postal and courier activities

Post delivery personnel and couriers should be regarded as employees of the sites from which they receive their orders.

Post offices are generally local units in their own right, except where they form a minor part of another business (for example a retail shop), when they are considered to be merely a part of that local unit, which should be classified under its principal activity.

SECTION I — ACCOMMODATION AND FOOD SERVICE ACTIVITIES

Hotels and restaurants do not generally present any problems. Each hotel, restaurant, bar or similar site generally conforms to the definition of a local unit. Several restaurants at the same address owned by the same enterprise should be combined as a single local unit.

The problems in defining local units are often similar to those in distributive trade, and the two activities often operate in parallel: souvenir shops are very common in hotels and, likewise, restaurants are very common in supermarkets and department stores.

Mobile stalls offering cooked or otherwise prepared food to take away or to be consumed at the stall are quite similar to retail sale at stalls and markets, so the same rules should be applied.

SECTION J — INFORMATION AND COMMUNICATION

Local units in Section J are generally well defined, although there may be problems in Division 63 (information service activities) where computing facilities may be at a different location from the staff operating them, or may be leased from a third party. In such cases, the location of the staff should determine where the local units are. In extreme cases, where the staff work from home or are located in other countries, the location from which the business is administered should be considered to be the local unit.

SECTION K — FINANCIAL AND INSURANCE ACTIVITIES

Local units in Section K are generally well defined. The case of insurance agents is dealt with in [Section 4.6.2](#) above.

SECTION L — REAL ESTATE ACTIVITIES

A real estate or property rental enterprise may own a large number of properties. These would not normally be handled as separate local units unless the enterprise employs people on a permanent basis at the site, such as a concierge or security staff. Casual or occasional services such as cleaning or maintenance are not normally sufficient to merit separate local units.

SECTION M — PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES

Most professional, scientific and technical services involve clearly defined local units, although for smaller businesses these services may be provided at the premises of clients on an occasional basis. In such cases, the local unit is the location from which these activities are organised, which may be an office or the home of the owner of the business.

SECTION N — ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES

Cleaning and employment agencies are two activities that can be troublesome. If a cleaning enterprise has a permanent presence at the site of another enterprise and a clearly defined physical location within that site (for example a separate room for its exclusive use), this should be handled as a local unit. It is, however, impractical to consider a site where a cleaner is present for only 1 or 2 hours per week to be a local unit.

In general, staff employed by an employment agency, working under contract at the site of another enterprise, do not constitute a separate local unit of the employment agency. They should be counted under the site from which they receive their orders.

SECTION O — PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY

Local units are usually much easier to identify and delineate than enterprises in Section O. There are, however, two cases requiring special comment.

- Embassies, consulates, military bases and similar sites in other countries should be counted as local units of the appropriate enterprise in the controlling country, when they are part of the economic territory of that country. They should not be included in the statistical business register of the 'host' country. For example, the French embassy in Madrid should be counted as a local unit of the French administration and should not be present in the Spanish business register. See also [Chapter 6](#) and Section U below. Such local units that are part of the economic territory, but not the geographical territory, of a country should be identified in the statistical business register of that country by means of a special geographical code.
- The activities of an organisation such as a local council may be spread over several buildings within a town. These buildings may not always occupy a continuous block of land, so following the definitions in Box 8.14 above in their strict sense would often require them to be identified as separate local units. In practice, this separation might not be meaningful in either the statistical or the real-world context, so a degree of flexibility and pragmatism is needed. A good general rule would be to handle such cases as a single local unit unless the enterprise (institution) requested otherwise.

SECTION P — EDUCATION

The second case under Section O above is also likely to apply to Section P, particularly where multisite schools/universities or similar education institutions are concerned. It may not be very meaningful to record separate units where a department of a university is split between two buildings in the same town.

SECTION Q — HUMAN HEALTH AND SOCIAL WORK ACTIVITIES

The notes under Sections O and P above also apply where a hospital is split over several locations within a relatively small geographical area, particularly if staff move between sites on a daily basis. Separate local units are only generally justified where a site has a certain degree of autonomy, for example a site containing a distinct department or function that is at least semi-autonomous from the remainder of the hospital.

SECTION R — ARTS, ENTERTAINMENT AND RECREATION

Most cases in this section should be straightforward. Some activities, however, could be considered itinerant, and should be handled as in Section M, whereby the local unit is the location from which the business is organised. This may be the home address of the owner.

SECTION S — OTHER SERVICE ACTIVITIES

In general, local units in this section are fairly easy to identify and delimit. The only areas likely to cause problems are those concerning mobile services, for example a travelling fair or a hairdresser who visits clients in their own homes. In these cases, the rules concerning mobile retail outlets set out in Section G above should be applied.

SECTION T — ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS: UNDIFFERENTIATED GOODS- AND SERVICE-PRODUCING ACTIVITIES OF HOUSEHOLDS FOR OWN USE

See [Section 3.4.1](#) regarding the coverage of these activities in the statistical business registers. Local units classified in this section of NACE are likely to be fairly straightforward to define and delimit, although care must be taken to avoid including employees of any legal units owned by members of the household. These must be kept separate and classified under their main activity.

SECTION U — ACTIVITIES OF EXTRATERRITORIAL ORGANISATIONS AND BODIES

See [Section 3.4.2](#) regarding the coverage of these activities in the statistical business registers. Units in Section U can be split into two groups.

- Those whose sites are deemed to form part of the economic territory of another country (for example embassies, consulates, military bases). These sites should be included as local units in the business register of that country, and identified by means of a special geographical code. See Section O above.
- Those whose sites do not form part of the economic territory of another country. This group includes units such as international organisations (for example the United Nations and its agencies, the European Communities, the Organisation for Economic Co-operation and Development, the International Monetary Fund, the World Bank). In this case, the local unit is generally easy to identify, although the guidelines in Section O above regarding multiple buildings in close proximity are also likely to be relevant here. Data collection may be an issue, as extraterritorial organisations would normally be exempt from compulsory surveys.

Glossary

A

ACQUISITION

Acquisition refers to obtaining ownership and control by one firm, in whole or in part, of another firm or business entity.

NB: The definition covers both control and influence (minority ownership). If 'acquisition' is used in a statistical context, its meaning must always be specified. Acquisition is not a statistical event if the acquired unit does not cease to exist, in which case it is a takeover.

Source: CODED

Related terms:

- Control
- Ownership
- Merger
- Takeover

ACTIVE UNIT

Units that had either turnover or employment at any time during the reference period are active. A unit is also deemed to be active when it is in investment phase, but still does not generate turnover.

NB: Article 2(3) of the EBS regulation on the coverage of the SBRs defines the economically active units. A legal unit can be legally or administratively active without any economic activity, when the inactive legal unit is part of an enterprise in combination with economically active legal units. Holding assets and/or liabilities shall also be regarded as an economic activity.

Sources: Commission Implementing Regulation (EU) 2020/1197, Annex IV; Notice of intention of the BSDG and the DMES (2015)

Related terms:

- Economic activity
- Number of (active) enterprises
- Dormant

ACTIVITY

An activity can be said to take place when resources such as equipment, labour, manufacturing techniques, information networks or products are combined, leading to the creation of specific goods or services. An activity is characterised by an input of products (goods and services), a production process and an output of products.

Activities can be determined by reference to a specific level of NACE.

If a unit carries out more than one activity, all the activities that are not ancillary activities are ranked according to the gross value added. On the basis of the preponderant gross value added generated, a distinction can then be made between principal activity and secondary activities. Ancillary activities are not isolated to form distinct entities or separated from the principal or secondary activities of entities they serve.

Source: CODED

Related terms:

- Active unit
- Economic activity
- Ancillary activity
- Principal activity
- Secondary activity
- Classification of economic activities/NACE

ADMINISTRATIVE BUSINESS REGISTER

An administrative business register is a regularly updated structured list of specific business units in a territorial area, which is maintained by administrative authorities for administration, legal or taxation purposes.

Source: UNECE (2015)

Related terms:

- Administrative register
- Business register for statistical purposes

ADMINISTRATIVE DATA

These are data originally collected for non-statistical purpose. Control of methods by which the administrative data are collected and processed rests with the administrative agency. In most cases the administrative authority will be a government unit.

Source: UNECE (2011)

Related terms:

- Administrative register
- Administrative source

ADMINISTRATIVE REGISTER

Administrative registers are registers maintained by administrative authorities for administrative purposes. 'Administrative register' is an umbrella term and covers, for example, records collected on businesses, persons or any other issue for administrative purposes.

Source: UNECE (2015)

Related terms:

- Administrative business register
- Business register for statistical purposes

ADMINISTRATIVE SOURCE

A traditional definition of administrative sources is that they are files of data collected by government bodies for the purposes of administering taxes or benefits or monitoring populations. More generally, administrative sources contain information that is not primarily collected for statistical purposes. For the purposes of this manual, this wider definition of administrative sources is used.

Source: UNECE (2011)

ADMINISTRATIVE UNIT

An administrative unit is designed for the purposes of conforming with an administrative regulation, for example for registration purposes or for accounting for VAT and other taxes.

Source: UNECE (2015)

Related terms:

- Statistical unit

AFFILIATE

See: Foreign affiliate

ALL-RESIDENT ENTERPRISE GROUP

'All-resident enterprise group' means an enterprise group composed only of enterprises that are all resident in the same country.

Source: CODED

Related terms:

- Enterprise group
- Truncated enterprise group
- Multinational enterprise group

ANALYTICAL UNIT

Analytical units are real or artificially constructed units for which statistics are compiled.

Source: CODED

Related terms:

- Observation unit
- Reporting unit
- Statistical unit

ANCILLARY ACTIVITY

Ancillary activities are undertaken to support principal and secondary productive activities of a unit by providing goods or services entirely or primarily for the use of that unit, such as bookkeeping, transportation, storage, purchasing and sales promotion, cleaning, repair and maintenance, and security. The output is always intended for intermediate consumption within the same unit and is therefore usually not recorded separately. Although most ancillary activities produce services, some goods-producing activities may, by exception, be regarded as ancillary. The goods produced, however, may not become a physical part of the output of all main productive activities. Ancillary activities are usually fairly small-scale compared with the principal activity they support.

Source: United Nations (2008)

ASSOCIATE

An associate is an enterprise in which the investor has significant influence, and that is neither a subsidiary nor a joint venture of the investor.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

Source: Commission Regulation (EC) No 1126/2008 adopting certain international accounting standards, Annex IAS 28 - Investments in Associates and Joint Ventures

ASSOCIATION

This is a social economy enterprise (non-profit institution) characterised by:

- voluntary and open membership;
- equal voting rights — resolutions carried by majority;
- members' fees — no capital contribution;
- autonomy and independence;
- providing services, voluntary work, sports and advocacy/representation;
- being important providers in healthcare, care for elderly people and children, and social services.

Source: CODED

Related terms:

- Legal form
- Nonprofit institution

AUTONOMY OF DECISION

See: Enterprise

ATTRIBUTE

See: Variable

B

BACKBONE

The 'backbone' role of the statistical business register means that statistical domains coordinate their survey frames on a shared version of a master frame population, including coordinated/shared use of three types of variables: identification variables, economic/stratification variables and variables used to facilitate integration of data.

Source: Eurostat (2013), *The European System of interoperable Business Registers (ESBRs)*, Compact guides, Publication Office of the European Union, Luxembourg

Related terms:

- Master frame
- Survey frame

BIAS

This is an effect that deprives a statistical result of representativeness by systematically distorting it, as distinct from a random error, which may distort on any one occasion but balances out on average.

Source: CODED

BIRTH

Enterprise. A birth amounts to the creation of a combination of production factors with the restriction that no other enterprises are involved in the event. Births do not include entries into the population due to mergers, break-ups, split-offs or restructuring of a set of enterprises. They do not include entries into a subpopulation resulting only from a change of activity.

A birth occurs when an enterprise starts from scratch and actually starts activity. An enterprise creation can be considered an enterprise birth if new production factors, in particular new jobs, are created. If a dormant unit is reactivated within 2 years, this event is not considered a birth.

Local unit. The birth of a local unit is the emergence of a local unit that did not exist before. Since the local unit is a part of an enterprise, situated in a geographically identified place, and the enterprise is a combination of production factors, the birth of a local unit amounts to the creation of a (partial) combination of production factors at a geographically identified place.

Enterprise group. The birth of an enterprise group is the establishing of a link of control, direct or indirect, between two or more independent legal units, where no link of control existed before and no other enterprise group is involved.

Source: CODED

Related terms:

- Creation

BIRTH DATE FOR ENTERPRISES

This is the date on which an enterprise was born.

In principle the date could be decided by referring to the definition of the enterprise: the birth takes place at the (first) moment the conditions of the definition are met, so the moment there is an organisational unit producing goods or services.

The convention is that the date on which the first financial commitments for investments are made should be taken. This may seem somewhat early, since actual production will take place afterwards, but this allows the statistical coverage of all important variables, such as investments, from the beginning. This date is not considered too early, since serious commitments have been made; however, from the point of view of cost-efficiency and response burden it may not always be desirable to actually collect the date of birth from the enterprise; in that case the registration date at the administrative source has to be taken.

Source: Eurostat (2007)

Related terms:

- Date of creation

BRANCH

A branch is an unincorporated enterprise that wholly belongs to a non-resident unit, known as the parent. It is resident and treated as a quasi-corporation. For the purpose of the statistical business register a branch is to be treated as an enterprise.

Source: Eurostat (2013), European system of accounts, paragraph 18.12

BRAND

Firms marketing differentiated products frequently develop and compete on the basis of brands or labels (Coca-Cola versus Pepsi, etc.). Each of these brands may be preferred by different buyers willing to pay a higher price or make more frequent purchases of one branded product than another.

Source: CODED

BREAK-UP

Enterprise. Break-up involves one enterprise before and more than one enterprise after the event. In a break-up, the enterprise is divided in such a way that neither (none) of the new enterprises keeps the identity of the original enterprise.

There is no continuity or survival, but the closure of the previous enterprise is not considered to be a real death. Similarly, the new enterprises are not considered to be real births. A break-up can be seen as the opposite of a merger.

Enterprise group. Like an enterprise, an enterprise group may disintegrate into two or more enterprise groups. In a break-up, the enterprise group is divided in such a way that neither (none) of the new enterprise groups keeps the identity of the original enterprise group.

Source: CODED

Related terms:

- Split-off
- Creation
- Cessation

BURDEN

Administrative burdens on enterprises are seen as impediments to their competitiveness. They result from all administrative demands. Requests by national statistical offices and other parts of national administrations responsible for statistical data collection figure among the list of administrative burdens. When considering the statistical burden on an enterprise, it is useful to distinguish the two terms 'load' and 'burden'. The net burden of a survey can be defined as follows:

additional cost to business arising from their inclusion in a survey (load) – value to enterprises of uses of the statistics (benefits) = net burden.

In practice, however, whether businesses see a survey as a burden or not will be a matter of perception, which may not be in accordance with the actual costs and benefits involved. Thus:

perceived load – perceived benefits = perceived burden.

Source: CODED

Related terms:

- Statistical burden

BUSINESS CLOSURES

See: Cessation of business

BUSINESS DEMOGRAPHY

Business demography covers events, such as births and other creations of units, and deaths and other cessations of units, and their ratio to the business population. It covers follow-up of units over time, thus gaining information on their survival or discontinuity. It also covers the development through time of certain characteristics such as size, thus gaining information on the growth of units, or a cohort of units, by type of activity.

Demographic information can in principle be produced by any statistical unit; however, a clear political interest in Europe is in enterprise demography.

The demography of enterprises can be assessed by studying enterprise births and enterprise deaths and by examining the change in the number of enterprises by type of activity, i.e. by examining the flows and stocks to get a complete picture of enterprise dynamism.

The demography of local units could be assessed in a similar way to that of enterprises, although this is not common. In many non-European countries, demography of establishments is produced regularly. Some European countries are also interested in the demography of local kind-of-activity units.

Source: Eurostat (2007), Section 1

Related terms:

- Number of births of enterprises
- Number of deaths of enterprises
- Survival
- Continuity

BUSINESS REGISTER FOR STATISTICAL PURPOSES

The business register for statistical purposes is a fully and comprehensive, regularly updated and structured list of business units engaged in the production of goods and services, which is maintained by national statistical authorities for statistical purposes to assist the compilation of statistical data and particularly as a (backbone) tool for the preparation and coordination of surveys, as a source for information for statistical analysis of the business population and its demography, for the use of administrative data, and for the identification and construction of statistical units.

Source: UNECE (2015)

Related terms:

- Administrative business register

BUSINESS START-UPS

See: Creation

C

CAPITAL

Capital is generally considered a wealth component (the sum of assets belonging to enterprises, government and households). Capital corresponds in economics to a factor of production.

Source: CODED

CAPTIVE FINANCIAL INSTITUTION

Captive financial units are holding companies, i.e. units that hold the assets of a group of subsidiary corporations and whose principal activity is owning the group. The holding companies in this class do not provide any other service to the enterprises in which the equity is held, i.e. they do not administer or manage other units.

Other units that are treated as captive financial institutions are units with the characteristics of special purpose entities (SPEs) including investment and pension funds and units used for holding and managing wealth for individuals or families, holding assets for securitisation. The degree of independence from its parent may be demonstrated by exercising some substantive control over its assets and liabilities to the extent of carrying the risks and reaping the rewards associated with the assets and liabilities.

Source: CODED

Related terms:

- Special purpose entity

CAPTIVE UNIT

This is a situation, generated by strategies of outsourcing, aimed at reducing costs of production and increasing productivity, such as exclusive sales or supply contracts that generate dependency of one legal unit from another without any direct participation on the part of the former in the capital share of the latter. A legal unit can thus be captive to another unit without being owned by it, but linked by a commercial contract that secures to the parent legal unit the exclusive rights to the work. In the case of natural persons, such units are also called false self-employed.

NB: Captive units are not part of the enterprise group.

Source: CODED

Related terms:

- Control
- Ownership

CEASED TRADING

See: Cessation

CESSATION

The cessation of activities of a unit can occur either owing to the (real) death of the unit or owing to other cessation as a result of a merger, takeover, break-up or discontinuity point according to the continuity rules.

Source: CODED

Related terms:

- Closure
- Death
- Merger
- Takeover
- Break-up

CHARACTERISTIC

See: Variable

CLASSIFICATION OF ECONOMIC ACTIVITIES

The main purpose of a classification of activities is to classify economic entities and statistical units, such as enterprises, kind-of-activity units or local units, according to the activities in which they mainly engage. The classification provides a set of activity categories that can be utilised when dissecting statistics according to such activities.

Classifications of economic activities aim to cover all economic activities. Such classifications therefore form the basis for compiling statistics on output, the production factors entering into the production process, capital formation or financial transactions. The international classification for activity is the International Standard Industrial Classification of All Economic Activities (ISIC), maintained by the United Nations and used worldwide. The activity classification of the European Union is NACE, maintained by Eurostat.

Source: United Nations (2008)

Related terms:

- ISIC
- NACE

CLOSURE

Enterprises that are not active in a given period but were active in the previous period are closed. The number of enterprise deaths is derived from the population of enterprise closures by removing reactivations within 2 years and closures that do not meet the definition of enterprise deaths.

Source: Eurostat (2007), *Eurostat — OECD Manual on Business Demography Statistics*, Section 7

Related terms:

- Cessation

CODING

This is the process of converting verbal or textual information into codes representing classes within a classification scheme, to facilitate data processing, storage or dissemination.

Source: CODED

CODING ERROR

This is the assignment of an incorrect code to a data item.

Source: CODED

COMMENCEMENT

See: Creation, Birth

COMMENCEMENT DATE

See: Date of creation

COMPLEX ENTERPRISE

A complex enterprise consists of many legal units under the same control, performing various activities and with delivery relations between the units.

Source: CODED

CONCENTRATION OF ENTERPRISES

Concentration of enterprises refers to demographic events (mergers and takeovers) involving more than one enterprise before and one enterprise after the event.

The term may also be used to denote that the population of enterprises has fewer owners or is spread over a reduced number of enterprise groups.

Source: CODED

Related terms:

- Merger
- Takeover
- De-concentration

CONFIDENTIAL DATA

Confidential data means data which allow statistical units to be identified, either directly or indirectly, thereby disclosing individual information. To determine whether a statistical unit is identifiable, account shall be taken of all relevant means that might reasonably be used by a third party to identify the statistical unit.

Source: CODED

Related terms:

- Confidentiality
- Statistical unit
- Protection of confidential data

CONFIDENTIALITY

Confidentiality refers to a property of data with respect to whether, for example, they are public or their disclosure is subject to restrictions. For instance, data allowing the identification of a physical or legal person, either directly or indirectly, may be characterised as confidential according to the relevant national or international legislation. Unauthorised disclosure of data that are restricted or confidential is not permitted and even legislative measures or other formal provisions may be used to prevent disclosure. Often, there are procedures in place to prevent disclosure of restricted or confidential data, including rules that apply to staff, to data aggregation when disseminating and to provision of unit records.

Source: CODED

Related terms:

- Confidential data

CONSOLIDATED FINANCIAL STATEMENT

Consolidated financial statements are the financial statements of a group presented as those of a single enterprise.

Source: CODED

CONTINUITY

Continuity rules are the conditions for keeping or changing the identity number of a unit.

In theory, the continuity rules would be derived from the definition of the enterprise (or other unit) and its statistical uses. In principle, the continuity of an enterprise depends on the continuity of its production factors: employment, machines and equipment, land, buildings, management and intangible assets. The continuity of these factors can be measured and weighted to decide upon the continuity of the enterprise.

In practice, the continuity rules depend on considerations of cost-efficiency, notably availability of information, costs of additional information collection for the statistical institute and response burden effects. Practical criteria, if complete information on the continuity of the production factors is not available, are discussed:

- for enterprise groups in [Section 7.3.1](#);
- for enterprises in [Section 7.4.1](#);
- for local units in [Section 7.5.1](#).

Source: Eurostat (2021), *European business statistics methodological manual for statistical business registers*

Related terms:

- Survival

CONTROL

Control over a corporation is defined as the ability to determine general corporate policy by choosing appropriate directors, if necessary. A single institutional unit (another corporation, a household or a government unit) secures control over a corporation by owning more than half the voting shares or otherwise controlling more than half the shareholders' voting power. In order to control more than half the shareholders' voting power, an institutional unit need not own any of the voting shares itself. A corporation, C, could be a subsidiary of another corporation, B, in which a third corporation, A, owns a majority of the voting shares. Corporation C is said to be subsidiary of corporation B when either corporation B controls more than half of the shareholders' voting power in corporation C or corporation B is a shareholder in C with the right to appoint or remove a majority of the directors of C.

Governments secure control over a corporation as a result of special legislation decree or regulation, which empowers the government to determine corporate policy or to appoint the directors.

Source: CODED

Related terms:

- Dominant influence
- Ownership
- Majority ownership

COOPERATIVE (SOCIETY)

A cooperative is a social economy enterprise characterised by:

- voluntary and open membership;
- equal voting rights — resolutions carried by majority;
- members contributing to the capital, which is variable;
- autonomy and independence;
- particular importance in the sector of agriculture, manufacturing, banking, retailing and services.

Source: Social Economy enterprises, European Economic and Social Committee

Related terms:

- Legal form

COORDINATION OF SAMPLES

Increasing the sample overlap for some surveys rather than drawing the samples independently is known as positive coordination. Positive coordination is often sought in repeated surveys over time (panels) in order to obtain a better accuracy of statistics depending on correlated variables from two surveys. Reducing the overlap between samples for different surveys is known as negative coordination. Negative coordination is used in order to share more equally the response burden among responding units when statistics from surveys are not used together or are not correlated.

Source: CODED

CORPORATE GOVERNANCE

Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

Source: OECD, Glossary of statistical terms

CORPORATION

A typical corporation may be described as a legal entity, created for the purpose of producing goods or services for the market, that may be a source of profit or other financial gain to its owner(s); it is collectively owned by shareholders who have the authority to appoint directors responsible for its general management.

Source: CODED

Related terms:

- Enterprise
- Institutional unit
- Company

COUNTRY OF REGISTRATION

Country where a legal unit is legally registered and recognized. For an enterprise groups the country of registration of the group head is the country where the legal unit being the head office of the group head is located.

NB: Certain territories do not have ISO country codes (Isle of Man, Jersey, Guernsey; these do not belong to the European Union). For these, the codes given in the Balance of Payments Vademecum (Eurostat, 2017) can be used.

Source: CODED

Related terms:

- Global group head

COVERAGE

Coverage is the definition of the population that statistics aim to cover.

Source: CODED

CREATION

This is the emergence of a new business unit. This can be either due to the (real) birth of the unit or due to other creation by a merger, break-up, split-off or discontinuity point according to the continuity rules.

Source: CODED

Related terms:

- New enterprise
- Birth
- Merger
- Break-up
- Split-off

D

DATE OF CESSATION

This is the date on which a unit ceased activities. This can be either its death date or another cessation date due to merger, takeover, break-up or discontinuity point according to the continuity rules.

Legal unit. The date on which the legal unit ceased to be part of an enterprise is not easy to collect, but the registration of the event is far more important than the precise day and month of its having taken place. Basically, the legal unit ceases to be part of an enterprise when either of the following happens.

- The legal unit ceases to exist. The death of the legal unit is marked on the [statistical business] register.
- The legal unit ceases to be economically active and it is not part of the control chain within the enterprise group. Either the legal unit can be kept in the register as marked inactive, or its death can be marked in the register.

Local unit. The date of final cessation of activities refers to the death or other deletion date of the local unit. As already explained for legal units above, this date may not be available with any precision; only the fact that the local unit has ceased to exist during the reference year may be known.

Enterprise. The date of final cessation of activities refers to the death or other deletion date of the enterprise (when it becomes historical) and is interpreted in a similar way to the corresponding variable for local units (see above).

Enterprise group. The date of cessation of the all-resident/truncated enterprise group: either death of the group (dissolution of the links of control between the units belonging to the group) or (more commonly) other cessation date by merger with or takeover by another group, or breakup, split-off or restructuring into two or more groups.

Source: CODED

Related terms:

- Death

DATE OF COMMENCEMENT

See: Date of creation

DATE OF CREATION

The date on which a unit commenced activities. This can be either its birth date or another creation date due to merger, break-up, split-off or discontinuity point according to the continuity rules.

Legal unit. This is the date of incorporation for legal persons or date of official recognition as an economic operator for natural persons. The date of official recognition should be the date on which an identification number is given, or the date on which the legal existence was approved, be it a company/trade register number, a VAT number or something else.

Local unit. The date of commencement of the activities should refer to the birth or other creation date of the local unit according to the continuity rules.

Enterprise. The date of commencement of activities refers to the date of birth. It is in principle the date on which the first financial commitments are made, although in practice it may refer to the registration date in the administrative source (and thus be the same as variable 1.6), if the unit starts its economic activities immediately after that. However, the legal unit may change and be re-registered, for instance after a change of legal form, while the enterprise remains the same, because the continuity rules for enterprises should be applied.

Enterprise group. The date of commencement of the all-resident/truncated enterprise group refers to either a date when a new all-resident group is born or another creation date of a new group (by merger, break-up, split-off or restructuring). The birth of a new group may be difficult to define in practice, if the smallest groups, of no statistical importance to the Member State, are not monitored. The date from which the group is being monitored should then be used as a proxy. However, the approximate dates are important in order to know from which year a certain multinational group is monitored in different countries.

Source: CODED

Related terms:

- Birth

DEATH

Enterprise. A death amounts to the dissolution of a combination of production factors with the restriction that no other enterprises are involved in the event. Deaths do not include exits from the population due to mergers, takeovers, break-ups or restructuring of a set of enterprises. They do not include exits from a subpopulation resulting only from a change of activity.

An enterprise is included in the count of deaths only if it is not reactivated within 2 years. Equally, a reactivation within 2 years is not counted as a birth.

Local unit. The death of a local unit is the disappearance of a local unit that existed before. Since the local unit is a part of an enterprise, situated in a geographically identified place, and the enterprise is a combination of production factors, the death of a local unit amounts to the dissolution of a (partial) combination of production factors at a geographically identified place.

Enterprise group. The death of an enterprise group is the cessation of all control links, direct or indirect, between the legal units of which the enterprise group consists. The legal units become independent again or cease to exist. No other enterprise group is involved.

Source: CODED

Related terms:

- Cessation
- Number of deaths of enterprises

DEATH DATE

The date on which a unit died is not easy to collect but registration of the event is more important than the exact day.

There may be no interest on the part of the unit in announcing its death. Between activity and death there may be a period of inactivity, in which the unit may be recorded as dormant. Only after 24 months of such status may the unit be erased from the statistical business register, and that is the date to be retained.

Source: CODED

Related terms:

- Date of cessation

DE-CONCENTRATION

De-concentration is defined as changes (break-ups and split-offs) involving one enterprise before and more than one enterprise after the event.

Source: CODED

Related terms:

- Break-up
- Split-off
- Concentration of enterprises

DELINEATION OF STATISTICAL UNITS

Delineation of statistical units means creation of statistical units to be used in various statistical processes. The delineation is done by grouping or dividing administrative or other relevant units according to harmonised rules, including criteria based on classifications by economic activity, location or other economic characteristics.

Source: UNECE (2015)

Related terms:

- Statistical unit
- Profiling

DEMOGRAPHY OF ENTERPRISES

See: Business demography

DIRECT CONTROL

See: Control

Related terms:

- Indirect control

DOMESTICALLY CONTROLLED ENTERPRISE GROUP

A domestically controlled enterprise group is a multinational enterprise group controlled by a group head or natural person that has its headquarters or natural person resident in the country compiling the statistical business register.

NB: All-resident enterprise groups are also self-evidently domestically controlled, but, as they are not multinational, they do not belong to this type.

Source: CODED

Related terms:

- Multinational enterprise group
- Group head
- Foreign-controlled enterprise group
- All-resident enterprise group

DOMINANT INFLUENCE

A dominant influence can be exercised in different ways. The acquisition of the absolute majority (50 % + 1) of shareholdings with voting rights is the main instrument used to take control over a legal unit. On the other hand, the absolute majority of ownership of the capital share is neither a necessary nor a sufficient condition to have control.

It is not a necessary condition because there may be situations in which a relative majority of shareholdings with voting rights is enough to take control. This can be due to:

- absenteeism in the meetings on the part of the other shareholders;
- existing contracts about control.

It is not sufficient because the ability to effectively exercise control depends on the possibility of actively participating in the decision-making process of the meeting. This may be limited by:

- shareholdings with limited voting rights;
- statutory provisions that limit the transferability of shares;
- temporary suspension of voting rights.

Situations vary very much from country to country and depend on the legal framework concerning the corporate government, i.e. the legislation that regulates the allocation of property rights and control of enterprises in the economy. In particular, the principles sometimes vary notably between civil law systems and common law ones.

Source: CODED

Related terms:

- Control

DORMANT

A unit is said to be dormant if it is legally alive and has legal personality but does not carry on any activity and has neither employment nor turnover.

Source: CODED

Related terms:

- Death date
- Reactivation

E**EBR**

See: European Business Register

ECONOMIC ACTIVITY

Any activity consisting in offering goods and services on a given market is an economic activity. In addition, non-market services contributing to gross domestic product as well as direct and indirect holdings of active legal units are economic activities for the purposes of statistical business registers.

Source: CODED

ECONOMIC OPERATOR

An economic operator is an economic unit. It is a legal unit, or part of a legal unit, with economic production as defined in the current version of the System of National Accounts (SNA).

Source: UNECE (2015)

ECONOMIC PRODUCTION

Economic production may be defined as an activity carried out under the control and responsibility of an institutional unit that uses inputs of labour, capital, and goods and services to produce outputs of goods and services.

Source: CODED

ECONOMIC STATISTICS

Economic statistics describe the activities of economic transactors and the transactions that take place between them. In the real world, economic entities engaged in the production of goods and services vary in their legal, accounting, organisational and operating structures.

Source: United Nations (2008)

ECONOMIC SURVEY

An economic survey is an investigation of the characteristics of a given business population by means of collecting data from a sample of that population and estimating their characteristics through the systematic use of statistical methodology.

Source: UNECE — Terminology on Statistical Metadata (2000)

ECONOMIC TERRITORY

The economic territory consists of the following:

- (a) the area (geographic territory) under the effective administration and economic control of a single government,
- (b) any free zones, including bonded warehouses and factories under customs control,
- (c) the national airspace, territorial waters and continental shelf lying in international waters over which the country enjoys exclusive rights,
- (d) territorial enclaves, these being geographic territories situated in the rest of the world and used, under international treaties or agreements between states, by general government agencies of the country (embassies, consulates, military bases, scientific bases, etc.),
- (e) deposits of oil, natural gas, etc. in international waters outside the continental shelf of the country, worked by units resident in the territory as previously defined.

The economic territory excludes extraterritorial enclaves.

Also excluded are parts of the country's own geographic territory used by the following organisations:

- general government agencies of other countries,
- institutions and bodies of the European Union,
- international organisations under international treaties between states.

Source: Eurostat (2013), European system of accounts

EFFECTIVE MINORITY CONTROL

Effective minority control means having effective control of a unit without having the majority of voting stock. It does not include indirect control via a majority-controlled subsidiary. The most common case is a minority but large shareholder and a very large number of dispersed small shareholders, none of which holds a significant share of the capital. The minority shareholder can thus exercise effective control insofar as no majority of shareholders is really able to oppose it. However, it is possible that the small shareholders will join forces in order to have more influence over the strategic decisions.

Source: CODED

Related terms:

- Control
- Dominant influence

EGR

See: EuroGroups Register

EMPLOYEES

Employees are defined as those persons who work for an employer, have a contract of employment and receive compensation in the form of wages, salaries, fees, gratuities, piecework pay or remuneration in kind.

Source: CODED

Related terms:

- Employment
- Number of employees

EMPLOYMENT

Employment covers all persons engaged in productive activity that falls within the production boundary of the national accounts. Persons in employment are employees or self-employed persons. Persons holding more than one job are classified as employees or self-employed according to their main job.

Source: CODED

Related terms:

- Employees
- Self-employed persons

ENTERPRISE

The enterprise is the smallest combination of legal units that is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit.

Source: Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, annex, Section III A

Related terms:

- Institutional unit
- Corporation
- Company
- Enterprise group
- Statistical unit

ENTERPRISE BIRTH

See: Birth

ENTERPRISE CLOSURE

See: Closure

ENTERPRISE DEATH

See: Death

ENTERPRISE GROUP

An enterprise group is an association of enterprises bound together by legal and/or financial links. A group of enterprises can have more than one decision-making centre, especially for policy on production, sales and profit. It may centralise certain aspects of financial management and taxation. It constitutes an economic entity, which is empowered to make choices, particularly concerning the units that it comprises.

NB: This definition is not entirely correct, as the units that can have legal and/or financial links are the legal units and not the enterprises that are only statistical units. It would thus be more appropriate to define an enterprise group as an association of legal units bound together by legal and/or financial links. Enterprise groups shall be identified through the links of control between their legal units in accordance with Regulation (EU) No 549/2013.

Source: Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, annex, Section III C

Related terms:

- Multinational enterprise group
- All-resident enterprise group
- Truncated enterprise group
- Statistical unit

ERROR IN BUSINESS REGISTERS

An error in a statistical business register is a difference between the information presented in the register and the information as it should be according to a chosen image of the real world produced and maintained by an accepted instrument and documented procedures.

Source: CODED

Related terms:

- Frame error

ESA

See: European System of Accounts

ESS

See: European Statistical System

ESTABLISHMENT

An establishment is defined by the SNA as an enterprise, or part of an enterprise, that is situated in a single location and in which only a single (non-ancillary) productive activity is carried out or in which the principal productive activity accounts for most of the value added.

According to the regulation on statistical units, the local kind-of-activity unit (LKAU) corresponds to the operational definition of the establishment. According to the European System of Accounts (ESA) the LKAU is called the establishment in the SNA and ISIC Rev. 4.

Source: CODED

Related terms:

- Local kind-of-activity unit

EUROGROUPS REGISTER

The EGR builds a framework of registers, consisting of a central register kept at Eurostat and registers in each EU Member State and in European Free Trade Association (EFTA) countries. The central register contains information about multinational enterprises (MNEs) that have statistically significant financial and non-financial transnational operations in at least one of the European countries. Registers in the EU Member States and in EFTA countries contain information regarding MNEs active in their respective countries and are fully consistent with the central register. In practice, both Eurostat and European countries exchange confidential and non-confidential data on MNEs exclusively for statistical purposes.

The aim of the EGR network is to hold a complete, accurate, consistent and up-to-date set of linked and coordinated statistical registers, which offer compilers a common framework for multinational groups, global as well as truncated national groups, operating in the economy of the EU and EFTA countries, together with their constituent legal units and enterprises and the ownership and control relationships between legal units.

The national statistical business registers and the EGR build the basic infrastructure for the collection and compilation of European business statistics. According to the EBS regulation, the national statistical business registers are to be the authoritative sources for national statistical business register populations. The EGR is to be the authoritative source for the European Statistical System as a register population for business statistics requiring coordination of cross-border information related to enterprise groups.

Source: CODED

Related terms:

- Enterprise group
- Truncated enterprise group
- Multinational enterprise group
- Confidential data

EUROPEAN BUSINESS REGISTER

The European Business Register (EBR) is a network of administrative business registers kept by the registration authorities in most European countries. The EBR makes it possible to obtain (for a charge) company information (which varies by country) from countries connected to the network.

The EBR European Economic Interest Group manages the relationships between members of the EBR network.

Source: CODED

Related terms:

- Register
- Administrative source

EUROPEAN PROFILING

This is a profiling method to delineate the global enterprise (GEN) of a multinational enterprise group.

Source: Eurostat (2020), *European Business Profiling — Recommendations manual*

Related terms:

- Enterprise group
- Global enterprise

EUROPEAN STATISTICAL SYSTEM

The European Statistical System (ESS) is the partnership between the Community statistical authority, which is the Commission (Eurostat), and the national statistical institutes (NSIs) and other national authorities in each Member State responsible for the development, production and dissemination of European statistics.

Source: CODED

EUROPEAN SYSTEM OF ACCOUNTS

The European System of Accounts (ESA) is an internationally compatible accounting framework for a systematic and detailed description of a total economy (i.e. a region, country or group of countries), its components and its relations with other total economies.

ESA 2010 is fully consistent with the revised worldwide guidelines on national accounting, the System of National Accounts (SNA 2008) and replaces the European system of 1995.

The ESA framework consists of two main sets of tables.

- Institutional sector accounts provide, by institutional sector, a systematic description of the different stages of the economic process: production, generation of income, distribution of income, redistribution of income, use of income, and financial and non-financial accumulation. The sector accounts also include balance sheets to describe the stocks of assets, liabilities and net worth at the beginning and the end of the accounting period.
- The input–output framework and the accounts by industry describe in more detail, through the supply and use tables, the production process (cost structure, income generated and employment) and the flows of goods and services (output, imports, exports, final consumption, intermediate consumption and capital formation by product group).

Two important accounting identities are reflected in this framework: the sum of incomes generated in an industry is equal to the value added produced by that industry; and, for any product or groupings of products, supply is equal to demand.

The ESA encompasses concepts of population and employment. These concepts are relevant to the sector accounts, the accounts by industry and the input–output framework. The ESA is not restricted to annual national accounting but also applies to quarterly accounts and regional accounts.

Source: Eurostat (2013), *European system of accounts*

Related terms:

- System of National Accounts

EUROPEAN SYSTEM OF INTEROPERABLE STATISTICAL BUSINESS REGISTERS

The European System of Interoperable Statistical Business Registers (ESBR) is a European project to create a framework of consistent and interoperable national [statistical] business registers and the EGR.

Its main objective is to provide infrastructure (i.e. methodologies, processes and information technology systems) for improving the quality of business statistics in Europe. In particular, the ESBRs project aims at achieving progress in confronting three main problems:

- inconsistencies in business statistics due to different practices as concerns the production, use and role of national statistical business registers,
- inconsistencies in statistics on globalisation due to the absence of a shared view on the operational structure of global enterprise groups,
- inefficiencies in [statistical] business register processes and in statistical production processes due to the absence of common infrastructure for linking and sharing [statistical] business register information.

Source: ESS, ESS Vision 2020, Implementation Portfolio, ESBRs

Related terms:

- EuroGroups Register
- Global enterprise

EVENT

A demographic event is defined as an event that has an impact on the existence of a statistical unit, or on links between statistical units. A demographic event is based on changes in the existence of production factors, or in their distribution, within and among statistical units.

Source: CODED

F

FACTOR OF PRODUCTION

A factor of production is any good or service used to produce an output. In economics, factors of production are normally grouped into the categories land, labour and capital. Capital includes intermediate inputs.

Source: CODED

Related terms:

- Capital
- Number of employees and self-employed persons

FAMILY WORKER

See: Unpaid family worker

FATS

See: Foreign affiliates statistics

FDI

See: Foreign direct investment

FELLOW ENTERPRISES

An enterprise in one economy may be related through the Framework of Direct Investment Relationships (FDIR) to another enterprise in the same economy, or in a different economy, without either being a direct investor in the other, but through both being directly or indirectly influenced by the same enterprise in the ownership hierarchy. This 'common parent' must be a direct investor in at least one of the enterprises in question. Such enterprises can be considered to be related through a 'horizontal' linkage within the FDIR — not involving FDI voting power of 10 % or more — and are called fellow enterprises. It should be noted, however, that, for FDI statistics, only cross-border transactions and positions between FDI-related enterprises should be recorded.

Source: CODED

Related terms:

- Enterprise

FIRM

See: Company

FIRST SHOT

See: Immediate foreign owner

FOREIGN AFFILIATE

Foreign affiliate shall mean an enterprise resident in the compiling country over which an institutional unit not resident in the compiling country has control, or an enterprise not resident in the compiling country over which an institutional unit resident in the compiling country has control.

Source: Eurostat (2012), p. 13

Related terms:

- Subsidiary
- Enterprise
- Institutional unit

FOREIGN AFFILIATES STATISTICS

‘Statistics on foreign affiliates’ shall mean statistics describing the overall activity of foreign affiliates.

‘Inward statistics on foreign affiliates’ shall mean statistics describing the activity of foreign affiliates resident in the compiling economy.

‘Outward statistics on foreign affiliates’ shall mean statistics describing the activity of foreign affiliates abroad controlled by the compiling economy.

Source: Eurostat (2012), p. 13

FOREIGN-CONTROLLED ENTERPRISE GROUP

A foreign-controlled enterprise group is a multinational group controlled by a group head that has its headquarters outside the country compiling the statistical business register.

Source: Eurostat (2021), *European business statistics methodological manual for statistical business registers*, Box 4.7

Related terms:

- Multinational enterprise group
- Group head
- Domestically controlled enterprise group
- All-resident enterprise group

FOREIGN DIRECT INVESTMENT

FDI is assumed to reflect the objective of obtaining a lasting interest by a resident entity in one economy in an entity resident in an economy other than that of the investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, and a significant degree of influence on the management of the enterprise.

Source: CODED

FOUNDATION

This is a social economy enterprise (non-profit institution) characterised by:

- being run by appointed trustees;
- capital supplied through donations and gifts;
- financing and undertaking of research, supporting international, national and local projects; providing grants to relieve the needs of individuals, funding voluntary work, health and elderly care.

Source: CODED

Related terms:

- Legal form
- Non-profit institution

FRAME

This is a list, map or other specification of the units that define a population so that they can be completely enumerated or sampled.

Source: CODED

Related terms:

- Master frame
- Survey frame
- Sample frame

FRAME CORRECTION PROCEDURE

This comprises rules and processes enabling the coordinated handling of imperfections in master frames.

Source: Eurostat (2021), *European business statistics methodological manual for statistical business registers*, paragraph 10.63

FRAME ERROR

This error is caused by inherent limitations of input data, or by delays and errors in data acquisition and processing.

Source: CODED

FRANCHISE

The operation of a franchise network is a method of doing business that is popular in a number of service activities, especially hotels, restaurants, and retail sales. Franchisees are independent legal units which sign a contract with another legal unit, the franchiser, to engage in an activity making use of trademarks, trading styles and marketing support provided by the franchiser, usually in return for a fee or a share of the profits. A franchise contract typically includes a number of restrictive clauses limiting the franchisee's freedom of choice, for instance imposing standards on the goods and services to be produced, their quality and their price. The franchisee may be compelled to obtain supplies from the franchiser and must pay possibly access rights. The franchisee remains entirely responsible for his investment. Contribution towards certain services organised by the franchiser that is common to the entire network. The franchiser, in turn, offers scale economies without completely taking away the autonomy of the franchisee, for example by taking care of collective marketing. Franchise operators may or may not belong to the same enterprise group.

Franchisees are deemed to be separate enterprises because they consist of a complete combination of factors of production, and they run the full entrepreneurial risk. Moreover, the definition of the enterprise requires autonomy but allows for this autonomy to be somewhat restricted ('a certain degree of autonomy' is required), and full accounts tend to be available only at the level of the separate franchisees. The franchiser is also regarded as a separate enterprise.

Source: CODED

Related terms:

- Involvement of the enterprise in an association or cooperation agreement with other enterprises

FROZEN FRAME

The frozen frame is a subset of the snapshot that comprises all statistical units that are active or potentially active, or were active within the previous reference year. It also includes administrative units that are linked to these statistical units. The aim is to include all units and all characteristics that are used by subsequent processes. In other words it is a trimmed down version of the snapshot that is easier to manipulate because the possible large number of inactive units are not there. It may be further restricted by containing only units for which there are values for the characteristics that are to be used for frame extraction and sample selection for at least one survey.

Source: UNECE (2015)

Related terms:

- Master frame

FTE

See: Full-time equivalent unit

FULL-TIME EQUIVALENT UNIT

Full-time equivalent units (FTEs) are used in annual business statistics to improve the comparability of measures of employment. Figures for the number of persons working less than the standard working time of a full-year full-time worker should be converted into FTEs, with regard to the working time of a full-time full-year employee in the unit. Included in this category are people working less than a standard working day, less than the standard number of working days in the week or less than the standard number of weeks/months in the year. The conversion should be carried out on the basis of the number of hours, days, weeks or months worked.

Source: CODED

Related terms:

- Number of employees in full-time equivalent units
- Head count

G

GDC

See: Global decision centre

GEG

See: Global enterprise group

GEN

See: Global enterprise

GENERIC STATISTICAL BUSINESS PROCESS MODEL

The Generic Statistical Business Process Model (GSBPM) models the phases of the statistical business process and provides generic terms to describe them. The GSBPM is intended to apply to all activities undertaken by producers of official statistics, at both the national and international levels.

Source: UNECE — Statistical Metadata Wiki

GGH

See: Global group head

GLEIF

See: Global Legal Entity Identifier Foundation

GLOBAL DECISION CENTRE

The global decision centre (GDC) is the unit where the strategic decisions referring to a global enterprise group are taken. It is the actual management unit of the global enterprise group and it is not necessarily identical with the global group head (GGH).

Source: Eurostat (2021), *European business statistics methodological manual for statistical business registers*, Box 4.6

Related terms:

- Group head

GLOBAL ENTERPRISE

A [global enterprise] GEN is defined at the global level, which is to say irrespective of national borders. The GEN can be:

- a single legal unit (including the natural person),
- a global enterprise group as a set of legal units under common control if the group includes no autonomous parts,
- a part of an enterprise group, producing goods and services, benefiting from a certain degree of autonomy in decision-making, especially for the allocation of its current resources.

The GEN is to be considered an actual participant in the process of production in the economy. The GEN will often appear as an organisational unit that can provide meaningful data for statistics.

The GEN is usually identified and delineated as part of European profiling.

Source: Eurostat (2020), *European Business Profiling — Recommendations manual*, p.20

Related items:

- Profiling
- National enterprise

GLOBAL ENTERPRISE GROUP

A global enterprise group is an enterprise group that has at least two enterprises or legal units located in different countries.

NB: 'Global enterprise group' is effectively the same as 'multinational enterprise group' or 'multinational company'.

Sources: Eurostat (2020), *European Business Profiling — Recommendations manual*

Related terms:

- Enterprise group
- Multinational enterprise group
- Domestically controlled enterprise group
- Foreign-controlled enterprise group
- Group head

GLOBAL GROUP HEAD

The (global) group head is a parent legal unit, which is not controlled either directly or indirectly by any other legal unit. In multinational enterprise groups, global and all-resident group heads can be identified. The global group head is the group head of the multinational enterprise group; the all-resident group head is at the top of the national part of the multinational enterprise group.

Source: Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, annex, Section III C, explanatory note 4

Related terms:

- Ultimate controlling institutional unit
- Parent corporation
- Enterprise group
- Global decision centre

GLOBAL LEGAL ENTITY IDENTIFIER FOUNDATION

Established by the [Financial Stability Board](#) in June 2014, the Global Legal Entity Identifier Foundation (GLEIF) is tasked to support the implementation and use of the [Legal Entity Identifier \(LEI\)](#). The foundation is backed and overseen by the [LEI Regulatory Oversight Committee](#), representing public authorities from around the globe that have come together to jointly drive forward transparency within the global financial markets. GLEIF is a supranational not-for-profit organisation headquartered in Basel, Switzerland.

Source: <https://www.gleif.org/en/about/this-is-gleif>

Related terms:

- Legal Entity Identifier
- Legal Unit Identifier

GLOBALISATION

Globalisation is the existence of interactions between enterprises residing in different countries that are related by other links than mere market trade, and their socioeconomic consequences.

Source: CODED

GOVERNMENT UNIT

Government units are unique kinds of legal entities established by political processes that have legislative, judicial or executive authority over institutional units within a given area. Their principal functions are to provide goods and services to the community and to households on a non-market basis and to redistribute income and wealth.

Source: Eurostat (2013), *European system of accounts*, paragraph 20.06

GREENFIELD INVESTMENT

Greenfield investments by foreign investors are the creation of an affiliate from scratch, but the transfer of assets takes time. Greenfield investments concern a smaller proportion of direct investment than acquisitions.

Source: Eurostat (2008), *European Union foreign direct investment yearbook*

Related terms:

- Acquisition
- Foreign affiliates statistics

GROWTH

The term 'growth' is used in business demography to study how enterprises develop. Growth is measured in terms of a change in size (in this case employment) over time. It is expected that growth for real births will generally be positive (for those enterprises that have survived), as the vast majority are very small at the time of start-up. There will be occasional cases of births, and more frequent cases among the population of active enterprises, in which the growth measured in this way will be negative.

Source: CODED

GSBPM

See: Generic Statistical Business Process Model

H

HEAD COUNT

The number of physical persons (full-time and part-time) employed by a unit.

Source: CODED

Related terms:

- Number of employees and self-employed persons
- Full-time equivalent unit

HOLDING COMPANY

If an enterprise has a holding legal unit that does not hold assets of any other enterprise, this legal unit is considered to carry out an ancillary activity. It should be combined with the other legal units of the enterprise.

A legal unit set up to hold the assets of two or more enterprises within an enterprise group (a 'holding company') resembles to some extent the previous case. It is not market oriented in the sense that it does not sell goods and services to customers outside the group. Pure holding companies only hold the assets of other units, and therefore have no turnover or employment, though many holding companies also provide some sort of group service, often of a financial nature. The costs of providing such a service are often recovered through transfers from the enterprises involved.

In theory, pure holding companies do not fulfil the definition of the enterprise, as they are not a combination of factors of production producing goods and services. Since an enterprise cannot contain parts of legal units, and as NACE Rev. 2 class 64.20, 'activities of holding companies', allows the units concerned to be clearly recognisable and their impact quantifiable, holding companies within groups could be regarded as separate enterprises. This solution does not rule out the possibility of apportioning variables to other enterprises within the group; indeed this may be desirable for certain types of statistics. The possibility of combining all legal units within the truncated group into one enterprise is not considered here, as the groups under consideration can be very large. Units that combine holding and other types of activities should be treated as separate enterprises, particularly if this involves the provision of goods and services outside the group.

Source: CODED

Related terms:

- Holding corporation

HOLDING CORPORATION

Holding corporations are corporations that control a group of subsidiary corporations and whose principal activity is owning and directing the group.

Source: CODED

Related terms:

- Holding company

HORIZONTAL INTEGRATION

Two legal units are said to be horizontally integrated if they are within the same enterprise group, carry out similar or complementary activities, are managed as one business and present themselves as a single business to the market. This means that their operations are integrated, they share resources, inputs are combined, and marketing is done for the business as a whole. If two (or more) legal units are horizontally integrated, they cannot be considered to act autonomously. Therefore, the legal units should be combined to form a single enterprise.

The concept of 'complementary activities' is used here because the activities of horizontally integrated businesses involve similar inputs, and processes. Activities may be complementary without necessarily falling into the same NACE class. An example could be units that buy steel tubes, and use similar processes and shared resources, one to make metal furniture and another to make bicycles.

Source: CODED

Related terms:

- Vertical integration

I

IAS

See: International Accounting Standards

IDENTITY NUMBER

Legal units. The identity number of the legal unit can either be specific to the statistical business register or an external one, common or shared with other institutions in the Member State, called a unique identifier. The latter is generally preferred.

Local units. It is recommended to use a register-specific identity number for local units. The identity number of a local unit should remain the same while the unit is considered continuous according to the continuity rules, as defined in Chapter 7. (even if the enterprise to which it belongs may change). External (shared) identity numbers may exist for local units, but, as these may change during the existence of the unit, it is recommended to treat external identity numbers as variables, keeping track of their changes.

Enterprises. As the continuity rules for enterprises should be applied, the identity number should remain the same while the enterprise is considered continuous.

Enterprise groups (all-resident/truncated group). The identity number refers to the all-resident part of the group and should be different from the identity number of the global group (below), even if the group is domestically controlled. The number is given nationally in the business register or it may be shared with other institutions. The identity number of the truncated group is given centrally in the EGR procedure. As the continuity rules for enterprise groups should be applied, the identity number should remain the same while the group is considered continuous. For all-resident groups the general enterprise group continuity rules apply and different methods can be used, e.g. profiling for large groups and automated procedures based on administrative information for small groups. The continuity of the truncated group is based on the continuity of the global group.

There may be, in the national territory, several seemingly unlinked truncated groups, which in fact belong to the same multinational group. In such cases, these separate groups generally have same type of NACE activities and it can be advisable to define them as separate enterprises. A truncated group can also consist of only one unit of the group, parent or subsidiary in the national territory, and such cases may be difficult to identify nationally.

As the continuity of the group may remain while the group head changes, the identity number of the group should not be the same as the identity number of the all-resident group head.

Enterprise groups (global group). The identity number refers to the whole group and must be unique. The identity number is to be given in the EGR to ensure a unique format. The continuity of the global groups is coordinated in Europe by Eurostat. The continuity is decided jointly by Eurostat and the country of the group's decisioncentre, when this country is in the EU or in a participating EFTA country. When deciding on continuity, the information in the commercial sources (which may not respect continuity rules), as well as consistency with other available sources (e.g. the EU Industrial R&D Investment Scoreboard), will be taken into account. The identity number will be distributed to all Member States where the enterprise group operates.

As the continuity of the group may remain while the group head changes, the identity number of the group should not be the same as the identity number of the global group head.

Source: CODED

IFRS

See: International Accounting Standards

IMMEDIATE FOREIGN OWNER

The immediate foreign owner or first shot is the first enterprise outside the Member States in an affiliate ownership chain that has an ownership of more than 50 % of the ordinary shares, or the equivalent in the case of an unincorporated enterprise.

Source: CODED

Related terms:

- Ownership

IMPUTATION

This is a procedure for entering a value for a specific data item where the response is missing or unusable.

Source: CODED

INCORPORATED ENTERPRISE

See: Corporation

INDIRECT CONTROL

The subsidiary enterprises of a subsidiary enterprise are considered to be subsidiaries of the parent enterprise.' This means that a parent unit may have indirect control over a legal unit (sub-subsidiary) through other subsidiaries.

NB: Indirect control does not require the parent unit to own a majority of integrated shareholding in the capital share of the sub-subsidiaries.

Source: Council Regulation (EEC) No 696/93 of 15 March 1993 on statistical units (annex, Section III C, explanatory note 4)

Related terms:

- Control
- Dominant influence
- Majority ownership

INDUSTRIAL ACTIVITY

See: Economic activity

INDUSTRY

There is no harmonised definition of the term 'industry' in business statistics, owing to its wide usage in different circumstances.

'Industry' is often used as a synonym for 'activity', for the 'industrial sector' and for 'industrial activity'. However, it is broader than the industrial sector in that it may be used to refer to a population based on observation units other than the enterprise or the local unit, namely the kind-of-activity unit (KAU) or the LKAU. Care should be taken to avoid confusion with a 'branch', which is based on the unit of homogeneous production (UHP) or the local UHP.

The European System of Accounts (ESA) defines the term 'Industry' as consisting of a group of LKAUs engaged in the same, or similar, kind(s) of activity. At the most detailed level of classification, an industry consists of all the LKAUs falling within a single class (4digits) of NACE Rev. 2, which are therefore engaged in the same activity as defined in NACE Rev. 2.

Industries comprise both LKAUs producing market goods and services and LKAUs producing non-market goods and services. An industry by definition consists of a group of LKAUs engaged in the same type of productive activity, irrespective of whether the institutional units to which they belong produce market or non-market output.

Source: CODED

Related terms:

- Activity

INFORMAL SECTOR

The informal sector is broadly characterised as consisting of units engaged in the production of goods and services with the primary objective of generating employment and income for the persons concerned. These units typically operate at a low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. Units in the informal sector are not registered under specific forms of national legislation.

The informal sector excludes households producing exclusively for own final use.

Source: CODED

Related terms:

- Non-observed economy

INSTITUTIONAL SECTOR

Institutional units are grouped into institutional sectors or simply sectors, some of which are divided into subsectors. Each of the sectors and subsectors groups together the institutional units that have a similar type of economic behaviour.

Criteria for assessing 'similar type of economic behaviour' are:

- type of producer;
- private and public market producers;
- whether or not the unit is a private producer for own final use;
- private and public other non-market producers;
- principal activity and function.

The ESA distinguishes between the following institutional sectors:

- non-financial corporations
- financial corporations
- general government
- households (as consumers or entrepreneurs)
- non-profit institutions serving households
- the rest of the world.

Source: CODED

Related terms:

- European System of Accounts
- Institutional unit

INSTITUTIONAL UNIT

The institutional unit is an elementary economic decision-making centre characterised by uniformity of behaviour and decision-making autonomy in the exercise of its principal function. A unit is regarded as constituting an institutional unit if it has decision-making autonomy in respect of its principal function and keeps a complete set of accounts:

- In order to be said to have autonomy of decision-making in respect of its principal function, a unit must be responsible and accountable for the decisions and actions it takes.
- In order to be said to keep a complete set of accounts, a unit must keep accounting records covering all its economic and financial transactions carried out during the accounting period, as well as a balance sheet of assets and liabilities.

NB: According to the regulation on statistical units, an institutional unit corresponds to an enterprise in the corporate enterprises sector.

NB: ESA 2010 defines the institutional unit as 'an economic entity characterised by decision-making autonomy in the exercise of its principal function. A resident unit is regarded as constituting an institutional unit in the economic territory where it has its centre of predominant economic interest if it has decision-making autonomy and either keeps a complete set of accounts, or is able to compile a complete set of accounts'.

Sources: Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, annex, Section III B; Eurostat (2013), European system of accounts, paragraph 2.12

Related terms:

- Enterprise
- Corporation

INTERNATIONAL ACCOUNTING STANDARDS

Accounting standards issued by the International Accounting Standards Committee (IASC) were designated International Accounting Standards (IAS).

In 2001, the IASC became the International Accounting Standard Board (IASB) and announced that its accounting standards would be designated International Financial Reporting Standards (IFRS).

Accounting standards are authoritative statements of how particular types of transaction and other events should be reflected in financial statements.

Source: <https://www.ifrs.org/about-us/who-we-are/>

Related terms:

- Publicly traded company
- Corporation

INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION OF ALL ECONOMIC ACTIVITIES

The International Standard Industrial Classification of All Economic Activities (ISIC Rev. 4) of the United Nations is intended to be a standard classification of all productive economic activities. Its main aim is to provide a set of activity categories that can be used when analysing statistics according to such activities. The detailed groups and classes of the ISIC are best suited for classifying the kind of economic activity of establishments.

ISIC Rev. 4 is a classification by activity. The activity carried out by a statistical unit is the type of production in which it engages.

Economic activities are classified within the European Union in accordance with NACE Rev. 2.

Source: United Nations (2008)

Related terms:

- NACE Rev. 2

INTRASTAT

With the removal of frontier controls between Member States under the single market programme, a new system, known as Intrastat, was devised to collect statistics on intra-Community trade. Developed by Eurostat and operational since 1 January 1993, Intrastat involves collecting information directly from businesses and makes use of value added tax (VAT) data and the VAT reporting system.

Intra-EU trade statistics record the arrival and dispatch of movable property recorded by each Member State.

Intra-EU trade statistics do not record goods in transit. Intra-EU trade statistics are not based on either the general or the special trade system; these concern customs procedures. Given its coverage of transactions, however, Intrastat closely matches the general trade system.

Intra-EU trade statistics do not cover the following arrivals and dispatches:

- those effected by private individuals or small enterprises that are exempt from periodic tax declarations;
- those that are excluded pursuant to special provisions of Community legislation.

Source: CODED

J

JOB

A job is defined as an explicit or implicit contract (relating to the provision of labour input, not to supplying output of a good or service) between a person and a resident institutional unit to perform work (activities that contribute to the production of goods or services within the production boundary) in return for compensation (including mixed income of self-employed persons) for a defined period or until further notice.

In that definition, both employee and self-employment jobs are covered: that is, an employee job if the person belongs to another institutional unit than the employer and a selfemployment job if the person belongs to the same institutional unit as the employer.

The concept of jobs differs from the concept of employment.

- It includes second, third, etc. jobs of the same person. Those second, third, etc. jobs of a person may either successively follow one another within the reference period (usually, a week) or, as when someone has an evening job as well as a daytime job, run in parallel.
- On the other hand, it excludes persons temporarily not at work but who have a formal attachment to their job in the form of, for instance, an assurance of return to work or an agreement about the date of return. Such an understanding between an employer and a person on lay-off or away on training is not counted as a job in the system.

Source: CODED

Related terms:

- Employment
- Employees
- Self-employed

JOINT-STOCK COMPANY

See: Legal form

JOINT VENTURE

A joint venture is created when two or more independent enterprises agree to commit some of their resources to work together on a common project or towards a common goal. An important feature of a joint venture enterprise is that none of the original enterprises exercises outright control over the entity created, so it is considered to be an enterprise.

For business demography purposes, joint ventures may be considered to be real births if they involve the creation of new factors of production. The cessation of a joint venture mirrors the above. It can be considered a real death if less than half of the employment is transferred to the participating enterprises.

The proportion of the new factors of production necessary for a joint venture to be considered a real birth should be at least half, i.e. if less than half of the total employment of the joint venture enterprise is transferred from the participating enterprises it is considered to be a real birth.

Source: CODED

K

KAU

See: Kind-of-activity unit

KIND-OF-ACTIVITY UNIT

The kind-of-activity unit (KAU) groups all the parts of an enterprise contributing to the performance of an activity at class level (4digits) of NACE Rev. 2 and corresponds to one or more operational subdivisions of the enterprise. The enterprise's information system must be capable of indicating or calculating for each KAU at least the production value, intermediate consumption, manpower costs, operating surplus, employment and gross fixed capital formation.

Source: Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, annex, Section III D

Related terms:

- Activity
- NACE Rev. 2
- Statistical unit

L

LARGE CASE UNIT

A large case unit (LCU) is an organisational solution inside the statistical office for coordinating and monitoring the different inputs and outputs of statistical production processes concerning large and complex enterprises, including profiling.

Source: Eurostat (2020), *European Business Profiling — Recommendations manual*

LEGAL ENTITY IDENTIFIER

The Legal Entity Identifier (LEI) is a 20-character, alphanumeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Each LEI contains information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'.

Source: GLEIF, (<https://www.gleif.org/en/about-lei/introducing-the-legal-entity-identifier-lei>)

Related terms:

- GLEIF
- Legal Unit Identifier

LEGAL FORM

The legal form (also known as legal status) is defined according to national legislation. It is useful for eliminating ambiguity in identification searches and as a possible criterion for selection or stratification for surveys. It is also used for defining the institutional sector. Statistics according to legal form are produced in, for example, business demography. The character of legal or natural person is decisive in fiscal terms, because the tax regime applicable to the unit depends on this. It means that any statistical register fed with fiscal records will have that information. Experience has shown that legal form will often be useful to make adjustments to information collection processes and questionnaires on the legal unit operating an enterprise. A code representing the legal form should therefore be recorded in accordance with the classification of legal forms or categories. The following legal forms can be found in most Member States.

- **Sole proprietorship.** Enterprise owned exclusively by one natural person.
- **Partnership.** Association of persons who conduct a business under a collective name. It can take the form of a limited partnership.
- **Limited liability companies.** Enterprises comprising jointstock companies, limited partnerships with share capital and private limited companies. Harmonised rules at European level governing the publication of accounts for these types of companies are laid down by the fourth Council directive.
- **Cooperative societies.** These are bodies set down by law in each country. They observe a number of general principles; for example, they may only be entitled to provide their services to members, and profits are often distributed in proportion to members' dealings with the society.
- **Non-profit-making bodies.**
- **Enterprises with other forms of legal constitution.** This group includes nationalised industries, publicly owned enterprises, and state or local authority monopolies.

Source: CODED

Related terms:

- Non-profit institution
- Cooperative (society)
- Mutual society
- Association/voluntary organisation
- Foundation
- Publicly traded company

LEGAL PERSON

The term 'legal person', which is used in the legislation of a number of countries, although not all, corresponds to all forms of legal construction organised by the constitution and laws of countries and endowed with rights and obligations characteristic of legal personality.

Source: CODED

Related terms:

- Natural person
- Legal unit

LEGAL STATUS

See: Legal form

LEGAL UNIT

Legal units include:

- legal persons whose existence is recognised by law independently of the individuals or institutions that may own them or are members of them;
- natural persons who are engaged in an economic activity in their own right.

The legal unit always forms, either by itself or sometimes in combination with other legal units, the legal basis for the statistical unit known as the enterprise.

Source: Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, annex, Section II A(3)–(4)

Related terms:

- Enterprise
- Statistical unit

LEGAL UNIT IDENTIFIER

The legal entity identifier number (LEID number) is the unique identification number assigned by the EGR Identification Service. The structure of LEID numbers has been created by Eurostat specifically for the purposes of the EGR; the LEID number is a combination of the country code, register code and national identification number of the legal unit.

Source: Eurostat (2020), EGR wiki

Related terms:

- Legal Entity Identifier

LEI

See: Legal Entity Identifier (GLEIF)

LEID

See: Legal Unit Identifier (LEID)

LIMITED LIABILITY COMPANIES

See: Legal form

LIVE REGISTER

An important role of the SBR is to maintain and to keep track of changes in statistical units and their characteristics. Maintenance is a continuous process in which constant modifications of the set of statistical units occur over time. In this respect the SBR is considered to be a live register in which the composition and characteristics of units constantly change over time.

Source: UNECE (2015)

Related terms:

- Business register for statistical purposes

LISTED COMPANY

See: Publicly traded company

LKAU

See: Local kind-of-activity unit

LOCAL KIND-OF-ACTIVITY UNIT

The local kind-of-activity unit (LKAU) is the part of a KAU that corresponds to a local unit.

The LKAU corresponds to the operational definition of the establishment.

According to the European System of Accounts (ESA) the LKAU is called the establishment in the SNA and ISIC Rev. 4.

Sources: Council Regulation (EEC) No 696/93, of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, annex, Section III G; Eurostat (2013), ESA, paragraph 2.148

Related terms:

- Establishment
- Statistical unit

LOCAL UNIT

The local unit is an enterprise or part thereof (e.g. a workshop, factory, warehouse, office, mine or depot) situated in a geographically identified place. At or from this place economic activity is carried out for which — save for certain exceptions — one or more persons work (even if only part-time) for one and the same enterprise.

Source: Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, annex, Section III F

Related terms:

- Number of local units
- Statistical unit

LOCAL UNIT OF HOMOGENEOUS PRODUCTION

The local unit of homogeneous production (UHP) is the part of a UHP which corresponds to a local unit.

Source: Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, annex, Section III H

Related terms:

- Analytical unit

M

MAIN ACTIVITY

See: Principal activity

MAIN LOCATION

The main location of an enterprise is the location of the local unit with the largest number of persons actually employed.

Source: CODED

MAJORITY OWNERSHIP

A single investor controls an enterprise by holding a majority (50 % + 1) of the voting power or of the shares, directly or indirectly. In the absence of other information, it is generally used as a proxy for control. On the other hand, the absolute majority of ownership of the capital share ownership is not always necessary or a sufficient condition to have control.

Source: CODED

Related terms:

- Ownership
- Control
- Dominant influence
- Effective control

MARKET OUTPUT

Market output consists of output that is disposed of on the market or intended to be disposed of on the market.

Market output includes:

- products sold at economically significant prices;
- products bartered;
- products used for payments in kind (including compensation of employees in kind and mixed income in kind);
- products supplied by one LKAU to another within the same institutional unit to be used as intermediate inputs or for final uses;
- products added to the inventories of finished goods and work in progress intended for one or other of the above uses (including natural growth of animal and vegetable products and uncompleted structures for which the buyer is unknown).

Source: Eurostat (2013), *European system of accounts*, paragraphs 3.17–3.18

Related terms:

- Market producer
- Non-market output

MARKET PRODUCER

Market producers are LKAUs or institutional units the major part of whose output is market output.

If an LKAU or institutional unit is a market producer, its main output is by definition market output, as the concept of market output is defined after having applied the distinction between market output, output for own final use and non-market output to the LKAU and institutional unit that have produced that output.

Source: Eurostat (2013), *European system of accounts*, paragraph 3.24

Related terms:

- Non-market producers

MASTER FRAME

Master frames comprise populations of statistical units, their interrelationships with each other and their relationships with administrative units, and are shared and used by statistical domains to coordinate their survey frames. Master frames are created by reference periods (month, quarter or year) and can have different versions: preliminary, intermediate or final.

Source: Eurostat (2021), *European business statistics methodological manual for statistical business registers*, [Section 10.2](#)

Related terms:

- Frozen frame
- Survey frame
- Backbone

MERGER

Enterprises. Enterprises may integrate to such an extent that the number of existing enterprises is reduced. If two enterprises integrate entirely, the enterprises involved may lose their identity because they are dissolved beyond recognition in the new organisation. If both enterprises lose their identity, the event is called a merger. There is no continuity or survival, but the closures of the previous enterprises are not considered to be real deaths. Similarly, the new enterprise is not considered to be a real birth. This event can be seen as the opposite of a break-up.

Enterprise groups. Like enterprises, enterprise groups may have many kinds of intergroup relations and integrate their operations partly or totally. Two (or more) enterprise groups may integrate entirely and become one group. In this process either both groups involved may lose their identity, because they are dissolved beyond recognition in the new organisation, or one group may remain largely the same. In the latter case the other group is generally much smaller; it is merely absorbed by the larger group, which remains largely the same. If both groups lose their identity, the event is called a merger.

NB: In the third Council directive (Directive 78/855/EEC), mergers are divided into two types, of which the first refers to takeover and the second to merger. Thus 'merger' often covers both mergers and takeovers. The terms can also be used interchangeably.

Article 3: '1. ... "merger by acquisition" shall mean the operation whereby one or more companies are wound up without going into liquidation and transfer to another all their assets and liabilities in exchange for the issue to the shareholders of the company or companies being acquired of shares in the acquiring company and a cash payment, if any, not exceeding 10 % of the nominal value of the shares so issued or, where they have no nominal value, of their accounting par value.'

Article 4: '1. ... "merger by the formation of a new company" shall mean the operation whereby several companies are wound up without going into liquidation and transfer to a company that they set up all their assets and liabilities in exchange for the issue to their shareholders of shares in the new company and a cash payment, if any, not exceeding 10 % of the nominal value of the shares so issued or, where they have no nominal value, of their accounting par value.'

Source: CODED

Related terms:

- Takeover
- Acquisition
- Creation
- Cessation

MINORITY CONTROL

See: Effective control

MISCLASSIFICATION

This is when a subject is falsely classified into a category in which the subject does not belong. It may result from misreporting by study subjects, from the use of less than optimal measurement devices or from random error.

Source: CODED

MNE

See: Multinational enterprise group

MOTHER COMPANY

See: Parent corporation

MULTINATIONAL ENTERPRISE

Multinationals usually comprise companies or other entities established in more than one country and so linked that they may coordinate their operations in various ways. While one or more of these entities may be able to exercise a significant influence over the activities of others, their degree of autonomy within the enterprise may vary widely from one multinational enterprise to another. Ownership may be private, state or mixed.

Source: CODED

NB: The definition is ambiguous but in practice 'multinational enterprise' is used with the same meaning as 'multinational enterprise group'.

Related terms:

- MNE
- Multinational enterprise group
- Global enterprise group

MULTINATIONAL ENTERPRISE GROUP

A multinational enterprise group is an enterprise group that has at least two enterprises or legal units located in different countries.

NB: 'Multinational enterprise group' is effectively the same as 'multinational enterprise' or 'multinational company'. In business statistics the newer term 'global enterprise group' is nowadays more widely used.

Source: CODED

Related terms:

- Enterprise group
- Global enterprise group
- Domestically controlled enterprise group
- Foreign-controlled enterprise group
- All-resident enterprise group
- Group head

MUTUAL SOCIETY

This is a social economy enterprise characterised by:

- voluntary and open membership;
- equal voting rights — resolutions carried by majority;
- members' fees based on insurance calculations (where relevant) — no capital contributions;
- autonomy and independence;
- dealing in particular with medical, life and non-life insurance, guarantee schemes and home mortgages.

Source: CODED

Related terms:

- Legal form

N**NACE**

Abbreviation of 'Statistical classification of economic activities in the European Community (NACE)'.

NACE is the Statistical Classification of Economic Activities in the European Union. The abbreviation is derived from the French: *Nomenclature statistique des activités économiques dans la Communauté européenne*. Various NACE versions have been developed since 1970. The current version is NACE Rev. 2, adopted in 2006. NACE consists of a hierarchical structure of four levels: sections, divisions, groups and classes.

NACE Rev. 2 is derived from ISIC Rev. 4, in the sense that it is more detailed than ISIC. ISIC and NACE have exactly the same items at the highest levels (sections and division), whereas NACE is more detailed at the lower levels (groups and classes). Moreover, in order to ensure international comparability, the definitions and guidelines established for use within the EU are consistent with those published in the introduction to ISIC.

Source: CODED

Related terms:

- International Standard Industrial Classification of All Economic Activities

NATIONAL ENTERPRISE

A national enterprise (ENT) is the enterprise defined by the national profiling team of an NSI in its national territory as the most relevant set of legal units forming the unit 'enterprise'. National enterprises are thus the units delineated for the needs of national business statistics.

Source: Eurostat (2020), *European Business Profiling — Recommendations manual*, p. 21

Related terms:

- Enterprise group
- Global enterprise
- Profiling

NATIONAL ENTERPRISE GROUP

This term covers both all-resident enterprise groups and parts of global enterprise groups.

Source: Eurostat (2021), *European business statistics methodological manual for statistical business registers*, paragraph 4.43

Related terms:

- All-resident enterprise group
- Truncated enterprise group

NATIONAL PROFILING

This is a profiling method to delineate the national statistical units' structure within a group, in a way that reflects the needs of national business statistics. In the case of multinational enterprise groups, it includes the delineation of links between national enterprises and global enterprises.

Source: Eurostat (2020), *European Business Profiling — Recommendations manual*, p. 28

Related terms:

- Enterprise group
- Global enterprise
- National enterprise

NATURAL PERSON

The term 'natural person' is used by the law and by many administrative authorities to denote a human being endowed with all the rights constituting legal personality.

NB: In the context of SBRs, natural persons play a role as economic operators, in that they are entrepreneurs owning and managing a business, or as owners of assets. According [to the] SU [statistical units] regulation, legal units include natural persons who are engaged in an economic activity in their own right.

Source: CODED

Related terms:

- Legal person

NET TURNOVER

For all activities except for NACE 64, 65 and some activities of NACE 66 net turnover consists of all income arising during the reference period in the course of ordinary activities of the statistical unit, and is presented net of all price reductions, discounts and rebates granted by it.

Income is defined as increases in economic benefits during the reference period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.

The inflows referred to are arising from contracts with customers and are realized through the satisfaction by the statistical unit of performance obligations as foreseen in said contracts. Usually, a performance obligation is represented by the sale (transfer) of goods or the rendering of services, however, the gross inflows can also contain revenues obtained as a yield on the use by others of the statistical unit's assets.

Excluded from net turnover are:

- all taxes, duties or levies linked directly to revenue;
- any amounts collected on behalf of any principal, if the statistical unit is acting as an agent in its relationship with said principal;
- all income not arising in the course of ordinary activities of the statistical unit. Usually, these types of income are classified as 'Other (operating) income', 'Financial income', 'Extra-ordinary income' or under a similar heading, depending on the respective set of generally accepted accounting standards used to prepare the financial statements.

Infra-annual statistics may not be able to take into account aspects such as annual price reductions, subsidies, rebates and discounts.

For the activities of NACE K6411, K6419 and K649 net turnover is defined as the value of output minus subsidies or government grants.

For the activities of NACE K642 and K643 net turnover can be approximated by the total operating costs, if net turnover is not available in the financial statements.

For the activities of NACE K6511, K6512 and K652 net turnover is defined as Gross premiums earned.

For the activities of NACE K653 the net turnover is defined as total pension contributions.

For activities of NACE K66 for which net turnover is not available in the financial statements, net turnover is defined as the value of output minus subsidies or government grants. For activities of NACE K66 for which net turnover is available in the financial statements, the standard definition of net turnover applies.

Source: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 on the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics, Annex IV, variable 140301

Related terms:

- Turnover

NET TURNOVER FROM AGRICULTURE, FORESTRY, FISHING AND INDUSTRIAL ACTIVITIES

The part of net turnover derived from activities classified to NACE Sections A to F.

Net turnover derived from the resale of goods and services purchased for resale in the same condition is excluded.

Source: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 on the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics, Annex IV, variable 250102

NEW ENTERPRISE

New enterprises are active in a given period, but were not active in the previous period. The number of enterprise births is derived from the population of new enterprises by removing reactivations and other enterprise creations that do not meet the definition of enterprise births.

Source: CODED

Related terms:

- Creation
- Number of births of enterprises

NON-MARKET OUTPUT

Non-market output is output that is provided to other units free of charge, or at prices that are not economically significant.

Source: CODED

Related terms:

- Market output

NON-MARKET PRODUCERS

Non market producers are Local kind-of-activity units (KAUs) or institutional units whose major part of output is provided free or at not economically significant prices.

Source: CODED

Related terms:

- Market producer

NON-OBSERVED ECONOMY

This term is used to describe activities that, for one reason or another, are not captured in regular statistical enquiries. The reason may be that the activity is informal and thus escapes the attention of surveys; the activity might also be illegal or hidden from the administrative authorities (underground activities).

Source: Eurostat (2013), *European system of accounts*, paragraph 11.26

Related terms:

- Informal sector

NON-PROFIT INSTITUTION

A non-profit institution is defined as a legal or social entity created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gains for the units that establish, control or finance them. In practice, their productive activities are bound to generate either surpluses or deficits but any surpluses they happen to make cannot be appropriated by other institutional units.

Non-profit institutions serving households consist of non-profit institutions that are separate legal entities, serve households and are private non-market producers. Their principal resources are voluntary contributions in cash or in kind from households in their capacity as consumers, payments made by the general government and property income.

Source: CODED

Related terms:

- Other non-market producers
- Legal form
- Association
- Foundation

NUMBER OF ACTIVE ENTERPRISES

This is the number of all statistical units which at any time during the reference period were 'enterprises', as defined in Council Regulation (EEC) No 696/93 (2), and also active during the same reference period.

A statistical unit is considered to have been active during the reference period, if in said period it either realized positive net turnover or produced outputs or had employees or performed investments.

Source: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 on the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics, Annex IV, variable 210101.

NUMBER OF EMPLOYEES

The number of employees represents the average number of persons who were, at some time during the reference period, employees of the statistical unit.

Source: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 on the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics, Annex IV, variable 220102

Related terms:

- Employment
- Number of persons employed

NUMBER OF EMPLOYEES AND SELF-EMPLOYED PERSONS

The number of employees and self-employed persons is the sum of the Number of employees and Number of self-employed persons. The 'Number of employees' is defined as for variable 220102 under B5. The number of self-employed persons is the average number of persons who were at some time during the reference period the sole owners or joint owners of the statistical unit in which they work. Family workers and outworkers whose income is a function of the value of the outputs of the statistical unit are also included.

Sources: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 on the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics, Annex IV, variable 120101

NUMBER OF EMPLOYEES IN FULL-TIME EQUIVALENT UNITS

This is defined as a count of the number of employees converted into FTEs.

Figures for the number of persons working less than the standard working time of a full-year full-time worker should be converted into full-time equivalents, with regard to the working time of a full-time full-year employee in the unit. It is the total hours worked divided by the average annual number of hours worked in full-time jobs within the economic territory. Since the lengths of a full-time job has changed through time and differs between industries, methods that establish the average proportion and average hours of less than full-time jobs in each job group have to be used. A normal full-time week must first be estimated in each job group. If possible, a job group can be defined, inside an industry, according to people's sex and/or kind of work. Hours contractually agreed upon can constitute the appropriate criteria for determining those figures for employee jobs. Full-time equivalents are calculated separately in each job category, and then added up.

Included in this category are people working less than a standard working day, less than the standard number of working days in the week or less than the standard number of weeks/months in the year. The conversion should be carried out on the basis of the number of hours, days, weeks or months worked.

Source: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 on the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics, Annex IV, variable 220103

Related terms:

- Employees
- Employment

NUMBER OF ENTERPRISE BIRTHS

This is a count of the number of births of enterprises registered to the population concerned in the [statistical] business register corrected for errors. A birth amounts to the creation of a combination of production factors with the restriction that no other enterprises are involved in the event. Births do not include entries into the population due to mergers, break-ups, split-off or restructuring of a set of enterprises. It does not include entries into a sub-population resulting only from a change of activity.

Source: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 on the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics, Annex IV, variable 210201

Related terms:

- Birth

NUMBER OF ENTERPRISE DEATHS

This is a count of the number of deaths of enterprises registered to the population concerned in the [statistical] business register corrected for errors. A death amounts to the dissolution of a combination of production factors with the restriction that no other enterprises are involved in the event. Deaths do not include exits from the population due to mergers, take-overs, break-ups or restructuring of a set of enterprises. It does not include exits from a sub-population resulting only from a change of activity.

Source: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 on the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics, Annex IV, variable 210202

Related terms:

- Death

NUMBER OF HOURS WORKED

The total number of hours worked represents the number of hours actually worked by employees, for the output of the statistical unit during the reference period.

Time spent on adjacent work, indirectly contributing to the output (e.g. planning, preparation, administrative and alike), as well as time spent without actual work, but deemed and remunerated as such by the statistical unit (e.g. short breaks, short disruptions due to slack in production, trainings and alike) is included.

Time spent on work, be it adjacent work, without actual remuneration (e.g. unpaid overtime) is also included.

Remunerated time spent without actual work and not deemed as such by the statistical unit (e.g. annual leave, sick leave, maternity leave, official holidays, longer breaks, meal breaks, strikes, commuting and alike) is excluded.

Included are hours actually worked during normal working hours, hours worked in addition to those, time spent at the place of work on tasks such as preparing the site and time corresponding to short periods of rest at the workplace.

Infra-annual statistics may not be able to take into account all these items such as unpaid overtime.

Sources: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 on the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics, Annex IV, variable 120201

Related terms:

- Employees
- Employment

NUMBER OF KIND-OF-ACTIVITY UNITS

This is a count of the number of KAUs registered to the population concerned in the [statistical] business register, corrected for errors, in particular frame errors, or an estimate if this type of unit is not registered. This statistic should include all units active during at least a part of the reference period.

Source: CODED

Related terms:

- Activity
- Kind-of-activity unit

NUMBER OF LOCAL UNITS

This is a count of the number of local units as defined in Regulation (EEC) No 696/93 registered to the population concerned in the [statistical] business register, corrected for errors, in particular frame errors. Local units must be included even if they have no paid employees. This statistic should include all units active during at least a part of the reference period.

Source: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 on the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics, Annex IV, variable 310101

Related terms:

- Local unit

NUMBER OF PERSONS EMPLOYED

See: Number of employees and self-employed persons

NUTS

This stands for Nomenclature of Territorial Units for Statistics, a common statistical classification of territorial units in order to enable the collection, compilation and dissemination of harmonised regional statistics in the Community.

The NUTS classification subdivides the economic territory of the Member States into territorial units. It ascribes to each territorial unit a specific code and name.

The NUTS classification is hierarchical. It subdivides each Member State into NUTS level 1 territorial units, each of which is divided into NUTS level 2 territorial units, these in turn each being subdivided into NUTS level 3 territorial units. However, a particular territorial unit may be classified at several NUTS levels. In each Member State there can be further hierarchical levels of detail, decided by the Member State, whereby NUTS level 3 is subdivided.

Source: CODED

O

OBSERVATION UNIT

An observation unit represents an identifiable entity, about which data can be obtained.

During the collection of data, this is the unit for which data are recorded. It should be noted that this may or may not be the same as the reporting unit.

Source: CODED

Related terms:

- Reporting unit
- Statistical unit

OCCUPIED PERSONS

In order to be classified as occupied — i.e. either employed or selfemployed — a person must be engaged in an activity that falls within the production boundary of the national accounts.

Source: CODED

Related terms:

- Employees and self-employed persons

OFFSHORE ENTERPRISES

In balance of payments accounts, the residency of offshore enterprises is attributed to the economies in which they are located without regard to the special treatment they may receive from the local authorities, such as exemptions from taxes, tariffs or duties. This treatment applies to enterprises such as those engaged in the assembly of components manufactured elsewhere and in the processing of re-exported goods, to those engaged in trade and financial operations, and to those located in special zones (e.g. special trade zones, free-trade zones or taxhavens).

Source: OECD Glossary of Statistical Terms

OFFSHORING

This means locating production in a foreign country, either with a foreign affiliate or outsourced to a third-party provider abroad. The third-party provider can be an independent company or an affiliate of another multinational enterprise group.

Source: OECD Glossary of Statistical Terms

OPERATING SEGMENT

An operating segment (also named a business segment or divisions) is defined as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating costs results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance;
- about which discrete financial information is available.

The concept of operating segments was introduced by IFRS 8 and is helpful for the delineation of enterprises.

Source: Eurostat (2020), *European Business Profiling — Recommendations manual*

Related terms:

- Enterprise
- Profiling

OUT-OF-SCOPE UNIT

Out-of-scope units are units that should not be included in the sampling frame because they do not belong to the target population in the reference period. If enumerated, they cause over-coverage.

Source: CODED

OUTSOURCING

This means delegating (some) activities to an outside contractor. Production can be outsourced to a third-party service provider in the home country or to a third-party provider abroad, either to an independent company or to an affiliate of another multinational enterprise group.

Source: OECD Glossary of Statistical Terms

OVER-COVERAGE

Over-coverage arises from the presence in the frame of units not belonging to the target population and of units belonging to the target population that appear in the frame more than once.

These cases are usually observed for contacted units, but not necessarily for noncontacted units or those excluded from a sample. Reasons for over-coverage are the death of units, misclassification and a non-updated frame. Over-coverage in a [statistical business] register generally biases the estimators drawn from that sampling list.

Source: CODED

OWNERSHIP

The ownership of a unit or a group of units is related to the property of its assets and determines the distribution of financial flows and income. If a unit or group of units is owned by shareholders, its ownership is vested in the shareholders collectively and can be seen as diffused among the legal units that own its shares in proportion to their shareholdings, and independently of voting rights.

Source: CODED

Related terms:

- Control

OWNERSHIP RATES

Ownership rates are computed by following chains of ownership, taking into account direct and indirect ownership links, without restriction to the economic territory of any country, as follows.

If enterprise A owns 70 % of enterprise B, and B owns 60 % of enterprise C, then A owns $70 \% \times 60 \% = 42 \%$ of C.

If enterprises B1 and B2 own 20 % and 35 %, respectively, of enterprise C, and if enterprise A owns 100 % of B1 and 80 % of B2, then A owns $100 \% \times 20 \% + 80 \% \times 35 \% = 48 \%$ of enterprise C.

If ownership rates are to reflect the share of dividends of an enterprise accruing to another one, their computation should be based on the total shares owned, as opposed to the voting shares. If they are to reflect the degree of influence exercised by an enterprise on another one, voting shares should be used.

Source: CODED

Related terms:

- Shares by owner

P

PARENT CORPORATION

A parent corporation is one that controls more than half of the shareholders' voting power in another corporation, or is a shareholder in another corporation, with the right to appoint or remove a majority of the directors of that corporation.

Source: CODED

Related terms:

- Global group head
- Subsidiary

PARTNERSHIP

See: Legal form

PERSONS EMPLOYED

See: Number of employees and self-employed persons

PERSONS OCCUPIED

See: Occupied persons

POINT IN TIME MASTER FRAME

This is a master frame consisting of the populations of statistical units and their relationships active at the end of a chosen reference period (month, quarter or year) according to the state of information in the statistical business register at the moment of selection.

Source: Eurostat (2021), *European business statistics methodological manual for statistical business registers*, [Section 10.5](#)

Related terms:

- Master frame
- Volume master frame

POPULATION OF ACTIVE ENTERPRISES

See: Number of active enterprises

PRINCIPAL ACTIVITY

The principal (or main) activity is the activity that contributes most to the total value added of a unit under consideration. Ideally, the principal activity of the unit should be determined with reference to the value added to the goods and services produced, by applying the top-down method. The top-down method follows a hierarchical principle: the classification of the unit at the lowest level of the classification must be consistent with the classification of the unit at higher levels. The principal activity so identified does not necessarily account for 50 % or more of the unit's total value added.

In the European Union the classification of principal activity is determined by reference to NACE Rev. 2, first at the highest level of classification and then at more detailed levels (top-down method).

Source: CODED

Related terms:

- Activity
- Statistical unit

PRODUCTION

Production is an activity carried out under the control and responsibility of an institutional unit that uses inputs of labour, capital, and goods and services to produce goods and services. Production does not cover purely natural processes without any human involvement or direction, such as the unmanaged growth of fish stocks in international waters (but fish farming is production).

Production is an activity resulting in a product. It is used with reference to the whole range of economic activities. The term is not reserved for the agricultural, mining or manufacturing sectors. It is also used in relation to the service sector. More specific terms may be used to denote production: provision of services, processing, manufacturing, etc., depending on the branch of activity. Production may be measured in various ways either in physical terms or according to value.

Source: CODED

PRODUCTION FACTORS

See: Factor of production

PRODUCTION UNIT

A production unit carries out an economic activity under the control and responsibility of an institutional unit using inputs of labour, capital, and goods and services to produce outputs of goods and services.

Source: CODED

PRODUCTIVE ACTIVITY

See: Activity

PROFILING

Profiling is a method to analyse the legal, operational and accounting structure of an enterprise group at national and world levels, in order to establish the statistical units within that group, their links and the most efficient structures for the collection of statistical data.

The profiling process is called manual when profilers analyse available information on a group and delineate enterprise(s) within this group on an individual basis. This method is costly in terms of time and resources, and requires specific skills from the profilers; therefore, for reasons of means, it can be applied to only the largest, most relevant groups. When there is a comprehensive dialogue and a meeting with the profiling team and group's representatives (generally consolidators or accountants), this is considered to be intensive manual profiling. When there is an analysis of the group without contact with its representatives, or contact only by mail and conference calls with its representatives on very general aspects regarding [global enterprise/enterprise] delineation, this is usually considered to be light manual profiling.

Nevertheless, nowadays, a huge majority of groups in all countries are small and medium-sized. For reasons of resource constraints, these groups are recommended to be profiled through algorithms. This method is called automatic profiling.

Source: Eurostat (2020), *European Business Profiling — Recommendations manual*, Chapter 9

Related terms:

- European profiling
- National profiling

PROTECTION OF CONFIDENTIAL DATA

1. The following rules and measures shall apply to ensure that confidential data are exclusively used for statistical purposes and to prevent their unlawful disclosure.
2. Confidential data obtained exclusively for the production of European statistics shall be used by the NSIs and other national authorities and by the Commission (Eurostat) exclusively for statistical purposes unless the statistical unit has unambiguously given its consent to the use for any other purposes.
3. Statistical results which may make it possible to identify a statistical unit may be disseminated by the NSIs and other national authorities and the Commission (Eurostat) in the following exceptional cases:
 - (a) where specific conditions and modalities are determined by an act of the European Parliament and of the Council acting in accordance with Article 251 of the Treaty and the statistical results are amended in such a way that their dissemination does not prejudice statistical confidentiality whenever the statistical unit has so requested; or
 - (b) where the statistical unit has unambiguously agreed to the disclosure of data.
4. Within their respective spheres of competence, the NSIs and other national authorities and the Commission (Eurostat) shall take all necessary regulatory, administrative, technical and organisational measures to ensure the physical and logical protection of confidential data (statistical disclosure control).
The NSIs and other national authorities and the Commission (Eurostat) shall take all necessary measures to ensure the harmonisation of principles and guidelines as regards the physical and logical protection of confidential data. Those measures shall be adopted by the Commission in accordance with the regulatory procedure referred to in Article 27(2).
5. Officials and other staff of the NSIs and other national authorities having access to confidential data shall be subject to compliance with such confidentiality, even after cessation of their functions.

Source: Regulation (EC) No 223/2009 on European statistics, Article 20

Related terms:

- Confidential data
- Confidentiality

PUBLIC CORPORATION

A corporation is public if a government unit, another public corporation, or some combination of government units and public corporation controls the entity, where control is defined as the ability to determine the general corporate policy of the corporation. The expression 'general corporate policy' as used here is understood in a broad sense to mean the key financial and operating policies relating to the corporation's strategic objectives as a market producer.

Source: SNA 2008, paragraph 4.77

Related terms:

- Public undertaking

PUBLIC UNDERTAKINGS

A public undertaking means 'any undertaking over which the public authorities may exercise directly or indirectly a dominant influence by virtue of their ownership of it, their financial participation therein, or the rules which govern it.

A dominant influence on the part of the public authorities shall be presumed when these authorities, directly or indirectly in relation to an undertaking:

- (i) hold the major part of the undertaking's subscribed capital; or
- (ii) control the majority of the votes attaching to shares issued by the undertakings; or
- (iii) can appoint more than half of the members of the undertaking's administrative, managerial or supervisory body.'

Source: Commission Directive 2006/111/EEC of 25 June 1980 on the transparency of financial relations between Member States and public undertakings as well as on financial transparency within certain undertakings, Article 2

Related terms:

- Legal unit
- Company
- Enterprise

PUBLICLY TRADED COMPANY

For each financial year starting on or after 1 January 2005, companies governed by the law of a Member State shall prepare their consolidated accounts in conformity with the international accounting standards adopted if, at their balance sheet date, their securities are admitted to trading on a regulated market of any Member State within the meaning of Directive 2014/65/EU on investment services in the securities field.

Source: Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of International Accounting Standards, Article 4

Related terms:

- Unquoted shares
- International Accounting Standards

PYRAMID COMPANY

Pyramids are defined as chains of holding companies with the ultimate control based on a small total investment thanks to the extensive use of minority shareholders.

Source: Commission communication — Modernising company law and enhancing corporate governance in the European Union — A plan to move forward (COM(2003) 284 final)

Q

QUALITY

ISO 9000:2000 states that quality is the 'degree to which a set of inherent characteristics fulfils requirements'. Therefore, the quality of statistics can be determined by the extent to which they meet user needs.

Quality of statistics can be defined with reference to several criteria.

- **Relevance.** An inquiry is relevant if it meets users' needs. The identification of users and their expectations is therefore necessary.
- **Accuracy.** Accuracy is defined as the closeness between the estimated value and the (unknown) true value.
- **Timeliness and punctuality in disseminating results.** Most users want up-to-date figures that are published frequently and on time at pre-established dates.
- **Accessibility and clarity of the information.** Statistical data have most value when they are easily accessible by users, are available in the forms users desire and are adequately documented.
- **Comparability.** Statistics for a given characteristic have the greatest usefulness when they enable reliable comparisons of values taken by the characteristic across space and time. The comparability component stresses the comparison of the same statistics between countries in order to evaluate the meaning of aggregated statistics at the European level.
- **Coherence.** When they originate from a single source, statistics are coherent if elementary concepts can be combined reliably in more complex ways. When they originate from different sources, and in particular from statistical surveys of different frequencies, statistics are coherent insofar as they are based on common definitions, classifications and methodological standards.
- **Completeness.** Domains for which statistics are available should reflect the needs and priorities expressed by the users of the ESS.

Source: CODED

QUASI-CORPORATION

A quasi-corporation is an entity that keeps a complete set of accounts and has no legal status. Quasi-corporations have an economic and financial behaviour that is different from that of their owners and similar to that of corporations. They are deemed to have autonomy of decision-making and are considered as distinct institutional units.

Source: CODED

Related terms:

- Institutional unit

QUASI-ENTERPRISE

A legal unit providing services to several enterprises within an enterprise group may be considered to be a (quasi-) enterprise.

Source: Eurostat (2010)

Related terms:

- Enterprise

QUASI-LEGAL UNIT

A quasi-legal unit in the public sector is defined as an entity that has similar attributes and operates in a similar way to a legal unit, but does not necessarily have all the features of a legal unit. A quasi-legal unit receives a separate budgetary allotment within the general decision on the annual budget.

Source: Eurostat (2010)

Related terms:

- Legal unit

QUOTED COMPANY

See: Publicly traded company

R**REACTIVATION**

A unit recommencing activity after a period of temporary cessation of no more than 24 months.

Source: CODED

REAL BIRTH

See: Birth

REAL DEATH

See: Death

RECORD CHECK

This is a study in which data on individual units obtained by one method of data collection are checked against data for the same units from available records obtained by a different method of data collection (e.g. comparison of ages as reported in censuses with information on ages from birth certificates).

Source: CODED

REFERENCE PERIOD

This refers to the length of time, e.g. week or year, for which data are collected. Population, statistical units and variables relate to specific times, which may be limited to a reference time point (e.g. a specific day) or a reference period (e.g. a month, calendar year or fiscal year).

Source: CODED

REGISTER

A register is a complete written record containing regular entries of items and details of a particular set of objects. Administrative registers come from administrative sources and become statistical registers after passing through statistical processing in order to make them fit for statistical purposes (production of register-based statistics, frame creation, etc.).

Source: CODED

Related terms:

- Business register for statistical purposes
- Frame
- Administrative register

REGISTERED OFFICE

This is the location given by a legal unit to registration authorities. According to explanatory note 1 on the definition of local unit, all legal units that serve as the legal basis for an enterprise or part thereof must have a local unit that is the registered office, even if nobody works there.

Source: CODED

REPORTING UNIT

The reporting unit is the unit that reports to the survey authority. It reports information for each of the observation units. In certain cases, it may correspond to an observation unit.

If an accountant provides data for several businesses, each of which has been selected for a statistical survey, the accountant is the reporting unit, whereas the individual businesses are observation units.

Source: CODED

Related terms:

- Observation unit
- Statistical unit

RESTRUCTURING

Restructuring within an **enterprise** does not affect the continuity of the enterprise, but changes its structure in the process. An example could be the creation or deletion of a local unit. Restructuring may affect key characteristics such as size or principal activity. It could be argued that this is not really a demographic event at the level of the enterprise and does not impact on the demographic variables relating to the enterprise, but it could affect the way the enterprise is included in demographic statistics. Restructuring will be reflected through changes to relationships or variables recorded in the [statistical business] register.

Restructuring within an **enterprise group** is a change (e.g. creation and/or cessation of one or more enterprises) involving more than one enterprise before and more than one enterprise after the event, where all enterprises involved are under common control. It affects the identity of at least one enterprise, though the total number of enterprises before and after the event may be the same. A typical example is the complete reorganisation of the production capacity of a large enterprise group, involving many enterprises and possibly, but not necessarily, entailing a change in the number of enterprises of the group. Complex restructuring is a similar event, but this is not constrained to one enterprise group. An example is the transfer of a number of enterprises or parts of enterprises between groups. Restructuring within an enterprise group, or complex restructuring, may entail any number of register creations and deletions.

Source: CODED

S

SAMPLE FRAME

A sample frame is a list of units that define a population to be completely enumerated or sampled.

Source: CODED

Related terms:

- Survey frame
- Master frame

SATELLITE REGISTER

A statistical business register may be a quite complex network of databases and functionalities. An approach that can be used to extend the functionality with a minimum of complication is to extract parts of the system. The resulting product, which might be maintained outside and independent of the SBR, is called an SBR satellite. An example might be administrative data organised in specific registers linked to the statistical business register.

Source: CODED

SCE

See: European cooperative society

SDMX

See: Statistical Data and Metadata eXchange

SE

See: European company

SECONDARY ACTIVITY

A secondary activity is each separate activity that produces products eventually for third parties and that is not the principal activity. The outputs of secondary activities are secondary products.

Source: CODED

Related term:

- Principal activity

SELF-EMPLOYED PERSONS

Self-employed persons are defined as persons who are the sole owners, or joint owners, of the unincorporated enterprises in which they work, excluding those unincorporated enterprises that are classified as quasi-corporations. Persons having both an employee job and a job as a self-employed person are classified as self-employed if the self-employed job constitutes their principal activity by income.

Self-employed persons include:

- unpaid family workers;
- outworkers whose income is a function of the value of the outputs from the process of production for which they are responsible.

Source: CODED

Related terms:

- Employment

SERVICE INDUSTRIES

The terms 'service industry/ies', 'service sector(s)' and simply 'service(s)' are generally used to refer to economic activities covered by Sections G to N and P to S of NACE Rev. 2, and the units that carry out those activities.

Source: CODED

Related terms:

- Activity

SERVICE SECTOR

See: Service industries

SERVICES

The System of National Accounts (SNA) defines services as not being separate entities over which ownership rights can be established. They cannot be traded separately from their production. Services are heterogeneous outputs produced to order and typically consist of changes in the conditions of the consuming units realised by the activities of producers at the demand of the consumers. By the time their production is completed they must have been provided to the consumers.

The production of services must be confined to activities that are capable of being carried out by one unit for the benefit of another. Otherwise, service industries could not develop and there could be no markets for services. It is also possible for a unit to produce a service for its own consumption provided that the type of activity is such that it could have been carried out by another unit.

Source: CODED

Related terms:

- NACE

SHARES BY OWNER

Recording the percentageshare ownership is important for identifying indirect control links (or checking the information available in sources), as well as for identifying units for FATS. In direct investment statistics, as reported in the balance of payments, shareholdings of over 10 % are considered. It is also useful in identifying associate relationships and trade interest links and thus helps in dealing with monopolies policy. Recording shares below 10 % (portfolio investment) is likely to be too burdensome for [statistical business] register updating.

Source: CODED

Related terms:

- Ownership
- Acquisition

SIZE CLASS

Size classes are classification categories for statistical units according to their (economic) size. Sizes can be defined according to different criteria, such as amount of turnover, number of persons employed or balance sheet totals. The most common size class criterion in business statistics is by number of persons employed (employees and self-employed persons).

Source: Eurostat — Statistics Explained: Glossary

Related terms:

- Small and medium-sized enterprises

SMALL AND MEDIUM-SIZED ENTERPRISES

1. The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.
2. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.
3. Within the SME category, a micro enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

Types of enterprise taken into consideration:

1. An 'autonomous enterprise' is any enterprise which is not classified as a partner enterprise or as a linked enterprise.
2. 'Partner enterprises' are all enterprises which are not classified as linked enterprises and between which there is the following relationship: an enterprise (upstream enterprise) holds, either solely or jointly with one or more linked enterprises ..., 25 % or more of the capital or voting rights of another enterprise (downstream enterprise).
However, an enterprise may be ranked as autonomous, and thus as not having any partner enterprises, even if this 25 % threshold is reached or exceeded by the following investors, provided that those investors are not linked ... either individually or jointly to the enterprise in question:
 - (a) public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses ('business angels'), provided the total investment of those business angels in the same enterprise is less than EUR 1 250 000;
 - (b) universities or non-profit research centres;
 - (c) institutional investors, including regional development funds;
 - (d) autonomous local authorities with an annual budget of less than EUR 10 million and fewer than 5 000 inhabitants.
3. 'Linked enterprises' are enterprises which have any of the following relationships with each other:
 - (a) an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
 - (b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
 - (c) an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
 - (d) an enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

Only autonomous enterprises are regarded as SMEs. Apart from the exceptions for public bodies, as mentioned in Article 3(2), no partner enterprise or linked enterprise is considered an SME.

Source: CODED

Related terms:

- Enterprise

SME

See: Small and medium-sized enterprises

SNA

See: System of National Accounts

SOLE PROPRIETORSHIP

See: Legal form

SPECIAL PURPOSE ENTITY

A special purpose entity (SPE) or special purpose vehicle (SPV) is usually a limited company or a limited partnership, created to fulfil narrow, specific or temporary objectives and to isolate a financial risk, a specific taxation or a regulatory risk.

‘There is no common definition of an SPE, but the following characteristics are typical:

- (a) they have no employees and no financial assets;
- (b) they have little physical presence beyond a “brass plate” or sign confirming their place of registration;
- (c) they are always related to another corporation, often as subsidiary;
- (d) they are resident in a different territory from the territory of residence of the related corporations ...;
- (e) they are managed by employees of another corporation which may or may not be a related one.’

Source: CODED

SPLIT-OFF

Enterprise. Split-off involves one enterprise before and more than one enterprise after the event. In a split-off, the new enterprise(s) is/are generally much smaller and the identity of the original enterprise is retained by the larger enterprise.

There is no death, but one or more new enterprises are created. This event can be seen as the opposite of a takeover.

Enterprise group. Like an enterprise, an enterprise group may disintegrate into two or more enterprise groups. In a split-off, the enterprise group that is split off is generally much smaller and the larger enterprise group keeps the identity of the original enterprise group.

Source: CODED

Related terms:

- Break-up
- Creation

STATISTICAL BURDEN

See: Burden

STATISTICAL BUSINESS REGISTER

See: Business register for statistical purposes

STATISTICAL CONFIDENTIALITY

The privacy of data providers (households, enterprises, administrations and other respondents), the confidentiality of the information they provide and its use only for statistical purposes must be absolutely guaranteed. The indicators for statistical confidentiality are the following.

- Statistical confidentiality is guaranteed in law.
- Staff sign legal confidentiality commitments on appointment.
- Penalties are prescribed for any wilful breaches of statistical confidentiality.
- Guidelines and instructions are provided on the protection of statistical confidentiality throughout the statistical processes. The confidentiality policy is made known to the public.
- The necessary regulatory, administrative, technical and organisational measures are in place to protect the security and integrity of statistical data and their transmission, in accordance with best practices, international standards, as well as European and national legislation.
- Strict protocols apply to external users accessing statistical microdata for research purposes.

Source: CODED

Related terms:

- Confidential data
- Confidentiality

STATISTICAL DATA AND METADATA EXCHANGE

The Statistical Data and Metadata eXchange (SDMX) initiative sets standards to facilitate the exchange of statistical data and metadata using modern information technology. Several versions of the technical standards have been released since 2004. SDMX has also been published as an ISO International Standard (IS 17369).

Source: <http://www.sdmx.org>

STATISTICAL DISCLOSURE CONTROL

Statistical disclosure control can be defined as measures applied to data to eliminate (or reduce) the risk of disclosing information on the individual statistical units (respondents). These measures usually modify or restrict the amount of the data released.

Source: CODED

STATISTICAL UNIT

Council Regulation (EEC) No 696/93 of 15 March 1993 on statistical units for the observation and analysis of the production system in the Community lays down a list of eight (types of) statistical units:

- the enterprise
- the institutional unit
- the enterprise group
- the kindofactivity unit (KAU)
- the unit of homogeneous production (UHP)
- the local unit
- The local kindofactivity unit (local KAU)
- the local unit of homogeneous production (local UHP).

Statistical units are defined on the basis of three criteria:

- legal, accounting or organisational criteria
- geographical criteria
- activity criteria.

The relationship between different types of statistical units can be summarised in the following way:

- units with one or more activities and one or more locations:
 - enterprise group
 - enterprise
 - institutional unit;
- units with one or more activities and a single location:
 - local unit;
- units with a single activity and one or more locations:
 - KAU
 - UHP;
- units with a single activity and a single location:
 - LKAU
 - local UHP.

Source: Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, annex, Sections I–IV

SUBCONTRACTING

For activities in NACE Sections B to E, two enterprises are linked by a subcontracting relationship whenever conditions A and B are met together:

- (A) the customer enterprise, also called the maincontractor, participates in the conception of the product, providing, even partially, technical specifications to the supplier enterprise, also called the subcontractor, and/or provides it with the materials to be processed;
- (B) the customer enterprise sells the subcontracted product, either as such or as part of a more complex product, and takes on the aftersales liability for the product.

NB: The mere stipulation of a colour, size or catalogue number does not constitute a technical specification in itself. The manufacture of a tailor-made product does not of itself necessarily imply a subcontracting relationship.

For activities in NACE Section F, two enterprises are linked by a subcontracting relationship whenever conditions A and B are met together:

- (A) the customer enterprise contracts with the subcontractor for the execution of works or services that are incorporated specifically in the construction process;
- (B) the customer enterprise is responsible for the final product of the construction process, including the parts carried out by the subcontractors; the subcontractor can in some cases carry some responsibility;
- (C) the customer enterprise provides specifications to the subcontractor; for example, the work or service executed by the subcontractor must be tailor-made for the purpose of the specific project and cannot thus be a standardised or catalogue work or service;
- (D) the reciprocal contract is not otherwise ruled by an agreement of an associate type, such as a common answer to a call for tenders, or a joint venture consortium.

Source: Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 on the technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics, Annex IV, variable 240106

Related terms:

- Outsourcing

SUBSIDIARY CORPORATION

Corporation C is said to be a subsidiary of corporation B when:

- corporation B controls more than half of the shareholders' voting power in corporation C; or
- corporation B is a shareholder in corporation C with the right to appoint or remove a majority of the directors of corporation C.

Source: CODED

Related terms:

- Parent corporation
- Associate

SURVEY FRAME

A survey frame is the set of a population that is the subject of a survey, together with its variables referring to a given reference period. A survey frame is selected from a master frame. The survey frame contains at least the identification, contact and classification variables of the selected units.

Source: CODED

Related terms:

- Master frame

SURVIVAL

In **general**, survival occurs when a statistical unit is active and identifiable both before and after a specific (business) demographic event. The unit may be changed in some way, e.g. in terms of economic activity, size, ownership or location, but there should be continuity of the unit reference number in the statistical business register.

In the **business demography** context, survival occurs if an enterprise is active in terms of employment and/or turnover in the year of birth and the following year(s). Two types of survival can be distinguished:

1. an enterprise born in year xx is considered to have survived in year $xx + 1$ if it is active in terms of turnover and/or employment in any part of year $xx + 1$ (= survival without changes);
2. an enterprise is also considered to have survived if the linked legal unit(s) has/have ceased to be active, but its/their activity has been taken over by a new legal unit set up specifically to take over the factors of production of that enterprise (= survival by takeover).

Source: CODED

Related terms:

- Continuity
- Event

SYSTEM OF NATIONAL ACCOUNTS

The System of National Accounts (SNA) is the internationally agreed standard set of recommendations on how to compile measures of economic activity in accordance with strict accounting conventions based on economic principles. The recommendations are expressed in terms of a set of concepts, definitions, classifications and accounting rules that comprise the internationally agreed standard for measuring such items as gross domestic product. They provide a comprehensive and detailed record of the complex economic activities taking place within an economy, and of the interaction between the different economic agents, and groups of agents, that takes place in markets or elsewhere.

The SNA was prepared under the joint responsibility of the United Nations, the International Monetary Fund, the Commission of the European Communities, the OECD and the World Bank. The SNA is designed to give a realistic and compact view of the economy that is suitable for policy and analytical use.

Source: United Nations (2009)

Related terms:

- European System of Accounts

T

TAKEOVER

Enterprises. Enterprises may integrate to the extent that the number of existing enterprises is reduced. If two enterprises integrate entirely, one of the enterprises may remain largely the same. In this case the other enterprise is generally much smaller; it is merely absorbed by the larger enterprise, which remains the same. If one of the enterprises keeps its identity, the event is called a takeover.

Enterprises taken over are not considered to be real deaths. In this case, one of the original enterprises does survive in a recognisable form, and therefore there is both continuity and survival. The remaining original enterprises are closed. This event can be seen as the opposite of a split-off.

Enterprise groups. Like enterprises, enterprise groups may have many kinds of intergroup relations and integrate their operations partly or totally. Two (or more) enterprise groups may integrate entirely and become one group. In this process either both groups involved may lose their identity, because they are dissolved beyond recognition in the new organisation, or one group may remain largely the same. In the latter case the other group is generally much smaller; it is merely absorbed by the larger group, which remains largely the same. If one of them keeps its identity, it is called a takeover.

NB: In the draft directive on takeover bids, 'takeover bid' means a public offer (other than by the offeree company itself) made to the holders of the securities of a company to acquire all or some of the said securities, whether mandatory or voluntary, that follows or has as its objective the acquisition of control of the offeree company in accordance with national law.

Source: Eurostat (2010)

Related terms:

- Merger
- Acquisition
- Cessation

TARGET POPULATION

This is the conceptual population of elements (units for analysis) about which information is sought.

Source: CODED

TEMPORARY ENTERPRISE

A temporary enterprise (TENT) is a combination of legal units (or a legal unit) automatically generated through the Interactive Profiling Tool (IPT) during European profiling, as a result of the [global enterprise] (GEN) breakdown by country.

A TENT is the national part of a global enterprise. This means that all the legal units from the given country that belong to the GEN compose the TENT. It is generated automatically by the IPT. The TENT is not necessarily autonomous, nor does it necessarily correspond to the needs of national profiling. It is a technical, temporary and informative unit.

Source: Eurostat (2020), *European Business Profiling — Recommendations manual*

Related terms:

- Global enterprise

TENT

See: Temporary enterprise

THRESHOLD

A cut-off threshold is used, mainly for cost or burden reasons, to exclude from the target population (and hence from the frame) units contributing very little to the requested statistics, small businesses for instance. The contribution from the population below the threshold can either be deemed negligible or be estimated by using a model.

NB: Threshold could be used also in statistics for better comparability. An example could be to include in the number of enterprises only units with at least one person employed. This would enable better comparability between the country figures, if the coverage below the threshold varies by country.

Source: CODED

TOP-DOWN CLASSIFICATION

The top-down method follows a hierarchical principle: the classification of a unit at the lowest level of the classification must be consistent with the classification of the unit at the higher levels. To satisfy this condition the process starts with the identification of the relevant position at the highest level and progresses down through the levels of the classification in the following way:

1. identify the section that has the highest share of the value added;
2. identify the division that has the highest share of the value added within this section;
3. identify the group that has the highest share of the value added within this division;
4. identify the class that has the highest share of value added within this group.

Source: CODED

Related terms:

- Activity
- NACE

TRADEMARK

Trademarks are words, symbols or other marks that are used by firms to distinguish their products or services from those offered by others. A trademark may be registered under the Patent Act or the Trademark Act or such other intellectual property legislation as may be applicable. A trade mark may often become equated with the product itself and may be a source of competitive advantage. Trade marks may communicate information about the quality of a good or service to customers. Firms that license their trade marks to retailers may therefore require conditions in the licensing contract assuring uniform quality.

Source: OECD Glossary of industrial organisation economics and competition law

TRADING COMPANY

See: Market producer

TRADING FORM

The form of selling of the local unit(s) of the enterprise can be classified into one or several of the following proposed classes:

- trading in stores
- trading through fixed market stands and/or stalls
- itinerant trading
- mail order selling and selling over the internet
- other forms of trade.

Stores are defined as fixed sales premises, which the customers enter to make their purchases.

Trading through fixed market stands and/or stalls is done at a stall permanently set up in a public place; customers do not usually enter the sales premises.

Itinerant trading is a trading form of commercial enterprises that do not have a fixed point of sale (e.g. holders or keepers of mobile stalls, street sellers, hawkers and peddlers). Itinerant or street trading applies where the trader sells goods to passers-by in the street; door-to-door trading applies where the trader goes from house to house with his or her entire range of goods. In home selling the trader goes directly to the home of a possible client.

Selling by **mail order and over the internet** (online shopping) is defined as retail sales in NACE Rev. 2 Class 47.91.

Mail order selling is a form of trading in which goods are offered through catalogues, prospectuses or advertising (press, radio, television) or by representatives, and the goods ordered are sent to the purchaser by post or another method. This form of trading is practised by manufacturers (direct mail order sales), by retail enterprises for which this is their sole or nearsole activity (mail order houses) and by enterprises that, in addition to the facilities required for high-street retailing, also operate departments suitably equipped for mail order selling (orderprocessing, dispatch, etc.). A distinction is drawn between general and specialist catalogue selling.

Online shopping is a form of electronic commerce that allows consumers to directly buy goods or services from a seller over the internet using a web browser. Consumers find a product of interest by visiting the website of the retailer directly or by searching among alternative vendors using a shopping search engine, which displays the same product's availability and pricing at different e-retailers.

Other forms of trade consist mostly of vending machines.

Source: CODED

Related terms:

- Local unit
- NACE

TRADING STYLE

Legal persons often use initials, an acronym or a trading style instead of their official name in their business or administrative relations. The official name of a local unit is generally the same as the enterprise that controls it, although different local units within an enterprise may use different trading styles (also known as 'signboard names' or 'commercial names').

Source: CODED

TRANSNATIONAL ENTERPRISE GROUP

See: Multinational enterprise group

TRUNCATED ENTERPRISE GROUP

The part of a multinational enterprise group that comprises only the legal units resident in the same country is called a truncated enterprise group. It is thus possible that a truncated group consists of several seemingly unlinked

units and subgroups, if their parent is non-resident, but they belong to the same multinational group. A truncated group may also consist of only one unit, parent or subsidiary, which is in the national territory.

Source: CODED

TURNOVER, NET

See: Net turnover

U

UCI

See: Ultimate controlling institutional unit

UIC

See: Ultimate investing country

ULTIMATE CONTROLLING INSTITUTIONAL UNIT

The ultimate controlling institutional unit (UCI) of a foreign affiliate means the institutional unit higher up a foreign affiliate's chain of control that is not controlled by another institutional unit.

If the UCI is not known from existing data, the decision about the UCI should be taken by means of a step-by-step analysis of the ownership chain of the units involved, in each step determining control. Global calculation by multiplication of shares of ownership for alternative candidate UCIs leads to the wrong UCI.

Source: Eurostat (2012), p. 18

Related terms:

- Global group head

ULTIMATE GROUP HEAD

See: Global group head

ULTIMATE INVESTING COUNTRY

The country in which the ultimate investor is resident is the ultimate investing country (UIC) for the investment in the direct investment enterprise. It is possible that the ultimate investor is a resident of the same economy as the direct investment enterprise.

Source: CODED

Related terms:

- Global decision centre
- Global group head

ULTIMATE PARENT

See: Global group head

UNDER-COVERAGE

Failure to include required units in the frame, which results in the absence of information for those units.

Source: CODED

UNDERTAKING

See: Public undertakings

Related terms:

- Legal unit
- Company
- Enterprise

UNINCORPORATED ENTERPRISE

An unincorporated enterprise is a producer unit that is not incorporated as a legal entity separate from the owner (household, government or foreign resident). The fixed and other assets used in unincorporated enterprises belong not to the enterprises but to their owners. The enterprises as such cannot engage in transactions with other economic units, nor can they enter into contractual relationships with other units or incur liabilities on their own behalf; in addition, their owners are personally liable, without limit, for any debts or obligations incurred in the course of production.

Source: CODED

UNIT

See: Statistical unit; Legal unit

UNIT OF HOMOGENEOUS PRODUCTION

The unit of homogeneous production (UHP) is characterised by a single activity, which is identified by its homogeneous inputs, production process and outputs. The products that constitute the inputs and outputs are themselves distinguished by their physical characteristics and the extent to which they have been processed, as well as by the production technique used, by reference to a product classification. The unit of homogeneous production may correspond to an institutional unit or a part thereof; on the other hand, it can never belong to two different institutional units.

Source: CODED

Related terms:

- Statistical unit

UNPAID FAMILY WORKER

Unpaid family workers are persons who live with the proprietor of the unit and work regularly for the unit, but do not have a contract of service and do not receive a fixed sum for the work they perform. Family workers are not considered employees.

Source: CODED

Related terms:

- Self-employed persons

UNQUOTED SHARES

Unquoted (unlisted) shares are shares that are not traded on stock exchanges or other organised financial markets.

Source: CODED

Related terms:

- Publicly traded company

V

VALUE ADDED TAX

A value added type tax is a tax on goods and services collected in stages by enterprises and ultimately charged in full to the final purchasers.

This heading comprises the value added tax (VAT) collected by the general government and applied to national and imported products, as well as, where appropriate, other deductible taxes applied under similar rules to those governing VAT.

Producers are obliged to pay only the difference between the VAT on their sales and the VAT on their purchases for their own intermediate consumption and gross fixed capital formation.

Source: CODED

VARIABLE

A variable (characteristic) is one of a set of information that is stored in a business register to describe a (statistical) unit. Variables are provided for identification of a unit (e.g. name, address and identification number), for economic description of a unit (e.g. activity code, turnover or employment) or for the structure of a unit (e.g. its relationship to other units).

Source: UNECE (2015)

Related terms:

- Attribute
- Characteristic

VAT

See: Value added tax

VERTICAL INTEGRATION

Two legal units are said to be vertically integrated if they are within the same enterprise group and all of the output of one is consumed by the other. For example, the output of a legal unit engaged in printing could go entirely to a legal unit engaged in bookbinding.

Source: CODED

Related terms:

- Horizontal integration

W

WINDING UP

See: Cessation

X

XBRL

eXtensible Business Reporting Language (XBRL) is an XML-based framework for digital business reporting, managed by a global not-for-profit consortium. In a nutshell, XBRL provides a language in which reporting terms can be authoritatively defined. Those terms can then be used to uniquely represent the contents of financial statements or other kinds of compliance, performance and business reports. XBRL lets reporting information move between organisations rapidly, accurately and digitally.

Source: <https://www.xbrl.org>

XML

eXtensible Mark-up Language (XML) is an expandable, self-describing, platform-independent data exchange format. Two of the many specific XMLs of particular potential interest to statisticians are ebXML (a transaction-based XML that assists e-commerce) and XBRL (q.v.).

Source: CODED

References

European Union (1993), Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community (<https://publications.europa.eu/en/publication-detail/-/publication/1ea18a1a-95c2-4922-935c-116d8694cc40/language-en>).

European Union (1993), Council Regulation (EEC) No 2186/93 of 22 July 1993 on Community coordination in drawing up business registers for statistical purposes (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31993R2186&qid=1603120928174&from=EN>).

European Union (2002), Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (<https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:243:0001:0004:en:PDF>).

European Union (2004), Regulation (EC) No 638/2004 of the European Parliament and of the Council of 31 March 2004 on Community statistics relating to the trading of goods between Member States and repealing Council Regulation (EEC) No 3330/91 (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32004R0638&from=EN>).

European Union (2004), Commission Regulation (EC) No 1982/2004 of 18 November 2004 implementing Regulation (EC) No 638/2004 of the European Parliament and of the Council on Community statistics relating to the trading of goods between Member States and repealing Commission Regulations (EC) No 1901/2000 and (EEC) No 3590/92 (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32004R1982&qid=1603981987091&from=EN>).

European Union (2006), Commission Directive 2006/111/EC of 16 November 2006 on the transparency of financial relations between Member States and public undertakings as well as on financial transparency within certain undertakings (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32006L0111&qid=1603179009626&from=EN>).

European Union (2008), Regulation (EC) No 177/2008 of the European Parliament and of the Council of 20 February 2008 establishing a common framework for business registers for statistical purposes and repealing Council Regulation (EEC) No 2186/93 (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008R0177&from=EN>).

European Union (2008), Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02008R1126-20201013&from=EN>).

European Union (2009), Commission Regulation (EC) No 494/2009 of 3 June 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 27 (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009R0494&qid=1605633091014&from=EN>).

European Union (2009), Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics and repealing Regulation (EC, Euratom) No 1101/2008 of the European Parliament and of the Council on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities, Council Regulation (EC) No 322/97 on Community Statistics, and Council Decision 89/382/EEC, Euratom establishing a Committee on the Statistical Programmes of the European Communities (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02009R0223-20150608&from=EN>).

- European Union (2013), Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC Text with EEA relevance (<https://eur-lex.europa.eu/eli/dir/2013/34/oj>).
- European Union (2015), Regulation (EU) 2015/759 of the European Parliament and of the Council of 29 April 2015 amending Regulation (EC) No 223/2009 on European statistics (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0759&from=EN>).
- European Union (2015), Commission Regulation (EU) 2015/1391 of 13 August 2015 amending Regulation (EC) No 1200/2009 implementing Regulation (EC) No 1166/2008 of the European Parliament and of the Council on farm structure surveys and the survey on agricultural production methods, as regards livestock unit coefficients and definitions of the characteristics (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R1391&from=EN>).
- European Union (2018), Regulation (EU) 2018/1091 of the European Parliament and of the Council of 18 July 2018 on integrated farm statistics and repealing Regulations (EC) No 1166/2008 and (EU) No 1337/2011 (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R1091&from=en>).
- European Union (2019), Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, repealing 10 legal acts in the field of business statistics (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2019.327.01.0001.01.ENG&toc=OJ.L:2019:327:TOC).
- European Union (2020), Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 on European business statistics repealing 10 legal acts in the field of business statistics (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1197&from=EN>).
- European Commission (2003), Commission communication — Modernising company law and enhancing corporate governance in the European Union — A plan to move forward (COM(2003) 284 final).
- European Commission (2003), Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (Text with EEA relevance) (C(2003) 1422).
- European Commission (2007), *Eurostat–OECD Manual on Business Demography Statistics*, Office for Official Publications of the European Communities, Luxembourg (<https://ec.europa.eu/eurostat/documents/3859598/5901585/KS-RA-07-010-EN.PDF/290a71ec-7a71-43be-909b-08ea6bcd521?version=1.0>).
- European Economic and Social Committee (2019), *Social economy enterprises*, Brussels (<https://www.eesc.europa.eu/en/our-work/publications-other-work/publications/social-economy-enterprises>).
- European Statistical System Committee (2014), *Riga Memorandum — Towards better measurement of the globalised economy* (<https://ec.europa.eu/eurostat/documents/7330775/7339482/Riga-Memorandum-26Sept14-FINAL/957cb489-74a6-493c-b90a-0056a7036e4a>).
- European Statistical System Committee (2017), *European Statistics Code of Practice*, Publications Office of the European Union, Luxembourg (<https://ec.europa.eu/eurostat/documents/4031688/8971242/KS-02-18-142-EN-N.pdf/e7f85f07-91db-4312-8118-f729c75878c7>).
- European Statistical System Committee (2019), *Quality Assurance Framework of the European Statistical System, Version 2.0*, Publications Office of the European Union, Luxembourg (<https://ec.europa.eu/eurostat/documents/64157/4392716/ESS-QAF-V1-2final.pdf/bbf5970c-1adf-46c8-afc3-58ce177a0646>).
- Eurostat (2008), *European Union foreign direct investment yearbook*, Office for Official Publications of the European Communities, Luxembourg (<https://ec.europa.eu/eurostat/documents/3930297/5961014/KS-BK-08-001-EN.PDF/56a32bf0-b950-4ed5-90ee-82209a89a3db>).
- Eurostat (2008), *NACE Rev. 2 — Statistical classification of economic activities in the European Community*, Office for Official Publications of the European Communities, Luxembourg (<https://ec.europa.eu/eurostat/documents/3859598/5902521/KS-RA-07-015-EN.PDF/dd5443f5-b886-40e4-920d-9df03590ff91?version=1.0>).
- Eurostat (2010), *Business Registers Recommendations Manual*, Office for Official Publications of the European Communities, Luxembourg (<https://ec.europa.eu/eurostat/ramon/statmanuals/files/KS-32-10-216-EN-G-EN.pdf>).

- Eurostat (2012), *Foreign Affiliates Statistics (FATS) Recommendations Manual*, Publications Office of the European Union, Luxembourg (<https://ec.europa.eu/eurostat/documents/3859598/5922981/KS-RA-12-016-EN.PDF/c93cdf48-5efa-459f-b218-731a9a5476e9>).
- Eurostat (2013), *European System of Accounts: ESA 2010*, Publications Office of the European Union, Luxembourg (<https://ec.europa.eu/eurostat/documents/3859598/5925693/KS-02-13-269-EN.PDF/44cd9d01-bc64-40e5-bd40-d17df0c69334>).
- Eurostat (2013), *The European System of interoperable Business Registers (ESBRs)*, Compact guides, Publication Office of the European Union, Luxembourg (<https://ec.europa.eu/eurostat/documents/4031688/5931580/KS-03-13-411-EN.PDF>).
- Eurostat (2014), *Handbook on Methodology of Modern Business Statistics*, ESSnet Memobust project (https://ec.europa.eu/eurostat/cros/content/handbook-methodology-modern-business-statistics_en).
- Eurostat (2015), *Notice of intention of the Business Statistics Directors Groups and the Directors of Macroeconomic Statistics on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units, adopted by the ESS directors of business and macroeconomic statistics* (<https://circabc.europa.eu/sd/a/e6016f98-16ec-4625-8a38-ccbc2ca5d90b/Notice%20of%20Intention%20Statistical%20Units%20-%20FINAL%20%26%20ADOPTED%20.pdf>).
- Eurostat (2016), *ESBRs Business Architecture (BA) — state of play and next steps. Goals and key principles of the ESBRs BA document (Doc. BSDG 201612 5.2)* (<https://circabc.europa.eu/w/browse/36eac72b-85b1-415d-82a2-5753c6f999c2>).
- Eurostat (2017), *Balance of Payments Vademecum* (<https://ec.europa.eu/eurostat/documents/39118/40189/BOP+Vademecum++December+2016/a5e89ad8-254b-485d-a9cd-521885c616e4>).
- Eurostat (2018), *ESBRs Interoperability Framework (TF BA ESBRs 2018.11.20 - Item 2 - ESBRs Interoperability Framework (comments agreed October 2018).pdf*).
- Eurostat (2018), *Implementing the new international standards for foreign direct investment (FDI) statistics (FDI) — background* ([https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Implementing_the_new_international_standards_for_foreign_direct_investment_\(FDI\)_statistics#Main_changes_in_the_dissemination_of_annual_FDI_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Implementing_the_new_international_standards_for_foreign_direct_investment_(FDI)_statistics#Main_changes_in_the_dissemination_of_annual_FDI_statistics)).
- Eurostat (2019), *Eurostat's Concepts and Definitions Database (CODED)* (https://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST_NOM_DTL_GLOSSARY&StrNom=CODED2&StrLanguageCode=EN).
- Eurostat (2019), *Micro Data Linking*, Publications Office of the European Union, Luxembourg (<https://ec.europa.eu/eurostat/documents/3859598/10295208/KS-GQ-19-013-EN-N.pdf/5e2fdf0a-2bf9-7430-309a-3565fc1d329f>).
- Eurostat (2019), *Manual on Government Deficit and Debt — Implementation of ESA 2010*, Publications Office of the European Union, Luxembourg (<https://ec.europa.eu/eurostat/documents/3859598/10042108/KS-GQ-19-007-EN-N.pdf/5d6fc8f4-58e3-4354-acd3-a29a66f2e00c>).
- Eurostat (2019), *European Statistical Business Registers Manual — wiki page* (<https://webgate.ec.europa.eu/fpfis/wikis/pages/viewpage.action?pageId=302945657>).
- Eurostat (2020), *Compilers guide on European statistics on international trade in goods by enterprise characteristics (TEC)*, Publications Office of the European Union, Luxembourg (<https://ec.europa.eu/eurostat/documents/3859598/10673142/KS-GQ-20-003-EN-N.pdf>).
- Eurostat (2020), *European Business Profiling — Recommendations manual*, Publications Office of the European Union, Luxembourg (<https://ec.europa.eu/eurostat/documents/3859598/10479728/KS-GQ-20-002-EN-N.pdf>).
- Eurostat (2020), *EGR EuroGroups Register communication space — wiki page* (<https://webgate.ec.europa.eu/fpfis/wikis/pages/viewpage.action?spaceKey=EGR&title=EGR+EuroGroups+Register+communication+space+Home>).
- Eurostat (2020), *EuroGroups Register* (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EuroGroups_register).
- Eurostat (2020), *EuroGroups Register FATS online interface* (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EuroGroups_register_FATS_online_interface).

- Eurostat (2020), *EuroGroups Register identification service* (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EuroGroups_register_identification_service).
- Eurostat (2020), *Structural business statistics* (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Structural_business_statistics).
- Eurostat (2020), *European Business Statistics Manual* (<https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-21-001-EN-N>).
- FAO (2005), *Programme for the 2010 World Census of Agriculture*, Rome (<http://www.fao.org/tempref/docrep/fao/008/a0135e/a0135e00.pdf>).
- GLEIF (2020), *Legal Entity Identifier (LEI)* (<https://www.gleif.org/en/about-lei/introducing-the-legal-entity-identifier-lei>).
- IAS (2011), *IAS 27 - Separate Financial Statements*, IFRS (<https://www.ifrs.org/issued-standards/list-of-standards/ias-27-separate-financial-statements/>).
- IAS (2011), *IAS 28 - Investments in Associates and Joint Ventures*, IFRS (<https://www.ifrs.org/issued-standards/list-of-standards/ias-28-investments-in-associates-and-joint-ventures/>).
- IFRS (2011), *IFRS 10 — Consolidated Financial Statements*, IFRS Standards (<https://www.ifrs.org/issued-standards/list-of-standards/>).
- IFRS (2011), *IFRS 11 — Joint Arrangements*, IFRS Standards (<https://www.ifrs.org/issued-standards/list-of-standards/>).
- IFRS (2011), *IFRS 12 — Disclosure of Interests in Other Entities*, IFRS Standards (<https://www.ifrs.org/issued-standards/list-of-standards/>).
- ILO (1993), *Resolution concerning statistics of employment in the informal sector, adopted by the Fifteenth International Conference of Labour Statisticians* (http://ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_087484.pdf).
- IMF (2009), *Balance of Payments and International Investment Position Manual. Sixth edition (BPM6)*, IMF, Washington, DC (<https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>).
- IMF (2018), *Final report of the Task Force on Special Purpose Entities*, IMF, Washington, DC (<https://www.imf.org/external/pubs/ft/bop/2018/pdf/18-03.pdf>).
- INSEE (2017), *The calculation of the automatically profiled enterprises characteristics in the statistical business register, France, Meeting of the Group of Experts on Business Registers, Paris, 27–29 September 2017* (https://www.unece.org/fileadmin/DAM/stats/documents/ece/ces/ge.42/2017/France_ENG.pdf).
- OECD (2005), *OECD Handbook on Economic Globalisation Indicators* (<https://www.oecd.org/sti/ind/oecdhandbookoneconomicglobalisationindicators.htm>).
- OECD (2007), *Glossary of statistical terms* (<https://stats.oecd.org/glossary/index.htm>).
- OECD (2008), *OECD Benchmark Definition of Foreign Direct Investment* (<http://www.oecd.org/daf/inv/investmentstatisticsandanalysis/40193734.pdf>).
- UNECE (2000), *Terms and definitions applied in the UN-ECE/FAO Temperate and Boreal Forest Resources Assessment 2000 (TBFRA 2000)* (<http://www.unece.org/forests/fra/definit.html#Holding>).
- UNECE (2000), *Terminology on statistical metadata*, Conference of European Statisticians, Statistical Standards and Studies, No 53, Geneva (https://ec.europa.eu/eurostat/ramon/coded_files/UNECE_TERMINOLOGY_STAT_METADATA_2000_EN.pdf).
- UNECE (2011), *Using Administrative and Secondary Sources for Official Statistics: A handbook of principles and practices*, United Nations, New York and Geneva (https://www.unece.org/fileadmin/DAM/stats/publications/Using_Administrative_Sources_Final_for_web.pdf).
- UNECE (2015), *Guide to Measuring Global Production*, United Nations, New York and Geneva (http://www.unece.org/fileadmin/DAM/stats/publications/2015/Guide_to_Measuring_Global_Production__2015_.pdf).

UNECE (2015), *Guidelines on Statistical Business Registers*, United Nations, New York and Geneva (http://www.unece.org/fileadmin/DAM/stats/publications/2015/ECE_CES_39_WEB.pdf).

UNECE (2018), *Guidelines on the use of statistical business registers for business demography and entrepreneurship statistics*, United Nations, New York and Geneva (<https://www.unece.org/fileadmin/DAM/stats/publications/2018/ECECESSTAT20185.pdf>).

UNECE (2019), *Generic Statistical Business Process Model - GSBPM*, United Nations, New York and Geneva (<https://statswiki.unece.org/display/GSBPM/GSBPM+v5.1>).

United Nations (2008), *International Standard Industrial Classification of All Economic Activities (ISIC), Rev. 4*, United Nations, New York (https://unstats.un.org/unsd/publication/seriesM/seriesm_4rev4e.pdf).

United Nations (2009), *System of National Accounts 2008*, United Nations, New York (<https://unstats.un.org/unsd/nationalaccount/docs/sna2008.pdf>).

United Nations (2014), *Fundamental Principles of Official Statistics*, Resolution adopted by the General Assembly on 29 January 2014 (<https://unstats.un.org/unsd/dnss/gp/FP-New-E.pdf>).

Vennix, K. (2017), *The treatment of large enterprise groups within Statistics Netherlands*, Statistics Netherlands (https://ec.europa.eu/eurostat/cros/system/files/congo_method_sn2012.pdf).

Getting in touch with the EU

In person

All over the European Union there are hundreds of Europe Direct Information Centres. You can find the address of the centre nearest you at: https://europa.eu/european-union/contact_en

On the phone or by e-mail

Europe Direct is a service that answers your questions about the European Union. You can contact this service

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),
- at the following standard number: +32 22999696 or
- by electronic mail via: https://europa.eu/european-union/contact_en

Finding information about the EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website at: https://europa.eu/european-union/index_en

EU Publications

You can download or order free and priced EU publications at: <https://publications.europa.eu/en/publications>. Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see https://europa.eu/european-union/contact_en).

EU law and related documents

For access to legal information from the EU, including all EU law since 1952 in all the official language versions, go to EUR-Lex at: <http://eur-lex.europa.eu>

Open data from the EU

The EU Open Data Portal (<http://data.europa.eu/euodp/en>) provides access to datasets from the EU. Data can be downloaded and reused for free, for both commercial and non-commercial purposes.

European business statistics methodological manual for statistical business registers

2021 EDITION

Statistical business registers play a central role in the production of business statistics, both in terms of the way the statistics are produced and in terms of the content and quality of the statistics. The availability and quality of statistical business registers are key to the compilation of consistent and comparable business statistics.

Business registers are essential for establishing efficient statistical survey frames. A high-quality business register helps make national statistical systems more efficient and helps reduce the reporting burden on businesses.

This 2021 edition of the *European business statistics methodological manual for statistical business registers* is an update of the 2010 *Business Registers Recommendations Manual*.

It covers new developments and initiatives related to statistical business registers: the new Regulation (EU) 2019/2152 on European Business Statistics (the EBS regulation); the European Statistical System Vision Implementation Project on the European System of Interoperable Statistical Business Registers; the development of the Data Quality Programme for national statistical business registers; new operational rules for the implementation of statistical units.

For more information
<https://ec.europa.eu/eurostat/>



Publications Office
of the European Union

ISBN 978-92-76-20739-9 doi:10.2785/093371