

Statistical units

Preface

This chapter details the definitions of statistical units applicable in European business statistics, and is part of the online publication [European Business Statistics manual](#).

The **statistical unit** is the entity for which the required statistics are compiled. It is an analytical unit for which statistics are compiled. Statisticians create it by splitting or combining [observation units](#) with the help of estimations or imputations in order to supply more detailed and/or homogeneous data than would otherwise be possible.

It is important to understand how it differs from the [observation unit](#). The observation unit is the entity on which information is received. The observation unit and analytical unit may sometimes be the same. The [reporting unit](#) is the entity from which the recommended data items are collected. It will vary from sector to sector and from country to country, depending on institutional structures, the legal framework for data collection, traditions, national priorities and survey resources. It may or may not correspond to an observation unit and/or an analytical unit.

Besides definitions and explanatory notes on each statistical unit, this chapter currently also includes more detailed operational rules. Whether to keep the full text version of the operational rules in this chapter or to include them merely as hyperlink will be investigated.

Contents

1. [Introduction](#)
2. [What's new](#)
3. [Enterprise](#)
 - 3.1 [Definition](#)
 - 3.2 [Explanatory note](#)
 - 3.3 [Operational Rules](#)
 - 3.4 [Operational rules for Head Offices, Holding Companies and Special Purpose Entities](#)
4. [Enterprise group](#)
 - 4.1 [Definition](#)
 - 4.2 [Explanatory notes](#)
 - 4.3 [Additional explanations](#)
 - 4.4 [Operational Rules](#)
5. [Kind-of-activity unit \(KAU\)](#)
 - 5.1 [Definition](#)
 - 5.2 [Explanatory notes](#)
 - 5.3 [Additional explanations](#)
 - 5.4 [Operational Rules](#)
6. [Local unit](#)
 - 6.1 [Definition](#)
 - 6.2 [Explanatory notes](#)
 - 6.3 [Additional explanations](#)

- 6.4 [Operational Rules](#)
- 7. [Local kind-of-activity unit \(local KAU\)](#)
 - 7.1 [Definition](#)
 - 7.2 [Explanatory notes](#)
 - 7.3 [Additional explanations](#)
 - 7.4 [Operational Rules](#)
- 8. [Ancillary activities](#)
 - 8.1 [Definition](#)
 - 8.2 [Additional explanations](#)
 - 8.3 [Operational Rules](#)
- 9. [Statistical units per domain](#)
- 10. [See also](#)
- 11. [Further Eurostat information](#)
- 12. [External links](#)
- 13. [Contacts](#)

1. Introduction

The Statistical Units Regulation ([Council Regulation \(EEC\) No 696/93](#)) was adopted one year after the Single Market was created. Its purpose was to provide a basis for consistent and integrated European statistics that fulfil the content required and the quality requirements. The Single Market aimed to increase the international activities of enterprises. This resulted in an increase in international trade, followed by a growing volume and number of direct investments in other countries. Enterprises that originally operated only from their home country became more global, and are now located in several countries. At the same time, the legal complexity of enterprises increased. Enterprises that used to consist of one legal unit split up their activities into a number of legal units in very different ways. Such restructuring is carried out for tax, liability, tariff and other reasons, which are not directly related to the economic purpose of the enterprise. This also applies to a growing number of small and medium-sized enterprises.

In this fast-changing economic environment, a simple equation consisting of legal or administrative units and statistical units paints an increasingly unrealistic picture of the economy. Moreover, legal and administrative units are designed for purposes that are not primarily connected to statistics. The legal and administrative systems of the Member States are also not fully standardised, which means that units created by them might not be comparable.

2. What's new

To achieve a uniform interpretation and implementation of statistical unit definitions in the Member States, two ESSnet projects were launched under the **Modernisation of European Enterprise and Trade Statistics** programme: ESSnet on Consistency and ESSnet Profiling of large and complex Multinational Enterprise Groups. Based on the results, the Task Force on Statistical Units (comprising experts from Eurostat and the Member States) was set up to develop operational rules for standardising the implementation of Council Regulation (EEC) No 696/93.

This chapter is based on the definitions provided by Council Regulation (EEC) No 696/93 and on the operational rules developed by the Task Force on Statistical Units for the following statistical units: enterprise, enterprise group, kind of activity unit, local unit, local-kind of activity unit.

The operational rules were adopted by the Business Statistics Directors' Group and the Directors of Macroeconomic Statistics (BSDG/DMES) in a joint [notice of intention](#) in June 2015.

From a user's perspective, priority should be given to consistency and comparability across domains and countries. The operational rules are meant to cover the majority of cases. In their application, all rules should be jointly considered rather than looking at an individual rule in isolation.

Further guidance on the application of the institutional unit can be found in Council Regulation (EEC) No 696/93 and in the European system of national and regional accounts (ESA). The institutional unit is related to the enterprise via the concept of market production as explained by the [Operational rules for the scope of business statistics based on Enterprises](#).

For the purpose of the following article, the version of the NACE and ISIC classifications refer to the one of the original respective source (Regulations or other ones). In case of subsequent revisions of the classifications, the assumption is that the most up-to-date version is to be taken into account for the purpose of the concerned definitions.

3. Enterprise

3.1 Definition

An 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.

3.2 Explanatory notes

'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 only be explained by administrative factors (e. g. tax reasons), without them being of any economic significance. A large proportion of the legal units with no persons employed also belong 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.'

Source: Council Regulation (EEC) No 696/93.

3.3 Operational rules

Source: BSDG/DMES 'notice of intention — adopted version of 25-26 June 2015.

(1) Operational rule: 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) Operational rule: 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.¹’

(3) Operational rule: 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.²
- 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.³
- 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.’

¹ Holding assets and/or liabilities may also be considered to be an activity, in which case the operational rules for HO/HC/SPEs apply.

² In general the profit centre equals the operating segment, but it can also be different. An operating segment as defined in IFRS is a component of an enterprise group that has discrete financial information available, and whose results are reviewed regularly by the entity’s chief operating decision maker for purposes of performance assessment and resource allocation. An operating segment manager is accountable to the chief operating decision maker for the results of the segment.

³ Vertical integration: the output of one stage becomes input for the next stage, only the output from the final stage being actually sold on the market (Source: [SNA 2008 paragraph 5.23](#)).

(4) Operational rule: Ancillary legal units⁴

'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 an 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) Operational rule: Vertically integrated legal units³

'A vertically integrated enterprise is one in which different stages of production are carried out in succession by different parts of the same 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.⁵

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

(6) Operational rule: Enterprises 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.'

3.4 Operational rules for Head Offices, Holding Companies and Special Purpose Entities

⁴ This operational rule may also apply to operating segments by analogy. It applies also to legal units managing only factors of production, such as land, buildings, equipment or staff for other legal units.

³ Vertical integration: the output of one stage becomes input for the next stage, only the output from the final stage being actually sold on the market (Source: SNA 2008 paragraph 5.23).

⁵ Source: SNA 2008 paragraph 5.23.

⁶ The rule should be seen in connection with the other rules, in case not all the output is absorbed by the other unit, it still has to be checked, whether the unit delivering the output has autonomy or not and forms an organisational unit with the unit using the output.

Source: BSDG/DMES notice of intention — adopted version of 25-26 June 2015.

'Head Offices (HOs), Holding Companies (HCs)⁷ and Special Purpose Entities (SPEs)⁸ have special characteristics.

- The activities of a HO include the overseeing and managing of other legal units of the enterprise, supporting their day-to-day operations.
- A HC is described as a legal unit that holds the assets of other legal units but does not undertake any management activities.
- SPEs, as identified in operational rule 4, often have only limited presence in the country where they are registered. In general, SPEs are not seen to have autonomy of decision and are combined with one or more legal units to an enterprise. An important question is whether a HO/HC/SPE has autonomy of decision, which has to be answered in order to be able to delineate the enterprise. For example, a legal unit wholly owned by a parent legal unit may just be created to avoid taxes. Generally, such legal units do not satisfy the definition of an enterprise because they lack the ability to act independently from their parent and their accounts have to be consolidated with those of the parent. Therefore, in the first place, the autonomy of decision of the legal unit has to be assessed.

The following rules are based on ESA and the final report by the Task Force on Head Offices, Holding Companies and Special Purpose Entities (SPEs). They regulate how to distinguish Head offices from Holdings and in which cases these entities are characterised as institutional units. The rules refer to Head offices and Holding companies of very large enterprise groups owning subsidiaries. A head office of a huge international enterprise group is clearly in the scope of these rules, whereas a legal unit, employing the chairman of a small or medium sized enterprise, which may have moreover e.g. the purpose to reduce liability, does not fulfil the criteria of being an institutional unit; and is hence not in the scope of these rules.'

(1) Operational rule: 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.

⁷ For the definition of the Head Offices and Holdings see: Final Report from the Task Force on the classification of Holdings and Head Offices, 11 March 2015. Path: CircaBC/ESTAT/nacecpacon/Library/Methodological documentation, URL: <https://circabc.europa.eu/w/browse/1bd8d8bc-ddc5-4cbd-a023-2a32e6e7088e>.

⁸ http://ec.europa.eu/eurostat/documents/737960/738007/Final_Report_Task_Force_SPE.pdf.

- 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 recognised as separate institutional units. At the same time, all stocks and flows between general government and the non-resident SPE are recorded in the general government and SPE accounts; including imputed transactions reflecting general government's borrowing from the non-resident SPE.⁹

(2) Operational rule: 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) Operational rule: 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 a first indicator for a HO or HC legal unit being a HO.'

(4) Operational rule: 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.'

4. Enterprise group

4.1 Definition

'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 profits. It may centralize certain aspects of financial management and

⁹ See [ESA 2010, para 20.47 - 20.48](#).

taxation. It constitutes an economic entity which is empowered to make choices, particularly concerning the units which it comprises.’

Source: Council Regulation (EEC) No 696/93.

4.2 Explanatory notes

‘For certain observations and analyses it is sometimes useful and necessary to study the links between certain enterprises¹⁰ and to group together those which have strong ties with each other.

A number of exercises are underway but not finished concerning the concept of the group of enterprises. It is defined here starting from the concept of accounting group as given in the Seventh Council Directive 83/349/EEC (OJ No L 193, 18. 7. 1983, p. 1). This Directive came into force for the first time for consolidated accounts of the financial year which began in 1990. Directive 90/605/EEC (OJ No L 317, 16. 11. 1990, p. 60) extended the scope of application of the Seventh Directive.

Within the meaning of the Seventh Directive, a group is presumed to exist where 20 % of the capital or voting rights are held or controlled by another enterprise. 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.

This definition as it stands is not suitable for statistical analysis because ‘accounting groups’ do not constitute mutually exclusive, additive groups of enterprises. A statistical unit known as ‘enterprise group’ based on the ‘accounting group’ concept must be defined by applying the following amendments:

- consider accounting groups at the highest consolidation level (group head),
- include in enterprise group units whose accounts are entirely integrated in those of the consolidating company,
- 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, i.e. difference in the type of activity or small relative size,
- discount temporary links of less than a year.

An enterprise group is a set of enterprises controlled by the group head. The group head is a parent legal unit which is not controlled either directly or indirectly by any other legal unit. The subsidiary enterprises of a subsidiary enterprise are considered to be subsidiaries of the parent enterprise. However there are some forms of cooperative or mutual associations where the parent enterprise is actually owned by the units of the group.

Enterprise groups are often bound together by various types of links such as ownership, controlling interest and management. These units are often linked with units of the same family from several different generations. The enterprise group unit often corresponds to a conglomerate bound

¹⁰ In practice, the financial control relationships that are needed to define the perimeter of a group are based on the legal units’ information about their shareholders and voting powers. The Recommendation Manual on Business Registers therefore clarifies this aspect and the apparent inconsistency with the definition in Council Regulation (EEC) No 696/93, which refers to links of enterprises.

together by a network of complex relationships and frequently covers a very wide range of activities. Subgroups can be identified within enterprise groups.

It is useful to recognize all (majority and minority) links between the group head and the controlled enterprise via the network of subsidiaries and sub-subsidiaries. This allows the group's entire organization to be depicted.

In view of the implications of the different accounting directives, an attempt should always be made to distinguish between basic units of the group that belong to non-financial enterprises and those which must be classified as financial institutions. In the case of the latter, a distinction must be drawn between units that are credit institutions and those that are insurance enterprises. Some enterprise groups span the whole world, but need to be analysed for the economic territory of the Community and for that of each Member State.

The enterprise group unit is particularly useful for financial analyses and for studying company strategies, but it is too varied in nature and unstable to be adopted as the central unit for observation and analysis, which remains the enterprise. It is used for compiling and presenting certain information.'

Source: Council Regulation (EEC) No 696/93.

4.3 Additional explanations

'The explanatory notes formulated in Regulation 696/93 state that they were formulated while some exercises concerning the concept of the group had been still underway. They also contain references which have become outdated in the 20 years following. Therefore clarifications and updating were necessary:

The Seventh Council Directive was repealed and replaced by Directive 2013/34/EU.

Naming conventions

The parent legal unit which is not controlled by any other unit and thus the head of the enterprise group, does not need to be subject to accounting obligations. This may e.g. be the case if the group head is a natural person or the government. Consequently, the unit at the highest consolidation level is not in every case identical with the group head. Moreover, the management of an enterprise group is not necessarily carried out by the group head or in the unit at the highest consolidation level. As well there may be more than one decision centre. In this case the decision centre, which prepares the decisions that concern the whole group, needs to be identified.

For the purpose of clarity, the following terms should be used:

- Controlling unit: Global¹¹ Group Head (GGH)
- Managing unit: Global¹⁰ Decision Centre (GDC)

¹¹ Also in enterprise groups which are purely domestic, i.e. they are located completely in one country, the terms Global Group Head and Global Decision Centre apply. The word 'global' does not refer to global in the sense of 'worldwide' but in the sense of 'overarching' as there might be more than one decision centre within the group. If e.g. an enterprise group comprises more than one enterprise, these enterprises may also have decision centres. However, these decision centres do not make decisions about the enterprise group. Only in the Global Decision Centre decisions about the group are made.

- Consolidating unit: Highest Level Consolidating Unit (HLC)

Clarification of the definition of an EG

An EG can be described as a cluster of legal units under the same control. This may imply that an enterprise group corresponds to only one enterprise.’

Source: BSDG/DMES notice of intention — adopted version of 25-26 June 2015.

4.4 Operational Rules

Source: BSDG/DMES notice of intention — adopted version of 25-26 June 2015.

(1) Operational rule: 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 is controlled by its Global¹¹ Group Head (GGH). The GGH is defined as the unit (legal or natural person) which controls all legal units of the group and is not controlled by any other legal unit.’

(2) Operational rule: 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 Global¹¹ Decision Centre and it is not necessarily identical with the GGH.’

(3) Operational rule: 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 a company.

All the legal units consolidated in full in the EG’s 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 also form part of the EG. If the difference between the consolidation perimeter and the legal perimeter concerns statistically non-significant legal units, the consolidation perimeter is relevant for statistical purposes.

If the GGH 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.'

5. Kind-of-activity unit (KAU)

5.1 Definition

'The kind of activity unit (KAU) groups all the parts of an enterprise contributing to the performance of an activity at class level (four digits) of NACE Rev. 1 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 value of production, intermediate consumption, manpower costs, the operating surplus and employment and gross fixed capital formation.'

Source: Council Regulation (EEC) No 696/93.

5.2 Explanatory notes

'The KAU was devised as an observation unit in order to improve the homogeneity of the results of statistical surveys by activity and hence the international comparability of these results, since at the level of the enterprise different types of horizontal and vertical integration can be observed at both national and international level. An entity which only carries out ancillary activities for the enterprise to which it belongs cannot be considered as a separate KAU. In fact the KAU corresponds to the operational definition given in paragraph 96 of the introduction to ISIC Rev. 3.

The KAUs falling within a particular heading in the NACE Rev. 1 classification system can produce products outside the homogeneous group, on account of secondary activities connected with them which 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.

The internal accounts of enterprises (e.g. profit or cost centres) have often been developed according to criteria that are close to those for the KAU: the activity concept. They enable the supply of data at KAU level, so that these can be observed.

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.'

Source: Council Regulation (EEC) No 696/93.

5.3 Additional explanations

'In the currently valid ISIC Rev. 4 the operational definition of the KAU is given in paragraph 85.

In all cases where NACE Rev. 1 is quoted in the definition of the KAU of CR 696/93, the rules of the currently valid NACE Rev. 2 are identical.'

Source: BSDG/DMES notice of intention — adopted version of 25-26 June 2015.

5.4 Operational Rules

Source: BSDG/DMES Notice of intention — adopted version of 25-26 June 2015.

(1) Operational rule: 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:
 - more than 30 % of its total production at the 4-digit (class) level of the NACE Rev. 2 classification,
or
 - more than 20 % of its total production at the 2-digit (division) level of the NACE Rev. 2 classification.’

(2) Operational rule: 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) Operational rule: 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.’

Remarks

‘KAUs do not have to be delineated for all enterprises. The delineation of KAUs can be restricted to only those enterprises which — because of their size — are considered as relevant nationally. Possible criteria for relevance at national level are turnover or employment. This operational rule leaves the decision, of how far to go with the delineation of individual enterprises, to the NSIs.

The delineation of KAUs is relevant only for enterprises which are (i) heterogeneous, and (ii) the secondary activities of which are so important that failing to delineate these enterprises into KAUs would have a significant negative impact on the accuracy of the measurement of national production, at the level of NACE activities. The number of KAUs to be delineated will thus depend, on the one hand on the desired level of accuracy (of the indicator in question), and on the other hand on the concrete economic structure, in a given country and at a given point in time, i.e. the number and size of the enterprises, their heterogeneity at activity level, and their organisation.

The thresholds (of 30 % and 20 % respectively) quoted in operational rule (1) as guidance mean that NSIs may delineate more KAUs. Examples could be where one of the secondary activities of an

enterprise is of little significance for the enterprise in question (i.e. it would contribute less than 30 % or 20 % to the enterprise's total production) but where that particular secondary activity is of national significance (e.g. if the enterprise in question is the only national producer in that specific NACE activity).'

6. Local unit

6.1 Definition

'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.

6.2 Explanatory notes

'If a person works in more than one place (maintenance or surveillance) or at home, the local unit is taken to be the place from which instructions emanate or from where the work is organised. It must be possible to specify the employment attached to any local unit. However, 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. Moreover, a local unit can comprise only ancillary activities.

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 administrative areas, in which case, by convention, the postal address is the determining factor.

The boundaries of the local unit are determined by the boundaries of the site, which means for example that a public highway running through does not interrupt the continuity of the boundaries. The definition is similar to the one in paragraph 101 of the introduction to ISIC Rev. 3, in that it concerns localisation in the strict sense of the term, but differs from the definition in paragraph 102 in that this strict sense may not vary according to the statistics under consideration. In addition, the criterion of persons working in the unit is normally applied.

The ESA-REG (the regional application of the ESA) uses the same definition of local unit for regional accounts purposes.'

Source: Council Regulation (EEC) No 696/93.

6.3 Additional explanations

'In the currently valid ISIC Rev. 4 the operational definition of the Local unit is given in paragraph 86.'

Source: BSDG/DMES notice of intention — adopted version of 25-26 June 2015.

6.4 Operational Rules

Source: BSDG/DMES notice of intention — adopted version of 25-26 June 2015.

(1) Operational rule: 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) Operational rule: Physical geographic location

‘A physical location of a local unit may be found within a building, may correspond to one building or may comprises 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) Operational rule: 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) Operational rule: 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 local units, 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 local unit 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) Operational rule: 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) Operational rule: Localities without staff

‘Local units should have one or more persons working (even if only part-time). However, in the case of seasonal activities the premises which are unstaffed at a certain time of the year should nevertheless be viewed as a 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 separate local units, but should be incorporated in the local units from which they are operated and controlled.’

(7) Operational rule: 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) Operational rule: Local units 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 from the other local units of that enterprise, still that location forms a separate local unit, even if no one is working there.’

7. Local kind-of-activity unit (local KAU)

7.1 Definition

‘The local kind-of-activity unit (local KAU) is the part of a KAU which corresponds to a local unit.’

Source: Council Regulation (EEC) No 696/93.

The local kind-of-activity unit is the statistical unit used in national accounts to compile sector accounts.

7.2 Explanatory notes

‘Each KAU must have at least one local KAU; however, the KAU can be made up of a grouping of parts of one or more local units. On the other hand, a local unit may in certain circumstances comprise solely a group of ancillary activities. In this instance, a supplementary classification of the local unit is possible. Furthermore, each enterprise should have at least one local KAU.’

The local KAU corresponds to the operational definition of the establishment as given in paragraph 106 of the introduction to ISIC Rev. 3.’

Source: Council Regulation (EEC) No 696/93.

7.3 Additional explanations

‘In the currently valid ISIC Rev. 4 the operational definition of the LKAU is given in paragraph 87.’

Source: BSDG/DMES notice of intention — adopted version of 25-26 June 2015.

7.4 Operational Rules

Source: BSDG/DMES notice of intention — adopted version of 25-26 June 2015.

(1) Operational rule: Cases in which LKAU may be delineated

‘In the case where in one location the predominant activity is not the main activity of any KAU of the enterprise, and at the enterprise level this activity falls below the threshold to form a KAU, an additional KAU may be delineated so that correct LKAUs can be formed.’

(2) Operational rule: several local units in same NUTS region

‘It is not requested that the LKAUs strictly form part of a KAU corresponding to a single local unit. It is also acceptable when the LKAU comprises the sum of all respective activities performed within the lowest level of NUTS for which LKAUs are required.’

(3) Operational rule: Ancillary activities

'In the case that solely ancillary activities are carried out in a particular local unit, this unit is treated as a LKAU and classified according to the activity of the KAU (for national statistics) as well as of the ancillary activity (for regional statistics).'

8. Ancillary activities¹²

8.1 Definition

'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.

The distinction between ancillary, principal and secondary activity can be illustrated by a few examples, as follows:

- production of small implements for the unit's use is an ancillary activity (in accordance with all criteria);
- own-account transport is normally an ancillary activity (in accordance with all criteria);
- sales of own products are an ancillary activity because, as a general rule, it is not possible to produce without sales. However, if it is possible to identify a retail sales point within a production enterprise (direct sales to end-user) which may be, for example, a local unit, this sales point — exceptionally and for the purposes of certain analyses — may be regarded as a kind-of-activity unit. This observation unit then forms the subject of a twofold classification, i.e. in terms of the (principal or secondary) activity it performs within the enterprise and in terms of its own activity (retail sale).

Thus, the general rule is that, since production processes are not usually viable without the support of ancillary activities, these ancillary activities should not be isolated to form distinct entities, even if they are carried out by a distinct legal entity or at a distinct place, and even if separate accounts are kept. Furthermore, the ancillary activity is not taken into account when classifying the activity of the entity by which the ancillary activities are carried out. The best example of an entity carrying out ancillary activities is the central administrative department of registered office.

Having regard to the definition at the beginning, the following activities must not be considered as ancillary activities:

¹² The term 'ancillary' is used for differentiating primary, secondary and ancillary activities. In ESA 2010, the term 'auxiliary' is used for Sector S12 Financial Corporations to differentiate specific non-FISIM activities.

- (a) the production of goods or work carried out which forms part of fixed capital formation — in particular, construction work for own account. This is in line with the method used in NACE Rev. 1, where units carrying out construction work for own account are classified under the building industry if data are available;
- (b) production, a significant part of which is sold commercially, even if much is consumed in the course of the principal or secondary activities;
- (c) the 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;
- (d) 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;
- (e) the purchase of goods for resale in unaltered state;
- (f) research and development. These activities are not very widespread and do not produce services which are used in current production.

In all these cases, if separate data are available for these activities, they should be regarded as distinct activities and subsequently recognised as KAUs.

If ancillary activities are carried out for the benefit of a single entity, these activities and the resources they use will constitute an integral part of the activities and resources of that unit. However, if the activities of the statistical unit and the corresponding ancillary activities are not carried out in the same geographical area (defined in terms of the zones delimited for the purposes of statistical surveys), it may be desirable to collect separate supplementary information on these units for the categories of data which have to be classified in terms of geographical areas, even if the units only carry out ancillary activities.

If ancillary activities are carried out basically for the benefit of two or more kind-of-activity units, the cost of these ancillary activities must be spread over all the kind-of-activity units which they support. If data are available on the proportion of the costs which can be assigned to each of these distinct activities, the costs should be broken down accordingly. However, should no information of this kind be available, the cost of the ancillary activity should be broken down over the principal and secondary activities proportionately to the value of output minus intermediate costs excluding the costs of the ancillary activities themselves. If this method proves too difficult in practice, the cost of the ancillary activity may simply be broken down proportionately to the value of output.

If ancillary activities are organised in such a way as to serve two or more entities of a multi-unit enterprise, they may constitute a group of ancillary activities at a distinct location. In this case, in the same way as it would be desirable to cover certain activities completely even if they are carried out independently or by entities which are engaged exclusively in ancillary activities (such as computer services), it could be useful to allow for supplementary classifications. For this purpose these ancillary entities could then be classified according to their own activities as well as being classified under the activity of the unit to which they belong.

It is possible that an activity starts out as ancillary but subsequently begins to provide services for sale to other entities. An activity of this kind may develop to the point where it ceases to be an ancillary activity and must therefore be regarded as one of the principal or secondary activities of an entity. The only way of deciding whether a given activity should be regarded as an ancillary activity or a principal or secondary activity, is to assess the role it plays in the enterprise as a whole.'

Source: Council Regulation (EEC) No 696/93.

8.2 Additional explanations

'Points 4 (a)-(f) of the ancillary activities definition of CR 696/93 are in line with the method used in NACE Rev. 2 (Paragraph 53).'

Source: BSDG/DMES notice of intention — adopted version of 25-26 June 2015.

8.3 Operational Rules

Source: BSDG/DMES 'Notice of intention' — adopted version of 25-26 June 2015

(1) Operational rule: Examples of possible ancillary activities¹³

1. Distribution and logistics

Trade services of own products

Freight transport services

Cargo handling services

Storage and warehousing 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 organisation services

3. ICT services

Information technology (IT) consulting and support services

Hosting and information technology (IT) infrastructure provisioning services

IT infrastructure and network management services

Telephony and other telecommunications services

Internet telecommunications services

4. Administrative and management functions

Legal and accounting services

Management consulting and management services

¹³ Compare: Global Value Chains and Economic Globalization Project Report (GVC-EGP), page 26 Table 2; URL: http://www.cros-portal.eu/sites/default/files/Item_3_Sturgeon_GVC-EGP_Report_v.10-02-12.pdf.

Business consulting services

Other management services, except construction project management services

Combined office administrative services

Specialised office support services'

9. Statistical units per domain

The table below summarises how the various statistical units are used by domain according to the Framework Regulation Integrating Business Statistics (FRIBS).

DOMAIN	ENT	ENT GROUP	LOU	KAU
Structural business statistics	X		X	
Research and development	X			
ICT	X			
Innovation	X			
Inward and outward FATS	X			
International sourcing	X			
Trade by enterprise characteristics	X			
Business demography	X			
Prodcom				X
Short-term statistics — Industry				X
Short-term statistics — Construction				X
Short-term statistics — Retail trade				X ¹
Short-term statistics — Other services				X ¹
Business registers	X	X	X	X ²

Notes:

¹ Before FRIBS enters into force, 'Short-term statistics — Retail trade' and 'Short-term statistics — Other services' use ENT as the statistical unit.

³ Before FRIBS enters into force, 'Business registers' do not include KAU.

9. See also

Overview of methodologies of European business statistics: [EBS manual](#)

Legal provisions related to Statistical Units can be found in the following [overview](#)

Methodological information on Profiling can be found [here](#).

General information on the role of statistical units in business statistics can be found in the [Scope and main concepts chapter](#) of the EBS manual, in particular section 3 on the target statistical population and section 4 on the market/non-market distinction.

10. Further Eurostat information

[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.

[Notice of intention](#) of the BSDG and the DMES on the consistent implementation of Council Regulation (EEC) No 696/93 on statistical units adopted on 25-26 June 2016.

[European system of national and regional accounts \(2010\)](#)

Guidelines for the implementation of the kind-of-activity unit in short-term statistics, (BSDG Document 20150604a).

11. External links

Frascati Manual – Proposed Standard Practice for Surveys on Research and Experimental Development, OECD 2002.

12. Contacts

For questions or comments on this chapter, please contact ESTAT-G1@ec.europa.eu.