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European business statistics compilers' manual for foreign affiliates statistics

2024 edition

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Luxembourg: Publications Office of the European Union, 2024

Collection: Manuals and guidelines
Theme: International trade

PDF ISBN 978-92-68-09699-4 KS-GQ-23-018-EN-N doi:10.2785/817091 ISSN: 2315-0815

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1 Introduction

1.1. Objectives of the manual

This European business statistics (EBS) compilers' manual ('the manual') is meant to serve as a practical reference document for all National Statistical Authorities (NSAs) and National Central Banks (NCBs) of the European Union (EU) Member States involved in compiling foreign affiliates statistics (FATS). FATS data users can also use the manual as background information. As such, it provides the necessary definitions and practical instructions, consistency checks and dissemination channels for preparing and transmitting FATS data to Eurostat. It includes recommendations on harmonising the principles and content of the EBS domains and FATS in EU Member States. Fully implementing these recommendations will help to ensure that FATS are compiled and maintained consistently in all Member States, ensuring comparability and quality.

The manual will certainly need regular updating, due to changes in data requirements or methodological developments, or for other reasons. It is mainly for online publication, both in a static PDF version and a dynamic version. The dynamic manual will be updated periodically and the changes made in such a way as to be visible to readers.

1.2. Globalisation

Globalisation is the existence of interactions between enterprises resident in different countries that are related by links other than just market trade, and their socioeconomic consequences. For decades, businesses have increasingly expanded their activities across borders. Eurostat, together with the EU Member States, gives users a number of statistics, including FATS, that illustrate the globalisation of business activities.

Using statistics to illustrate globalisation is not always straightforward, as statistics are usually country-specific. The globalisation of the world economy therefore creates new needs for statistics and, at the same time, changes the conditions for producing business statistics. The activities of multinational enterprise (MNE) groups, the outsourcing of activities, the labour force, foreign direct investment, and other forms of foreign involvement, are key aspects of this globalisation. Multiple national borders are no longer an obstacle to investment or production, as many economic agents are economically active in many countries at the same time.

The European Statistical System (ESS) Vision 2020 stated that data should be used across EU countries and statistical domains to better analyse emerging phenomena (such as globalisation) and to better serve the purposes of high-impact EU policies. More flexibility is needed in the EBS framework to facilitate adaptations to methodological developments and a timely response to emerging and duly justified data user needs resulting from the changing economic environment and the increasing globalisation and complexity of the business landscape.

1.3. The use and importance of FATS

A foreign affiliates is an enterprise resident in one country that is under the control of an institutional unit resident in another country. Control is determined according to the concept of the Ultimate Controlling Institutional unit (UCI).

The UCI is the institutional unit, proceeding up a foreign affiliate's chain of control, which is not controlled by another institutional unit.

FATS describe the overall activity of foreign affiliates. A distinction can be made between Outward FATS that describe the activities of an enterprise's own affiliates abroad, while Inward FATS describe the activities of foreign enterprises in the own country or area.

Their broad coverage of activities, and their detailed content in terms of economic and employment variables on a global scale, mean that FATS can be used for many different purposes. FATS shape national and European policy and decisions by helping to assess the impact of foreign-controlled enterprises on national economies and on the European economy. They can also be used to monitor the effectiveness of the internal market and the gradual integration of economies into the context of globalisation, or for other kinds of research.

1.4. Legal basis

European Business Statistics (EBS) are governed by a cross-cutting legal framework for the collection, compilation, transmission and dissemination of European statistics on the structure, economic activity, competitiveness, global transactions and performance of businesses. The statistical process of producing EBS in terms of input, throughput and output, is based on an extensive set of legal acts. These are rooted in the legal framework for European statistics which sets out the key provisions on statistical processes within the European Statistical System (ESS). The requirements outlined in this framework (based on the European Statistics Regulation as amended by Regulation (EU) 2015/759 of 29 April 2015 are fundamental for all statistical sectors and policy indicators, not only business statistics. The European Statistics Regulation covers various general cross-sectoral topics, for instance the governance structure of the ESS, the European Statistics Code of Practice, the European statistical programme, and the reuse of administrative data to reduce the burden on respondents. The Regulation also provides an extensive set of rules to ensure and safeguard not only statistical confidentiality, but also the dissemination of statistical end-products and their statistical quality measured by relevance, accuracy, timeliness, punctuality, accessibility, clarity, comparability and coherence.

Specifically for the EBS, Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on European business statistics, repealing 10 legal acts on business statistics (the EBS Regulation), was adopted and has been in force since reference year 2021. The detailed Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to the EBS Regulation (the EBS Implementing Regulation) also came into force. The EBS Regulation and EBS Implementing Regulation cover requirements for FATS data transmission to Eurostat and the various other business statistics domains. Part B of Annex I to the EBS Implementing Regulation provides detailed information in Table 14 (for Inward FATS) and in Tables 15 and 33 (for Outward FATS) on FATS statistical populations, variables, units of measure, activity and geographical breakdowns, and data transmission deadlines. The EBS Regulation and its requirements are applicable from reference year 2021 onwards.

Council Regulation (EEC) No 696/93 of 15 March 1993 on the Statistical Units (the Statistical Units Regulation) is not affected by the EBS Regulation and is still in force. EBS domains are therefore still based on the Statistical Units Regulation, but provide more precise operational rules on defining statistical units. The operational rules adopted by the Business Statistics Directors Group (BSDG) and the Directors of Macroeconomic Statistics (DMES) are annexed 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).

Legal requirements and obligations regarding the geographical breakdown to be reported in EBS (including Inward FATS and Outward FATS) are defined in Commission Implementing Regulation (EU) 2020/1470 of 12 October 2020 on the nomenclature of countries and territories for the European statistics on international trade in goods and on the geographical breakdown for other business statistics.

1.5. Correspondence to EBS domains and topics

Annex I of the EBS Implementing Regulation distinguishes four EBS domains:

- Domain 1. Short-term business statistics
- Domain 2. Country-level business statistics
- Domain 3. Regional business statistics
- Domain 4. Statistics on international activities.

FATS on resident units (Table 14 and Table 15) are part of Domain 2 Country-level business statistics, and FATS on non-resident units (Table 33) are embedded in Domain 4

Statistics on international activities. In each of the domains, the EBS variables are grouped together in 13 horizontal topics.

- Business population
- Global value chains
- ICT usage and e-commerce
- Innovation
- International trade in goods
- International trade in services
- Investments
- Labour inputs
- Outputs and performance
- Prices
- Purchases
- Real estate
- R&D inputs

FATS variables are included in the topics Business population, Labour inputs, R&D inputs, Purchases, Outputs and performance and Investments.

The EBS variables to be collected in FATS are indicated in Part B of the EBS Implementing Regulation in data requirement Tables 14, 15 and 33.

Table 14. Country-level business statistics on enterprises by country of ultimate control – referring to all resident enterprises and the Inward FATS (IFATS) population.

Table 15. Country-level business statistics on foreign-controlling enterprises and domestic affiliates active in the reporting country – referring to concepts of Outward FATS (OFATS) covering the population of resident enterprises.

Table 33. Statistics on international activities – control by institutional units of the country reporting on enterprises abroad – referring to concepts of OFATS covering the population of foreign enterprises.

In the EBS Implementing Regulation data requirement tables, the FATS variables are generally composite variables, i.e. composed of a root variable and a FATS variable (for example, the root variable net turnover, plus the FATS variable foreign-controlled enterprises, make up the FATS composite variable net turnover of foreign-controlled enterprises). Each root variable is defined under the relevant EBS variable first mentioned in the list of definitions in Annex IV to the EBS Implementing Regulation.

Table 14 includes both the composite Inward FATS variables covering the foreign-controlled enterprise population and the root variables from Structural Business Statistics (SBS) and Research and development (R&D) representing the total enterprise population, covering the population of domestically controlled enterprises (i.e., the difference between the total enterprise population and the population of foreign-controlled enterprises).

Table 15 includes the composite Outward FATS variables covering foreign-controlling enterprises and domestic affiliates under domestic control and the root variables from SBS representing the sub-population of the enterprises in the reporting country that is part of the domestically-controlled Multinational Enterprise (MNE) groups.

Table 33 refers to activities of non-resident statistical units over which ultimate control is exercised in the reporting country. These include both the composite Outward FATS variables covering the foreign-controlled enterprise population and the root variables of the topics Business population, Labour input, Investments and Outputs and performance.

1.6. Correspondence to the EBS Manual and to other business statistics compilers' manuals

The compilers' manual for FATS belongs to a harmonised system of EBS compilers' manuals for the compilation of EBS. This manual is part of a system of EBS manuals that comprises concepts and definitions that have been harmonised with several other domains, for which domain-specific compilers' manuals have been published, and which are good reference sources with reliable content that reflects FATS particularities:

- the European Business Statistics Manual – edition 2021 forms the core of the EBS system, covering the concepts that are common to business statistics domains;
- the Methodological Manual on European Structural Business Statistics – edition 2021 gives an overview of the SBS methodology;
- the European Business Statistics Methodological Manual for Statistical Business Registers – edition 2021 describes the activities of the national statistical business registers and the EuroGroups Register;
- the European Business Profiling Recommendation Manual – edition 2020 refers to the business profiling activities and provides detailed definitions of the statistical units and concepts used in the globalisation-related statistics.

The EBS manual for FATS itself only focuses on the details and issues that are relevant to the Inward and Outward FATS activities.

1.7. Links

- Regulation (EU) 2019/2152 of the European Parliament and of the Council of 27 November 2019 on **European business statistics**.
- Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to Regulation (EU) 2019/2152.
- Commission Implementing Regulation (EU) 2020/1470 of 12 October 2020 on the nomenclature of countries and territories for the European statistics on international trade in goods and on the geographical breakdown for other business statistics.
- Commission Delegated Regulation (EU) 2023/137 of 10 October 2022 amending Regulation (EC) No 1893/2006 of the European Parliament and of the Council establishing the statistical classification of economic activities NACE Revision 2 (Text with EEA relevance).
- 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.
- Eurostat Globalisation of businesses dedicated section.
- Statistics Explained articles on Inward FATS and Outward FATS.

2 Target statistical population and breakdowns

2.1. Required FATS population coverage

The data requirement element 'statistical population' specifies the coverage of the statistical units and establishes for which statistical units data should be compiled, submitted to Eurostat and disseminated. According to the EBS Regulation, the statistical population is defined by the market production criterion, the economic activities based on the statistical classification of economic activities in the European Community (NACE) and the geographical allocation of control of the statistical unit concerned. The distinction between market and non-market producers is based on the definitions of the European System of Accounts (ESA), which can basically be taken directly from the Statistical Business Registers (SBR). FATS data are to be broken down to a detailed geographical level (nomenclature of territorial units for statistics (NUTS) Level 1), and to the disaggregated activity level (NACE Rev. 2 two-digit). NACE is a classification of economic activities that does not differentiate between market and non-market activities, mainly because (with a few exceptions) that distinction cannot be made based on economic activity alone. As explained above, in addition to the definition of economic activities, a second criterion – market producers – is necessary to define the FATS population. Most economic activities are covered by FATS. They are classified according to NACE Rev. 2 under any of the following:

- Section B Mining and quarrying
- Section C Manufacturing
- Section D Electricity, gas, steam and air conditioning supply
- Section E Water supply; sewerage, waste management and remediation activities
- Section F Construction
- Section G Wholesale and retail trade; repair of motor vehicles and motorcycles
- Section H Transportation and storage
- Section I Accommodation and food service activities
- Section J Information and communication
- Section K Financial and insurance activities
- Section L Real estate activities
- Section M Professional, scientific and technical activities
- Section N Administrative and support service activities
- Section P Education
- Section Q Human health and social work activities
- Section R Arts, entertainment and recreation
- Section S Other services activities (the entire section is required for Outward FATS only; for Inward FATS, only divisions S 95 'Repair of computers and personal and household goods' and S 96 'Other personal service activities' are to be covered).

This leaves the following excluded from the FATS approach:

- Section A Agriculture, forestry and fishing
- Section O Public administration and defence; compulsory social security
- Section T Activities of private households as employers of domestic personnel; undifferentiated goods- and services-producing activities of households for own use
- Section U Activities of extraterritorial organisations and bodies
- Division S 94 Activities of membership organisations (for Inward FATS only).

The Inward FATS statistical population corresponds to the SBS statistical population, with both populations being market producers of NACE Sections B to N and P to R and divisions S95 and S96. The data requirements define the same total enterprise population for both Inward FATS and SBS.

The two target populations in Outward FATS (resident UCIs and domestically controlled enterprises, and enterprises controlled by the reporting country) cover the market producers who are themselves UCIs ultimately controlled by resident UCIs relevant for FATS. This leads to a two-step approach to identifying the target populations of foreign-controlling enterprises and domestic affiliates (EBS Implementing Regulation Table 15), and of enterprises abroad ultimately controlled by an institutional unit of the reporting country (EBS Implementing Regulation Table 33). The first step is to identify the target population of resident UCIs, consisting of all resident UCIs that control at least one enterprise abroad (foreign affiliate). The second step is to identify the target populations of resident and non-resident enterprises controlled by the resident UCIs.

The target population of resident enterprises (Table 15) consists of units selected in the following two steps:

- step 1: selection of the foreign-controlling enterprises that are resident market producers identified as resident UCIs controlling at least one foreign affiliate (a subpopulation of the target population of resident UCIs of MNE groups), and
- step 2: selection of the domestic affiliates controlled by all resident UCIs identified in the first step.

The target population of non-resident enterprises (Table 33) consists of the enterprises abroad controlled by the resident UCIs identified in the first step. Natural persons not engaged in economic activity, families and government bodies, when they are the UCI, should not be included in the number of enterprises themselves, as those institutional units are by their nature not considered market producers and are used only to identify the UCI residency country code.

Eurostat has been collecting and publishing FATS data annually since reference year 2003. For non-resident enterprises, the EBS Regulation implements the following changes to the repealed FATS Regulation (Regulation (EC) No 716/2007 of 20 June 2007):

- introducing two new variables:
  - expenses for employee benefits, and
  - gross investment in tangible non-current assets;
- extending the coverage of foreign affiliates to include information on all foreign EU affiliates, in contrast to collecting information only on foreign non-EU affiliates;
- reducing the detailed NACE breakdown for EU affiliates abroad by applying the more aggregated activity classification used in national accounts (A*38).

FATS variables are generally collected as monetary values (in thousands of national currency), or as counts (for example, the numbers of enterprises or numbers of employees and self-employed persons and R&D personnel). Under the EBS Regulation, FATS data have to be collected annually for transmission to Eurostat and disseminated on its webpage from the reference year 2021 onwards. The deadline for transmitting validated data to Eurostat is 20 months from the end of the reference period.

From reference year 2025, the NACE Rev. 2 classification will be replaced by NACE Rev 2.1. Legal acts will make the required changes.

2.2. Explicit exclusions from FATS coverage

For statistics on enterprises performance under market conditions, the difference between market and non-market producers must be precisely defined (see Section 2.3). Traditionally, the activities Section A have been excluded from business statistics, even if the enterprises in this section are classified as market producers.

Units in Section O 'Public administration and defence, compulsory social security', Division S 94 'Activities of membership organisations', and Section U 'Activities of extraterritorial organisations and bodies' are, by definition, non-market producers. However, to cover all relevant business activities, S 94 must be included in the Outward FATS for foreign-controlling enterprises and domestic affiliates active in the reporting country (Table 15), as well as for control by institutional units of the reporting country on enterprises abroad (Table 33).

Section T covers households that are not to be included in FATS coverage because they employ domestic staff and/or produce goods or services for their own use, but do not supply goods or services on the market.

2.3. Distinction between market and non-market producers

The market and non-market distinction in EBS applies only to statistics based on statistical units. EBS enterprise-based statistics are limited to market producers as defined by ESA 2010, meaning institutional units classified in the following institutional sectors:

- non-financial corporations (S11)
- financial corporations (S12)
- households as entrepreneurs (S14.1 or S14.2).

These exclude non-market producers, notably general government (S13) and non-profit institutions serving households (S15).

The main difference between market and non-market producers is explained in ESA 2010, paragraph 1.37: 'An activity shall be considered market activity when the corresponding goods and services are traded under the following conditions:

- sellers act to maximise their profits in the long term, and do so by selling goods and services freely on the market to whoever is prepared to pay the asking price;
- buyers act to maximise their utility given their limited resources, by buying according to which products best meet their needs at the offered price;
- effective markets exist where sellers and buyers have access to, and information on, the market. An effective market can operate even if these conditions are not met perfectly.'

Market producers are enterprises that sell all or most of their output at prices that are economically significant. Prices are said to be economically significant if they have a significant effect on the amounts of products producers are willing to supply and the amounts of products purchasers wish to buy. Market producers make decisions about what to produce and how much to produce in response to expected levels of demand, expected costs of supply, and exposure to the risk associated with this production. They adjust supply according to the goal of making profit in the long run or, at least, covering capital and other costs (ESA 2010, paragraph 3.19).

Whether a price is economically significant can be checked using the 50% criterion, which states that a unit should cover at least 50% of its costs by its sales over a sustained multiannual period. If, according to these parameters, an enterprise is classified as a market producer, all of its legal and local units are treated as market producers.

The EBS Regulation requires EU Member States to provide the sector and subsector code in the National Statistical Business Registers (NSBR) and the EuroGroups Register (EGR) for each enterprise.

2.4. Statistical population allocation by activity

Given the high importance of the NACE classification in EBS, the attribution of NACE codes to each unit should be of high quality. The rules on classifying the statistical units can be found in the NACE Rev. 2 Manual. SBRs classify all EBS statistical units according to NACE Rev. 2, so the statistical population of FATS can be determined using SBRs. The activity coverage of FATS is defined in the EBS Implementing Regulation on the basis of the activity classification NACE Rev. 2. Table 2.1 shows the detailed breakdowns for Inward and Outward FATS.

TABLE 2.4.1

Elements of the NACE Rev. 2 activity classification relevant to FATS

Foreign affiliates statistics	EBS requirements	NACE components
Inward FATS	Table 14 variables except R&D	Sections B to N and P to R Aggregates of NACE divisions C10+C11+C12, C13+C14+C15, C16+C17+C18, C22+C23, C24+C25, C29+C30, C31+C32, H52+H53, J59+J60, J62+J63, M69+M70+M71, M73+M74+M75, N78+N79+N80+N81+N82, Q87+Q88, S95+S96 NACE divisions C19, C20, C21, C26, C27, C28, C33, H49, H50, H51, J58, J61, M72, N77, Q86 Special aggregate Industry, construction and services (except public administration, defence, compulsory social security, activities of membership organisations, activities of households as employers and extra-territorial organisations and bodies) NACE B+C+D+E+F+G+H+I+J+K+L+M+N+P+Q+R+S95+S96 Special aggregate Services (except public administration, defence, compulsory social security, activities of membership organisations, households as employers and extra-territorial organisations and bodies) NACE G+H+I+J+K+L+M+N+P+Q+R+S95+S96
Inward FATS	Table 14 R&D variables	NACE Sections B to F Aggregates of NACE divisions C10+C11+C12, C13+C14+C15, C16+C17+C18, C22+C23, C24+C25, C29+C30, C31+C32 NACE divisions C19, C20, C21, C26, C27, C28, C33 Special aggregate Industry and construction NACE B+C+D+E+F
Outward FATS	Table 15 and Table 33	NACE Sections B to N and P to S Aggregates of NACE divisions C10+C11+C12, C13+C14+C15, C16+C17+C18, C22+C23, C24+C25, C29+C30, C31+C32, H52+H53, J59+J60, J62+J63, M69+M70+M71, M73+M74+M75, N78+N79+N80+N81+N82, Q87+Q88 NACE divisions C19, C20, C21, C26, C27, C28, C33, H49, H50, H51, J58, J61, M72, N77, Q86 Special aggregate Industry, construction and services (except public administration, defence, compulsory social security, activities of households as employers and extra-territorial organisations and bodies) NACE B+C+D+E+F+G+H+I+J+K+L+M+N+P+Q+R+S Special aggregate Services (except public administration, defence, compulsory social security, activities of households as employers and extra-territorial organisations and bodies) NACE G+H+I+J+K+L+M+N+P+Q+R+S

Statistical units may perform a variety of activities, but their classification code is derived from the main activity. Secondary activities are indicated in the SBR but not reflected in FATS data. Enterprises whose main activity is within the scope of NACE, but who also perform activities outside that scope, should be included in FATS data. The activity scope of FATS is quite large, comprising almost all market activities, so the proportion of activities performed outside the NACE sections and divisions of FATS will be quite small. On the other hand, activities in the scope of FATS, performed by enterprises whose main activity is not in that scope, are not to be covered in FATS.

This means that data are compiled on an industrial activity basis and not on a product basis. The latter might be useful for analytical purposes, in particular since other trade statistics are organised by product categories. Therefore, where possible, it is recommended to compile data on a product basis too, at least at the most aggregated level of goods versus services.

In the case of Head offices (HOs), holding companies (HCs) and similar entities that often have characteristics typical of Special Purpose Entities (SPEs), it might sometimes be difficult to attribute an activity code. For more information on the delineation of HOs and HCs, see Section 3.18.

2.5. Statistical population allocation by country

The main geographical classification in European statistics is the Nomenclature of territorial units for statistics (the NUTS classification), which has several hierarchical levels. NUTS Level 0 is equivalent to the territory of the country in question and is in the FATS reporting scope.

In the context of the EBS Regulation, the values of FATS variables should be allocated to the country of ultimate control in Inward FATS. On the other hand, in Outward FATS, the values should be allocated to the country of residence of the UCI in Table 15, and to the country of residence of the foreign affiliate in Table 33. The values of FATS variables are operational values generated by an enterprise as a whole and refer entirely to the enterprise. To determine the number of enterprises, the correct delineation approach (see Section 3.4.) should be taken and legal units should not be automatically linked one-to-one to enterprises where no such link actually exists. The NSBRs and EGR give users data on delineated resident and foreign enterprises at national and European level.

Legal requirements and obligations regarding the geographical breakdowns to be reported in FATS are defined in Annex II to Regulation (EU) 2020/1470 and in Tables 14 and 33 of the EBS Implementing Regulation, while Table 15 has no country breakdowns, as this part of OFATS refers to units and variables of the reporting country only. Regulation (EU) 2020/1470 provides three geographical breakdown (GEO) levels to be taken into account in FATS. GEO level 1 and GEO level 2 refer to the selection of countries to be combined with a detailed activity breakdown of the enterprises listed in Section 2.4 of this manual. GEO level 1 provides a list of countries to be taken into consideration in IFATS (Table 14 (variables of foreign-controlled enterprises only) and GEO level 2 contains a list for OFATS (Table 33). GEO level 3 refers to the list of all the countries in the world to be reported on for both Table 14 of the EBS Implementing Regulation (variables of foreign-controlled enterprises) and Table 33 for the total NACE activity aggregate. The detailed list for the three GEO levels is in Annex I to this manual.

The variables in Table 14 of the EBS Implementing Regulation that refer to the total population of the reporting country have to be provided at the level of the detailed activity breakdown for two geographical breakdowns: 'World total' and 'Domestically controlled'.

The EBS Regulation sets out only the mandatory requirements for the geographical breakdowns, but does not prevent countries from sending expanded lists including voluntary continent aggregates and Kosovo.

TABLE 2.5.1

The EBS geographical breakdowns for FATS

Foreign affiliates statistics	EBS requirements	Geographical breakdown
Inward FATS	Table 14 variables by detailed NACE breakdown: - Number of active enterprises - Number of employees and self-employed persons - Employee benefits expense - Intramural R & D expenditure - R & D personnel - Total purchases of goods and services - Purchases of goods and services for resale - Net turnover - Value of output - Value added - Gross investment in tangible non-current assets	'World total' and 'Domestically controlled'
	Table 14 foreign-controlled variables by detailed NACE breakdown: - Number of foreign-controlled enterprises - Number of employees and self-employed persons in foreign-controlled enterprises - Employee benefits expense in foreign-controlled enterprises - Intramural R & D expenditure in foreign-controlled enterprises - R & D personnel in foreign-controlled enterprises - Total purchases of goods and services of foreign-controlled enterprises - Purchases of goods and services for resale of foreign-controlled enterprises - Net turnover of foreign-controlled enterprises - Value of output of foreign-controlled enterprises - Value added of foreign-controlled enterprises - Foreign-controlled enterprises' gross investment in tangible non-current assets	Austria, Australia, Intra Union (B6), Belgium, Bulgaria, Canada, Switzerland, China, Croatia, Cyprus, Czechia, Extra Union not allocated (D09), Extra Union (D6), Germany, Denmark, Estonia, Finland, France, Greece, Hong Kong, Hungary, Ireland, Israel, Iceland, Italy, Japan, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, New Zealand, Poland, Portugal, Offshore financial centres (R12), Romania, Russian Federation, Slovenia, Slovakia, Spain, Sweden, Switzerland, Türkiye, United Kingdom, United States, World total (W0), Rest of the world (W1), Domestically controlled (W2), Equally-shared control of UCIs of more than one Member State (Z12)

Foreign affiliates statistics	EBS requirements	Geographical breakdown
	Table 14 foreign-controlled variables by aggregate Total business NACE activities - Number of foreign-controlled enterprises - Number of employees and self-employed persons in foreign-controlled enterprises - Employee benefits expense in foreign-controlled enterprises - Intramural R & D expenditure in foreign-controlled enterprises - R & D personnel in foreign-controlled enterprises - Total purchases of goods and services of foreign-controlled enterprises - Purchases of goods and services for resale of foreign-controlled enterprises - Net turnover of foreign-controlled enterprises - Value of output of foreign-controlled enterprises - Value added of foreign-controlled enterprises - Foreign-controlled enterprises' gross investment in tangible non-current assets	All countries of the world including aggregates B6, D09, D6, R12, W0, W1, W2, Z12 (voluntary America (A1), Europe (E1), Africa (F1), Oceania and Polar Regions (O2), Asia (S1)
Outward FATS	Table 33 detailed NACE breakdowns	Argentina, Austria, Australia, Intra Union (B6), Belgium, Bulgaria, Brazil, Canada, Chile, China, Croatia, Cyprus, Czechia, Extra Union not allocated (D09), Extra Union (D6), Denmark, Estonia, Egypt Finland, France, Germany, Greece, Hong Kong, Hungary, Indonesia, Ireland, Israel, India, Iceland, Italy, Japan Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg,, Malaysia, Malta, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Norway, Philippines, Poland, Portugal, Offshore financial centres (R12), Romania, Russian Federation, Singapore, Slovenia, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Türkiye, United Kingdom, United States, Uruguay, Venezuela, World total (W0), Rest of the world (W1), Domestically controlled (W2), Equally-shared control of UCIs of more than one Member State (Z12)
	Table 33 by aggregate Total business NACE activities	All countries of the world including aggregates B6, D09, D6, R12, W1, Z12 (voluntary America (A1), Europe (E1), Africa (F1), Oceania and Polar Regions (O2), Asia (S1))

Codification might change over time, especially for the specific aggregates. Changes to the aggregate composition can cause the aggregates to change. This happened, for example, when the latest EU Member State (Croatia) joined the EU and the code changed in 2013 from V3 to V4, and after BREXIT in 2020, when the EU aggregate code changed from V5 to V6.

2.6. Cut-off thresholds

Mainly to limit costs and burdens, a cut-off threshold is used to exclude from the target population units that contribute very little to the statistics requested, such as small businesses. However, it is recommended to have no cut-off thresholds for FATS. Where that is not possible, the cut-off thresholds should be kept to a minimum and regular checks of sub-threshold units carried out to document and analyse the effect of their exclusion. If a threshold is applied, the country in question should report on that in the quality report and use methods for grossing up to the total in order to have comparable datasets.

In FATS, all foreign affiliates are relevant, as there may be cases where enterprises below the threshold would have a meaningful effect overall when compiling statistics, and their exclusion might therefore result in a considerable bias as far as some specific aspect of the data is concerned (geographical or activity breakdown).

In practice, however, the countries that compile FATS data have thresholds. These are often based on the thresholds of SBS or FDI surveys to which FATS data compilation is linked. There might still be significant differences in the thresholds applied in the countries that already compile FATS, making the data less comparable.

2.7. Specific coverage issues

Article 4 of the EBS Regulation states that, in producing European statistics, Member States may use any relevant data sources without putting an excessive burden on respondents and taking due account of the cost-effectiveness of the national statistical authority. Article 5 also states that the national statistical authorities shall have the right to access and use, promptly and free of charge, all administrative records, along with other data sources, to meet the statistical requirements of the EBS Regulation. Both articles are central, as they form the basis for supporting cost-effectiveness and relieving respondents of unnecessary burdens. This makes FATS a statistical domain that is considered as having a relatively low response burden, as data are collected annually, data sources other than surveys are widely used and a number of variables can be taken directly from those sources. This may not be the case for all companies and all variables, and some data may not be available in good time. Variables not covered by the usual sources are to be collected directly from enterprises, usually on a sample basis.

The central EU requirement is that the data compiled under European legislation fulfil the output and quality criteria. This means that, not only do the variables and their correspondence to the described definitions matter, but also the coverage and completeness of data, the implementation of the statistical units and their classifications, etc. FATS data compiled by all the Member States should be harmonised and therefore be comparable between countries, in general and in detail (by classifications, variables, breakdowns, coverage, etc.).

2.8. Use of approximations

The EBS Regulation's data requirement elements indicate whether specific data (variables and NACE

categories) may not have to be transmitted under certain circumstances. These are usually exceptional cases. However, there is another kind of approximation for all EBS Implementing Regulation tables, which concerns the problem of fiscal years that deviate from the calendar year. In principle, all data should refer to calendar years. In cases in which the source data used for compiling the data of the variables are available only for the fiscal year, and cannot be recalculated to cover the calendar year, the calendar year data may be approximated using data on the fiscal year for the statistical units in question.

For NACE activity division K64, the value of 'Net turnover' variables can be approximated using the 'Value of output' as defined in Annex IV to the EBS Implementing Regulation. For activities of NACE K642, K643 and K653 included in the data that are economically not significant in terms of 'Value added' and 'Number of employees and self-employed persons', 0 values may be assumed and imputed except for the following variables:

Table 14

- Number of active enterprises
- Number of employees and self-employed persons
- Number of foreign-controlled enterprises
- Number of employees and self-employed persons in foreign-controlled enterprises

Table 15

- Net turnover of foreign-controlling enterprises (UCI concept) and domestic affiliates

Table 33

- Number of enterprises abroad ultimately controlled by institutional units of the reporting country
- Number of employees and self-employed persons in enterprises abroad ultimately controlled by institutional units of the reporting country

For activities of NACE Section K, it can be assumed that the values of the variables 'Purchases of goods and services for resale' and 'Purchases of goods and services for resale of foreign-controlled enterprises' are economically non-significant, and so 0 values may be provided.

In general, any unavoidable deviation from the quality requirements needs to be documented in the national metadata report.

2.9. Detailed EBS Implementing Regulation FATS table structures and requirements

The EBS Implementing Regulation defines all aspects of requirements for FATS data collection and transmission to Eurostat. The obligations of the EU Member States regarding Inward and Outward FATS are set out in Part B of the EBS Implementing Regulation in Tables 14, 15 and 33.

Table 14. Country-level business statistics on enterprises by country of ultimate control – referring to all resident enterprises and the IFATS population.

Table 15. Country-level business statistics on foreign-controlling enterprises and domestic affiliates active in the reporting country – referring to the concept of OFATS covering the population of resident enterprises.

Table 33. Statistics on international activities – control by institutional units of the reporting country of enterprises abroad – referring to the concepts of OFATS covering the population of foreign enterprises.

The reference period is the calendar year. Most of the FATS data have to be compiled and transmitted to Eurostat annually (except R&D variables from the Inward FATS perspective, expected to be compiled and transmitted biennially, every odd year).

For monetary values, the measurement unit should be the national currency in thousands and, for all other variables, the absolute value.

Table 2.9.1 gives an overview of Table 14 of the EBS Implementing Regulation that refers to Inward FATS.

TABLE 2.9.1

Country-level business statistics on enterprises by country of ultimate control (EBS Implementing Regulation Table 14)

Table 14	Requirements
Variables	210101. Number of active enterprises
	210301. Number of foreign-controlled enterprises
	220101. Number of employees and self-employed persons
	220301. Employee benefits expense
	220501. Number of employees and self-employed persons in foreign-controlled enterprises
	220701. Employee benefits expense in foreign-controlled enterprises
	230101. Intramural R & D expenditure (1% rule as defined in the EBS Implementing Regulation Annex III.A.1 based on 'net turnover' or 'number of employees and self-employed persons' at relevant NACE A*38 level aggregates for NACE Sections B to F may be applied)
	230201. R & D personnel (1% rule as defined in the EBS Implementing Regulation Annex III.A.1 based on 'net turnover' or 'number of employees and self-employed persons' at relevant NACE A*38 level aggregates for NACE Sections B to F may be applied)
	230301. Intramural R & D expenditure in foreign-controlled enterprises (1% rule as defined in the EBS Implementing Regulation Annex III.A.1 based on 'net turnover' or 'number of employees and self-employed persons' at relevant NACE A*38 level aggregates for NACE Sections B to F may be applied)
	230401. R & D personnel in foreign-controlled enterprises (1% rule as defined in the EBS Implementing Regulation Annex III.A.1 based on 'net turnover' or 'number of employees and self-employed persons' at relevant NACE A*38 level aggregates for NACE Sections B to F may be applied)
	240101. Total purchases of goods and services
	240102. Purchases of goods and services for resale
	240301. Total purchases of goods and services of foreign-controlled enterprises
	240302. Purchases of goods and services for resale of foreign-controlled enterprises
	250101. Net turnover
	250301. Value of output
	250401. Value added
	250601. Net turnover of foreign-controlled enterprises
	250701. Value of output of foreign-controlled enterprises
	250801. Value added of foreign-controlled enterprises
	260101. Gross investment in tangible non-current assets
	260201. Foreign-controlled enterprises' gross investment in tangible non-current assets

Table 14	Requirements
Measurement unit	Absolute value for variables 210101 (Number of active enterprises), 210301 (Number of foreign-controlled enterprises), 220101 (Number of employees and self-employed persons), 220501 (Number of employees and self-employed persons in foreign-controlled enterprises), 230201(R & D personnel) and 230401 (R & D personnel in foreign-controlled enterprises); National currency (thousands) for other variables
Statistical population	For all variables except for variables 230101 (Intramural R & D expenditure), 230301 (Intramural R & D expenditure in foreign-controlled enterprises), 230201 (R & D personnel) and 230401 (R & D personnel in foreign-controlled enterprises): Market producers of NACE Sections B to N and P to R and divisions S95 and S96; For variables 230101 (Intramural R & D expenditure), 230301 (Intramural R & D expenditure in foreign-controlled enterprises), 230201 (R & D personnel) and 230401 (R & D personnel in foreign-controlled enterprises): Market producers of NACE Sections B to F.
Breakdowns	Data will be provided with the detail by country of ultimate control, according to the concept of 'ultimate controlling institutional unit', and by activity of the enterprise. 1. Breakdown by activity and geographical breakdown Data have to be provided as a combination of all breakdowns listed below: For all variables except for variables 230101 (Intramural R & D expenditure), 230301 (Intramural R & D expenditure in foreign-controlled enterprises), 230201 (R & D personnel) and 230401 (R & D personnel in foreign-controlled enterprises): Activity breakdown: • NACE Sections; • Aggregates of NACE divisions: C10+C11+C12, C13+C14+C15, C16+C17+C18, C22+C23, C24+C25, C29+C30, C31+C32, H52+H53, J59+J60, J62+J63, M69+M70+M71, M73+M74+M75, N78+N79+N80+N81+N82, Q87+Q88, S95+S96 • NACE divisions: C19, C20, C21, C26, C27, C28, C33, H49, H50, H51, J58, J61, M72, N77, Q86, • Special aggregates as defined in Annex II.B to the EBS Implementing Regulation: - Industry, construction and services (except public administration, defence, compulsory social security, activities of membership organisations, activities of households as employers and extra-territorial organisations and bodies) covering NACE divisions B to S except O and S94, - Services (except public administration, defence, compulsory social security, activities of membership organisations, households as employers and extra-territorial organisations and bodies) covering NACE divisions G to S except O and S94 For variables 230101 (Intramural R & D expenditure), 230301 (Intramural R & D expenditure in foreign-controlled enterprises), 230201 (R & D personnel) and 230401 (R & D personnel in foreign-controlled enterprises): Activity breakdown • NACE Sections; • Aggregates of NACE divisions: C10+C11+C12, C13+C14+C15, C16+C17+C18, C22+C23, C24+C25, C29+C30, C31+C32, • NACE divisions: C19, C20, C21, C26, C27, C28, C33 • Special aggregate as defined in Annex II to the EBS Implementing Regulation: - Industry and construction covering NACE divisions B to F

Table 14	Requirements
Breakdowns	Geographical breakdown: For variables 210101 (Number of active enterprises), 220101 (Number of employees and self-employed persons), 220301 (Employee benefits expense), 230101 (Intramural R & D expenditure) and 230201 (R & D personnel), 240101 (Total purchases of goods and services), 240102 (Purchases of goods and services for resale), 250101 (Net turnover), 250301 (Value of output), 250401 (Value added) and 260101 (Gross investment in tangible non-current assets) geographic aggregates 'World total' and 'Domestically controlled'. For other variables Geo level 1 as defined in an implementing act in accordance with Article 7(1)(d) of Regulation (EU) 2019/2152 2. Geographical breakdown For variables 210301 (Number of foreign-controlled enterprises), 220501 (Number of employees and self-employed persons in foreign-controlled enterprises), 220701 (Employee benefits expense in foreign-controlled enterprises), 230301 (Intramural R & D expenditure in foreign-controlled enterprises), 230401 (R & D personnel in foreign-controlled enterprises), 240301 (Total Purchases of goods and services of foreign-controlled enterprises), 240302 (Purchases of goods and services for resale of foreign-controlled enterprises), 250601 (Net turnover of foreign-controlled enterprises), 250701 (Value of output of foreign-controlled enterprises), 250801 (Value added of foreign-controlled enterprises) and 260201 (Foreign-controlled enterprises' gross investment in tangible non-current assets) Geo level 3 as defined in an implementing act in accordance with Article 7(1)(d) of Regulation (EU) 2019/2152
Use of approximations and quality requirements	For division K64 the value of variables 250101 and 250601 (Net turnover) can be approximated by the Value of output as defined in Annex IV to the EBS Implementing Regulation. For activities of NACE 642, 643 and 653 included in the data and which are economically not significant in terms of value added and number of employees and self-employed persons 0 values may be assumed except for variables 210101 (Number of active enterprises), 220101 (Number of employees and self-employed persons), 210301 (Number of foreign-controlled enterprises) and 220501 (Number of employees and self-employed persons in foreign-controlled enterprises). For activities of NACE Section K, it can be assumed that the value of variables 240102 and 240302 (Purchases of goods and services for resale) is economically non-significant, therefore 0 values may be provided for variables 240102 and 240302. Additional approximations for activities of NACE Section K may be agreed between the Commission (Eurostat) and the Member States taking into account the country conditions. In cases where the source data used for compiling the data of the variable is available for the fiscal year for some statistical units and this data cannot be recalculated to cover the calendar year, the calendar year data may be approximated by data on the fiscal year for these statistical units.
Data transmission deadline	T+20M
First reference period	2021

Table 2.9.2 gives an overview of Table 15 of the EBS Implementing Regulation that refers to the Outward FATS part of foreign-controlling enterprises and domestic affiliates.

TABLE 2.9.2

Country-level business statistics on foreign-controlling enterprises and domestic affiliates active in the reporting country (EBS Implementing Regulation Table 15)

Table 15	Requirements
Variables	210401. Number of foreign-controlling enterprises (UCI concept) and domestic affiliates 220601. Number of employees and self-employed persons in foreign-controlling enterprises (UCI concept) and domestic affiliates 250901. Net turnover of foreign-controlling enterprises (UCI concept) and domestic affiliates
Measurement unit	Absolute value for variables 210401 (Number of foreign-controlling enterprises (UCI concept) and domestic affiliates) and 220601 (Number of employees and self-employed persons in foreign-controlling enterprises (UCI concept) and domestic affiliates), National currency (thousands) for variable 250901 (Net turnover of foreign-controlling enterprises (UCI concept) and domestic affiliates)
Statistical population	Market producers of NACE Sections B to N and P to S
Breakdowns	Breakdown by activity of the enterprise • NACE Sections; • Aggregates of NACE divisions: C10+C11+C12, C13+C14+C15, C16+C17+C18, C22+C23, C24+C25, C29+C30, C31+C32, H52+H53, J59+J60, J62+J63, M69+M70+M71, M73+M74+M75, N78+N79+N80+N81+N82, Q87+Q88 • NACE divisions: C19, C20, C21, C26, C27, C28, C33, H49, H50, H51, J58, J61, M72, N77, Q86 • Special aggregates as defined in Annex II.B to the EBS Implementing Regulation: - Industry, construction and services (except public administration, defence, compulsory social security, activities of households as employers and extra-territorial organisations and bodies) covering NACE divisions B to S except O, - Services (except public administration, defence, compulsory social security, activities of households as employers and extra-territorial organisations and bodies) covering NACE divisions G to S except O
Use of approximations and quality requirements	For division K64 the value of variable 250901 (Net turnover) can be approximated by the Value of output as defined in Annex IV to this Regulation. For activities of NACE 642, 643 and 653 included in the data and which are economically not significant in terms of value added and number of employees and self-employed persons 0 values may be assumed for variable 250901 (Net turnover of foreign-controlling enterprises (UCI concept) and domestic affiliates). Additional approximations for activities of NACE Section K may be agreed between the Commission (Eurostat) and the Member States taking into account the country conditions. In cases where the source data used for compiling the data of the variable is available for the fiscal year for some statistical units and this data cannot be recalculated to cover the calendar year, the calendar year data may be approximated by data on the fiscal year for these statistical units.

Table 15	Requirements
Data transmission deadline	T+20M
First reference period	2021

Table 2.9.3 gives an overview of Table 33 of the EBS Implementing Regulation that refers to the Outward FATS part on domestically controlled affiliates from abroad.

TABLE 2.9.3

Statistics on international activities – control by institutional units of the reporting country of enterprises abroad (EBS Implementing Regulation Table 33)

Table 33	Requirements
Variables	410101. Number of enterprises abroad ultimately controlled by institutional units of the reporting country
	420101. Number of employees and self-employed persons in enterprises abroad ultimately controlled by institutional units of the reporting country
	420201. Employee benefits expense in enterprises abroad ultimately controlled by institutional units of the reporting country (1% rule as defined in the EBS Implementing Regulation Annex III.A.1 based on net turnover or number of employees and self-employed persons at relevant NACE A*38 level aggregates for NACE Sections B to N and P to S may be applied)
	430101. Gross investment in tangible non-current assets of enterprises abroad ultimately controlled by institutional units of the reporting country (1% rule as defined in the EBS Implementing Regulation Annex III.A.1based on net turnover or number of employees and self-employed persons at relevant NACE A*38 level aggregates for NACE Sections B to N and P to S may be applied)
	440101. Net turnover of enterprises abroad ultimately controlled by institutional units of the reporting country
Measurement unit	For variables 410101 (Number of enterprises abroad ultimately controlled by institutional units of the reporting country) and 420101 (Number of employees and self-employed persons in enterprises abroad ultimately controlled by institutional units of the reporting country): absolute value; For other variables national currency (thousands)
Statistical population	Market producers of NACE Sections B to N and P to S abroad (should cover the foreign affiliates of all ultimate controlling institutional units of the reporting country

Table 33	Requirements
Breakdowns	Data will be provided with the detail by country of residence and by activity of the enterprise abroad. 1. Breakdown by activity and geographical breakdown Data have to be provided as a combination of all breakdowns listed below: Activity breakdown: • NACE Sections; • Aggregates of NACE divisions: C10+C11+C12, C13+C14+C15, C16+C17+C18, C22+C23, C24+C25, C29+C30, C31+C32, H52+H53, J59+J60, J62+J63, M69+M70+M71, M73+M74+M75, N78+N79+N80+N81+N82, Q87+Q88, • NACE divisions: C19, C20, C21, C26, C27, C28, C33, H49, H50, H51, J58, J61, M72, N77, Q86 Special aggregates as defined in Annex II.B to the EBS Implementing Regulation • Industry, construction and services (except public administration, defence, compulsory social security, activities of households as employers and extra-territorial organisations and bodies) covering NACE divisions B to S except O, • Services (except public administration, defence, compulsory social security, activities of households as employers and extra-territorial organisations and bodies) covering NACE divisions G to S except O Geographical breakdown: Geo level 2 as defined in an implementing act in accordance with Article 7(1)(d) of Regulation (EU) 2019/2152 2. Geographical breakdown Geo level 3 as defined in an implementing act in accordance with Article 7(1)(d) of Regulation (EU) 2019/2152
Use of approximations and quality requirements	For division K64 the value of variable 440101 (Net turnover) can be approximated by the Value of output as defined in Annex IV to the EBS Implementing Regulation. For activities of NACE 642, 643 and 653 included in the data and which are economically not significant in terms of value added and number of employees and self-employed persons 0 values may be assumed except for variables 410101 (Number of enterprises abroad ultimately controlled by institutional units of the reporting country) and 420101 (Number of employees and self-employed persons in enterprises abroad ultimately controlled by institutional units of the reporting country). Additional approximations for activities of NACE Section K may be agreed between the Commission (Eurostat) and the Member States taking into account the country conditions. In cases where the data of the fiscal year cannot be recalculated to cover the calendar year, the calendar year data may be approximated by data on the fiscal year.
Data transmission deadline	T+20M
First reference period	2021

3

Statistical units and concepts

3.1. The statistical unit and its activity status

A statistical unit is the entity for which the relevant statistics are compiled. It could be an observation unit, which contains information and for which statistics are compiled, or an analytical unit, which statisticians create 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 the case. Different units (reporting units) can be used to collect inputs into the statistical production process, provided that 'reporting unit-based' inputs can be transformed into 'statistical unit-based' outputs.

NSBRs provide key input into defining the total population of statistical units for producing business statistics. Article 2(2) of the EBS Regulation states that business register characteristics are required for all types of statistical units, including legal units, enterprises, enterprise groups, local units and kind-of-activity units.

The statistical units in EBS domains and topics are defined in Annex II to the EBS Regulation, where it is stated that the statistical unit to be applied in FATS is the enterprise.

The target populations of FATS statistical units are only active enterprises. Box 3.7 gives a definition of an enterprise.

BOX 3.1: DEFINITION OF AN ACTIVE STATISTICAL UNIT

A statistical unit is considered to have been active during the reference period if, during that period, it had positive net turnover or produced outputs or had employees or performed investments.

Source: **Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to the EBS Regulation**

Neither inactive enterprises nor temporarily inactive enterprises (dormant units), which have not performed economic activities for a period of at least of 24 months, should be included.

There are a number of other statistical units that should be applied when defining the FATS population. Branches are considered equivalent to enterprises.

BOX 3.2: DEFINITION OF A BRANCH

Branches mean local units of foreign enterprises not constituting separate legal entities. They are treated as quasi-corporate enterprises in the meaning of Regulation (EU) No 549/2013 and are to be considered enterprises for FATS purposes.

Source: **Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to the EBS Regulation**

A branch is an unincorporated unit belonging to a non-resident unit, known as the parent. It is treated as a resident

and a quasi-corporation in the territory where it is situated. It may have its own legal form. The definition of branches is taken from ESA 2010 (Eurostat, 2013). In FATS, only branches with permanent addresses should be covered.

A branch may be identified for construction projects or mobile operations such as transport, fishing or consulting. However, if 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.

The operation of a franchise network is a way of doing business that is popular in a number of service activities, especially hotels, restaurants and retail sales.

BOX 3.3: DEFINITION OF FRANCHISE

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.

Source: **European business statistics methodological manual for statistical business registers, 2021 edition**

A franchise contract typically includes a number of restrictive clauses limiting the franchisee's freedom of choice, for instance by 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 to 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 franchisee's autonomy, for example, by taking care of collective marketing. Franchise operators may or may not belong to the same enterprise group.

Franchisees are considered separate enterprises because they consist of a complete combination of factors of production and run the full entrepreneurial risk. Moreover, the definition of an 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, and therefore falls within the scope of FATS.

BOX 3.4: DEFINITION OF AN 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 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.

Explanatory notes:

1. **In the corporate enterprises sector, the enterprise corresponds to the institutional unit used in the ESA. Similar institutional units also exist in the general government and private non-profit institutions sectors. The institutional unit in the households sector covers all the activities of households, while the term 'enterprise' is reserved exclusively for their production activities.**
2. **Applying these rules leads to the following solutions for entities which do not clearly possess both characteristics of an institutional unit.**
   - **(a) Households always enjoy autonomy of decision and must therefore be institutional units, even though they do not keep a complete set of accounts.**
   - **(b) Entities which do not keep a complete set of accounts are combined with the institutional units in whose accounts their partial accounts are integrated.**

(c) Entities which, while keeping a complete set of accounts, have no autonomy of decision in the exercise of their principal function are combined with the units which control them.

(d) Entities which satisfy the definition of an institutional unit are treated as such even if they do not publish their accounts.

(e) Entities forming part of a group of enterprises and keeping a complete set of accounts are deemed to be institutional units even if they have surrendered, in fact if not in law, part of their autonomy of decision to the central body (the holding company) responsible for the group's general management. The holding company itself is deemed to be an institutional unit distinct from the units which it controls.

3. The following are deemed to be institutional units:

- units which have a complete set of accounts and autonomy of decision:

(a) private and public companies, public corporations;

(b) cooperatives or partnerships recognised as independent legal entities;

(c) public enterprises which by virtue of special legislation are recognised as independent legal entities;

(d) non-profit institutions recognised as independent legal entities;

(e) agencies of general government.

- units which have a complete set of accounts and which, by convention, are deemed to have autonomy of decision:

(f) quasi-corporate enterprises: sole proprietorships, partnerships and public enterprises, other than those referred to in points (a), (b) and (c) in so far as their economic and financial behaviour can be separated from that of their owners and resembles that of corporate enterprises;

- units which do not necessarily keep a complete set of accounts, but which by convention are deemed to have autonomy of decision:

(g) households.

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**

Each statistical unit also has to be identified as an institutional unit and grouped into the institutional sectors set out in ESA 2010.

BOX 3.5: DEFINITION OF AN INSTITUTIONAL UNIT IN ESA 2010

Institutional units are economic entities that are capable of owning goods and assets, of incurring liabilities and of engaging in economic activities and transactions with other units in their own right. For the purposes of the ESA 2010 system, the institutional units are grouped together into five mutually exclusive domestic institutional sectors:

- **non-financial corporations;**
- **financial corporations;**
- **general government;**
- **households;**

- **non-profit institutions serving households.**

The five sectors together make up the total domestic economy. Each sector is also divided into subsectors. The ESA 2010 system enables a complete set of flow accounts and balance sheets to be compiled for each sector, and subsector, as well as for the total economy. Non-resident units can interact with these five domestic sectors, and the interactions are shown between the five domestic sectors and a sixth institutional sector: the rest of the world sector.

Source: **European system of accounts, ESA 2010**

3.2. Legal unit

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 to data on units with decision-making autonomy. In addition, legal units are not harmonised between the Member States, also a reason for incomparability.

Legal units are the building blocks in defining enterprises. They are also often the reporting units from which information is collected about enterprises.

BOX 3.6: 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**

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, by itself or in combination with other (parts of) legal units, the starting point for determining an enterprise group and/or determining an enterprise.

3.3. Enterprise

The enterprise is the most important statistical unit in EBS. The enterprise concept is applied in almost all business statistics domains. An enterprise may carry out one or more economic activities at one or more locations. The Statistical Units Regulation defines an enterprise as a statistical unit of the production system in the Community.

BOX 3.7: DEFINITION OF AN 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 696/1993 of 15 March 1993 on the statistical units for the observation and analysis of the production system of within the Community**

The enterprise corresponds to a legal unit or a combination of legal units, provided the result is an organisational unit with a certain degree of autonomy. It should be the 'smallest combination of legal units' needed to form an organisational structure with a certain degree of autonomy. An enterprise produces goods or services or generates positive net turnover or has employees or performs

investments; in other words, it is an economically active statistical unit.

To understand the relationship between enterprises and legal units, it may also be helpful to consider the concept of an enterprise group. Furthermore, for the practical identification of enterprises, knowledge of the enterprise group is extremely helpful. According to the Statistical Units Regulation, an enterprise group is defined as 'an association of enterprises bound together by legal and/or financial links'. An enterprise group can be seen as a cluster of legal units linked by relationships of control and with a strict hierarchical structure. Inside an enterprise group, several sub-clusters of legal units may exist that form (complex) enterprises.

3.4. Enterprise delineation

In 2015, the Business Statistics Directors Group and the Directors of Macroeconomic Statistics drew up and adopted operational rules to support the harmonised implementation of the statistical units in European statistics. Implementing the unit enterprise can become quite complex where enterprise groups are composed of many legal units and carry out many different activities.

The definition of an enterprise according to the Statistical Units Regulation makes it clear that if there are separate legal units for factors of production used in combination with other legal units to produce goods and services, this combination of legal units constitutes the enterprise. In such cases, the legal units would not be considered autonomous in an economic sense, despite their legal identity. Only the combination of legal units (in other words the enterprise) would have a sufficient degree of autonomy. This conclusion is based, among other things, on the fact that the definition of an enterprise states that it is 'an organisational 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'.

The definition reflects its main use. In the European Statistical System, the enterprise concept 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 factors of production used in the same process of production to be combined into one unit. This allows inputs and outputs of the production process to be linked and, thus, the operating surplus of a unit to be measured.

Since the enterprise is used for statistics on the production of goods and services, it should have a property not specifically mentioned in the definition and its explanatory note. In other words, it should be possible to actually observe the variables to be measured. Whether or not the enterprise actually has the property in question depends on the operational rules used to determine that statistical unit of interest.

BOX 3.8: OPERATIONAL RULES FOR THE ENTERPRISE

1. Characteristics of an enterprise

A unit is deemed to be an enterprise if it:

- **operates the necessary factors of production (e.g. human resources, capital, technology, land and in particular management); and**
- **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**
- **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.

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.**

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.

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**

For the production of Inward FATS, the statistical unit enterprise can be observed by the NSBRs. The EBS Regulation requires the detailed information on all enterprises carrying out economic activities contributing to gross domestic product (GDP). Data from NSBRs on all enterprises that carry out economic activities contributing to GDP and that are part of a multinational enterprise group should be delivered to the EGR. The EGR is therefore to be used as a source for IFATS when identifying the resident enterprise population belonging to multinational enterprise groups, and for OFATS when identifying the enterprise population of foreign affiliates.

3.5. Enterprise group

At European level, economic globalisation and how enterprise groups organise their production chains across national boundaries create challenges for statisticians. Enterprise groups are important in worldwide economies, especially with respect to globalisation, when groups are active and enterprises are resident in more than one country.

BOX 3.9: DEFINITION OF 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 profits. 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 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**

There are three types of enterprise groups:

- all-resident groups: enterprise groups that have all their (controlling and controlled) legal units registered in the same country;
- domestically controlled multinational groups: enterprise groups with two or more legal units registered in two or more countries, of which the Global Group Head or the ultimate controlling institutional unit, where applicable, is located in the country compiling the statistics;
- foreign-controlled multinational groups: enterprise groups with two or more legal units registered in two or more countries, of which the Global Group Head or the ultimate controlling institutional unit, where applicable, is located outside the compiling country.

BOX 3.10: DEFINITION OF MULTINATIONAL ENTERPRISE GROUP

A multinational enterprise group is defined as an enterprise group comprising at least two enterprises or legal units each of which is located in a different country.

Source: **European Business Statistics manual, 2021 edition**

3.6. Resident enterprises

As with national accounts statistics and SBS, the residence principle in FATS is applied to define the units that constitute a country's economy. Each enterprise should be a resident of one — and only one — territory. Enterprises contributing to GDP are therefore resident enterprises that have their centre of predominant economic interest in the country in question, irrespective of nationality, legal form or presence; that is when the enterprise has a location in the economic territory in question and engages in economic activities on that territory for an extended period (1 year or more).

BOX 3.11: DEFINITION OF RESIDENCY

A unit is a resident unit of a country when it has a centre of predominant economic interest on the economic territory of that country – that is, when it engages for an extended period (one year or more) in economic activities on this territory.

Source: **European System of Accounts (ESA 2010), paragraph 1.61**

The ownership of land and buildings in the economic territory in question is considered sufficient for the owner to have a centre of predominant economic interest there (ESA 2010, paragraph 2.07). If an enterprise does not have any physical dimension, its residence is determined according to the economic territory into whose laws it is incorporated or under whose laws it is registered. A resident institutional unit may be a notional resident unit in respect of the activity conducted in the country in question for a year or more by a unit resident in another country. If the activity is carried out for less than a year, it remains part of the activities of the producer institutional unit and no separate institutional unit is recognised. If the activity is insignificant, even though lasting longer than a year, and for the installation of equipment abroad, no other unit is recognised than that of the producing institutional unit (ESA 2010, paragraph 2.9).

BOX 3.12: DEFINITION OF PREDOMINANT ECONOMIC INTEREST CENTRE

An institutional unit has a centre of predominant economic interest in an economic territory when there exists, within the economic territory, some location, dwelling, place of production, or other premises on which or from which the unit engages and intends to continue engaging, either indefinitely or over a finite but long period of time, in economic activities and transactions on a significant scale. The location need not be fixed so long as it remains within the economic territory. In most cases, it is reasonable to assume that an institutional unit has a predominant centre of economic interest in the territory if the unit has already engaged in economic activities and transactions on a significant scale in the country for one year or more, or if the unit intends to do so.

Source: **OECD Benchmark Definition of Foreign Direct Investment 2008**

The economic territory is the geographical territory under the effective control of a single government and includes the land area, airspace, territorial waters, and the jurisdiction with regard to fishing rights and rights to fuel or minerals. The economic territory also includes free zones and territorial enclaves. It excludes extraterritorial enclaves (ESA 2010, paragraph 2.05f).

In country-level business statistics, FATS must cover all (market) enterprises carrying out economic activities in the country in question. Statistics on international activities performed abroad should be included in the foreign affiliate context, especially when a separate affiliate is registered abroad (Section 3.6.).

However, certain activities of resident market enterprises performed abroad, such as transportation services abroad, repair, maintenance and installation services abroad, subcontracting work done for non-resident customers, imports and exports of goods and services, etc., should in some cases be included in resident enterprises' performance. In general, activities abroad performed

through the movement of natural persons in their capacity as employees of a service provider or as independent suppliers (e.g. a consultancy firm) form part of the activities of resident enterprises. On the other hand, the commercial presence abroad of locally established affiliates, subsidiaries, or representative offices falls within the scope of foreign affiliates. Where a resident enterprise conducts cross-border activities, it is also equally important to correctly attribute 'purchases, outputs and performance' and 'investments' to the countries according to the principle of economic ownership as applied in the context of national accounts and balance of payments. In ESA 2010 (paragraph 1.90), the criterion for recording the transfer of goods from one unit to another is that economic ownership passes from one unit to the other. The acceptance of the risks and the receiving of the benefits from the use of an asset is the definitive indicator of whether or not there is a transfer of economic ownership. In some cases, the transfer of goods from a domestic unit to a unit in another country does not coincide with the transfer of risks and benefits, as in the case of goods sent for processing abroad and merchanting. As long as the domestic unit retains economic ownership of the goods produced or merchanted abroad, the values of the sales and costs of the goods return to the domestic unit. In the example of goods sent for processing abroad, the sales of the goods produced abroad will be registered in the net turnover and value of output of the resident principal. In addition, the costs of the goods and services used for producing the goods and services, including the processing fee for the foreign supplier, will be registered in the total purchases of goods and services of the same unit. The foreign supplier will record the processing fee received.

3.7. Foreign affiliates

FATS provide information on the activities of MNE groups, as well as key information on the globalisation of businesses. Harmonised information on MNE group structures, global group heads, global decision centres and residence country codes of UCIs should facilitate the collection of data on foreign affiliates (subsidiaries) by economic activity and geographical breakdown according to the country of the UCI.

BOX 3.13: DEFINITION OF A 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 ultimate control, or an enterprise not resident in the compiling country over which an institutional unit resident in the compiling country has ultimate control. Country of ultimate control shall mean the country of residence of the ultimate controlling institutional unit, or group of units acting in concert.

Source: **Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to the EBS Regulation**

Knowing if a legal unit is an independent unit or if it belongs to a domestically or foreign-controlled enterprise group, as a subsidiary or as an intermediate or global group head, provides the fundamental information for deriving the Inward and Outward FATS populations. The data on the group structures must be harmonised at European level and coherent methodologies must be used between business registers and FATS.

Inward FATS are mainly produced by linking data from SBS with the MNE group data to which the enterprise belongs. Inward FATS therefore refer to the activity of foreign affiliates resident in the compiling country.

BOX 3.14: DEFINITION OF A FOREIGN-CONTROLLED ENTERPRISE

A foreign-controlled enterprise shall mean an enterprise resident in the compiling country over which an ultimate controlling institutional unit not resident in the compiling country has control.

Source: **Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to the EBS Regulation**

In the case of Outward FATS for European-controlled MNE groups, it is necessary to know the foreign country in which their subsidiaries are located. There are two types of OFATS data defined under the EBS Regulation: country-level OFATS and OFATS on international activities. In country-level business statistics, OFATS describe the activity of domestic affiliates of every resident ultimate controlling institutional unit that has at least one foreign affiliate, and the activity

of foreign-controlling enterprises resident in the compiling country.

BOX 3.15: DEFINITION OF A FOREIGN-CONTROLLING ENTERPRISE

A foreign-controlling enterprise shall mean a resident ultimate controlling institutional unit which has at least one foreign affiliate and which is an active enterprise.

Source: **Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to the EBS Regulation**

The foreign-controlling concept should be used when collecting and compiling variables for Table 15 of the EBS Implementing Regulation. The same table also includes requirements that apply to the domestic affiliates of resident foreign-controlling enterprises.

BOX 3.16: DEFINITION OF A DOMESTIC AFFILIATE

Domestic affiliate shall mean an enterprise resident in the compiling country over which an ultimate controlling institutional unit resident in the same compiling country has control.

Source: **Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to the EBS Regulation**

In statistics on international activities, Outward FATS describe the activity of foreign affiliates abroad ultimately controlled by an institutional unit resident in the compiling country. The concept of affiliates abroad should be used when collecting and compiling variables for Table 33 of the EBS Implementing Regulation.

BOX 3.17: DEFINITION OF AN ENTERPRISE ABROAD

An enterprise abroad ultimately controlled by an institutional unit of the reporting country shall mean an enterprise not resident in the compiling country ultimately controlled by an institutional unit resident in the compiling country.

Source: **Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to the EBS Regulation**

This is consistent with the OECD Handbook on Economic Globalisation Indicators (HEGI), as according to Box 3.8 on page 113, the country of control should be the country of residence. Residency is defined in the HEGI (Box 2.9 on page 47) according to paragraph 58 of the fifth edition of the International Monetary Fund (IMF) Balance of Payments Manual (BPM5) as follows: 'The concept of residence is not based on nationality or legal criteria, although it may be similar to concepts of residence used for exchange control, tax and other purposes in many countries. The concept of residence is based on a sectoral transactor's centre of economic interest. (. . .) It is necessary to recognise the economic territory of a country as the relevant geographical area to which the concept of residence is applied. An institutional unit is a resident unit when it has a centre of economic interest in the economic territory of a country.'

3.8. Concept of control

The concept of control is used for the geographical breakdown of the Inward FATS variables and for determining the Outward FATS reporting country. This concept is defined in Annex IV to the EBS Implementing Regulation. The simple definition in Box 3.15 is, however, a general one. As it might sometimes be difficult to identify control of a target enterprise, especially when control is foreign, this manual gives more specific examples of control.

BOX 3.18: DEFINITION OF CONTROL

Control shall mean the ability to determine the general policy of an enterprise, for example by choosing appropriate directors, if necessary. In this context, enterprise A is deemed to be controlled by an institutional unit B when B controls, directly or indirectly, more than half of the shareholders' voting power, or by other means secures the control over A.

Source: **Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications**

and arrangements pursuant to the EBS Regulation

As the definition says, control is the ability to determine an enterprise's strategy and to appoint directors of an enterprise or enterprise group. In most cases, this ability can be exercised, directly or indirectly, by a single investor with a majority (more than 50%) of voting power. In general, directors are appointed by the shareholders, e.g., at the shareholders' general meeting, a forum where the owners can use their voting power to take part in making highly strategic decisions, such as relocating a head office. Ultimate control is primarily based on a controlling share of the voting power and does not require an active role in the management of an enterprise or enterprise group.

Majority ownership is the major criterion for determining control, but is not compulsory for exercising it. A government can also exert control through a legislative decree or regulation, empowering it (the government) to determine the enterprise's policy or appoint (a majority of) directors.

Situations vary very much from country to country, depending on the legal framework for corporate governance, i.e., legislation regulating the allocation of property rights and the control of enterprises. In particular, civil law and common law systems can be very different from each other. Precise allocation of control between national and foreign entities requires compilers of statistics to not only apply the definition, but also do a supplementary assessment.

This is true, in particular, for special cases. One interesting situation for Inward FATS is where entire ownership is in the hands of foreign investors, but none of them owns more than 50%. If concerted action is not taken, this enterprise would be treated as nationally controlled, and the set of foreign-controlled units would clearly be underestimated.

These recommendations are consistent with the European System of Accounts (ESA) 2010, the System of National Accounts (SNA) 2008, the Statistical Units Regulation, the EBS methodological manual for statistical business registers (2021 edition) and the OECD Handbook on Economic Globalisation Indicators (HEGI). The relevant paragraphs are quoted below. The terminology used is not always consistent, e.g., 'subsidiary' is used interchangeably with 'affiliate', 'corporation' with 'enterprise', and 'household' or 'individual' with 'natural person'.

BOX 3.19: DEFINITION OF CONTROL OVER FINANCIAL OR NON-FINANCIAL CORPORATION ACCORDING TO ESA 2010

2.35 Control over a financial or non-financial corporation shall be defined as the ability to determine general corporate policy, for example by choosing appropriate directors if necessary.

2.36 A single institutional unit (another corporation, a household, a non-profit institution or a government unit) secures control over a corporation or quasi-corporation by owning more than half the voting shares or otherwise controlling more than half the shareholders' voting power.

2.37 In order to control more than half the shareholders' voting power, an institutional unit need not own any of the voting shares itself. A given corporation, 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.

2.38 General government secures control over a corporation as a result of special legislation, decree or regulation which empowers the government to determine corporate policy. The following indicators are the main factors to consider in deciding whether a corporation is controlled by government:

(a) government ownership of the majority of the voting interest;

(b) government control of the board or governing body;

(c) government control of the appointment and removal of key personnel;

(d) government control of key committees in the entity;

(e) government possession of a golden share;

(f) special regulations;

(g) government as a dominant customer;

(h) borrowing from government.

A single indicator may be sufficient to establish control, but, in other cases, a number of separate indicators may collectively indicate control.

2.39 For non-profit institutions recognised as independent legal entities, the five indicators of control to be considered are:

(a) the appointment of officers;

(b) the provisions of enabling instruments;

(c) contractual agreements;

(d) the degree of financing;

(e) the degree of government risk exposure.

As with corporations, a single indicator may be sufficient to establish control in some cases, but, in other cases, a number of separate indicators may collectively indicate control.

***Source*: European System of Accounts (ESA 2010)**

Control is a complex economic concept. The EBS methodological manual for statistical business registers (2021) provides some operational rules on control other than the identification of majority control.

Statistical operational rules require observable criteria in the form of proof of control. It is therefore sufficient for at least one of the following to apply, in order to identify a link of direct or indirect control between two institutional units:

1. an institutional unit directly owns more than 50% of the voting rights of another unit (direct control);
2. an institutional unit indirectly owns more than 50% of the voting rights of another institutional 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 an enterprise;
4. an institutional unit fully consolidates the accounts of another institutional unit, and no other unit consolidates the same institutional unit (control by virtue of full consolidation);
5. administrative sources, collecting declarations in application of specific market regulation laws, provide the information that an institutional unit controls one or a set of units, even though it owns 50% or fewer of its voting rights (effective minority control) and no other unit owns more.

It may be possible that two rules, for example both 1 and 4, could apply simultaneously. As one unit cannot be controlled by two different units, the unit that is in practice the controlling unit should then be chosen.

Rule 4 can in general be considered weaker than rule 1, because there can be consolidation situations with less than 50% ownership and situations with over 50% ownership without consolidation.

All Member States should be able to record basic information including the resident identity numbers of non-resident legal units (foreign subsidiaries) that are part of domestically controlled MNE groups from the EGR.

To take control, it may not be necessary to own a majority of the voting rights because there may be situations in which a large relative shareholding with voting rights but without an absolute majority is sufficient. This can be due to:

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

Situations vary very much from country to country and depend on the legal framework for corporate government, i.e., the legislation that regulates the allocation of property rights and the control of enterprises in the economy.

3.9. Ultimate Controlling Institutional unit

FATS should be compiled according to the Ultimate Controlling Institutional unit (UCI) concept, defined in Annex IV to the EBS Implementing Regulation. Compared to the definition in the FATS Regulation, one minor change was made in order to make the concept more generally applicable, whether the enterprise in question is foreign-controlled or not. The definition of the UCI now refers to an affiliate in general, not only to a foreign affiliate. For FATS purposes there is no change in practice because the UCI for FATS controls at least one enterprise abroad (foreign affiliate).

BOX 3.20: DEFINITION OF AN ULTIMATE CONTROLLING INSTITUTIONAL UNIT

Ultimate controlling institutional unit of an affiliate shall mean the institutional unit, proceeding up an affiliate's chain of control, which is not controlled by another institutional unit.

Source: **Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to the EBS Regulation**

The UCI for FATS is the UCI that controls at least one foreign affiliate. Country of ultimate control means the country of residence of the UCI, or country of group of units acting in concert.

If they fulfil the criteria for control over enterprises, such as owning a controlling share of voting rights and appointing directors, the owners can be said to have ultimate control. This control would in general be exercised less frequently, e.g. at shareholders' meetings or similar forums for owners to exercise their ultimate control. The control structures within the enterprise group would include the Head Office and a board of directors. In the descriptions of Head Offices, National Accounts refer to managerial or operational control by the Head Office, distinguishing the control structures within the enterprise group from ultimate control by owners.

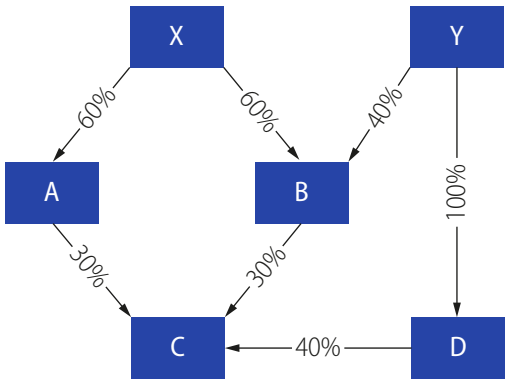
The UCI definition is based on the concept of the institutional unit set out in the Statistical Units Regulation, which defines statistical units for the observation and analysis of the production system in the EU. As the definition says, the UCI is the institutional unit and is not necessarily the enterprise itself (see Section 3.1 for a definition of institutional unit).

If the UCI cannot be extracted directly from existing data, the decision about the UCI should be based on a step-by-step analysis of control relationships up the ownership chain in the enterprise group. Considering that all enterprises of an enterprise group are ultimately controlled by the same UCI, a two-step approach could consist of, first, identifying the enterprise group and its constituting units and control structures and then, following the chain of ownership above the corporate enterprises sector to find the investor(s) at the top of the chain of control.

The UCI might be particularly difficult to determine in cases of indirect control. Figure 3.9.1 shows how to do so.

FIGURE 3.9.1

Determining the UCI in cases of indirect control



The institutional unit X has indirect control over enterprise C, even though it indirectly owns only 36% of its capital share (60% * 30% + 60% * 30%). X directly controls its two affiliates A and B, and their combined voting rights at C's shareholders' meetings account for 30% + 30% = 60%. Y owns 52% of the capital share (40% * 30% + 100% * 40%), but does not control enterprise C, since its effective voting rights at C's shareholders' meetings amount to only 40%. For this illustration, it is assumed that decisions in the enterprises are taken on a one-share one-vote basis (that both the capital shares and the voting shares are proportional to the ownership share of the total number of shares). If decisions are not made on a one-share one-vote basis, the capital share is not a good substitute for the voting share and the assessment of control should be based on whether the ownership shares make for a majority voice.

The example in Figure 3.9.1 demonstrates that if the UCI is not instantly identifiable from existing information about the enterprise, its identification should be based on a thorough analysis of the ownership chain of the units involved. A step-by-step analysis of the voting power of the units (in this example, paths C-A-X, C-B-X, C-B-Y and C-D-Y), determining direct and indirect control at each step, is the best way to determine the UCI. While the proportional approach of multiplying ownership shares is a relevant method for determining the overall share of the capital, it leads to the wrong results for determining direct and indirect control for alternative candidate UCIs based on voting rights.

BOX 3.21: RECOMMENDATIONS FOR ATTRIBUTING THE COUNTRY OF THE UCI IN CASES WHERE MORE THAN 50% IS IN FOREIGN HANDS BUT THERE IS NO MAJORITY OWNERSHIP

Affiliates are to be considered foreign-controlled and relevant for FATS when they are effectively controlled from abroad, even if no majority shareholdings exist. It must be ascertained whether there is effective minority control.

All data should be attributed to the country of the UCI. If effective minority control can be proven, the UCI should be attributed to the country where the effective minority controller is resident.

In cases of equal shareholdings (or shares added up by country), the procedure for joint ventures should be followed.

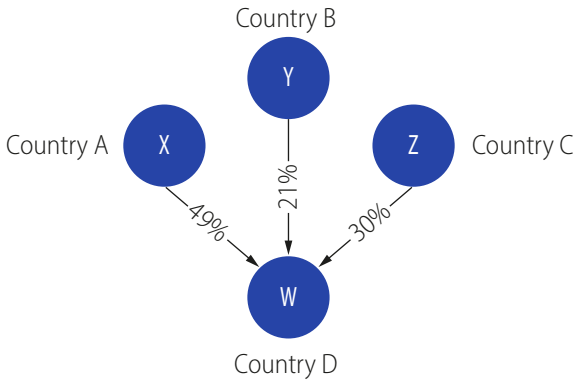
In cases where more than one EU institutional unit is involved, coordination between the relevant national statistical authorities is indispensable.

Minority control is when an enterprise, W (Figure 3.9.2), is owned by three or more foreign investors (X, Y and Z) resident in at least two different foreign countries, and none of the institutional units has a 50% share of ownership or more. Although it is difficult to identify effective minority control, FATS data would be underestimated if such cases were neglected and affiliates controlled by several foreign minority shareholders considered domestically controlled. It is therefore important to determine the existence of minority control and to verify the links between the owner institutional units, at least for enterprises and groups with a high impact on the economy. In practice, the affiliate must be able to specify which shareholder controls it, even if that shareholder does not have majority ownership. If there is no such direct evidence, the country of the UCI should be identified by adding up the shares of all shareholders resident in each individual country and selecting the country controlling the largest part of the shares. Should those parts be equal, the procedure for joint ventures should be followed.

The criteria proposed in the Manual on Statistics of International Trade in Services (paragraph 4.34) could also be helpful in identifying effective minority control in the absence of direct evidence. They give preference to direct owners over indirect ones, government over commercial owners and economically active entities over holding companies, units located in tax havens, etc. However, Eurostat does not recommend splitting the reported values by ownership shares.

FIGURE 3.9.2

Example of multiple ownership by three foreign owners



In Inward FATS the dominant investor should be identified using administrative sources, additional sources such as the EGR, annual records, or by contacting the enterprise directly. All data should be attributed to the country of this dominant investor (UCI). For the few cases where it is not possible to identify the country of the UCI, two special codes are given in the EBS Implementing Regulation:

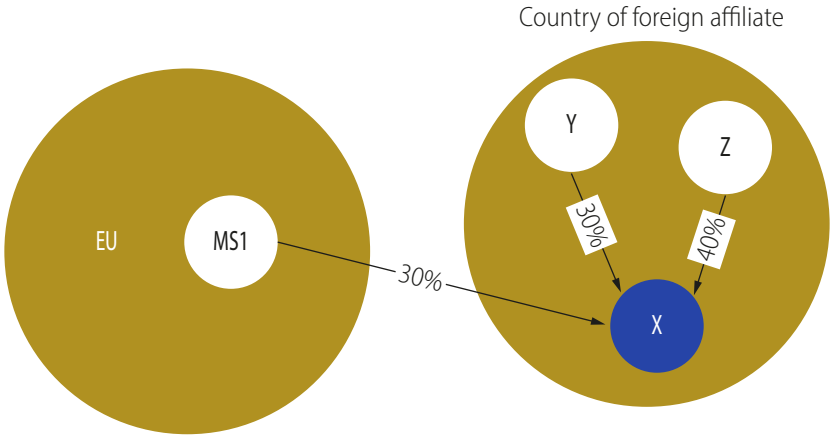
- Z12 for enterprises controlled equally by institutional units resident in more than one EU Member State;
- D09 to be used when the enterprise is known to be foreign-controlled by non-EU Member States, but the country of the UCI is not known.

In Outward FATS the situation may be more complicated. There are various scenarios.

- Firstly, two or more domestic owners with minority shares combine to achieve a controlling share of more than 50% of the affiliate's capital.
- Secondly, two or more minority shareholders from the same EU Member State combine to have a controlling share of more than 50% of the affiliate's capital. In addition, parent enterprises from other EU countries or third countries might or might not have a share in the affiliate.
- Thirdly, two or more minority shareholders from more than one EU Member State combine to have a controlling share of more than 50% of the affiliate's capital.
- Lastly, no minority shareholders from abroad combine to have a controlling share of more than 50% of the affiliate's capital, in which case the unit with minority owners from abroad falls under the scope of OFATS if it has non-resident affiliates itself.

FIGURE 3.9.3

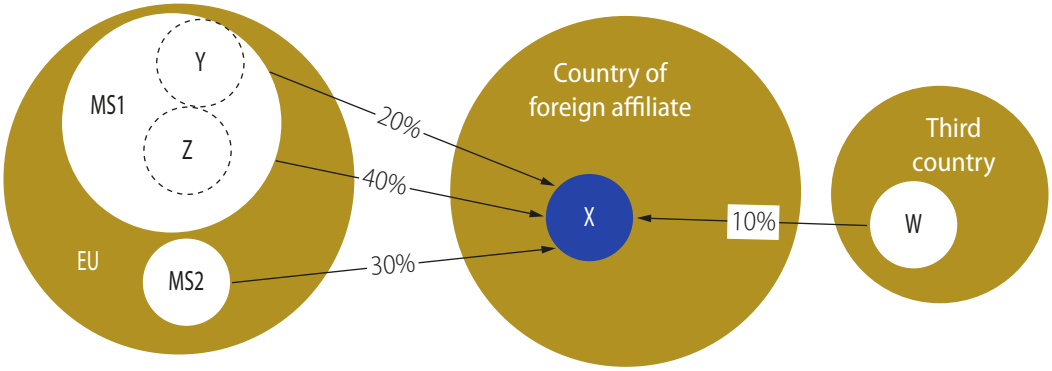
Multiple Minority Ownership, Scenario 1



The first scenario (Figure 3.9.3) is not relevant for the collection of FATS data by country MS1. Unless there is additional information about the affiliate showing that the EU minority shareholders effectively control enterprise X, despite the majority share being held by national parties, it should be assumed that EU parent enterprises with a share in the affiliate do not control it.

FIGURE 3.9.4

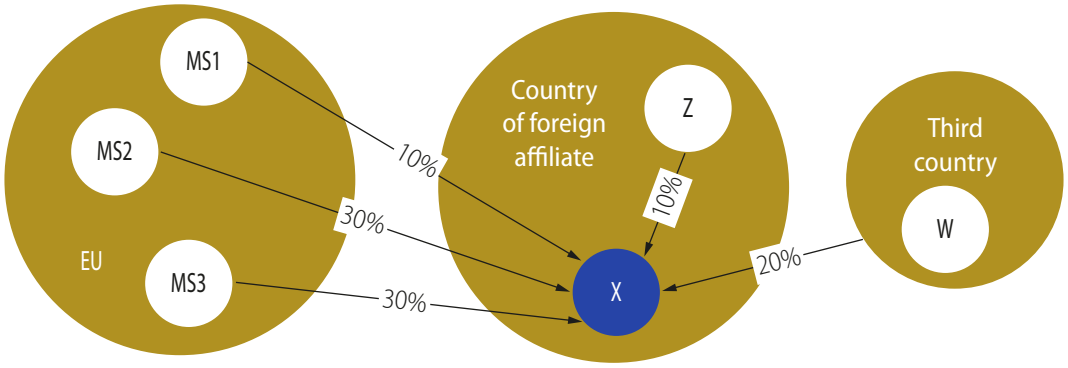
Multiple Minority Ownership, Scenario 2



The second scenario (Figure 3.9.4) is relevant for Outward FATS data compilation. If two or more enterprises from the same EU Member State combine to have a share in voting rights exceeding 50%, the data for the foreign affiliate should be compiled by the residence country of those parent enterprises (MS1 in the example). Double counting of data for affiliate X must be avoided, i.e. data received from enterprise Y and enterprise Z must be checked for consistency and recorded only once.

FIGURE 3.9.5

Multiple Minority Ownership, Scenario 3

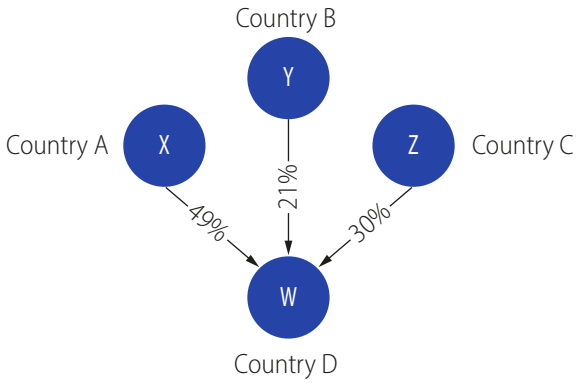


The third scenario (Figure 3.9.5), involving enterprises acting in concert and therefore combining effective minority control from more than one EU Member State, is more complex. In this scenario, the data should be compiled by the Member State from which the company that has, or companies that have, the largest minority share, originate(s). If the minority shares of parent institutional units from different EU Member States are equally large – 30% of total assets each – the national statistical authorities of the Member States involved should consult each other to identify the dominant minority shareholder and the residence country to which the foreign affiliates should be allocated. In exceptional cases where Member States do not agree, data should be attributed to residual geographical code Z12 (Equally-shared control of UCIs of more than one Member State; UCI resident in the EU). The country of control should notify the relevant countries of the foreign affiliates of the decision taken on the allocation of the UCI.

This also applies where at least one of the dominant minority shareholders is from a non-EU Member States. In that case, cooperation has to be sought with the relevant statistical authorities of that country if possible. In exceptional cases where it is not possible to contact the relevant statistical authority of the non-EU Member State or agreement is not reached, data should be attributed to residual geographical code D09 (Extra Union not allocated; UCI resident outside the EU).

FIGURE 3.9.6

Multiple minority ownership with no control



The fourth scenario (Figure 3.9.6) involves enterprises not acting in concert and therefore having only minority shares. In such cases, enterprise W is not controlled by any other unit. If enterprise W itself controls at least one subsidiary abroad, it should be considered the UCI and country D has to report to OFATS.

Moreover, it is essential for ensuring the proper aggregation of FATS datasets from EU Member States that compilers give details in their metadata reports to Eurostat of the relevant cases and how they were resolved. Countries assigned as controlling and as OFATS reporters also have to share information on decisions taken on the UCI with the relevant EU Member States having direct and indirect affiliates.

Eurostat, together with EU Member States, is involved in various activities and groups discussing globalisation-related initiatives. When identifying the UCI country, FATS compilers are advised to consult their national coordinators involved in the Large Case Units (LCU) and the Early Warning System (EWS), as well as those dealing with profiling activities. Collaboration between EU Member States and national collaboration may help with UCI identification, especially when there are changes in the MNE group structures (such as restructuring, mergers and acquisitions). The LCU and EWS exchange information on such topics at EU level, which is why it may be a good idea to contact the local coordinator to obtain any information on changes to the UCIs of the MNE groups before the new FATS data collection.

3.10. Indirect control

Control over the institutional unit can be direct or indirect. Indirect control refers to controlling an institutional unit by means of another unit in the control chain. This also includes 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.

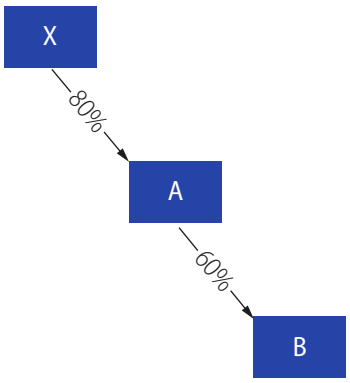
BOX 3.22: DEFINITION OF INDIRECT CONTROL

Indirect control means that an institutional unit may have control through another affiliate that has control over enterprise A, or that the institutional unit and/or its controlled affiliate(s) combined own a controlling share of the voting power in enterprise A.

Figure 3.10.1 gives an example of indirect majority ownership.

FIGURE 3.10.1

Example of indirect control

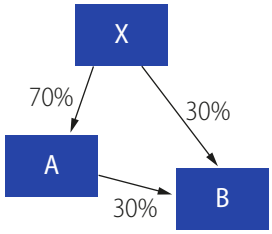


With 60% of the voting power, unit A directly controls unit B, but as A is controlled by unit X, which owns 80% of the voting power in A, affiliate B is ultimately controlled indirectly by X through its affiliate unit A.

Another example of indirect control is given in the OECD Benchmark Definition of FDI (BMD4) illustrating a case like that in Figure 3.10.2, where investor X and its controlled affiliate A (subsidiary) together own more than 50% of the voting power of enterprise B. With 70% of the voting power in A, X controls A, and the combined voting power in B of both X and A is 60%.

FIGURE 3.10.2

Example of indirect control (combined ownership)



3.11. Multiple minority ownership and effective minority control

Control can be achieved by agreements among minority shareholders or if one or more shareholders do not attend a meeting where decisions are to be taken. Some shareholders might also have shares with limited voting rights, the voting rights might be temporarily suspended or the transfer of shares might be forbidden.

In the absence of a majority owner:

- control can be exerted by an institutional unit through effective minority control without owning more than half of the shareholders' voting power;
- control can be exerted by a group of institutional units combining their minority interests that together represent a controlling share of the voting power (multiple minority ownership).

Effective minority control means having effective control of a unit without holding the majority of voting rights. 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 able to oppose the minority shareholder. However, 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, not control.

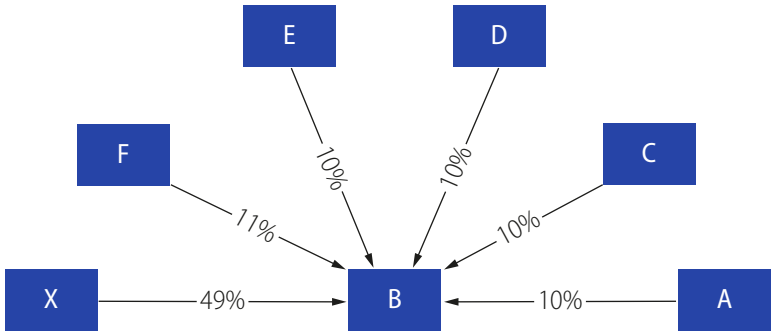
In the International Accounting Standards, a holding of 20% or more of voting power (directly or through subsidiaries) will indicate significant influence unless it can be clearly demonstrated otherwise. If the holding is less than 20%, the investor will be presumed not to have significant influence unless such influence can be clearly demonstrated.

Control can be a *de facto* situation without a legal basis or other proof. Outsourcing strategies, aimed at reducing production costs and increasing productivity, such as exclusive sales or supply contracts, may generate the dependency of one unit on another without the latter having any direct participation in the capital share of the former. A unit can thus be 'captured' by another unit without being owned by it. The link may be a commercial contract, guaranteeing the *de facto* controlling 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 in business demography as 'false self-employed'. At least in theory, such subordinates can cease this control by closing down their enterprises. This is not possible for a subsidiary owned by the parent enterprise.

Figure 3.11.1 shows an example of effective minority control. Here there is one large shareholder and a large number of dispersed shareholders, none of whom holds a significant share of the capital. In such cases, effective control can be exerted without having the majority of the voting rights or shares if a group of shareholders acting in concert and speaking in unison recognise control over the enterprise B.

FIGURE 3.11.1

Example of effective minority control



Only shareholdings representing 10% or more of the voting power should be considered. Recording shares below 10% (portfolio investment) is likely to be too burdensome. In most cases, however, control will be exercised by a single investor.

3.12. Joint ventures

By nature, joint ventures do not usually have an identifiable dominant partner. According to the EBS methodological manual for statistical business registers, a joint venture is created when two or more independent enterprises agree to commit a certain amount of resources to working together on a common project or 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 example, this could be due to national legislation allowing, for example, only 50% foreign ownership in certain activities. Joint ventures can have different legal structures, for example 3 × 33% or 4 × 25% share/ownership relations. As a general rule, in the SBRs, if there is no dominant partner the joint venture does not belong to the enterprise group.

Some enterprises in the joint venture may be located in different countries and the newly created enterprise may be located in one of those countries or another one. Such a joint venture may be created to carry out special tasks. Assets may be split unequally or equally, although in some cases there may be a legal obligation to split them equally.

If assets are split unequally, there will be one dominant owner and the general recommendations can be followed. However, if assets are split equally, it becomes necessary first to check whether one of the investors has more influence in the joint venture and can therefore be considered *de facto* dominant. If this is the case, the

institutional unit ultimately controlling the dominant partner should be considered as the UCI, irrespective of where all the partners are resident.

BOX 3.23: RECOMMENDATION FOR IDENTIFYING THE COUNTRY OF THE UCI IN THE CASE OF A JOINT VENTURE WITH TWO FOREIGN INVESTORS, EACH OF WHOM HAS 50% OF SHARES OR VOTING POWER

The values of variables should be reported by one country only.

First decide whether there is a *de facto* dominant partner. The recommended method is to use administrative sources. Other possible methods are annual reports and consultations with the enterprise being controlled.

If the *de facto* dominant partner cannot be determined in this way, a decision tree (below) should be used. Only in exceptional cases should the residual geographical codes for 'equally shared control of UCIs of more than one EU Member State' or 'Extra Union not allocated' be used.

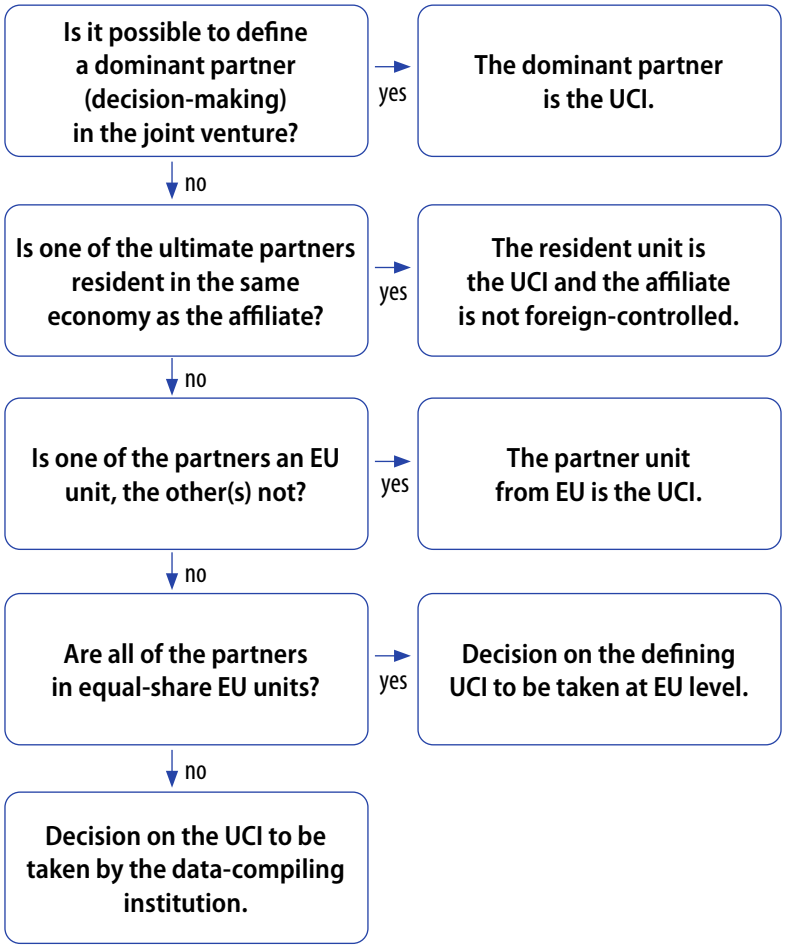
The UCI should be attributed to the dominant investor as determined using administrative sources or, if that is not possible, annual reports. These methods would both be neutral. A third option would be to attribute the UCI in cooperation with the controlled affiliate. This solution has the advantage that the enterprise must know who controls it, but it might be difficult to obtain a correct answer from the enterprise because the employees responsible for responding to survey often do not have the information required.

If no dominant partner can be identified in the joint venture, the residency of all partners is an additional criterion to be used. First check whether all investors at the top of the ownership chains are foreign from the perspective of the affiliate. If they are, the enterprise can be regarded as under foreign control and relevant for IFATS, as the controlling institutional units are foreign. If one investor is resident in the same country as the affiliate in question, the joint venture can be considered as under domestic control (and might be relevant only for OFATS in case of having subsidiaries abroad) according to the foreign-national criterion, where the control exerted by the foreign investor is considered as weaker than that of the domestic investor.

If a joint venture is controlled only by foreign partners and one of them is from an EU or European Free Trade Area (EFTA) country, the European controlling unit should be chosen as the UCI. In cases where there are only non-European controlling units, the decision on the UCI should be taken at national level by the compiling statistical authority. In cases where all the foreign controlling units are European, the decision on the UCI should be taken at EU and EFTA countries level. On request, Eurostat could facilitate the necessary consultations and provide guidance.

In exceptional cases where the country of the UCI cannot be determined, the data should be attributed to residual geographical codes Z12 (Equally shared control of UCIs of more than one EU Member State; UCI resident in the EU) or D09 (Extra Union not allocated; UCI resident outside the EU).

The following decision tree summarises the recommended procedure for assigning the UCI for 50/50 joint ventures.



This decision tree can be used both for cases where the joint venture is at the top of an enterprise group and for cases where it is in the middle of the control chain. In the latter case, application of the recommendations leads not to identification of the UCI but to determination of the controlling unit, whose further control relationships up the ownership chain should make it possible to identify the real UCI.

It may be useful to consider some examples specific to OFATS. There are, in fact, three different scenarios to be considered in this context.

- Firstly, a foreign affiliate in a non-EU country is co-owned by a national enterpriseand an EU-based business, both controlling 50% of the voting rights (Figure 3.12.1).
- Secondly, a foreign affiliate in a non-EU country is co-owned by two businesses, one from an EU Member State and one from a different non-EU country, both controlling 50% of the voting rights.
- Finally, a foreign affiliate in a non-EU country is co-owned by two businesses resident in different EU Member States, both controlling 50% of the voting rights.

FIGURE 3.12.1

Example of effective minority control

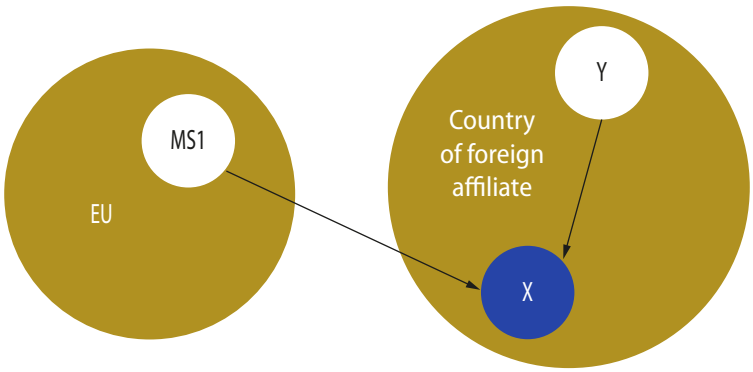
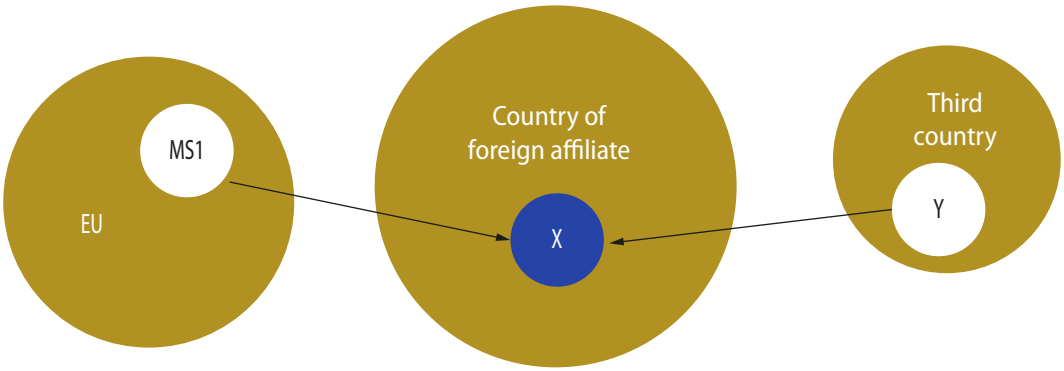


FIGURE 3.12.2

50/50 Joint Venture Scenario 1

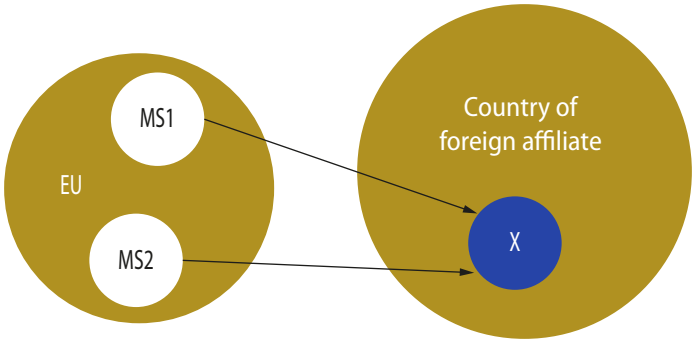


The first two scenarios (Figure 3.12.1 and Figure 3.12.2) are similar. The first challenge in these cases is to determine if the partner resident in the compiling economy (MS1) is dominant in the joint venture. If it is, the foreign affiliate has to be included in OFATS data collection by MS1. If there is no evidence of one of the partners being dominant, affiliate X in scenario 1 should in principle be treated as domestically controlled and not relevant for MS1's OFATS[1]. In scenario 2, MS1 should include X in the population of statistical units in OFATS because the other partner is resident in a non-EU country.

1 In some cases, a limitation to 50% ownership of the foreign (^{EU}) partner is forced on this enterprise due to national laws forbidding majority ownership by foreigners of domestic businesses or similar measures.

FIGURE 3.12.3

50-50 Joint Venture Scenario 3



The third case (Figure 3.12.3) comes with an additional complication. In the case of two businesses from different EU Member States co-owning an affiliate in a third (non-EU) country, the question arises which of the two national authorities involved should report the affiliate. Without coordination between the two, there would be a risk of double-counting. It is essential for ensuring the proper aggregation of FATS datasets from Member States that in their metadata reports to Eurostat they give details of the relevant cases and how they were resolved.

In relatively rare cases, joint ventures can also have different legal structures, e.g. 3 times 33% or 4 times 25%. As a general rule, if there is no evidence of a dominant partner one should first check if the majority of the partners are foreign or resident from the perspective of the affiliate. The joint venture is then accordingly domestically controlled or foreign-controlled (by EU or non-EU residents). In the case of three (or four) owners of an affiliate, two (or three) of those owners might be from the same country, in which case that would be the country of the UCI. If all owners come from different countries, it is essentially a case of multiple minority ownerships and the provisions in Section 3.11 apply.

All methods imply a case-by-case investigation that might not be possible for all Member States due to resource limitations, although cases of 50/50 joint ventures are rare. However, this effort should be made at least for enterprises with a high impact on the economy.

There is a practical difficulty that joint ventures are often missing from the published MNE group structures. It is therefore very important that Member States share their knowledge about such cases with each other, what also appropriately has then to be entered in the EGR.

3.13. Dual-listed companies

Dual-listed companies (DLC) are registered in two countries as two distinct legal structures that have no direct control relationship but share a common corporate identity (brand name).

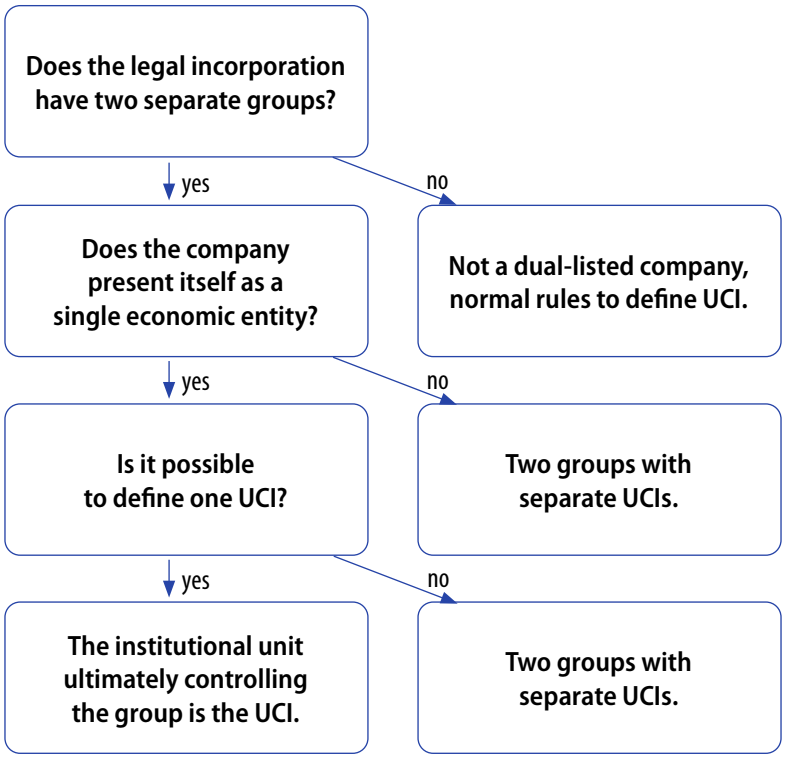
A DLC differs from a joint venture because the two parties involved share everything. It is a corporate structure that involves two publicly traded companies with different sets of shareholders sharing ownership of one set of operational businesses. Unlike in mergers and takeovers, both companies continue 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.

In almost all cases, the two companies are publicly traded in different countries, often one in the EU and the other outside the EU. A problem therefore arises when deciding to which country the DLC should 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 register, usually 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.

From the viewpoint of the NSBRs, 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 statistics but belongs (as group head or as a subsidiary) to a global enterprise group, if all other legal units are non-resident.

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

When a DLC presents itself as a single entity, a single UCI should also be determined. A two-step approach would consist of first determining if it is possible to identify one UCI for both groups, and then identifying the institutional unit(s) at the top of the ownership chain of the group(s).



DLCs should usually be dealt with by SBRs and correctly registered in the EGR, with the correct UCI. However, there are very few DLCs identified in the EU and registered in the EGR. Correct handling of such cases requires close cooperation between the respective countries. Eurostat can provide advice on how to treat DLCs and a platform for such consultations.

3.14. Foreign control

Foreign control is defined in Annex IV to the EBS Implementing Regulation.

BOX 3.24: DEFINITION OF FOREIGN CONTROL

Foreign control shall mean that the ultimate controlling institutional unit is resident in a different country from the one where the institutional unit over which it has control is resident.

Source: **Commission Implementing Regulation (EU) 2020/1197 of 30 July 2020 laying down technical specifications and arrangements pursuant to the EBS Regulation**

Foreign control is also defined in ESA 2010 for the subdivision of subsectors of financial and non-financial corporations into public, national private and foreign-controlled corporations.

BOX 3.25: DEFINITION OF FOREIGN CONTROL IN ESA 2010

The foreign-controlled non-financial corporations subsector consists of all non-financial corporations and quasi-

corporations that are controlled by non-resident institutional units.

This subsector includes:

(a) all subsidiaries of non-resident corporations;

(b) all corporations controlled by a non-resident institutional unit that is not itself a corporation; for example, a corporation which is controlled by a foreign government. It includes corporations controlled by a group of non-resident units acting in concert;

(c) all branches or other unincorporated agencies of non-resident corporations or unincorporated producers which are notional resident units.

Source: **European System of Accounts (ESA 2010)**

3.15. Global Group Head, Ultimate Beneficial Owner and Global Decision Centre

An enterprise group is an association of enterprises bound together by legal and/or financial links and controlled by its Global Group Head (GGH).

BOX 3.26: DEFINITION OF A GLOBAL GROUP HEAD

The GGH is defined as the legal unit which controls all legal units of the group and is not controlled by any other legal unit.

Source: **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**

The GGH can only be controlled by the UCI when there is a natural person, family or government at the top of the control chain of the enterprise group. When the institutional unit controlling the enterprise group is the legal unit, the UCI is equivalent to the GGH.

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 enterprise group is referred to as the Global Decision Centre and is not necessarily identical with the GGH.

BOX 3.27: DEFINITION OF A 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.

Source: **European business statistics methodological manual for statistical business registers, 2021 edition**

The GDC may be the same legal unit as the GGH or another legal unit under the GGH.

The terms Global Group Head and Global Decision Centre also apply to purely domestic enterprises located entirely in one country. 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, for example, an enterprise group has more than one enterprise, these enterprises may also have decision centres. However, these decision centres do not make decisions about the whole enterprise group. Decisions about the whole group are made only by the GDC.

It is important to distinguish the GDC from the GGH.

- The GGH refers to control only.
- The GDC is the strategic decision-making unit, which also determines the nationality of the enterprise group.

Here, control and nationality concepts should not be confused. Nationality of the group does not refer to the country of control.

Foreign Direct Investment survey data is used as a source for FATS compilation in some countries. It may use concepts

similar to the UCI but not identical (such as Ultimate Investing Economy (UIE) or Ultimate Beneficial Owner (UBO)).

BOX 3.28: DEFINITION OF AN ULTIMATE INVESTING ECONOMY

The ultimate investing economy is a geographical allocation determining the location of the ultimate source of control of the stocks of inward FDI for a reporting economy. It is identified by proceeding up the immediate direct investor's ownership chain through the controlling links (ownership of more than 50% of the voting power) until an enterprise is reached that is not controlled by another enterprise.

Source: **OECD Benchmark Definition of Foreign Direct Investment 2008**

BOX 3.29: DEFINITION OF AN ULTIMATE BENEFICIAL OWNER

The Ultimate Beneficial Owner (UBO) concept is closer to the concept of ownership than that of control. To find the UBO one has to proceed up through the chain of ownership. As ownership of 10% or more of the equity of the enterprise (and not control) is taken into account, there can be several UBOs.

3.16. State-owned enterprises

There are numerous cases of enterprises controlled by a government directly (by appointing its representatives to the board) or indirectly (through state-owned funds and agencies) that themselves control affiliates in another country. Those cases are relevant for FATS. The UCI must be determined correctly in such an enterprise group's FATS compilation as it affects the reporting of FATS variables in all countries concerned.

The System of National Accounts (SNA 2008) gives more details of the criteria for general government securing control over an enterprise.

BOX 3.30: DEFINITION OF GOVERNMENT CONTROL CRITERIA IN SNA 2008

4.77 A corporation is a public corporation if a government unit, another public corporation, or some combination of government units and public corporations 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.

4.78 Because governments exercise sovereign powers through legislation, regulations, orders and the like, care needs to be applied in determining whether the exercise of such powers amounts to a determination of the general corporate policy of a particular corporation and therefore control of the corporation. Laws and regulations applicable to all units as a class or to a particular industry should not be viewed as amounting to control of these units.

4.79 The ability to determine general corporate policy does not necessarily include the direct control of the day-to-day activities or operations of a particular corporation. The officers of such corporations would normally be expected to manage these in a manner consistent with and in support of the overall objectives of the particular corporation. Nor does the ability to determine the general corporate policy of a corporation include the direct control over any professional, technical or scientific judgments, as these would normally be viewed as part of the core competence of the corporation itself. For example, the professional or technical judgments exercised by a corporation set up to certify aircraft airworthiness would not be considered controlled in respect of individual approvals and disapprovals, though its broader operating and financial policies, including the airworthiness criteria, may well be determined by a government unit as part of the corporation's corporate policy.

4.80 Because the arrangements for the control of corporations can vary considerably, it is neither desirable nor feasible to prescribe a definitive list of factors to be taken into account. The following eight indicators, however, will normally be the most important and likely factors to consider:

a. Ownership of the majority of the voting interest. Owning a majority of shares will normally constitute control when decisions are made on a one-share one-vote basis. The shares may be held directly or indirectly, and the shares owned by all other public entities should be aggregated. If decisions are not made on a one-share one-vote basis, the classification should be based on whether the shares owned by other public entities provide a majority voice.

b. Control of the board or other governing body. The ability to appoint or remove a majority of the board or other governing body as a result of existing legislation, regulation, contractual, or other arrangements will likely constitute control. Even the right to veto proposed appointments can be seen as a form of control if it influences the choices that can be made. If another body is responsible for appointing the directors, it is necessary to examine its composition for public influence. If a government appoints the first set of directors but does not control the appointment of replacement directors, the body would then be part of the public sector until the initial appointments had expired.

c. Control of the appointment and removal of key personnel. If control of the board or other governing body is weak, the appointment of key executives, such as the chief executive, chairperson and finance director, may be decisive. Non-executive directors may also be relevant if they sit on key committees such as the remuneration committee determining the pay of senior staff.

d. Control of key committees of the entity. Subcommittees of the board or other governing body could determine the key operating and financial policies of the entity. Majority public sector membership on these subcommittees could constitute control. Such membership can be established under the constitution or other enabling instrument of the corporation.

Golden shares and options. A government may own a 'golden share,' particularly in a corporation that has been privatised. In some cases, this share gives the government some residual rights to protect the interests of the public by, for example, preventing the company selling off some categories of assets or appointing a special director who has strong powers in certain circumstances. A golden share is not of itself indicative of control. If, however, the powers covered by the golden share do confer on the government the ability to determine the general corporate policy of the entity in particular circumstances and those circumstances currently existed, then the entity should be in the public sector from the date in question. The existence of a share purchase option available to a government unit or a public corporation in certain circumstances may also be similar in concept to the golden share arrangement discussed above. It is necessary to consider whether, if the circumstance in which the option may be exercised exists, the volume of shares that may be purchased under the option and the consequences of such exercise means that the government has 'the ability to determine the general corporate policy of the entity' by exercising that option. An entity's status in general should be based on the government's existing ability to determine corporate policy exercised under normal conditions rather than in exceptional economic or other circumstances such as wars, civil disorders or natural disasters.

Regulation and control. The borderline between regulation that applies to all entities within a class or industry group and the control of an individual corporation can be difficult to judge. There are many examples of government involvement through regulation, particularly in areas such as monopolies and privatised utilities. It is possible for regulatory involvement to exist in important areas, such as in price setting, without the entity ceding control of its general corporate policy. Choosing to enter into or continue to operate in a highly regulated environment suggests that the entity is not subject to control. When regulation is so tight as to effectively dictate how the entity performs its business, then it could be a form of control. If an entity retains unilateral discretion as to whether it will take funding

from, interact commercially with, or otherwise deal with a public sector entity, the entity has the ultimate ability to determine its own corporate policy and is not controlled by the public sector entity.

Control by a dominant customer. If all of the sales of a corporation are to a single public sector customer or a group of public sector customers, there is clear scope for dominant influence. The presence of a minority private sector customer usually implies an element of independent decision-making by the corporation so that the entity would not be considered controlled. In general, if there is clear evidence that the corporation could not choose to deal with non-public sector clients because of the public sector influence, then public control is implied.

Control attached to borrowing from the government. Lenders often impose controls as conditions of making loans. If the government imposed controls through lending or issuing guarantees that are more than would be typical when a healthy private sector entity borrows from a bank, control may be indicated. Similarly, control may be implied if only the government was prepared to lend.

Although a single indicator could be sufficient to establish control, in other cases, a number of separate indicators may collectively indicate control. A decision based on the totality of all indicators must necessarily be judgmental in nature but clearly similar judgements must be made in similar cases.

Source: **System of National Accounts (SNA 2008)**

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. 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. Dominant influence is presumed when public owners directly or indirectly control an 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.

The EBS methodological manual for statistical business registers states that, when the group head is a non-profit body, a trust, the state, or a provincial or local government. such units are regarded as legal units and can therefore be treated, according to the rules, as controlling institutional units, although their involvement in the practical management and decision-making of the enterprise group may vary a great deal.

3.17. Natural persons and families

Natural persons or families (households) are institutional units, and with the ownership of a controlling share of the voting power in an enterprise the natural person fulfils the primary condition for being the UCI of that enterprise. The relevant legislation allows natural persons to be the UCI. In some Member States, the identification of natural persons as owners is difficult because the national SBRs contain ownership details only for corporate bodies; in other Member States, cross-border transactions by individuals are not readily identified by central banks. If Member States cannot identify natural persons in their population, these enterprises will be included in the domestically controlled series, thereby underestimating foreign control. Efforts should be made to include natural persons as owners in the data collection.

BOX 3.31: DEFINITION OF A NATURAL PERSON

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 ultimate controlling institutional unit of an enterprise group.

Source: **European business statistics methodological manual for statistical business registers, 2021 edition**

The recording of the country of residence of natural persons in the SBRs is a conditional activity in respect of the EBS Regulation. This means that, if available in the NSBRs, the country of residence of the UCI should be reported in the EGR if it is a natural person who is not an economic operator. Where Member States have different interpretations as to the country of the UCI, the decision should be taken using the information available in the EGR.

BOX 3.32: DEFINITION OF AN 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 Guidelines on Statistical Business Registers**

When the investor lives and becomes resident in the foreign country in question, the UCI should be attributed to that foreign country. If the UCI (natural person or family) and the reporting OFATS legal unit are resident in different countries, data collected from that reporting unit should be shared with, and reported by, the country in which the UCI is resident.

Holding companies established abroad are a special case if they are set up by natural persons. One of two possible scenarios is where the holding enterprise in turn controls an enterprise in the country of residence of the natural person. In this case, the country of the UCI is clearly the country of residence of the natural person and not the country where the holding company is located. A second scenario is where the investor lives and becomes resident in the foreign country in question. In this case, the UCI should be attributed to the foreign country.

3.18. Head offices and holding companies

Holding companies of predominantly non-financial subsidiaries are to be classified in the financial corporations' sector according to ESA 2010. Head Offices (HOs), Holding Companies (HCs) and similar entities, which often have characteristics typical of Special Purpose Entities (SPEs), tend to have large financial balance sheets. Consequently, their recognition as an institutional unit and their sectoral classification can have a significant impact on the measurement of non-consolidated debt and equity measures by institutional sector. The classification of these units, usually significant receivers and payers of property income, may also have a significant impact on the allocation of primary income in non-financial sectoral accounts.

A legal unit with least 50% of its assets consisting of investments in its subsidiaries can be considered an HO or HC. Those HOs and HCs owned by multiple owners, and not controlled by any other legal unit, should be considered separate enterprises.

The Task Force of Eurostat, the ECB and the OECD on Head Offices, Holding Companies and Special Purpose Entities has defined some criteria for determining whether or not a unit also constitutes an institutional unit. Thes criteria must be applied in all circumstances.

Paragraph 4.2 of the 2008 SNA defines an institutional unit as an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and transactions with other entities. It is:

- entitled to own goods or assets and therefore able to exchange the ownership of goods or assets in transactions with other institutional units;
- able to take economic decisions and engage in economic activities for which it is itself held to be directly responsible and accountable by law;
- able to incur liabilities on its own behalf, to take on other obligations or future commitments and to enter into contracts.

The Task Force on HOs, HCs and SPEs agreed that the condition regarding the ability to take economic decisions may be interpreted in such a way that an institutional unit requires at least some employees of its own to take decisions. In relation to autonomy and control of corporations, it was also noted that the international standards define two types of institutional

units: households and legal or social entities (SNA 2008, paragraph 4.3).

For legal and social entities, the SNA does not require full autonomy of decision (SNA 2008, paragraph 4.6): 'Legal and social entities are responsible and accountable for the economic decisions or actions they take, although their autonomy may be constrained to some extent by other institutional units; for example, corporations are ultimately controlled by their shareholders'. This is further explained under the heading 'Ownership and control of corporations' (SNA 2008, paragraph 4.69): 'In general, institutional units do not have to be autonomous to be responsible and accountable for the decisions and actions they take'. Additional guidance is provided by SNA 2008, paragraph 4.51: '… each individual corporation should be treated as a separate institutional unit, whether or not it forms part of a group. Even subsidiaries that are wholly owned by other corporations are separate legal entities that are required by law and the tax authorities to produce complete sets of accounts, including balance sheets. Although the management of a subsidiary corporation may be subject to the control of another corporation, it remains responsible and accountable for the conduct of its own production activities'. As the main activity of holding companies relates to holding financial assets and liabilities, the question of their being institutional units with respect to the criterion on the ability to take economic decisions is linked to whether they are actually engaged in financial activities.

Holding corporations that only hold assets (controlling levels of equity) are given as an example of captive financial institutions (SNA 2008, paragraph 4.114 b): 'In general, the following financial corporations are classified in this [S.127] sector: … Holding corporations that hold only the 'entities forming part of a group of units engaged in production and keeping a complete set of accounts are deemed to be institutional units even if they have partially surrendered their autonomy of decision to the central body (the head office) responsible for the general direction of the group; the head office itself is deemed to be an institutional unit distinct from the units which it controls'. This is almost identical to ESA 2010, paragraph 2.99: 'In particular, the following financial corporations and quasi-corporations are classified in subsector S.127: […] (b) holding companies that hold controlling-levels of equity of a group of subsidiary corporations and whose principal activity is owning the group without providing any other service to the businesses in which the equity is held, that is, they do not administer or manage other units' assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principle activity is owning the group without providing any other service to the enterprises in which the equity is held…'. It can thus be concluded that 'holding-like entities' may be institutional units, even if controlled by their shareholder(s)/parent company, and that such corporations, even if only holding controlling-levels of equity 'without providing any other service' are to be classified as financial institutions.

On the other hand, international standards also contain some clear references to certain 'holding-like entities' that do not qualify as institutional units. The 2008 SNA describes such entities that cannot act independently from their parents as 'passive holders' and 'artificial subsidiaries'. Paragraph 4.61 provides more guidance on passive holders: 'An entity of this type that cannot act independently of its parent and is simply a passive holder of assets and liabilities (sometimes described as being on auto-pilot) is not treated as a separate institutional unit unless 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 are then further described in paragraphs 4.62-4.66.

In summary: while it is explicitly stated that a holder of controlling levels of equity not providing any other service is to be classified as a financial corporation, it is also clear that a passive holder that cannot act independently of its resident parent is to be treated as an artificial subsidiary. In this respect, the Task Force on HOs, HCs and SPEs has concluded the following.

- For an entity wholly owned by a single resident unit 'no employees and no compensation of employees' is not a sufficient criterion to determine the lack of institutional independence, but can be used as an indicator to consider units for further investigation into its lack of independence.

Concerning entities having more than one parent (or shareholder), the Task Force recognised that paragraph 4.61 and paragraphs 4.62-63 on the definition of artificial subsidiaries seem to restrict artificial subsidiaries to subsidiaries wholly owned by one parent. The Task Force also considered that having multiple owners made necessary some decision-making body to negotiate the interests of the different owners. It therefore recommended that:

- having multiple parents/shareholders be a sufficient qualification for a unit to be considered an institutional unit.

In addition to the above, the Task Force sought guidance concerning whether entities owned by non-residents that

do not fulfil any other criteria for institutional independence and have only one resident subsidiary can be consolidated with that subsidiary.

The Task Force also discussed the issue of distinguishing between HOs and HCs. Both types of units are often referred to as holding companies, because both have relations to other entities, their subsidiaries. However, the relationships are quite different: while an HO exercises managerial control over its subsidiaries, an HC does not undertake any management activities and its principal activity is simply owning a group of subsidiaries. Paragraph 4.53 of the 2008 SNA defines HOs as follows: 'This class includes the overseeing and managing of other units of the company or enterprise; undertaking the strategic or organisational planning and decision-making role of the company or enterprise; exercising operational control and manage the day-to-day operations of their related units'. On the other hand, paragraph 4.54 defines HCs as follows: 'This class includes the activities of holding companies, i.e. units that hold the assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principal activity is owning the group.'

From a conceptual point of view the distinction between HOs and HCs is therefore clear. On the other hand, applying these concepts in practice is more complex. In particular, the labelling of an entity as 'holding company' or 'managing fund' may often be misleading. It provides no reliable information for the decision on whether it concerns a holding company, a head office or any other entity.

The statistical identification of HOs and HCs as a whole is usually based on self-classification by the unit, or an assessment and/or guided registration by national authorities. As stated before, the single most important common characteristic of HOs and HCs is their relationship with subsidiaries. Starting from this characteristic, information on the structure of the balance sheet is one potential identifier of the relevant group. The Task Force proposed thresholds of at least 50% for the share of equity over subsidiaries within the balance sheet total to distinguish HOs or HCs from other institutional units.

The information on the relationship with an enterprise group (control and ultimate parent, affiliates) in conjunction with small turnover may be one possibility for identifying HOs and HCs. The discussion of the Task Force on practical rules for distinguishing between HOs and HCs showed that information on variables such as management control or auxiliary units are available for large units or large groups only. Wherever available, such data are especially important given the large proportion of the aggregate balance sheet that can be explained by these units. For units for which such information is not available, or only available at considerable cost, the distinction between HOs and HCs will have to be based mainly on the employment criterion.

- Head Offices are actively engaged in production. They may have noticeably fewer employees, and more senior ones, than their subsidiaries. But having zero employment is a clear indication of not being a Head Office.
- Holding Companies simply holding assets may do so with very few, or without any, employees. The Task Force therefore agreed that a Holding Company without employees will not pass the institutional unit test when it is fully owned by a single resident unit.

HCs may have a limited number of employees for several reasons. For example, requirements set out by national legislation in relation to the institutional set-up of "holding-type units" (e.g. listing of a number of persons responsible for the unit in question) may result in some employment recorded in registers. In this respect, the Task Force recommends applying the following rule.

- Employment thresholds for distinguishing 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. As a general indication, employment of three or more people, or employment exceeding the national legal minimum, is a first indicator of a unit being a head office.

Other criteria may apply. These may include sales analysis. As HCs usually don't have turnover this may be an indicator of a unit being an HO. The employment of very senior staff may also be a sign that one is dealing with an HO. All in all, however, the application of these criteria won't cover all cases. Some HOs or HCs may have different characteristics and therefore need individual analysis.

3.19. Special purpose entities

In a complex global financial system with increasing cross-border links, Special Purpose Entities (SPEs) play an important role. An SPE is usually a limited company or limited partnership, created to achieve narrow, specific or temporary objectives and to isolate a financial risk, a specific tax or a regulatory risk. A definition of SPEs was proposed by the IMF Task Force on Special Purpose

Entities (TFSPE), endorsed by the Committee on Balance of Payments Statistics.

BOX 3.33: THE DEFINITION OF AN SPE PROPOSED BY THE TFSPE

An SPE, resident in an economy, is a formally registered and/or incorporated legal entity recognised as an institutional unit, with no or little employment (up to a 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

- **grant its owner(s) access to capital markets or sophisticated financial services; and/or**
- **isolate owner(s) from financial risks; and/or**
- **reduce the regulatory and tax burden; and/or**
- **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.

***Source:* Final Report of the Task Force on Special Purpose Entities, IMF 2018**

Originally SPEs were mostly set up by financial institutions, but have evolved to include non-financial specialised entities established by MNE groups to manage intellectual property rights, research and development, trade, and other activities as part of group-wide financial and profit maximisation strategies.

It has become clear that MNE groups not only establish SPEs to arrange worldwide borrowing and lending activities or to be intermediaries between the ultimate controlling unit and the ultimate beneficiary, but also to reallocate the collection and distribution of royalties, licence fees, other fees, and profits. Countries with lower tax rates, or providing the opportunity of using fiscal incentives, are very attractive for the establishment of such units. Besides royalty companies, SPEs provide other services including operational leasing, re-invoicing, and in some cases even trade in goods.

To support the practical implementation of the proposed definition, the TFSPE has developed a decision tree (Figure 3.18.1) and a typology of SPEs. The decision tree should be used as an operational guide to help national compilers identify SPEs for ESS purposes, while the typology aims to delineate the different types of SPEs based on their economic functions, and to relate them to their institutional sector.

FIGURE 3.18.1

Decision tree to identify SPEs

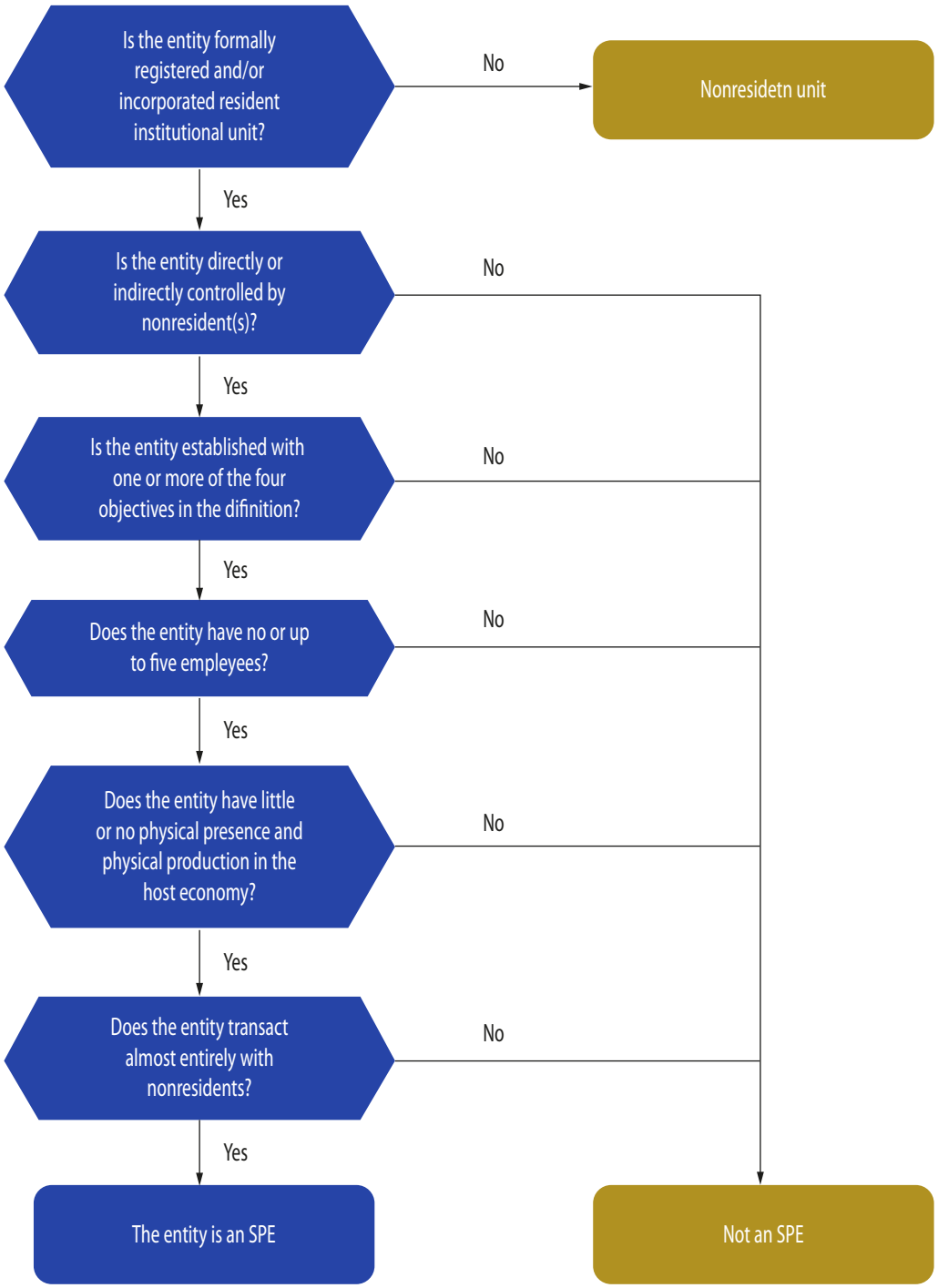


TABLE 3.18.1

Typology of SPEs for External Sector Statistics

No	SPE Type	Description	2008 SNA	BPM6	2008 SNA sector
Category I: Corporate Groups' Captive Financial Entities (Those captive entities created by a financial or non-financial non-resident corporate to fulfil specific financial activities, other than insurance, for the sponsor)					
1.1	Conduits	Raising or borrowing funds, often from unrelated enterprises, and remitting those funds to its parent or to another related enterprise. Typically, do not transact on the open markets on the asset side.	Para 4.59	Para 4.51 Para 4.86	S127
1.2	Holding companies	Owning a controlling level of equity in subsidiaries, without actively directing them (passive holding corporations)	Para 4.59	Para 4.51 Para 4.81	S127
1.3	Holding financial assets for securitisation			Para 4.51	S127
1.4	Intra-group lending companies	Loan funding from and to intra-group companies Entities taking and granting inter-company loans		Para 4.51	S127
1.5	Captive factoring and invoicing companies	Concentrating sales claims and invoicing sales.			S127
1.6	Captive financial leasing companies	Engaging in lease-in lease-out agreements or as a financial intermediary in a chain of vehicles in which the end vehicle is involved in the leasing of equipment or fixed assets.		Para 4.83	S127
1.7	Other captive financial companies	Dealing with financial needs of a group, such as financing particular projects and loan origination.		Para 4.87	S127
Category II: Specialised Financial Entities (Those financial entities with a degree of operational autonomy specially created to isolate the risks of the parent companies to structure financial transactions for or securitise assets of the parents)					
2.1	Captive insurance companies	Providing insurance to group enterprises.		Para 4.88	S128
2.2	Securitisation vehicles/ Financial vehicle corporations	Carrying out securitisation transactions in order to isolate the payment obligations of the undertaking from those of the originator, or the insurance or reinsurance undertaking (in the case of insurance-linked securitisations). Repackaging.	Para 4.59	Para 4.51 Para 4.77	S125

No	SPE Type	Description	2008 SNA	BPM6	2008 SNA sector
2.3	Holding financial and non-financial assets (including real estate) for related companies	Holding financial and non-financial assets of related companies with the goal of capital appreciation, interest/dividend income, and other income.			S11 and S125
2.4	Companies carrying out other financial functions	Performing factoring, invoicing on open markets, financial leasing on open markets, and other financial assets management.		Para 4.51 Para 4.76	S125
Category III: Corporate Groups' Non-Financial Entities (Those SPEs created by a financial or non-financial non-resident entity to fulfil specific non-financial activities)					
3.1	Ancillary companies	Registered or incorporated companies providing ancillary services that are not resident in the same economy as their parent.		Para 4.51	S11
3.2	Operational leasing companies	Holding fixed assets, such as planes, vessels, and machinery, for the purpose of leasing them out.			S11
3.3	Merchanting companies	Purchasing goods from a non-resident and reselling the goods to another non-resident (merchanting companies have ownership of the goods traded).			S11
3.4	Royalty and licensing companies	Concentrating group receipts concerning royalties and similar flows received from intellectual property rights and trademarks. Such a company of an SPE-type receiving royalties or similar flows for a group of enterprises or individuals is regarded as an independent royalty and licensing company.			S11
3.5	Legal ownership of intangible assets	Holding intangible assets for a related company or group of companies.			S11
Category IV: Wealth Management Entities (Those SPEs created by household entities or groups of individuals to hold or manage wealth or real estates for their owners)					
4.1	Companies holding/ managing wealth and real estate for individuals and families	Managing family trust funds, foundations, personal holding companies.	Para 4.59	Para 4.51	S11 and S127
Category V: Government-Owned Financial Entities (Those SPEs created by governments for fiscal activities)					
5.1	SPEs owned by governments for fiscal purposes	Raising or borrowing funds on behalf of a non-resident general government.		Para 8.24	S11, S12, or S15

No	SPE Type	Description	2008 SNA	BPM6	2008 SNA sector
Category VI: Other Structures (Those SPEs created to conduct any type of transactions other than those covered in the other categories)					
6.1	Shell companies	Passing-through funds between non-residents with no operations in the economic territory of incorporation. Shell companies don't have employees, are not traded, and can be kept dormant.		Para 4.50	S11 or S12
6.2	Shelf companies	Empty corporation, registered in advance, minimum assets and liabilities.		Para 4.50	S11 or S12

SPEs are relevant for FATS production but it is not always clear how they should be treated. They should not be automatically excluded from the target population of statistical units, as some of them may carry out substantial economic transactions (and have non-zero net turnover) with their respective parents and associated enterprises. This could include intra-group trade in services, notably in the area of the management of intellectual property rights. Since multinational enterprises are the focus of FATS, such intra-group transactions should be recorded. To that end, when compiling FATS, SPEs should be treated as any other business unit under consideration, i.e. included if they fulfil the definition of a statistical unit enterprise in FATS and have non-zero net turnover, output, employment or investment.

A major difficulty in recording the activity of SPEs in FATS is that they often have no physical office or even address. This is particularly relevant for Inward FATS where SPEs are part of the target population and should report on their activity and be included in the overall data. However, it may be very difficult to obtain any information and get a statistical survey completed if there is no physical office and there are no employees. In cases of non-response, the accounting companies responsible for domestic financial reporting on the SPEs in question should be contacted to request the missing figures.

SPE data is very important for FDI statistics, with many countries having already identified them in FDI databases. Where possible, FATS compilers should therefore get in contact with colleagues at national level compiling FDI statistics. SPE information might also be stored in the NSBRs. A number of NSBRs send SPE information to the EGR, so the EGR should be considered a source for obtaining information on cross-border SPEs.

4 Variables

4.1. EBS variables in FATS

Annex IV to the EBS Implementing Regulation gives the definitions of all EBS variables included in four EBS domains.

- Domain 1. Short-term business statistics
- Domain 2. Country-level business statistics
- Domain 3. Regional business statistics
- Domain 4. Statistics on international activities

FATS statistics on resident units (Tables 14 and 15) are part of Domain 2 country-level business statistics and FATS statistics on non-resident units (Table 33) are part of Domain 4 Statistics on international activities. In each domain, the EBS variables are grouped together in horizontal topics. FATS variables are included in the following topics.

- Business population
- Labour inputs
- R&D inputs
- Purchases
- Outputs and performance
- Investments

In the EBS data requirement tables, FATS variables are in general composite variables, i.e. composed of a 'root' variable and a FATS context (e.g. the 'root' variable, Net turnover, plus the FATS context 'foreign-controlled enterprises' make up the FATS composite variable 'Net turnover of foreign-controlled enterprises').

The definitions of the root variables presented below combine the definitions given in the EBS Implementing Regulation with further explanations of the definitions provided in the Methodological manual on European SBS, where relevant adapted to the FATS context.

4.2. Topics and related variables

The EBS Implementing Regulation contains 30 variables (Table 4.2.1) to be compiled for FATS, with 11 of them the same as in SBS and R&D representing the total of the resident economy. Each variable is linked to the one of the detailed EBS topics. All FATS variables must be compiled and transmitted to Eurostat for the production and publication of European statistics.

TABLE 4.2.1

The EBS variables for FATS

Statistics	Variable	EBS topic
Country level Inward FATS (Table 14)		
	210101. Number of active enterprises	Business population
	210301. Number of foreign-controlled enterprises	Business population

Statistics	Variable	EBS topic
	220101. Number of employees and self-employed persons	Labour inputs
	220301. Employee benefits expense	Labour inputs
	220501. Number of employees and self-employed persons in foreign-controlled enterprises	Labour inputs
	220701. Employee benefits expense in foreign-controlled enterprises	Labour inputs
	230101. Intramural R & D expenditure	R & D inputs
	230201. R & D personnel	R & D inputs
	230301. Intramural R & D expenditure in foreign-controlled enterprises	R & D inputs
	230401. R & D personnel in foreign-controlled enterprises	R & D inputs
	240101. Total purchases of goods and services	Purchases
	240102. Purchases of goods and services for resale	Purchases
	240301. Total purchases of goods and services of foreign-controlled enterprises	Purchases
	240302. Purchases of goods and services for resale of foreign-controlled enterprises	Purchases
	250101. Net turnover	Outputs and performance
	250301. Value of output	Outputs and performance
	250401. Value added	Outputs and performance
	250601. Net turnover of foreign-controlled enterprises	Outputs and performance
	250701. Value of output of foreign-controlled enterprises	Outputs and performance
	250801. Value added of foreign-controlled enterprises	Outputs and performance
	260101. Gross investment in tangible non-current assets	Investments
	260201. Foreign-controlled enterprises' gross investment in tangible non-current assets	Investments
Country level Outward FATS (Table 15)		
	210401. Number of foreign-controlling enterprises (UCI concept) and domestic affiliates	Business population
	220601. Number of employees and self-employed persons in foreign-controlling enterprises (UCI concept) and domestic affiliates	Labour inputs
	250901. Net turnover of foreign-controlling enterprises (UCI concept) and domestic affiliates	Outputs and performance
Outward FATS on international activities (Table 33)		
	410101. Number of enterprises abroad ultimately controlled by institutional units of the reporting country	Business population
	420101. Number of employees and self-employed persons in enterprises abroad ultimately controlled by institutional units of the reporting country	Labour inputs

Statistics	Variable	EBS topic
	420201. Employee benefits expense in enterprises abroad ultimately controlled by institutional units of the reporting country	Labour inputs
	430101. Gross investment in tangible non-current assets of enterprises abroad ultimately controlled by institutional units of the reporting country	Investments
	440101. Net turnover of enterprises abroad ultimately controlled by institutional units of the reporting country	Outputs and performance

4.3. Number of active enterprises

BOX 4.1: DEFINITION OF NUMBER OF ACTIVE ENTERPRISES

The number of active enterprises is the number of all statistical units that at any time during the reference period were 'enterprises', as defined in the Statistical Units Regulation, and also active during the same reference period.

A statistical unit is considered to have been active during the reference period if, in that period, it had positive net turnover or produced outputs or had employees or performed investments.

The primary reference for identifying the type of statistical unit and its activity status is the statistical business registers.

Root variable (code ENT) applicable to EBS variables in FATS:

210101. Number of active enterprises (Table 14)

210301. Number of foreign-controlled enterprises (Table 14)

210401. Number of foreign-controlling enterprises (UCI concept) and domestic affiliates (Table 15)

410101. Number of enterprises abroad ultimately controlled by institutional units of the reporting country (Table 33)

Link to other variables: The variable is part of the Business population topic.

Link to SBS tables: The root variable is included in SBS Tables 10 and 11.

Consolidation status: Additive variable.

Comparison with replaced Regulation (EC) No 295/2008 and No 716/2007: The variable replaces the SBS and FATS variable 11 110 Number of enterprises, which is the sum of all enterprises that were active during the reference period.

In the scope of Table 14 of the EBS Implementing Regulation, variable 210101. Number of active enterprises refers to the SBS variable. From the SBS population, two sub-populations should be reported under Table 14 and Table 15.

- Table 14 refers to the sub-population of resident enterprises controlled from abroad.
- Table 15 should include all the resident enterprises that are the foreign-controlling units (the UCIs) or belong to the MNE groups controlled domestically. Table 15 does not include single enterprises and all-resident groups.

Natural persons not engaged in economic activity, families and government bodies, when they are UCIs, should not be counted in the number of enterprises itself, as by their nature these institutional units are not considered market producers and are used only to identify the UCI residency country code.

4.4. Number of employees and self-employed persons

BOX 4.2: DEFINITION OF 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 represents the average number of persons who were, at some time during the reference period, employees of the statistical unit. 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.

The number of employees and self-employed persons is measured as an annual average using data for at least each quarter or month of the year covering the number of persons who work during part or all of the reference period in the statistical unit and are paid by it, as well as those persons working outside the unit but belonging to it and paid by it.

While the employment relationship, which qualifies the parties (as employee and employer), is defined in specific legislation or a contract, the term 'employee' usually means a person 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 clarity, apprentices, if hired under such conditions, are considered employees.

The variable Number of employees and self-employed persons includes all paid employees, unpaid working owners and partners. Persons absent for a short period and persons on strike are part of the total number.

Included are persons working from home/teleworkers, sales representatives and delivery staff on the payroll of the statistical unit.

Persons working in the statistical unit during the reference period, who perform repair or maintenance work on behalf of another unit, and persons/staff supplied by or borrowed from another statistical unit and/or agency workers, should not be included in the total number.

Root variable (code EMPL) applicable to EBS variables in FATS:

220101. Number of employees and self-employed persons (Table 14)

220501. Number of employees and self-employed persons in foreign-controlled enterprises (Table 14)

220601. Number of employees and self-employed persons in foreign-controlling enterprises (UCI concept) and domestic affiliates (Table 15)

420101. Number of employees and self-employed persons in enterprises abroad ultimately controlled by institutional units of the reporting country (Table 33)

Link to other variables: The variable is part of the Labour inputs topic.

Link to SBS tables: The root variable is included in SBS Tables 10 and 11.

Consolidation status: Additive variable, unless the same employee is part-time employed by different legal units belonging to the same enterprise.

Comparison with replaced Regulations (EC) No 295/2008 and No 716/2007: The variable replaces the SBS and FATS variable 16 110 Number of persons employed. There is no conceptual change, only rephrasing of the variable heading. The change was made to clarify matters.

4.5. Employee benefits expense

BOX 4.3: DEFINITION OF EMPLOYEE BENEFITS EXPENSE

This variable contains all expenses arising from employee benefits, recognised by the statistical unit during the reference period.

Employee benefits are all forms of consideration given by the statistical unit in exchange for service rendered by employees or the termination of employment.

Employee benefits expense is calculated by adding up values of variables 220301 Wages and salaries and 220303 Social security costs.

Link to financial statements: Personnel costs in the profit and loss account by nature of expense, Annex V to the European Accounting Directive (Directive 2013/34/EU of the European Parliament and of the Council); partly short-term employee benefits, other long-term employee benefits and termination benefits as set out in International Accounting Standard 19 (IAS 19.9).

Root variable (code EXPN_SAL_BEN) applicable to EBS variables in FATS:

220301. Employee benefits expense (Table 14)

220701. Employee benefits expense in foreign-controlled enterprises (Table 14)

420201. Employee benefits expense in enterprises abroad ultimately controlled by institutional units of the reporting country (Table 33)

Link to other variables: The variable is part of the Labour inputs topic.

Link to SBS tables: This root variable is included in SBS Tables 10 and 11.

Consolidation status: Additive variable.

Comparison with replaced Regulations (EC) No 295/2008 and No 716/2007: The variable replaces the SBS and FATS variable 13 310 Staff costs. There is no conceptual change, only rephrasing of the variable heading. The rephrasing is done to be in line with the content of the variable referring to expenses for employees and it is the heading name in the income statement according to the nature of expenses.

4.6. Intramural R & D expenditure

Research and experimental development (R & D) comprise creative and systematic work done to increase the stock of knowledge – including knowledge of humankind, culture and society – and to devise new applications of available knowledge.

BOX 4.4: DEFINITION OF INTRAMURAL R & D EXPENDITURE

Expenditures on intramural R & D are the amount of money spent on R & D done in a reporting unit.

Intramural R & D expenditures are all current expenditures plus gross fixed capital expenditures for R & D done in a statistical unit during a specific reference period whatever the source of funds. R & D current expenditures include labour costs for internal R & D personnel and other current costs (costs for external R & D personnel, purchase of services.). Gross fixed capital expenditures for R & D include:

- acquisition of land,
- acquisition of buildings,
- acquisition of information and communication equipment,
- acquisition of transport equipment,
- acquisition of other machinery and equipment,
- acquisition of capitalised computer software,
- acquisition of other intellectual property products.

Root variable (code IM_RND_EXPN) applicable to EBS variables in FATS:

230101. Intramural R & D expenditure (Table 14)

230301. Intramural R & D expenditure in foreign-controlled enterprises (Table 14)

Link to other variables: The variable is part of the R & D inputs topic.

Link to R & D tables: This root variable is included in R & D Table 18.

Consolidation status: Non-additive variable.

Comparison with replaced Regulation (EC) No 716/2007: The variable replaces the FATS variable 22 110 Total intra-mural R&D expenditure.

4.7. R & D personnel

Research and experimental development (R & D) comprise creative and systematic work undertaken in order to increase the stock of knowledge – including knowledge of humankind, culture and society – and to devise new applications of available knowledge.

BOX 4.5: DEFINITION OF R & D PERSONNEL

R & D personnel in a statistical unit include all persons engaged directly in R & D, whether employed by the statistical unit or external contributors fully integrated into the statistical unit's R & D activities, as well as those providing direct services for the R & D activities (such as R & D managers, administrators, technicians and clerical staff).

Persons providing indirect support and ancillary services, such as canteen, maintenance, administrative and security staff, should be excluded, even though their wages and salaries are included in 'other current costs' when measuring intramural R & D expenditure.

R & D personnel includes two main groups of individuals.

- Persons employed by the statistical unit who contribute to a unit's intramural R & D activities (internal R & D personnel).
- External contributors fully integrated into the unit's intramural R & D activities (external R & D personnel) who can be independent (self-employed) or dependent (receiving wages/salaries but not from the statistical unit performing the R & D).

Root variable (code RND_PER) applicable to EBS variables in FATS:

230201. R & D personnel (Table 14)

230401. R & D personnel in foreign-controlled enterprises (Table 14)

Link to other variables: The variable is part of the R & D inputs topic. It is part of the Number of employees and for FATS should be reported in head counts.

Link to R & D tables: This root variable is included in R & D Table 19.

Consolidation status: Additive variable, unless the same employee is part-time employed by different legal units belonging to the same enterprise.

Comparison with replaced Regulation (EC) No 716/2007: The variable replaces the FATS variable 22 120 Total number of R&D personnel.

4.8. Total purchases of goods and services

BOX 4.6: DEFINITION OF TOTAL PURCHASES OF GOODS AND SERVICES

Total purchases of goods and services includes the total amount of goods and services purchased by the statistical unit, recognised in accounting as current assets or expenses during the reference period.

Included in purchases of goods, as a non-exhaustive list of examples, are:

- raw, auxiliary and packaging materials,
- consumables,
- fuel,
- spare parts,
- seeds and fodder,
- animals,
- small inventory items,
- goods purchased for resale.

Included in purchases of services, as a non-exhaustive list of examples, are:

- services with electricity,
- heating,
- water,
- maintenance,
- repairs,
- royalties,
- rental,
- insurance,
- research (if done by third parties), agency work,
- advertising,
- promotion,
- transport,
- communication,
- banking,
- legal,
- accounting,
- any other service performed by third parties and recognised as an expense during the reference period.

Increases in finished goods and work in progress, as well as any financial assets and non-current assets, are not included. Exceptionally, assets from other classes reclassified as any of the items in the list above, are also included.

The purchases of goods and services this definition refers to are valued according to the rules in the accounting standards based on which the assets and expenses mentioned above are recognised.

The term 'current assets' the definition refers to means any asset the statistical unit classifies as such:

- because it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- because it holds the asset primarily for trading;
- because it expects to realise the asset within 12 months of the reporting period; or
- because the asset is cash or a cash equivalent (as defined in the applicable business accounting framework) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An asset that does not satisfy any of the above criteria is classified as a 'non-current asset'. In business accounting terms it is also customary to say 'short-term' instead of 'current' and 'long-term' instead of 'non-current'.

The term 'expenses' the definition refers to means decreases in economic benefits during the reference period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Link to financial statements: Total purchases of goods and services is a complex statistical variable that usually could neither be found in, nor be calculated from, the data disclosed in financial statements. In limited circumstances and if certain conditions are met (a detailed enough breakdown of all expenses, in the profit and loss account

(statement of comprehensive income) or the explanatory notes), the variable might be calculated.

Root variable (code PUR) applicable to EBS variables in FATS:

240101. Total purchases of goods and services (Table 14)

240301. Total purchases of goods and services of foreign-controlled enterprises (Table 14)

Link to other variables: The variable is part of the Purchases topic.

Link to SBS tables: The root variable is included in SBS Tables 10 and 11.

Consolidation status: Non-additive variable.

Comparison with replaced Regulations (EC) No 295/2008 and No 716/2007: The variable replaces the SBS and FATS variable 13 110 Total purchases of goods and services. There is no conceptual change or rephrasing of the variable heading.

4.9. Purchases of goods and services for resale

BOX 4.7: DEFINITION OF PURCHASES OF GOODS AND SERVICES FOR RESALE

Purchases of goods and services for resale in the same condition as received are purchases of goods for resale to third parties without further processing. They also include purchases of services by 'invoicing' service companies, i.e. enterprises whose turnover is composed not only of agency fees charged on a service transaction (as in the case of estate agents) but also the actual amount involved in the service transaction, e.g. transport purchases by travel agents.

The value of goods and services sold to third parties on commission is excluded, since these goods and services are neither bought nor sold by the agent receiving the commission.

Purchases of goods and services purchased for resale in the same condition as received is part of Total purchases of goods and services and is used to calculate other aggregates and balances.

The term 'inventories' referred to in the definition of variable 240203 Change in stock of goods for resale[2] means all assets that are:

- held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or the rendering of services.

From these inventories only those are included in this variable, which the statistical unit purchased with the intention to sell without further processing. In business accounting terms this type of inventory is usually called 'merchandise'.

Link to financial statements: Depending on the accounting standards used to prepare the financial statements, the purchases of goods for resale might be disclosed in the explanatory note regarding inventory, as an increase of this asset subclass during the reference period. The variable cannot be isolated from other parts (reports) of the financial statements.

Root variable (code PUR_RES) applicable to EBS variables in FATS:

240102. Purchases of goods and services for resale (Table 14)

240302. Purchases of goods and services for resale of foreign-controlled enterprises (Table 14)

Link to other variables: The variable is part of the topic Purchases.

Link to SBS tables: The root variable is included in SBS Table 21.

Consolidation status: Non-additive variable.

Comparison with replaced Regulations (EC) No 295/2008 and No 716/2007: The variable replaces the SBS and FATS variable 13 120 Purchases of goods and services purchased for resale in the same condition as received. There is no conceptual change, only rephrasing of the variable heading.

4.10. Net turnover

BOX 4.8: DEFINITION OF NET TURNOVER

For all activities except for NACE 64, 65 and some NACE 66 activities, net turnover consists of all income arising during the reference period in the course of ordinary

2 For a detailed definition, see SBS manual (*4.2.3. Topic Purchases*).

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 from contracts with customers and are realised through the fulfilment by the statistical unit of performance obligations as set out in said contracts. Usually, a performance obligation is the sale (transfer) of goods or the rendering of services, but 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.

For the activities of NACE K6411, K6419 and K649, net turnover is defined as the:

value of output

- 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 the activities of NACE K66, for which net turnover is not available in the financial statements, net turnover is defined as the:

value of output

- subsidies or government grants.

For the activities of NACE K66, for which net turnover is available in the financial statements, the standard definition of net turnover applies.

The concept of 'net turnover' is based on the accrual basis of accounting, a principle requiring that income and expenses be recorded in the period in which they occur, rather than the period in which the underlying documents are prepared or issued, or in which the related cash flows take place.

The overarching requirement for inclusion of income in this variable is that it arises 'in the course of ordinary activities of the statistical unit'. In this context, 'ordinary activities' means activities carried out by the statistical unit as part of its business or to achieve its objectives, and related activities in which the statistical unit engages in furtherance of, incidental to, or arising from activities carried out to achieve its objectives. Whether an activity performed by the statistical unit or event that happens to it qualifies as 'ordinary', depends on several factors (such as the type of the statistical unit, its declared activities and objectives, the nature and amount of the realised income and related expenses, if any, the nature of the activity or the event, and so on) and requires a significant amount of judgment.

Depending on whether it arises in the course of ordinary activities of the statistical unit, as described above, the value of net turnover includes income obtained from:

- the sale of goods (finished goods, semi-finished goods, residual products, goods purchased for resale, raw materials, waste materials, scrap materials, inventory items, etc.);
- the sale of services (advertising, advisory, care, communication, construction, design, education, employment, entertainment, financial, maintenance, management, marketing, online, planning, publication, real estate, research, repair, representation, tourism, travel, security, etc.), in which case the income usually takes the form of a fee or commission;
- the use by others of the statistical unit's assets (by renting, leasing, licensing, loaning, letting, etc.).

Whether a certain activity of a statistical unit qualifies as service rendered, or its result as product sold, cannot be inferred only from a list of examples. This usually depends on several factors, such as the type of the statistical unit, the best practice of the industry in which it is active and the contractual terms agreed with its clients. For example, income from the sale of software can be categorised as:

- sales of finished goods (if the software is a standard product and made by the statistical unit), or

- sale of goods purchased for resale (if the software was acquired as such by a statistical unit, which only acts as retailing intermediary between the producer and the users of the software), or
- sales from services rendered (if the software is developed by the statistical unit, individually, according to the client's specifications).

Similarly, it is possible that an asset exchanging ownership (being sold) is categorised differently by the parties involved, depending on their role in the transaction. For example, a car, while usually considered a long-term tangible asset by the acquiring unit, will be accounted for as a finished good sold by the car maker. The terms enumerated above should therefore be considered with due reference to the circumstances that might influence their substance.

Excluded from the value of net turnover is any income from the following.

- Government subsidies or grants (even if directly linked to sales);
- Collecting amounts on behalf of third parties (even if the third party is not a public sector entity, if the statistical unit is acting as the third party's agent. For example, a travel agent selling airplane tickets on behalf of several airline companies, while collecting amounts containing its own fees, the ticket prices and usually value added tax, will only recognise as its income the fees, because the other components are collected on behalf of third parties: in this case the airline companies themselves and the government, respectively.)
- Sales of own long-term assets (tangible and intangible).
- Damages received through insurance agreements.
- Penalties, late charges, fines and the like, if receivable by the statistical unit.
- Repayments of overpaid taxes, fines, charges and the like, if initially accounted for as expenses by the statistical unit.
- Dividends and interest receivable.
- Sales of assets held as investments.
- Gains as effects of changes in foreign exchange rates.
- Reversals of any losses generating value adjustments (provisions, allowances, impairment losses, etc.).
- Other sources, if the income is classified as 'Other (operating) income', 'Financial income', 'Extra-ordinary income' or under a similar heading, depending on the set of generally accepted accounting standards used to prepare the financial statements.

Determining whether a statistical unit is acting as a principal or an agent requires consideration of all relevant facts and circumstances. Usually, a statistical unit is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that the statistical unit is acting as an agent is that the amount the unit earns is predetermined, being a fixed fee per transaction or a stated percentage of the amount billed to the customer.

Income from long-term contracts shall be recognised because the performance obligations identified in said contracts are fulfilled by the statistical unit.

Link to financial statements: Net turnover, as defined above, is presented as the first line item of the:

- profit and loss account, as set out in the European Accounting Directive (Directive 2013/34/EU of the European Parliament and of the Council, Annexes V and VI);
- statement of comprehensive income, as set out in International Accounting Standard 1 (IAS 1.102 and 1.103), irrespective of how the expenses are presented.

Root variable (code TOVT) applicable to EBS variables in FATS:

250101. Net turnover (Table 14)

250601. Net turnover of foreign-controlled enterprises (Table 14)

250901. Net turnover of foreign-controlling enterprises (UCI concept) and domestic affiliates (Table 15)

440101. Net turnover of enterprises abroad ultimately controlled by institutional units of the reporting country (Table 33)

Link to other variables: The variable is part of the Output and performance topic.

Link to SBS tables: The root variable is included in SBS Tables 10 and 11.

Consolidation status: Non-additive variable.

Comparison with replaced Regulations (EC) No 295/2008 and No 716/2007: The variable replaces the SBS and FATS variable 12110 Turnover. The change in the name of the variable from 'Turnover' to 'Net turnover' serves a double purpose: on the one hand, to signal that the gross revenues – in contrast to the definition of 'Turnover' applied in the replaced Regulation – are adjusted for the income described above (e.g. all taxes, duties or levies linked directly to the revenue in question), and on the other hand, to signal that this is the exact heading name in the profit and loss account in the European Accounting Directive.

4.11. Value of output

BOX 4.9: DEFINITION OF VALUE OF OUTPUT

Value of output is the value of the total output of the statistical unit, generated during the reference period.

For all activities except activities of NACE 64, 65 and 66, it is the sum of:

+ Net turnover

± Change in stock of finished goods and work in progress

± Change in stock of goods for resale

+ Income from product- or turnover-related subsidies

+ Capitalised output

– Purchases of goods and services purchased for resale.

Income from product- or turnover-related subsidies is any income from government assistance granted to and recognised as such by the statistical unit during the reference period.

Capitalised output is the total increase in all self-generated long-term assets, recognised as such by the statistical unit during the reference period.

For the activities of NACE K6411, value of output is defined as:

Administrative expenses other than staff costs

+ Fees and commission expenses

+ Staff costs

+ Depreciation of tangible and intangible fixed assets.

For the activities of NACE K6419 and K649, value of output is defined as:

Interest receivable and similar income

- Interest payable and similar charges

+ Commissions receivable

+ Income from shares and other variable-yield securities

+ Net profit or net loss on financial operations

+ Income from product- or turnover-related subsidies.

For some activities of K6499, value of output is:

Net turnover

+ Subsidies or government grants, or it can be approximated using the total operating costs, if net turnover is not available in the financial statements.

For the activities of NACE K642 and K643, value of output is:

Net turnover

+ Subsidies or government grants, or it can be approximated using the total operating costs if net turnover is not available in the financial statements.

For the activities of NACE K6511, value of output is defined as:

Gross premiums earned

+ Investment income

- Income from participating interest

- Value re-adjustments on investments

+ Investment income of reinsurers on their share of the gross technical provisions of the enterprise + Unrealised gains on investments

+ Other technical income, net of reinsurance

- Claims paid

± Change in the provision for claims (increase needs to be subtracted, decrease needs to be added)

± Changes in other technical provisions net of reinsurance (costs need to be subtracted, income should be added)

± (if available) Changes in other technical provisions, reinsurers' share (costs need to be subtracted, income needs to be added)

± (if available) Change in fund for future appropriations (costs should be subtracted, income should be added)

- Bonuses and rebates, net of reinsurance

- Losses on the realisation of investments

- Unrealised loss on investments

+ other income.

For the activities of NACE K6512 and K652, value of output is defined as:

Gross premiums earned

+ Investment income

- Income from participating interests

- Value re-adjustments on investments

+ Investment income of reinsurers on their share of the gross technical provisions of the enterprise + Other technical income, net of reinsurance

+ Other income

- Claims paid

± Change in the provision for claims (increase needs to be subtracted, decrease needs to be added)

- Losses on the realisation of investments

- Bonuses and rebates, net amount

± Change in the equalisation provision (costs should be subtracted, income needs to be added)

± Changes in other technical provisions, not shown under other headings (costs should be subtracted, income should be added).

For the activities of NACE K653, value of output is defined as:

Net turnover

- Insurance premiums payable

+ Investment income

+ Other income

+ Insurance claims receivable

- Total expenditure on pensions

- Net change in technical provisions (increases in technical provisions are to be subtracted and decreases added).

Alternatively, the value of output can be calculated as the sum of costs.

For activities of NACE K66 for which net turnover is not available in the financial statements, value of output is defined as:

Interest receivable and similar income

- Interest payable and similar charges

+ Commissions receivable

+ Income from shares and other variable-yield securities

+ Net profit or net loss on financial operations

+ Income from product- or turnover-related subsidies.

For the activities of NACE K66 for which net turnover is available in the financial statements, value of output is defined as:

Net turnover

+ Capitalised output

+ Income from product- or turnover-related subsidies.

Link to financial statements: The components of the production value variable are included in the following accounting headings:

- Net turnover
- part of Other operating income - excluding subsidies
- part of Extra-ordinary income - excluding subsidies
- Variation in stocks of finished goods and work in progress
- part of Raw materials and consumables relating to purchases and change in stocks of goods for resale
- Work performed by the undertaking for its own purposes and capitalised.

Root variable (code VAL_OUT) applicable to EBS variables in FATS:

250301. Value of output (Table 14)

250701. Value of output of foreign-controlled enterprises (Table 14)

Link to other variables: The variable is part of the Output and performance topic.

Link to SBS tables: The root variable is included in SBS Tables 10 and 11.

Consolidation status: Non-additive variable.

Comparison with replaced Regulations (EC) No 295/2008 and No 716/2007: The variable replaces the SBS and FATS variable 12120 Production value. There is no conceptual change or rephrasing of the variable heading.

4.12. Value added

BOX 4.10: DEFINITION OF VALUE ADDED

Value added is a composite indicator of net operating income, adjusted for depreciation, amortisation and employee benefits, with all components recognised as such by the statistical unit during the reference period.

Its value is given by the formula:

+ Net turnover

+ Income from product- or turnover-related subsidies

+ Capitalised output

± Change in stock of goods

- Total purchases of goods and services.

Income from product- or turnover-related government grants and capitalised output have the same meaning as in the definition of the value of output.

Cost of goods sold is the carrying value of the goods sold during the reference period; it is the sum of all expenses directly attributable to the production of the goods sold by the statistical unit during the reference period. It usually contains the expenses of:

- raw materials, consumables and other inventory items used in the production process;

- labour (employee benefits expenses), directly attributable to the production of the goods in question;
- other overheads (e.g. depreciation, amortisation, utilities, maintenance, etc.) directly attributable to the production of the goods in question.

Depreciation and amortisation expenses (substitutes in meaning; the former is used for tangible assets, the latter for intangible assets) are expenses recognised by the statistical unit during the reference period with the systematic allocation of the acquisition value of the long-term asset to which the expense refers over the asset's useful life.

In effect, gross value added is the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of the statistical unit, adjusted for expenses of employee benefits (staff costs) and other net (operating) income, except income from product- or turnover-related government grants.

Link to financial statements: Value added can be calculated directly from the following accounting headings:

- Net turnover
- Variation in stocks of finished goods and work in progress
- Work performed by the enterprise company for its own purposes and capitalised
- Raw materials and consumables
- Other external charges
- Other operating charges
- Other operating income
- Extra-ordinary charges
- Extra-ordinary income.

Root variable (code AV) applicable to EBS variables in FATS:

250401. Value added (Table 14)

250801. Value added of foreign-controlled enterprises (Table 14)

Link to other variables: The variable is part of the Output and performance topic.

Link to SBS tables: The root variable is included in SBS Tables 10 and 11.

Consolidation status: Additive variable.

Comparison with replaced Regulations (EC) No 295/2008 and No 716/2007: The variable replaces the SBS and FATS variable 12150 Value added at factor cost and the variable heading has therefore been reworded. The calculation method also differs, as the taxes on products linked to turnover but not deductible is an explicit and separate item to be deducted from turnover to calculate value added at factor cost. As all taxes are already excluded from net turnover, the item mentioned above is not explicitly mentioned in the calculation of value added.

4.13. Gross investment in tangible non-current assets

BOX 4.11: DEFINITION OF GROSS INVESTMENT IN TANGIBLE NON-CURRENT ASSETS

Gross investment in tangible non-current assets includes all additions to tangible non-current assets, recognised as such by the statistical unit during the reference period, except any increases from revaluations or reversals of previously recognised impairment losses and from reclassifications (transfers) of other tangible non-current assets.

The additions include, but are not limited to, acquisitions, finance leases, improvements, alterations, renovations, constructions, self-constructions and any capitalised expenses, as allowed by the applicable accounting standards that define the recognition and valuation criteria.

Link to financial statements: Gross investment in tangible non-current assets is disclosed as the additions, during the reference period, to tangible non-current assets, in the explanatory note of the financial statements referring to such assets. The same note usually requires transfers, revaluations and value adjustments (impairment losses or reversals thereof) to be disclosed separately, making it possible to directly isolate the variable.

Root variable (code GRSINV_TNCA) applicable to EBS variables in FATS:

260101. Gross investment in tangible non-current assets (Table 14)

260201. Foreign-controlled enterprises' gross investment in tangible non-current assets (Table 14)

430101. Gross investment in tangible non-current assets of enterprises abroad ultimately controlled by institutional units of the reporting country (Table 33)

Link to other variables: The variable is part of the topic Investments.

Link to SBS tables: The root variable is included SBS in Table 10.

Consolidation status: In principle additive, but gross investment is not additive if internal flows take place between legal units of the same enterprise. As investments may, in fact, take place between units of the same enterprise, it is recommended to treat the variable as non-additive and to use information from surveys or manual profiling. Investments in the same enterprise must be excluded. It is acceptable to treat investments as additive for practical reasons if only accounts or tax declarations are available.

Comparison with replaced Regulations (EC) No 295/2008 and No 716/2007: The variable replaces the SBS and FATS variable 15110 Gross investment in tangible goods. There is no conceptual change, but only rephrasing of the variable heading

4.14. Allocation of values to variables

These variables must be understood as being consolidated at enterprise level if a given enterprise consists of two or more legal units. The values of FATS variables are operational values generated by the enterprise as a whole and refer entirely to the enterprise. The share of ownership of individual owners' voting power is relevant for determining the populations of enterprises under foreign or domestic control, but it has no relevance for allocating the values of FATS variables generated by the enterprise.

FATS is often said to be a subpopulation of FDI. However, this refers to the population of controlled foreign affiliates (subsidiaries), not to the values to be allocated to variables in FATS and FDI, which are of a very different nature. The allocation of FDI values reflects an investment relationship between two different entities, the direct investor and the direct investment enterprise, and these values reflect the flows and positions that are a result of the FDI, which is proportional to the owners' share in the equity. As regards the variables to be compiled in FATS, there is no such relationship between two entities, but the FATS variables reflect the structure and activity of the enterprise that generates the values. For example, the employees are employees of the enterprise; individual employees are not linked to any individual enterprise owners and there is no allocation of any FATS values that is proportional to any owners' share of the voting rights or capital.

This is why, for FATS variables, 100% of the value generated by an enterprise is allocated to the country or territory of the geographical breakdown, i.e. the country of ultimate control in Inward FATS and the country of residence of the foreign affiliate in Outward FATS.

This is consistent with the HEGI, where paragraph 299 on p. 102 states that 'the notion of control allows all of a company's activities to be attributed to the controlling investor. This means that variables such as a company's turnover, staff or exports are all attributed to the controlling investor and the country from which he comes.'

4.15. Additive and non-additive variables

The EBS Implementing Regulation contains variables that need to be calculated and provided at the level of the statistical unit enterprise. A consolidation process is required for all enterprises consisting of two or more legal units. As described in the EBS methodological manual on European Structural Business Statistics, those variables fall into two categories.

- Additive variables are variables for which the simple sum of the amounts of the legal units yields the consolidated amount for the enterprise. This must be the case for all enterprises, regardless of how the legal units are combined to form the enterprise.
- Non-additive variables are variables that cannot just be added up to calculate the total amount at enterprise level, if the enterprise consists of several legal units, but rather a consolidation of the amounts of the variable in question (e.g. turnover) of the underlying legal units must be carried out involving the elimination of values that are related to internal flows.

The additivity of the variables is defined at the level of the unit enterprise. If a group is delineated into several enterprises, each of those delineated enterprises has its own legal unit perimeter, and its own FATS variables.

For a given variable, the criterion for being additive is ensured in all cases and for all enterprises and does not depend on how the legal units are combined to form the enterprise. In fact, for each additive variable, there are never internal flows between the legal units that form the enterprise.

5

Data collection and sources

5.1. Data collection

The EBS Regulation is output-oriented and the choice of sources for FATS data collection is left to the EU Member States according to the principle of subsidiarity, although the minimum standards set out in the Regulation must be complied with.

For the production of European business statistics as required under the EBS Regulation, and provided the results comply with the quality criteria, NSAs may use the following data sources, including a combination of them:

- surveys;
- statistical business registers;
- administrative records, including information from tax and customs authorities such as annual financial statements;
- exchanged micro data;
- any other relevant sources, methods or innovative approaches insofar as they allow data to be produced that are comparable and compliant with the applicable specific quality requirements.

For surveys, reporting units asked to do so by the EU Member States must provide timely, accurate and complete information needed to produce the national and European statistics and the NSBRs required under this Regulation.

Cooperation between different statistical domains and registers and between national statistical institutes and central banks is strongly recommended when compiling FATS data and ensuring the compatibility of published data, e.g. with SBS, R&D or FDI. It is also important for data on the financial sector (NACE Rev. 2 Section K).

When collected information from different sources differs, there is no generic guidance on how to prioritise the sources. However, there is a requirement to ensure high quality in official statistics and cross-border comparability, so it is recommended to consider international common sources (such as the EGR), preferable due to their authenticity and accessibility by each compiler of FATS data in the EU.

5.2. Inward FATS survey

Inward FATS data are usually extracted from SBS data, identifying foreign-controlled enterprises to separate the two sub-populations under foreign and domestic control. Information on foreign control and the country of UCI may be obtained from links to other available data sources, such as the EGR or FDI, or by surveying enterprises. Using data from existing registers or administrative sources also helps to reduce the response burden on businesses. Where feasible, statistical information about enterprises can be combined from the various sources through an enterprise identification number. Unique identifiers are provided in the context of the EGR and the NSBRs.

In Inward FATS it is recommended to use SBS and R&D survey data as the source of economic variables and the activity breakdown. Annex IV to the EBS Implementing Regulation provides common definitions of the concepts and variables in EBS, including FATS, SBS and R&D. Data requirements and definitions of nine SBS variables are consistent for SBS and Inward FATS and data for these variables are already available in all EU Member States. Data on R&D variables are no longer collected in the SBS framework, but could be obtained from R&D statistics.

To analyse and identify the chain of ownership and UCI of a group, a dedicated survey or an additional question in an existing survey could also be used. Questions could be added to the SBS survey and to some other surveys:

- Annual Services Enquiry: in some EU Member States this survey is the basis for the services sector of SBS data;
- Annual Industrial Survey: in some EU Member States this survey is the basis for the manufacturing industries of SBS data;
- Foreign Direct Investment survey;
- Annual Accounts Statistics;
- System of Enterprise Economic Accounts as an indicator of the existence of a control relationship if the enterprise in question is not recorded in the database;
- Employment statistics.

Example of questions on ownership and UCI:

The information provided should refer to ownership for calendar year 20xx.

1. Are 10% of the voting shares or more owned by a foreign owner?

☐ Yes, since year _____ → Please respond to question No 2

☐ No

2. Specify the share of voting rights in % and the countries of shareholders:

	Share of voting rights in %	Country
Majority owner:		
Minority owner:		
Minority owner:		
Minority owner:		

3. What is the country code of the ultimate owner of the capital, including the percentage share of the capital?

5.3. Outward FATS survey

In Outward FATS the two-step approach to identifying first the population of resident UCIs and then the target populations of enterprises ultimately controlled by resident UCIs, as well as the availability of information on resident units and on non-resident units, may require different types of sources. Various sources may be used to identify the target population of resident UCIs, e.g. a range of register-based sources or corporate information such as annual reports. For the economic variables of the foreign-controlling enterprises and domestic affiliates of resident UCIs (resident units in Table 15 of the EBS Implementing Regulation) data may be obtained by combining enterprise identifiers with the sources for domestically controlled enterprises in SBS. For foreign affiliates of the resident UCIs (non-resident units in Table 33 of the EBS Implementing Regulation) data may be obtained from the reporting unit, which may be the UCI itself or any other unit supplying the data, e.g. in a survey, which may or may not be an extension of the FDI survey, and by looking at existing enterprise data.

For the compilation of economic variables, if no other option is available, surveys could also be used to collect Outward FATS data. This means there are likely to be links to existing data on foreign direct investment. Where there are surveys of foreign affiliates, registers used in collecting FDI data would typically be used to identify foreign-controlled affiliates for which FATS variables should be collected. Alternatively, key FATS variables might be incorporated into existing FDI surveys. However, compilers should note that FDI surveys may need to be conducted more frequently (for example, quarterly), whereas FATS is needed less frequently,

i.e. annually. Incorporating FATS-related questions in FDI surveys may also increase the response burden imposed on enterprises that are not part of the FATS population. As some resident UCIs in Outward FATS (foreign-controlling enterprises) form a subset of the SBS population as well, adding Outward FATS questions to an existing SBS survey is another option to minimise the administrative burden.

Example of questions in an OFATS survey:

1. Name of the foreign entity	Identifier of the entity in the country of its location

2. Country of the location of the unit mentioned in point 1	Symbol of the country

3. Type of foreign entity (Only one answer)	
a) company	1
b) own branch	2
c) branch belonging to the unit, which your company has shares in	3
d) another form	4

4. Year of establishment of the foreign entity or purchasing of shares				

5. Did the entity in point 1 belong to the enterprise group (e.g. capital group) on 31.12.2022?	yes	1
	no	2

6. Description of the dominating type of activity of the entity indicated in point 1, according to the Polish Classification of Activities (PKD 2007)				
Description	Symbol			

7. Nature of relations between your company and the entity indicated in point 1	
a) direct	1
b) indirect (via other companies, entities)	2

8. Percentage share of your company (as at 31.12.2022)				
a) in the equity of the entity indicated in point 1				
b) in the total number of voting shares in the management body of the entity indicated in point 1				

9. If answer 'b)' was marked for point 7, please fill in the following boxes:	
a) degree of relation with the entity indicated in point 1 (see, instructions)	
b) name of the first unit in the chain through which your company holds shares in the entity indicated in point 1 and the symbol of the country of its location Name of the unit	Symbol
c) if the PL symbol was entered in point b), please state the identification number REGON of the first unit in the chain through which your company holds shares in the entity indicated in point 1	

Note: Data in points 10 – 16 should be stated regardless the number of shares indicated in point 8.

10. Number of persons working as at 31.12.2018 in the foreign unit indicated in point 1 of this sheet	

11. Total revenues		in thousand PLN
of which	a) net revenues from sale of products (goods and services), goods and materials achieved by the foreign entity indicated in point 1 of this sheet	
	b) other operating revenues	
	c) financial revenues	

12. Total costs *(without outlay on fixed assets)*		in thousand PLN
of which	a) consumption of materials	
	b) gross wages and salaries	

13. Stocks	in thousand PLN
a) value of stocks as at 1.1.2018.	
b) value of stocks as at 31.12.2018.	

14. Value of export conducted by the foreign entity indicated in point 1 of this sheet	in thousand PLN
a) of which export to the parent unit and subsidiaries under the enterprise group	

15. Value of import conducted by the foreign entity indicated in point 1 of this sheet	in thousand PLN
a) of which import to the parent unit and subsidiaries under the enterprise group	

16. Outlays on tangible fixed assets incurred by the foreign entity indicated in point 1	in thousand PLN

17. Did your company exercise direct or indirect control over the entity indicated in point 1?	yes	1
	no	2

Example of questions in surveys other than OFATS surveys on ownership and UCI:

2.5 Participations in non-resident enterprises

Does your resident group hold 10% or more of the equity capital in a non-resident enterprise? Please answer for your company's largest participating interest.		
YES	>50%	B5
	10% - 50%	
NO	Less than 10%	
	No participation	

5.4. Statistical business registers

A major source for identifying control relationships and target populations in FATS is the statistical business registers (SBRs). The European framework for statistical business registers covers the NSBRs and the EGR, as well as the data exchanges between them. The common core of the NSBRs is harmonised through the EBS Regulation in order to assure data quality and comparability.

For the consistency of business populations in European Business Statistics, Article 8 of the EBS Regulation states that 'national statistical business registers and the EGR shall be the authoritative source for deriving high quality and harmonised statistical business register populations' for the production of European statistics; national statistical business register populations from the NSBRs and, from the EGR, a register population in the ESS for business statistics requiring the coordination of cross-border information on multinational enterprise groups. For the population of foreign affiliates not covered by the EGR, especially foreign affiliates resident outside the ESS area, other sources would still be a necessary complement to the register population provided by the EGR.

Cross-domain and cross-border consistency cannot be achieved if individual master frames are used for each domain that have been taken at different points in time. Instead, a shared master frame for reference year T is selected and made available at an appropriate and agreed moment. This is required to ensure the consistency of the statistics, as far as it depends on the composition and structure of the population.

SBRs include information on the active business population (in other words, statistical units). They play a central role in the production of business statistics both in terms of the way that statistics are produced and their content and quality. Besides names and addresses of the statistical units, they also cover other characteristics such as the incorporation date and liquidation date of a unit, its economic activity (NACE), employment, turnover, legal form, and institutional unit, as well as information on control and ownership relations.

The NSBRs are themselves generally based on a number of different sources. The administrative sources generally include tax registers (e.g. for value added tax, corporation tax or income tax), compulsory registration systems (e.g. for limited liability businesses or businesses quoted on stock markets), social security sources and other public or private sector data holdings. The statistical sources generally comprise returns from various surveys.

According to Article 2(3) of the EBS Regulation, the NSBRs comprise the following units defined in the Statistical Units Regulation:

- all enterprises carrying out economic activities contributing to the gross domestic product (GDP), and their local units;
- the legal units those enterprises consist of;

- enterprise groups those enterprises belong to;
- local units;
- kind of activity units.

The variables for these units to be covered in the NSBR are set out in Annex VIII to the EBS Implementing Regulation.

5.5. The EuroGroups Register

On the EBS Regulation, the EuroGroups Register (EGR) is the authoritative source for the ESS as a register population for business statistics requiring the coordination of cross-border information on MNE groups.

Unlike the NSBRs, the EGR focuses on MNE groups, ensuring that they and their underlying units in national business registers are treated the same. Thanks to the EGR, the EU Member States can have a harmonised picture of the MNE groups operating in the European market, which increases the quality and comparability of several statistics affected by globalisation.

The EGR is set up by Eurostat covering multinational enterprise groups for statistical purposes at EU level. In order to compile the EGR annual frames, Eurostat collects input information on MNE groups and their legal structures – including details about their enterprises – received from the NSBRs of EU Member States and EFTA countries, and supplements this with data on extra-EU units from commercial sources. The results of European profiling, a methodology for identifying the relevant statistical units (such as the enterprise) of large and complex MNE groups, also provide input into the EGR. The EGR provides access to integrated register data on enterprise groups with statistically relevant transnational operations (financial and non-financial) in at least one European country.

The exchange of and access to confidential data for the purpose of the European framework for statistical business registers are set out in Article 10 of the EBS Regulation (EU) 2019/2152. Confidential data are exchanged for statistical purposes between the national statistical authorities (NSAs) of different EU Member States and between Eurostat and Member States in order to ensure the quality of the information on multinational enterprise groups in the EU and EFTA. Access to confidential data is given to an EU Member State if at least one legal unit of the group is located in the territory of that Member State.

Like the NSBRs, the EGR comprises the following units (Article 2(4)):

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

The variables for these units to be covered in the EGR are set out in Annex IX to the EBS Implementing Regulation.

In FATS, the final designation of ultimate control refers to the country (or territory) of ultimate control. The UCI is not a statistical unit but a tool to identify the country of ultimate control. The country of ultimate control is the country (or territory) of residence of the ultimate controlling institutional unit, or group of units acting in concert (e.g. a family).

In relation to FATS, the EGR offers information on **three concepts**: the residency country code of the **UCI** (UCI_RCC) and data of the legal units allocated as the **GGH** and **GDC**.

When the UCI residency country code is empty in the EGR, the GGH should be considered as an ultimate unit controlling the group. GDC refers to the unit where the strategic decisions on the whole group are taken, so this is not necessarily the ultimate controlling unit of the group as it might have another institutional unit above the one controlling GDC. However, special treatment and relocation of the controlling unit might be required when the GGH is recognised as the ultimate controlling institutional unit and is flagged as a SPE. The unit below SPE should then be considered as the GGH of the enterprise group.

From the Outward FATS perspective, the EGR is the one of the rare sources allowing identification of foreign enterprises. Ideally, the survey data on the legal units should be matched to the legal units from the EGR where the links between legal units and enterprises are made available.

5.6. Interactive Profiling Tool

Profiling is a method to analyse and maintain the legal, operational and accounting structure of an enterprise group at national and world level, to establish the statistical units within that group, their links, and the most efficient structures for the collection of statistical data. Profiling helps to delineate the statistical unit enterprise on a geographic perimeter (national, European, global) within the groups.

At European level, the profiling data is exchanged through a dedicated secure and collaborative platform developed by Eurostat, the Interactive Profiling Tool (IPT).

European profiling is based both on dialogue with the accountants of the largest groups and the exchange of information between Eurostat and the profilers from different NSIs. It allocates specific roles and responsibilities among the countries according to the place where the GDC of the MNE group is located. In all cases of manual profiling, profilers start with a task called desk work. This consists in using currently available information to conduct the initial stages of profiling. The manual intensive profiling involves meeting with the Global Enterprise Group (GEG) representatives, who are generally accountants, to obtain detailed information on their business. When there is no meeting with the GEG, the process is called light profiling. Light profiling activities, which involve a more automated process, are performed at national level and the results are available internally at the national statistical authority. The European profiling results are meant to be reflected into the EGR. It should be noted that, as European profiling offers results on delineated enterprises of high quality, it should be considered an important source for implementation of the enterprise concept, especially for OFATS statistics. However, IPT does not contain information on the UCI; the ultimate controlling unit in the profiled groups that are offered in IPT output is the legal unit and refers to the GGH concept.

5.7. National registers of enterprise groups and foreign enterprises

Some EU Member States have registers of enterprise groups or foreign-owned enterprises held by public institutions, such as the central bank, that can be used as a basis for identifying foreign-controlled resident enterprises. They offer links to information on FDI enterprises and investors and may be useful both for Inward and Outward FATS. In some EU Member States such registers may be important sources of information used to identify target populations, as there are established rules of maintenance and regular updates of the information contained and the data quality is expected to be high. Also in this context, cooperation between different statistical domains and registers and between national statistical institutes and central banks is strongly recommended to ensure up-to-date input to the NSBRs and EGR, supporting the role of NSBRs and EGR as authoritative sources for the collection and compilation of European business statistics.

5.8. National company registers

National Company Registers (NCR) may be a relevant complementary source of information on the FATS UCIs or on the reporting units supplying data for FATS. NCRs are usually extensive and legally valid databases containing all associations and enterprises, as well as foreign representations, registered in a country. Such databases are based on original documents and contain information about the legal status of the company, its main activities, shareholders, registered capital, name of the managing director etc. NCRs are updated 'live' as soon as a company reports any changes. In most countries access to NCRs is not free of charge.

5.9. Administrative sources

Administrative sources contain information that is not primarily collected for statistical purposes. The most commonly-used sources for statistical purposes are related to taxation systems such as Value Added Tax (VAT), Standard Audit File for TAX (SAF-T) and personnel income tax.

Administrative sources can be used wherever they are not already included in the SBRs to find information on ownership and control links or on the UCI. In order to improve the efficiency of the statistical production processes of the ESS and to reduce the statistical burden on respondents, national statistical authorities (NSAs) have the right to access and use, promptly and free of charge, all national administrative records and to integrate those administrative records with statistics, to the extent necessary for the development, production and dissemination of European business statistics (Article 5, EBS Regulation). Access to those records by the NSAs and Eurostat is limited to administrative records within their own respective public administrative systems.

5.10. International initiatives on the registers

OECD has developed a database, the Analytical Database on Individual Multinationals and Affiliates (ADIMA) using a number of open big data sources that can provide new insights on individual MNE groups and their global profiles.

The Global Group Register (GGR) has also been developed alongside the UNSD and is a publicly available register of the world's largest MNE groups containing the legal structure of the MNEs, including their affiliates and

subsidiaries, together with their locations, and the detailed types of relationships between the MNE head and its affiliates, when available. It is built from publicly available data and contains no confidential data input from national statistical offices.

5.11. Private databases

There are a number of international commercial databases providing information on MNE groups, including their control structure and some basic economic variables. The methodology used there may not be consistent with this compilers' manual for FATS, but the information still could be useful as an alternative source for identifying UCIs for Inward and Outward FATS.

A certain part of the relevant data contained in private databases is also included in the EGR and verified by the respective national statistical institutes.

5.12. Micro data linking

Micro data linking provides an opportunity to discover new information and to develop new statistics and indicators, both when using existing datasets and 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.

Countries already perform micro data linking activities that offer opportunities to use external data and to integrate them into FATS statistical production processes. Although FATS covers a specific set of variables on businesses that might be difficult to obtain from other sources, it still includes the key concepts and variables, such as economic activity, and a classification of this activity and employment figures and demographic events such as mergers/acquisitions, births and deaths. Linking these data at the micro level to a wide variety of potential sources, other datasets or survey data can provide new insights into the relationship between enterprise characteristics and enterprise performance.

The experiences of the recent micro data linking exercises are presented in the 'Micro data linking' guidelines (Eurostat, 2019).

One of the main achievements of the EBS Regulation is to ensure comparability between the business statistics domains. The setting of the new legal basis now strongly supports the goal of cross-domain consistency and empowers the micro data linking approach. Cross-domain consistency allows the linking of statistical data originating from different statistical domains. One specific element of cross-domain consistency regarding FATS is the harmonisation, between FATS and SBR, SBS, R&D and other European business statistics, the variables on business population and the number of employees and self-employed persons, etc. By linking data from different statistical domains at enterprise level, additional statistical information can be achieved without increasing the burden on respondents.

For more information on micro data linking, see Eurostat's publication on microdata linking (edition 2019).

5.13. Miscellaneous sources

Annual reports provided by companies are another alternative source of information on the structure and characteristics of enterprise groups. If not all links to the parent company are known, annual reports could be used to get information on the first direct owner as a starting point for Inward FATS purposes. Often they also contain a list of foreign affiliates which can be useful for Outward FATS, although this is usually restricted to the most important ones and does not necessarily provide an exhaustive overview of the MNE group's entire structure.

As a result of the G20/OECD Base of erosion and profit shifting action plan (BEPS) Action 13, all large MNE groups are required to prepare a country-by-country (CbC) report with aggregate data on the global allocation of income, profit, taxes paid and economic activity among. This CbC report is shared with tax administrations in the jurisdictions in which it operates, for use in high level transfer pricing and BEPS risk assessments. CbC therefore is a useful source and should be considered by FATS compilers when preparing national statistics.

Chambers of commerce very often collect information about joint ventures and other forms of cooperation by their members. In addition, diplomatic missions sometimes maintain lists of companies from the countries they represent.

Specialised news media, including newspapers and business magazines, publish articles providing interesting and up-to-date information about companies' international links, restructuration, splits or merges and bankruptcies. Systematic searches using electronic media and search engines may also yield relevant information.

More recent sources, e.g. those resulting from initiatives in the contexts of anti-money laundering and the prevention of tax evasion, may also provide useful information on the control structures of large enterprise groups and of the institutional units at the top of the ownership chains. Initiatives such as country-by-country reporting and the beneficial owners' registers set up in these contexts may be worth exploring further as possible sources on control structures relevant for compiling FATS statistics.

Nowadays FATS compilers can increasingly rely on the information that is made available to the public on the web pages of the target statistical units. The number of businesses providing complete information on the activities of entire enterprise groups is increasing over the time. These might be useful sources, especially when there is bilateral disagreement on the country of control, the web page of the MNE group is easily accessible and in many cases the relevant information can be found. However, checking the group data on the internet can be also extremely time-consuming and is not always beneficial when information of interest cannot be found.

6

Data compilation process

6.1. General description of the compilation process

This chapter describes the data compilation process of the national FATS data. The description of the data compilation process should follow the UNECE Generic Statistical Business Process Model (GSBPM). The GSBPM provides a series of steps in the production of official statistics. This process aims to enable the compilers of the statistics data and of all the other business-statistical domains to modernise statistical production processes and to share methods and components. The GSBPM describes the statistical processes in a coherent way and helps statisticians to organise their statistical production. All activities undertaken by producers of official statistics that result in data outputs, are captured by the model. The GSBPM describes and defines the set of business processes needed to produce official statistics.

Overarching Processes							
Specify needs	Design	Build	Collect	Process	Analyse	Disseminate	Evaluate
1.1 Identity needs	2.1 Design outputs	3.1 Reuse or build collection instruments	4.1 Create frame and select sample	5.1 Integrate data	6.1 Prepare draft outputs	7.1 Update output systems	8.1 Gather evaluation inputs
1.2 Consult and confirm needs	2.2 Design variable descriptions	3.2 Rehuse or build processing and analysisis components	4.2 Set up collection	5.2 Classify and code	6.2 Validate outputs	7.2 Produce dissemination products	8.2 Conduct evaluation
1.3 Establish outuput objectives	2.3 Design collection	3.3 Rehuse or build dissemination components	4.3 Run collection	5.3 Review and validate	6.3 Interpret and explain outputs	7.3 Manage release of dissemination products	8.3 Agree an action plan
1.4 Identity concepts	2.4 Design frame and sample	3.4 Configure workflows	4.4 Finalise collection	5.4 Edit and impute	6.4 Aplly disclosure control	7.4 Promote dissemination products	
1.5 Check data availability	2.5. Design processing and analysis	3.5 Test production systems		5.5 Dreive new variables and units	6.5 Finalise outputs	7.5 Manage user support	
1.6 Prepare and submit business case	2.6. Design production systems and workflow	3.6 Test statistical business project		5,6 Calculate weights			
		3.7 Finalise production systems		5.7 Calculate aggregtes			
				5.8 Finalise data files			

It provides a standard framework and harmonised terminology. The GSBPM can be used for the integration of data and metadata standards, as a template for process documentation or for the harmonisation of statistical computing infrastructures, as well as to provide a framework for the assessment and improvement of data quality.

The GSBPM is built up of business processes, phases, sub-processes within each phase, and detailed descriptions. Phase 5 describes the data compilation process. In principle, this entails the cleaning, editing and validating of data and their preparation for analysis.

6.2. Methods of input data validation

Data validation is an activity aimed at detecting and correcting errors (logical inconsistencies) in the data. The methods to be used will depend on the types of data sources used (survey or administrative data) for compiling the FATS.

BOX 6.1: DEFINITION OF DATA VALIDATION

Data validation is an activity verifying whether or not a combination of values is a member of a set of acceptable combinations.

Source: **ESS handbook on methodology for data validation manual**

Data validation assesses the plausibility of data: a positive outcome will not guarantee that the data are correct, but a negative outcome will guarantee that the data are incorrect. Data validation is a decisional procedure ending with acceptance or refusal of the data scrutinised. The decisional procedure is generally based on pre-defined rules expressing the acceptable combinations of values, but expert validation is also considered a legitimate and important part of the procedure.

Rules are applied to the individual data elements or a combination thereof. If data satisfy the rules, which means that the combination expressed by the rules is not violated, the data are considered valid for the next sub-phases in the production process. The rules used in the validation process of given statistics can be split into hard/fatal edits and soft/query edits. Hard edits are generally rules that must necessarily be satisfied for logical or mathematical reasons (e.g. an activity code that does not exist in the activity nomenclature to be used). Soft edits could include a turnover value that is suspiciously high compared to the number of employees registered for a specific enterprise.

The editing procedure might include re-contacting the surveyed enterprise, or the FATS compiler making the correction internally, using other existing information, either values from similar enterprises, replies the enterprise in question gave in previous years, or additional information available in administrative registers or other relevant statistical registers.

After receiving the reported data, the validation process can be divided into several levels or phases, the first one being a basic check of the formal aspects of the files received (expected number of columns, format (alphanumeric/numeric character), etc.) and not of the content. The second phase would be to identify potential problems, errors or discrepancies such as outliers, item-non-response and miscoding. It may be run iteratively, validating data against predefined edit rules, usually in a set order. The process may, as an end result, flag data for automatic or manual inspection or editing.

With online digital questionnaires, part of the validation rules of the content can be moved upwards to the data collection process itself as a number of formal checks can be integrated in the digital questionnaire, allowing for both hard and soft editing. This method allows early validation of the data even before they are sent to the statistical office, and it can both improve the quality of the replies and save resources, both in the responding enterprises and in the statistical office, by avoiding the need to contact the respondents again.

The next validation level is checking the collected and accepted variables at enterprise level against datasets for the same enterprise for previous years, meaning comparing the responses of enterprise Y in year X with the responses of enterprise Y in year X-1, to check for suspicious developments in specific variables. For instance, only if new data varies from the previous year(s) by more than a reasonable percentage should the record be further checked. Changes in characteristics (UCI country or activity code) can either explain variations across the years for certain enterprises or indicate errors in the response given.

A further level in the validation value chain is the validation of the data received and approved in the previous levels using cross-domain validation. As a unique identifier for each enterprise is stored and maintained in the SBRs, it is possible, by matching data at micro level from other statistical domains, to further check the validity of the data reported for a certain statistic. Often such matching at

micro level can be used to find plausible reasons for a value flagged as suspicious in the first round of validation. It is advised to perform cross-domain validation systematically and in a coordinated manner that avoids re-contacting an enterprise several times regarding the same issue, in order to limit the post-enumeration response burden. Manual cross-domain validation can also be done by considering the enterprise group relations or publicly available data like news feeds, company reports etc. When survey data is deemed correct, the SBRs should be updated accordingly.

6.3. Consolidation instances

The choice of statistical unit determines the flows of the transactions of the unit: transactions are only those with other statistical units; transactions within the statistical unit are consolidated. In the case of the unit enterprise, the transactions of interest are those with other enterprises (and/or other economic agents, such as government or private households).

The turnover of a legal unit comprises total turnover, irrespective of by whom the goods or services were bought. The same holds for purchases and various other kinds of transactions. The turnover of the enterprise is the sales of goods and services to other (outside) enterprises. Consequently, any turnover of the legal unit that resulted from sales to another legal unit(s) of the same enterprise would inflate the turnover of the enterprise if the turnover were to be calculated as just the sum of the turnovers of all legal units of the enterprise. This part of the turnover needs to be deducted from the sum of the turnover of the legal units belonging to the same enterprise.

As sales of one legal unit to another legal unit of the same enterprise simultaneously mean an expense for the other legal unit, both the enterprise's turnover and expense data need to be corrected, i.e. consolidated. If the statistical unit enterprise were also to be the observation unit, no problem of consolidation would arise, if the data collected follow the rules of consolidation. The data at enterprise level would only show the market-oriented transactions.

Most of the FATS variables are non-additive (see Chapter 4). However, some of those variables can be treated as additive, at least in the context of automatic consolidation. This significantly reduces the number of non-additive variables, and it is assumed that it has no significant effects on the enterprise data, because the values of such variables are either very small or instances are not very frequent in business reality. In the case of special surveys, which mainly address the larger enterprises, those variables should however be included in the questionnaire. The typical and core non-additive variables are those pertaining to output and purchases. They include variables:

- of net turnover;
- on purchases of goods and services;
- value of output.

The transactions between the legal units of the same enterprise can refer to deliveries of (intermediate) goods within the physical production process, the delivery of goods for resale, as well as to deliveries of ancillary services. When such transactions do occur, they will most likely represent the largest share of the consolidation effect.

Their consolidation will not change the data on value added. The variables on output and purchases being typical non-additive ones does not mean that each variable has the same likelihood of its data also covering internal sales/purchases. So one could assume that contracts for subcontractors and for agency workers are predominantly completed with other enterprises, rather than within the own enterprise, and thus these variables might be treated as being additive. This also applies on the income side (net turnover from subcontracting). However, those are assumptions, and one should check whether information is available from other surveys or from manual profiling.

Similar considerations apply to the variables on gross investment and on goods for resale. It is possible, in business reality, that investments could take place between units of the same enterprise, and that goods or stocks could be transferred between them. Again, the occurrence of such transactions might be less frequent and it may not significantly impact the statistical data results. On that basis, these variables can be assumed to be additive if no supplementary information is available (from surveys or manual profiling).

A last category of non-additive variables refers both to the number of employees and self-employed persons. The data represent simple head counts, of persons with full-time as well as with part-time contracts. It is theoretically possible that a person is employed in two or more of the legal units belonging to the same enterprise. Although this can occur, it seems to be quite an unlikely and insignificant event. Therefore, the variables on the number of employees and self-employed persons may be treated as additive, under the same conditions as those applying in the other cases of 'unlikely' non-additive variables.

Consolidation needs to be carried out at the level of the individual enterprises, the goal being to cancel out the internal transactions of each enterprise. An enterprise may

or may not have internal transactions. Different variables might be affected, due to different internal-transaction scenarios, and the magnitudes of the effect might be quite different.

For more information on the data consolidation and methods, see Section 6.6 of the Methodological manual on European Structural Business Statistics.

6.4. Imputation methods

Data imputation is the activity aimed at completing and/or replacing missing information within a data record with reliable and robust estimates, with a view to allowing the compilation of a complete set of information for that record. This Section introduces the methods used in the statistical process of producing FATS data for the imputation of missing data. The methods to be used will depend on the types of data sources that are available (administrative data or data deriving from statistical models) for the compilation of the FATS.

In the FATS compilation process, as in all statistical domains, one can distinguish between data missing due to unit non-response (total non-response) and data missing due to item non-response (partial non-response). The most accurate imputation method is that of using administrative data, both for unit and for item non-response. Different administrative data sources can be combined to compute the data that are missing from the survey.

Missing data caused by non-response is a source of error, and the imputation methods are used to fill those gaps. Several methods can be used to impute missing information in a dataset. Possible imputation methods include: deductive imputation, model-based imputation (including mean, ratio, and regression imputation), and donor imputation (including cold deck, random hot deck, and nearest neighbour imputation) or longitudinal imputation. Different methods may be useful in different contexts.

In some cases, the imputations are derived directly from the values that were observed in the same record. The Memobust handbook on methodology of modern business statistics provides more guidance on estimation and imputation approaches.

For the FATS purpose the EGR is also recommended as a source for missing data imputation. Although not all FATS variables are available in the EGR, it is still a good source for UCI identification, imputation of variables on net turnover and number of employees and self-employed persons as well as for control of NACE codes for foreign affiliates in OFATS.

6.5. Data revisions

Data revisions are broadly defined as any change in the value of a statistic released to the public. There are several reasons why an already published statistic might be revised, i.e. replaced by new data. A simple reason would be that an error is detected in the published data which then (to some degree) become incorrect (non-scheduled revision). Clearly, such an error should be corrected as quickly as possible. The correction should be communicated through all relevant dissemination channels and appropriately explained. A second reason is scheduled data revisions, typically to national accounts and short-term statistics, where estimates for a specific reference period are updated according to a pre-set time schedule, before the data are considered final. The compilation of FATS data can also be seen as a kind of scheduled revision, although it is less likely due to the convenient calendar of FATS data release. However, if a country is not able to deliver final data on time, revisions are allowed and welcome.

Further reasons for revisions arise from occurrences at national level and usually will entail major revisions of the national FATS data with effect on the EU aggregates:

- New or improved data sources might have become available and need to be integrated, especially if these would increase the quality of the FATS data. Such sources might be new or improved administrative data, financial reporting data, or the like. This also includes sources that improve the identification of the statistical units. New or improved sources might also have some impact on the data collection, including adaptations in survey questionnaires.
- There might also be a need to redesign the whole or parts of the compilation procedures from data collection to dissemination. Changes in the sampling methods might be needed to better cover specific activities or to reduce response burden. As most of the Member States use a mixture of survey data and administrative data for their compilation of FATS statistics, redesign within this basic approach would probably also result in a major revision. It may also happen that an administrative source is no longer available or that it has been restructured so that it is no longer applicable and hence the compilation process may require appropriate adaptations.

As major revisions should only be performed at fairly long intervals, it is advisable only to perform a major revision when several causes can be dealt with in one single revision process. This might not be possible in all cases as some of the causes might require faster treatment than others. When the significant change is implemented or planned

in the national FATS production process, Eurostat has to be notified of the reasoning behind it, to be able to take a decision on any potential break in the time series to be indicated to FATS data users.

6.6. Confidentiality

The quality of statistics depends, among other things, on the completeness of the raw data. Eurostat's work is based on the information transmitted by the national authorities in the Member States and confidentiality is of utmost importance in this respect, since it contributes to mutual trust on the part of data subjects and national authorities.

BOX 6.1: DEFINITION OF CONFIDENTIAL STATISTICAL DATA

Confidential statistical data is data that would 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 said statistical unit.

Direct identification means the identification of a statistical unit from its name or address, or from a publicly accessible identification number.

Indirect identification refers to the possibility of deducing the identity of a statistical unit by any other means than direct identification.

Regulation (EC) No 223/2009 on European statistics provides a reference framework for statistical confidentiality in European statistics and its Implementing Regulation (EU) No 557/2013 defines how confidential data may be accessed for scientific purposes.

Fundamental principles on statistical confidentiality in European statistics are also set out in the European Statistics Code of Practice (see principle 5 on Statistical Confidentiality and Data Protection). Article 10(5) of the EBS Implementing Regulation provides details on the transmission of confidential data to Eurostat containing, where relevant, all primary and secondary confidentiality flags:

Member States shall provide confidential data in accordance with the existing Union provisions on transmission of data subject to statistical confidentiality.

Confidential data shall be sent with the true value and with a flag indicating that it is subject to confidentiality.

Member States shall provide all levels of aggregation of the breakdowns as defined in the tables of Annex I, Part B and the data transmitted shall contain, where applicable, all primary and secondary confidentiality flags in accordance with the confidentiality rules existing at national level.

Some fundamental principles involved in statistical confidentiality are:

- Statistical data are to be considered confidential when they allow direct or indirect identification of the statistical units concerned.
- Confidential data are to be used exclusively for statistical purposes, unless the respondents have given their consent to their use for any other purposes.
- All the necessary regulatory, administrative, technical and organisational measures shall be taken to ensure the physical and logical protection of confidential data against unlawful disclosure and non-statistical use, including penal sanctions, if necessary, in order to prevent violations.

Officials and other Eurostat staff and the national authorities having access to confidential data shall also be subject to this rule, even after the cessation of their functions. Member States apply different rules for identifying primary confidential data. Data may be declared confidential for the following reasons:

- They may concern a number of units below a minimum threshold, often less than three units: if data concerning two units were disseminated, each unit would have easy access to the other's confidential data.
- The data are such that one or more unit(s) dominate(s) the total information by a percentage above a given rate (as provided by Member States' legal frameworks). This criterion may be examined for a fixed variable, e.g. net turnover, and result in hiding the complete set of variables for the group of units considered. It may also be examined variable by variable, whereupon, for a single group of units, certain variables will be published while others are masked.
- The data are such that the user or any respondent can estimate the reported value of a respondent too accurately. Such disclosure occurs, and the data are declared sensitive, if upper and lower estimates for the

respondent's value are closer to the reported value than a prespecified percentage.

Primary confidentiality is treated in a number of ways. One way of reducing the risk of disclosure is to aggregate data. Alternatively, confidential data may simply be suppressed. Confidential FATS data should be transmitted to Eurostat in accordance with the legal framework described. According to the EBS Regulation (EU) 2019/2152 and its Implementing Regulation, confidential data must be sent with the true value being recorded in the value field and a flag indicating the nature of the confidential data being added. Because simultaneous breakdown by activity and geography leads to confidential cells, not all data can be disclosed at the national level. However, confidential data can be used for calculating EU aggregates, which are necessary to meet users' needs.

EU Member States when providing Eurostat with FATS data should use the flags as described in the SDMX code list CL_CONF_STATUS to identify the confidential cells. When data are free for publication, the confidentiality field must be empty.

The only code that is reserved for the exclusive use at Eurostat and should not be used by the Member States is 'S'. This code has been created for internal use only at Eurostat when handling secondary confidentiality.

Code list CL_CONF_STATUS – Confidentiality status of the observation
(extract relevant for FATS)

CODE	Name	Description
'null' (empty field)	Free (free for publication)	Used for observations without any special sensitivity considerations and which can thus be freely shared. Usually, source organisations provide information and guidance on general requirements for re-dissemination (like mentioning the source) either on their websites or in their paper publications. In some institutional environments the term 'unclassified' is used in a sense that still denotes implied restrictions in the circulation of information. If this is the case, the organisations concerned may probably consider that 'free' (value F) is not the appropriate tag for this kind of 'unclassified' category and that 'Not for publication, restricted for internal use only' (value N) may be more appropriate.
N	Not for publication, restricted for internal use only	Used to denote observations that are restricted for internal use only within organisations. This code may be accompanied with an additional observation-level attribute: CONF_REDIST which defines the secondary recipient(s) to whom the sender allows the primary recipient to forward confidential data.
C	Confidential statistical information	Confidential statistical information (primary confidentiality) due to identifiable respondents. Measures also should be taken to prevent not only direct access, but also indirect deduction or calculation by other users and parties, probably by considering and treating additional observations as 'confidential' (secondary confidentiality management).
D	Secondary confidentiality set by the sender, not for publication	Used by the sender of the data to flag (beyond the confidential statistical information) additional observations in the dataset so that the receiver knows that he/she should suppress these observations in subsequent stages of processing (especially dissemination) in order to prevent third parties to indirectly deduct the observations that are genuinely flagged with 'C'.

CODE	Name	Description
S	Secondary confidentiality set and managed by the receiver, not for publication	If senders do not manage the secondary confidentiality in their data and/or there are also other countries' data involved (with the intention to eventually compile a regional-wide aggregate that is going to be published), the value 'S' is used by the receiver to flag additional suppressed observations (within sender's data and/or within the datasets of other senders) in subsequent stages of processing (especially, dissemination) in order to prevent third parties to indirectly deduct the observations that were genuinely flagged with 'C' by the sender.
A	Primary confidentiality due to small counts	A cell is flagged as confidential if less than m units ('too few units') contribute to the total of that cell. The limits of what constitutes 'small counts' can vary across statistical domains, countries, etc.
O	Primary confidentiality due to dominance by one unit	Used when one unit accounts for more than x% of the total of a cell. The value of x can vary across statistical domains or countries, be influenced by legislation, etc.
T	Primary confidentiality due to dominance by two units	Used when two units account for more than x% of the total of a cell. The value of x can vary across statistical domains or countries, be influenced by legislation, etc.
M	Primary confidentiality due to data declared confidential based on other measures of concentration	Cells declared confidential using mathematical definitions of sensitive cells, e.g. p-per cent, p/q or (n, k) rules.

Some practical aspects of confidentiality treatment for FATS data:

- Member States are responsible for the primary and secondary confidentiality of their data.
- To indicate the primary confidentiality of one data cell Member States can use either the flag 'C' (primary confidentiality in general), or one of the codes 'A', 'O', 'T' or 'M', each flag providing more detailed information on the types of primary confidentiality. Where relevant, it is recommended to use the codes providing more detailed information on the reason for confidentiality.
- For the secondary confidentiality of a data cell, Member States should use the code 'D'.
- If the purpose is only to protect data from publication (e.g. due to insufficient quality), then Member States should use the 'N' flag. Data cells flagged 'N' are not published, but they are not subjected to secondary confidentiality treatment. Member States should inform Eurostat why they have used 'N' flags; in the absence of any information, Eurostat may consider that the data flagged 'N' cannot be published because they are not reliable (i.e. insufficient quality).
- Combinations of Activity and Counterpart Area codes where all the variables are equal to 0, i.e. corresponding to the situations where the number of active enterprises is 0, should not be flagged as confidential information.
- Secondary confidentiality flags should preferentially be set on:
  - Activity and partner codes which in general represent small weights in the totals.
  - Disaggregated levels of detail, to ensure the publication of the totals.
  - Combinations of Activity and Counterpart Area codes that are not mandatory under the EBS Regulation.

The application of secondary confidentiality flags to '0' values should be avoided as a systematic approach, as this may result in an increased disclosure risk in the absence of thorough data checks. Consistency of the confidentiality pattern should be ensured for the common data points transmitted to Eurostat via different flows in the context of the EBS framework, for example common data points in SBS and IFATS. Member States are kindly asked to inform Eurostat about their national data dissemination, indicating the website in their national quality reports. This puts Eurostat in a better position when applying the confidentiality treatment at EU level for the EU aggregates.

7 Data transmission

7.1. Data transmission periodicity and deadline

The periodicity and reference period are defined for the EBS topics in Annex II to the EBS Regulation. For FATS, the reference period is the calendar year and the periodicity is annual for all FATS variables except R&D variables, for which periodicity is biennial.

In cases where the source data used for compiling the data of the variable is available for the fiscal year for some statistical units and cannot be recalculated to cover the calendar year, the calendar year data may be approximated using data on the fiscal year for these statistical units.

EU Member States should specify in the methodological notes whether the calendar year data has been approximated using data on the fiscal year for some statistical units.

The deadline for FATS data transmission to Eurostat is T+20 months, as defined in Annex I to the EBS Implementing Regulation.

7.2. Data transmission tools

The EDAMIS system (Electronic Data Files Administration and Management Information System) enables the user to send data files to Eurostat using secure transfer protocols. For confidential data, EDAMIS allows users to enable PGP (pretty good privacy) encryption for the transmitted data files for additional security. When the data files reach the central server in Eurostat, EDAMIS sends an e-mail acknowledgement (receipt) for the dataset/period to the data sender and any other individuals nominated by the sending organisation. The file is then delivered to a server/directory assigned to the relevant Eurostat production unit, and the individuals responsible for handling the data are notified by e-mail that the data have arrived.

Delivered files are named in a standard format in accordance with the dataset naming convention (DSNC). The dataset mane within EDAMIS is constructed by joining together:

- the domain;
- the specific table/collection;
- the intervals at which data are collected.

For Inward FATS the data flow EBSFATS_T14_A is defined for data delivery required under Table 14 of the EBS Implementing Regulation. For OFATS there are two data flows, EBSFATS_T15_A and EBSFATS_T33_A, corresponding to Table 15 and Table 33 of the EBS Implementing Regulation. Validation checks for common data points present in different EBS data flows will also be implemented (like the current inter-series checks between SBS and Inward FATS).

Organisations can choose to use the EDAMIS web portal and/or automated transmission methods to send or receive data files of any format and size. As the EDAMIS web portal (EWP) (restricted access) is internet-based, it does not have to be installed locally by users. It uses the 'EU Login' user authentication system and is best suited to the manual transmission of data files to Eurostat.

The first contact point for help with data transmission and data transmission tools is Eurostat data transmission EDAMIS support. EDAMIS support also:

- manages the dataset inventory;

- manages the dataset/country/organisation links;
- prepares and distributes a range of documentation about the tools available;
- maintains the EDAMIS 4 InfoSpace.

7.3. Data transmission structure

In accordance with the provisions of the EBS Regulation, data transmission should take place in SDMX (the only accepted format). Sponsored by seven international organisations including Eurostat, Statistical Data and Metadata eXchange (SDMX) is an initiative to manage and automate the process of data and metadata exchange. This standard describes statistical data and metadata. It aims at more efficient exchange of data between organisations. SMDX is made up of the following key components:

- an information model describing the data and metadata,
- a standard for automated communication,
- an IT architecture and set of tools.

The SDMX information model describes statistics in a standard way. It identifies objects and their relationships. A description is necessary to represent data, to make them meaningful. The descriptors are modelled according to whether they are dimensions (identifying and describing data), attributes (providing additional information about the data) or measures (representing the phenomenon to be measured).

The structural descriptors are brought together in the Data Structure Definition (DSD). This identifies the dimensions, attributes and measures of a dataset, associating them with common code lists and concepts. The DSD provides all the information necessary to fully describe the data transmitted. The EBS statistical domains have harmonised DSDs including the common code lists for the cross-domain concepts. All DSDs are available on the Euro SDMX register, including the EBSFATS ones.

The data files should be sent to Eurostat in SDMX-CSV or SDMX-ML format. For information about the SDMX-ML format, see https://sdmx.org/?page_id=16.

7.4. Tools and software for data validation

Data transferred using EDAMIS are validated using an InputHall consisting of STRUVAL (the tool for the file's structural validation) and CONVAL (the tool for content validation). InputHall is the intermediate system, into which the data are delivered to Eurostat and validated before being submitted to the production system for processing and dissemination. All data validation checks are performed in the InputHall (e.g. the file's structure, the number of columns, coding, data consistency rules, year-to-year comparisons). Validation is performed automatically on each data transmission. The validation services send automated notifications containing the validation results only (success or error) by e-mail, while detailed reports are available for download from EDAMIS (see also the EBS Manual, Section 11.3.2).

At Eurostat, the series are checked automatically for syntactical correctness, completeness and consistency. The configuration of the EBSFATS dataset and the validation workflow enable the automated checking of each data transmission to Eurostat. Two parallel sets of EDAMIS channels are provided: one is used for the process of pre-validation of the Member State files, and the other is used for the official transmission of the data.

Before official transmission, all data files should be pre-validated using EDAMIS. The files used for pre-validation are not forwarded to the Eurostat data production system, but deleted immediately after pre-validation. EDAMIS sends feedback on the validation results.

For further general information and for practical guidance, please consult the EDAMIS web portal.

7.5. Data validation

FATS compilers have various options for implementing the above-mentioned validation services, for example autonomous validation services, replicated/shared validation services or a shared validation process. Those three different scenarios are further explained in Section 11.3 of the EBS Manual.

During structural validation, checks are performed on whether the files have the agreed format or whether the columns have the expected format (verifying on alphanumeric or numeric values if they are provided as expected). STRUVAL consistency checks of the dataset include the following.

- Checks of the completeness of files (mandatory fields):
  - missing mandatory data items (data elements or attributes);
  - invalid data items;
  - duplicated series.
- Checks of the completeness of cells.
- Checks for invalid codes.

- Checks with respect to constraints defined in the data flow (e.g. a numerical value cannot exceed a certain value) and for any invalid numerical observation values.
- Checks for (other) consistency errors.

Through the application of STRUVAL, data validation is carried out with respect to the following key elements of SDMX compliance: in terms of checks of file format and completeness; in terms of the coding defined by the Data Structure Definition (DSD) and in terms of the constraints defined for Inward and Outward FATS data flows.

When STRUVAL validation is performed and the file is not rejected, a number of logical checks are performed between different variables in CONVAL. The consistency of data over time is also checked. This data validation mainly focuses on the validation of the FATS output variables. Validation checks are performed on or in the form of:

- individual datasets and variables;
- linked datasets (e.g. with SBS and R&D datasets);
- year-to-year comparisons.

The most straightforward rules of data validation are consistency rules, e.g. the highest levels of NACE Rev. 2 Sections must equal the sum of the component levels, as well as the sum of geographical areas, to be equal to geographical aggregates. Consistency checks can also be performed across domains, when the same two variables, e.g. Value added, are included in two different datasets. The consistency checks should verify that those variables' numerical values are the same in both datasets.

Validation process based on CONVAL contains validation rules and constraints formulated by the statistical domain responsible for the respective business processes and datasets. The main goal of data validation is to achieve good data quality. The defined validation rules are subject to an evolving process, meaning the rules can be constantly updated or new ones added. Therefore, only general aspects are addressed in this manual.

The results of STRUVAL and CONVAL are presented in separate validation reports. The validation report provides a summary of the data in the file and is provided in two formats, html and csv. Below is an example of the report from reference year 2021 Inward FATS:

01_Number of observations; 62524

02_Number of ZEROs; 34597

03_Number of NaN values; 0

04_Confidentiality flags found in the data; H D A

05_Quality flags found in the data;

06_Number of confidentiality flags; 12651

07_Number of quality flags; 0

08_Reference_Year; 2021

09_Reference_Dataset_Name; EBSFATS_T14_A_CC_YYYY_0000_V0001.csv

The next section in the validation report is an aggregated summary of the errors and warnings detected in the file. The correction of the file in the pre-validation phase should eliminate the errors and as many warnings as possible. If Eurostat accepts some warnings, the sender should explain why. Errors will not pass through the InputHall validation process, so a file containing errors will neither be treated nor transmitted to Eurostat for processing.

```
Rule: Rule01_Y                  Severity: Warning                   Occurrences: 1
Error Message:                  The year-to-year evolution has been identified as an outlier based on the standa
                                rd confidence interval [-05 - 15]N:N of which the boundaries have been adapted i
                                n function of the number of enterprises in t-1

Rule: Rule02                    Severity: 2_Warning                 Occurrences: 56
Error Message:                  16110 >= 11110 - Each enterprise should employ at least one person

Rule: Rule05                    Severity: 2_Warning                 Occurrences: 6
Error Message:                  12150 <= 12110 - Value added should not exceed turnover (some costs should be su
                                btracted)
```

Once validation issues have been resolved and the data are ready, official transmission can go ahead. The data are considered to have been officially transmitted once there are no errors in the validation report.

8

Metadata and quality

8.1. Objectives of FATS metadata and quality reporting

The EBS Regulation provides a common legal framework regarding data requirements, quality, and data and metadata transmission to Eurostat. Metadata are essential for understanding data, and they enable an assessment of the quality of data.

For FATS quality and metadata reporting, countries are expected to report on both quality and metadata in a single report transmitted to Eurostat by the end of October every year (two months after the annual transmission deadline as defined in Article 11 of the EBS Implementing Regulation on quality and metadata reports). Reports are two separate ones for Inward and Outward FATS. International standards, such as SDMX, and statistical or technical standards elaborated within the ESS, such as metadata and validation standards, should be used for EBS. The ESS Committee (ESSC) has endorsed an ESS Standard for Quality Reports, in accordance with Article 12 of Regulation (EC) No 223/2009. These standards contribute to the harmonisation of quality assurance and reporting under the EBS Regulation. The FATS metadata report collection should be done using the ESS Metadata Handler (MH).

The main aspects of reference metadata are presented in Chapter 12 of the EBS Manual. It includes detailed information about the quality indicators to be complied with, the level of breakdown and the tools that can be used. It also presents the main metadata concepts and the ESS MH tool.

8.2. ESS metadata handler

The ESS MH is a web application that supports the production, management, exchange and dissemination of European and national reference metadata in the ESS, based on the Single Integrated Metadata Structure (SIMS) standard. It supports the harmonisation of reference metadata and quality reports in the ESS. It also provides definitions and guidelines to help EU Member States produce reports in a structured way. Access to it is restricted to authorised users.

ESS Metadata Handler (europa.eu)

The ESS MH home page provides the relevant file to complete for each country and each Inward and Outward FATS collection. The reports must be prepared following the latest ESS Standards for Quality Reports.

Eurostat provides a user guide on the ESS MH.

The metadata reporting under the EBS Regulation follows the dedicated flows EBSFATS_INWNSI_A_CC_YYYY_0000 and EBSFATS_OUTWNSI_A_CC_YYYY_0000 for Inward and Outward FATS respectively, where:

CC is the country code

YYYY the reference year of the FATS data on which reports are produced

0000 increases by 1 each time a new version of report is produced.

8.3. SDMX-compliant formats for metadata and quality reporting

The reporting standard Euro-SDMX metadata structure (ESMS) is used for quality and metadata reporting on FATS in the ESS MH. It is a user-oriented subset of the SIMS for the collection of reference metadata in the ESS. SIMS was created to support the quality reporting of European statistics. It provides a harmonised, integrated and comprehensive framework for metadata and quality reporting in the ESS. It has various levels of detail, contains 19 quality concepts and enables reference metadata to be provided for a list of concepts derived from the SDMX glossary. Each concept is broken down into further details.

SIMS is used to define the ESS reference metadata report structure and quality report, which contain information about quality concepts, in varying degrees of detail.

8.4. Publication of national metadata reports

The national metadata reports are user-oriented, so no confidential information will be made available to external users as an attachment to the European statistics disseminated. The ESS MH option 'Restricted from publication' should be used when filing the metadata report for confidential information.

National metadata				
National reference metadata National metadata produced by countries and released by Eurostat				
Belgium	Bulgaria	Czechia	Denmark	Germany
Estonia	Irland	Greece	Spain	France
Croatia	Italy	Cyprus	Latvia	Lithuania
Luxembourg	Hungary	Malta	Netherlands	Austria
Poland	Portugal	Romania	Slovenia	Slovakia
Finland	Sweden	Iceland	Norway	Switzerland
	Bosnia and Herzegovina	North Macedonia		

8.5. Content of FATS metadata and quality reporting

Metadata are essential for understanding data. They allow users to make cross-country comparisons and assess the quality of the data. Metadata, also known as 'data about data', is the concept used in the ESS for providing comprehensive information about statistical data aspects. They describe data by defining populations, variables, the methodology and quality.

Reference metadata are metadata that describe the contents and the quality of statistical data. According to the latest version of the European Statistical System handbook for quality and metadata reports, metadata are subdivided into:

- conceptual metadata (explain the concepts used);
- methodological metadata (refer to methods used in preparing the statistical data);
- quality metadata (refer to and explain quality dimensions of the statistical outputs).

The legal basis for designing and producing metadata is the Commission Recommendation of 23 June 2009 on reference metadata for the European Statistical System. It defines the statistical concepts and sub-concepts for compiling reference metadata for different statistical areas

and for the exchange of metadata within the European Statistical System.

FATS metadata follow the general framework of ESS described above and contain the following concepts:

1. Contact: Information about the reporting organisation.
2. Metadata update: Dates when the metadata have been certified, posted and updated.
3. Statistical presentation: Description of the data and classifications used (NACE, NUTS), statistical concepts and definitions, coverage of the statistical domain, statistical population and statistical units data refer to, time coverage and reference area.
4. Unit of measure: FATS are transmitted in units (number of enterprises), head counts (employment and R&D personnel) and currency (national or Euro) in the case of monetary variables (net turnover, investments, etc.).
5. Reference period: FATS reference period is the calendar year.
6. Institutional mandate: This provides information about the legal acts governing the statistical domain.
7. Confidentiality: This includes two main aspects of confidentiality: confidentiality policy (the provisions concerning confidentiality, in the legal acts) and the data treatment (which rules are applied to keep the confidential data undisclosed).
8. Release policy: The main topics considered are the data release schedule/calendar, and where the release calendar can be found. Release policy refers to a number of principles, such as objectivity, impartiality, confidentiality, and accessibility, as laid down in the Regulation on European statistics and in the Code of Practice.
9. Frequency of dissemination: Information about how often the FATS data are disseminated, distinguishing between national and European dissemination.
10. Accessibility and clarity: This element refers to various formats used in the dissemination of FATS data: news release, publication, online database, and access to microdata.
11. Quality management: Quality assurance and quality assessment describe the process of checking whether FATS data were compiled in accordance with the requirements.
12. Relevance: Main users and user needs taken into consideration when developing the FATS output. Another aspect refers to user satisfaction (assessed by carrying out a user satisfaction survey or by other methods).
13. Accuracy and reliability: Refers to the measurement of the sampling and non-sampling errors.
14. Timeliness and punctuality: Timeliness refers to the time elapsed between the occurrence of the event or phenomenon the data describe and the time at which the data become available; punctuality refers to the time lag between target and actual data delivery.
15. Coherence and comparability: These dimensions measure the geographical and intertemporal comparability, and cross-domain coherence.
16. Cost and burden: Provides information on the cost of collection and production of FATS and burden on respondents.
17. Data revision: The heading comprises two main subjects: the policy applied to FATS data revision and how that is practically implemented.
18. Statistical processing: This item provides information about the sources of FATS data, data collection frequency, data compilation, data validation, and adjustments carried out in case the reference year is different to the calendar year.
19. Comments: Provides information on any other aspect of importance not listed above.

More information on the reference metadata reporting standards and concepts is available on Eurostat webpage.

8.6. Compliance monitoring and reporting

Eurostat implements a harmonised compliance measurement procedure for all EBS statistics falling under the EBS Regulation, in particular by looking into the quality dimensions Punctuality, Completeness, Accuracy and reliability and Coherence and comparability.

Compliance with the EBS regulation assessment is harmonised among the business statistics domains, particularly regarding the criteria to identify non-compliance and the practice of compliance monitoring, as well as the format, scope, geographical coverage and frequency of the compliance reporting for European business statistics.

The EBS compliance assessment applies four categories for different levels of compliance and non-compliance:

- **(C) Compliance** (=full compliance and negligible non-compliance): The Member State has met all legal requirements and ensured an overall satisfactory data quality.
- **(M) Minor non-compliance**: The Member State has failed to meet some legal requirements and/or has delivered with some deficiencies in data quality. The

non-compliance is characterised as temporary and non-systematic. It has no, or very limited, impact on the overall intended dissemination of the statistics concerned or on their quality. It does not affect other domains.

- **(S) Serious non-compliance**: The Member State has failed to meet significant legal requirements and/or has delivered data with significant deficiencies in data quality. The non-compliance is characterised as lasting and repeated. It has a substantial impact on the overall intended dissemination of the statistics concerned or on their quality. It affects other domains.
- **(N) Serious and persistent non-compliance**: The Member State has failed entirely to meet requirements laid down in a legal act or has repeatedly delivered data with serious deficiencies in data quality. The non-compliance is characterised as permanent and repetitive. It has a critical impact on the overall intended dissemination of the statistics concerned or on their quality. It affects other domains severely.

The EBS compliance assessment to be performed for the following criteria:

- Punctuality (transmission deadlines)
- Completeness
- Data quality: Accuracy and reliability
- Data quality: Coherence and comparability

For each of the above criteria, the level of compliance will be defined according to the four EBS compliance assessment categories (C, M, S and N).

If non-compliance issues are observed during the compliance monitoring, the reporting organisation will be informed, aiming to take necessary actions at national level. This procedure aims at communicating non-compliance situations to the reporting NSA as early as possible and improving the country's performance in the upcoming deliveries of FATS data. This would potentially avoid or decrease the severity of non-compliance situations.

The FATS compliance to the EBS Regulation assessment will be performed annually after each data collection round.

8.7. Tools, timeline and procedure

The national metadata report should be delivered by the Member States using the ESS metadata handler. It should be submitted 22 months after the end of the reference year as stated in Article 11(2) of the EBS Implementing Regulation. After the metadata report is produced it should be sent to Eurostat for validation. Eurostat can ask for clarifications or more details to be provided in the report if it is considered incomplete. If clarifications are requested, Member States must correct or add missing information and the report must be submitted for approval again. The report can be generated as a 'flexible report' in several formats (html, pdf, doc, and docx), as a table, a list or as a 'metadata file'.

When Eurostat validates the national report, it is released to the public in an attachment to the FATS data disseminated on the Eurostat navigation tree.

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Annexes

Annex I.
Geographical breakdowns in EBS FATS

SDMX CODE	Name	GEO1	GEO2	GEO3	Comment
AD	Andorra			X	
AE	United Arab Emirates			X	
AF	Afghanistan			X	
AG	Antigua and Barbuda			X	
AI	Anguilla			X	
AL	Albania			X	
AM	Armenia			X	
AO	Angola			X	
AQ	Antarctica			X	
AR	Argentina		X	X	
AS	American Samoa			X	
AT	Austria	X	X	X	
AU	Australia	X	X	X	
AW	Aruba			X	
AZ	Azerbaijan			X	
B6	Intra Union	X	X	X	Aggregate
BA	Bosnia and Herzegovina			X	
BB	Barbados			X	
BD	Bangladesh			X	
BE	Belgium	X	X	X	
BF	Burkina Faso			X	
BG	Bulgaria	X	X	X	
BH	Bahrain			X	
BI	Burundi			X	
BJ	Benin			X	
BM	Bermuda			X	
BN	Brunei Darussalam			X	
BO	Bolivia			X	

SDMX CODE	Name	GEO1	GEO2	GEO3	Comment
BQ	Bonaire, Sint Eustatius and Saba			X	
BR	Brazil		X	X	
BS	Bahamas			X	
BT	Bhutan			X	
BV	Bouvet Island			X	
BW	Botswana			X	
BY	Belarus			X	
BZ	Belize			X	
CA	Canada	X	X	X	
CC	Cocos (Keeling), Islands			X	
CD	Congo, Democratic Republic of			X	
CF	Central African Republic			X	
CG	Congo			X	
CH	Switzerland	X	X	X	
CI	Côte d'Ivoire			X	
CK	Cook Islands			X	
CL	Chile		X	X	
CM	Cameroon			X	
CN	China	X	X	X	
CO	Colombia			X	
CR	Costa Rica			X	
CU	Cuba			X	
CV	Cabo Verde			X	
CW	Curaçao			X	
CX	Christmas Island			X	
CY	Cyprus	X	X	X	
CZ	Czechia	X	X	X	
D09	Extra Union not allocated	X	X	X	Aggregate
D6	Extra Union	X	X	X	Aggregate
DE	Germany	X	X	X	
DJ	Djibouti			X	
DK	Denmark	X	X	X	
DM	Dominica			X	
DO	Dominican Republic			X	
DZ	Algeria			X	

SDMX CODE	Name	GEO1	GEO2	GEO3	Comment
EC	Ecuador			X	Including the Galápagos Islands
EE	Estonia	X	X	X	
EG	Egypt		X	X	
ER	Eritrea			X	
ES	Spain	X	X	X	Including Ceuta and Melilla
ET	Ethiopia			X	
FI	Finland	X	X	X	
FJ	Fiji			X	
FK	Falkland Islands			X	
FM	Micronesia, Federated States of			X	
FO	Faroe Islands			X	
FR	France	X	X	X	Including Mayotte (Saint Barthélémy, Saint Pierre et Miquelon)
GA	Gabon			X	
GB	United Kingdom	X	X	X	Excluding Channel Islands and Isle of Man
GD	Grenada			X	
GE	Georgia			X	
GG	Guernsey			X	
GH	Ghana			X	
GI	Gibraltar			X	
GL	Greenland			X	
GM	Gambia			X	
GN	Guinea			X	
GQ	Equatorial Guinea			X	
GR	Greece	X	X	X	
GS	South Georgia and South Sandwich Islands			X	
GT	Guatemala			X	
GU	Guam			X	
GW	Guinea-Bissau			X	
GY	Guyana			X	
HK	Hong Kong	X	X	X	
HM	Heard Island and McDonald Islands			X	
HN	Honduras			X	
HR	Croatia	X	X	X	
HT	Haiti			X	

SDMX CODE	Name	GEO1	GEO2	GEO3	Comment
HU	Hungary	X	X	X	
ID	Indonesia		X	X	
IE	Ireland	X	X	X	
IL	Israel	X	X	X	
IM	Isle of Man			X	
IN	India		X	X	
IO	British Indian Ocean Territory			X	
IQ	Iraq			X	
IR	Iran, Islamic Republic of			X	
IS	Iceland	X	X	X	
IT	Italy	X	X	X	
JE	Jersey			X	
JM	Jamaica			X	
JO	Jordan			X	
JP	Japan	X	X	X	
KE	Kenya			X	
KG	Kyrgyzstan			X	
KH	Cambodia			X	
KI	Kiribati			X	
KM	Comoros			X	
KN	St Kitts and Nevis			X	
KP	North Korea			X	
KR	South Korea		X	X	
KW	Kuwait			X	
KY	Cayman Islands			X	
KZ	Kazakhstan			X	
LA	Lao People's Democratic Republic			X	
LB	Lebanon			X	
LC	Saint Lucia			X	
LI	Liechtenstein	X	X	X	
LK	Sri Lanka			X	
LR	Liberia			X	
LS	Lesotho			X	
LT	Lithuania	X	X	X	
LU	Luxembourg	X	X	X	
LV	Latvia	X	X	X	

SDMX CODE	Name	GEO1	GEO2	GEO3	Comment
LY	Libya			X	
MA	Morocco		X	X	
MD	Moldova, Republic of			X	
ME	Montenegro			X	
MG	Madagascar			X	
MH	Marshall Islands			X	
MK	North Macedonia			X	
ML	Mali			X	
MM	Myanmar			X	
MN	Mongolia			X	
MO	Macao			X	
MP	Northern Mariana Islands			X	
MR	Mauritania			X	
MS	Montserrat			X	
MT	Malta	X	X	X	
MU	Mauritius			X	
MV	Maldives			X	
MW	Malawi			X	
MX	Mexico		X	X	
MY	Malaysia		X	X	
MZ	Mozambique			X	
NA	Namibia			X	
NC	New Caledonia			X	
NE	Niger			X	
NF	Norfolk Island			X	
NG	Nigeria		X	X	
NI	Nicaragua			X	
NL	Netherlands	X	X	X	
NO	Norway	X	X	X	
NP	Nepal			X	
NR	Nauru			X	
NU	Niue			X	
NZ	New Zealand	X	X	X	
OM	Oman			X	
PA	Panama			X	
PE	Peru			X	
PF	French Polynesia			X	

SDMX CODE	Name	GEO1	GEO2	GEO3	Comment
PG	Papua New Guinea			X	
PH	Philippines		X	X	
PK	Pakistan			X	
PL	Poland	X	X	X	
PN	Pitcairn			X	
PS	Palestinian Territory, Occupied			X	
PT	Portugal	X	X	X	
PW	Palau			X	
PY	Paraguay			X	
QA	Qatar			X	
R12	Offshore financial centres	X	X	X	Aggregate
RO	Romania	X	X	X	
RS	Serbia			X	
RU	Russian Federation	X	X	X	
RW	Rwanda			X	
SA	Saudi Arabia			X	
SB	Solomon Islands			X	
SC	Seychelles			X	
SD	Sudan			X	
SE	Sweden	X	X	X	
SG	Singapore		X	X	
SH	Saint Helena, Ascension and Tristan da Cunha			X	
SI	Slovenia	X	X	X	
SK	Slovakia	X	X	X	
SL	Sierra Leone			X	
SM	San Marino			X	
SN	Senegal			X	
SO	Somalia			X	
SR	Suriname			X	
SS	South Sudan			X	
ST	Sao Tome and Principe			X	
SV	El Salvador			X	
SX	Sint Maarten (Dutch part)			X	
SY	Syrian Arab Republic			X	
SZ	Eswatini			X	

SDMX CODE	Name	GEO1	GEO2	GEO3	Comment
TC	Turks and Caicos Islands			X	
TD	Chad			X	
TF	French Southern Territories			X	
TG	Togo			X	
TH	Thailand		X	X	
TJ	Tajikistan			X	
TK	Tokelau			X	
TL	Timor-Leste			X	
TM	Turkmenistan			X	
TN	Tunisia			X	
TO	Tonga			X	
TR	Türkiye	X	X	X	
TT	Trinidad and Tobago			X	
TV	Tuvalu			X	
TW	Taiwan		X	X	
TZ	Tanzania, United Republic of			X	
UA	Ukraine			X	
UG	Uganda			X	
UM	United States Minor Outlying Islands			X	
US	United States	X	X	X	
UY	Uruguay		X	X	
UZ	Uzbekistan			X	
VA	Holy See			X	
VC	St Vincent and the Grenadines			X	
VE	Venezuela		X	X	
VG	Virgin Islands, British			X	
VI	Virgin Islands (US)			X	
VN	Viet Nam			X	
VU	Vanuatu			X	
W0	World total	X		(X)	Aggregate; IFATS (T14) only
W1	Rest of the world	X	X	X	Aggregate
W2	Domestically controlled	X		(X)	Aggregate; IFATS (T14) only
WF	Wallis and Futuna			X	
WS	Samoa			X	
XK	Kosovo (*)			X	
YE	Yemen			X	

SDMX CODE	Name	GEO1	GEO2	GEO3	Comment
Z12	Equally-shared control of UCIs of more than one Member State	X	X	X	Aggregate
ZA	South Africa		X	X	
ZM	Zambia			X	
ZW	Zimbabwe			X	
A1	America			X	Voluntary aggregate
E1	Europe			X	Voluntary aggregate
F1	Africa			X	Voluntary aggregate
O2	Oceania & Polar Regions			X	Voluntary aggregate
S1	Asia			X	Voluntary aggregate

(*) This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

Annex II. Correspondence table – variables and codes (EBS Regulation) versus characteristics and codes (repealed FATS regulation)

EBS codes	Title – EBS root variables	Title – old FATS regulation Characteristics	Old FATS regulation codes	
			IFATS / SBS	OFATS
ENT	**Number of active enterprises**	Number of enterprises	11 11 0	ENT
EMPL	**Number of employees and self-employed persons**	Number of persons employed	16 11 0	EMP
EXPN_SAL_BEN	**Employee benefits expense**	Personnel costs	13 31 0	PEC
IM_RND_EXPN	**Intramural R & D expenditure**	Total intra-mural R&D expenditure	22 11 0	–
RND_PER	**R & D personnel**	Total number of R&D personnel	22 12 0	–
PUR	**Total purchases of goods and services**	Total purchases of goods and services	13 11 0	–
PUR_RES	**Purchases of goods and services for resale**	Purchases of goods and services purchased for resale in the same condition as received	13 12 0	–
TOVT	**Net turnover**	Turnover	12 11 0	TUR
VAL_OUT	**Value of output**	Production value	12 12 0	–
AV	**Value added**	Value added at factor cost	12 15 0	VAC
GRSINV_TNCA	**Gross investment in tangible non-current assets**	Gross investment in tangible goods	15 11 0	GIT

Table 14 covers all 11 EBS root variables (IM_RND_EXPN and RND_PER only for odd reference years).
Three of the EBS root variables are covered in Table 15: ENT, EMPL and TOVT.
Five of the EBS root variables are covered in Table 33: ENT, EMPL, EXPN_SAL_BEN, TOVT and GRSINV_TNCA.

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European business statistics compilers' manual for foreign affiliates statistics

This manual seeks to serve statistical experts and users alike as a comprehensive reference to the world of foreign affiliates statistics (FATS). It provides an overview of FATS population, statistical units, concepts and variables while highlighting the features introduced by a new regulatory framework. Furthermore, the manual informs on data collection and transmission procedures and describes the various statistical tools supporting FATS production.

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