



**EUROPEAN COMMISSION**  
**EUROSTAT**

Directorate G: Global Business Statistics  
**Unit G-1: Business statistics - coordination and registers**

**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**

**Drafted by the Eurostat Task Force “Statistical Units”**

**Adopted by the ESS Directors of Business Statistics (BSDG) and  
Macroeconomic Statistics (DMES)**

**25-26 June 2015**

# **NOTICE OF INTENTION OF THE BSDG AND THE DMES on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units**

## **Considering the background**

- Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the statistical production system in the Community was and is meant to bridge the gap between the different administrative structures in the Member States of the ESS and harmonised statistical practices concerning statistical units. However, legal and administrative developments as well as changes in the structure of the economy since its adoption have widened the gap between the statistical units to be used in business statistics and those which are used as input for creating them. There is thus a need for guiding its operationalisation in order to promote business statistics' relevance and comparability.
- Implementation of Council Regulation (EEC) No 696/93 is needed where and when it is invoked by other Regulations. In this respect Council Regulation (EEC) No 177/2008 on business registers for statistical purposes is of particular importance, since it underlies the system of business statistics and statistics that take business statistics as an input, such as National Accounts.
- It needs to be emphasised that Member States are obliged to follow the ESA 2010, Balance of Payments Regulation and other European statistical regulations beyond those regulations governing European business statistics. These Regulations may require different statistical units as the basis, for example the local kind-of-activity unit used in the National Accounts. These requirements go beyond the ones for European business statistics.
- The compliance with Council Regulation (EEC) No 696/93 is needed in order to achieve good quality business statistics, National Accounts and related statistics like Balance of Payments and Regional Accounts, in accordance with the European Statistics Code of Practice. This is needed for the users of statistics at the national level as well as the supra-national level, who request comparability and coherence across statistical domains and across the ESS of business statistics and statistics based on them.

## **Considering recent developments**

- The compliance with Council Regulation (EEC) No 696/93 is a necessary condition for meeting the increasing need for consistent data on cross-border aspects of the statistical system in the European Union, including those on global value chains, as described in the Riga Memorandum *Towards better measurement of the globalised economy*, adopted by the ESSC on 26 September 2014.
- The compliance with Council Regulation (EEC) No 696/93 is implicit in the ESS Vision 2020 and the ESS business architecture, which is currently being developed. Improving coherence of business statistics and National accounts and related statistics is a key objective for the ESS for the future. Statistical units are

not necessarily directly observed and statistical information on these units is then constructed using data from input units which can serve multiple purposes and are not necessarily identical to the output units.

In the context of FRIBS, the decision was taken not to replace Council Regulation (EEC) No 696/93 with a new regulation but to focus on the proper implementation of the existing Regulation. However, the discussion leading to this decision showed that a more fundamental discussion on statistical units, separate from the Regulation 696/93, has to take place. In this respect, it is important to note that the Advisory Expert Group (AEG) on National Accounts already agreed to the creation of a Task Force on Statistical Units (TFSU) to take stock of the 2008 SNA recommendations on statistical units (including institutional units), and to reflect whether or not the recommendations on statistical units need to be adjusted in the future. At EU level this discussion will, from the beginning, involve also the ESCB. New or revised statistical units need to be coordinated on a global basis in order to avoid an increase in asymmetries.

#### **Considering the work of the Eurostat Task Force on Statistical Units**

- The Eurostat Task Force on Statistical Units, created on 22 April 2013 and extended on 2 December 2014 (henceforward called the Task Force), has drafted a set of Operational Rules for statistical units as defined in Council Regulation (EEC) No 696/93, taking into consideration ESA 2010 and BPM 6.
- The Task Force has also developed Guiding Principles for the implementation of the Operational Rules in statistical business registers and business statistics.
- The Task Force has taken note of the results of the ESSnet on Profiling and the ESSnet on Consistency as well as the on-going work on the EuroGroups Register and the national Statistical Business Registers.
- The Task Force has taken into account:
  - Administrative/legal changes, changes in the structure of the economy and the creation and development of the ESS that took place after the adoption of Council Regulation (EEC) No 696/93.
  - In particular, new legislation concerning business statistics, the evolution of international accounting standards, changes in the international statistical systems, and the development of business statistics with the enterprise unit at its centre.
- The Task Force also included international experts from National Accounts nominated by the European Statistical System Directors of Macroeconomic Statistics as well as from the ECB and the OECD to assist in bridging the links between business statistics and National Accounts, as well as other users such as Balance of Payments and Regional Accounts.

#### **Considering the consultation of the European Statistical System and the European System of Central Banks**

- The outcomes of a consultation process with the National Statistical Authorities and ESCB members have been taken into account by the Task Force.
- The principle of subsidiarity implies that Member States are free to organise data collection, processing and analysis for business statistics in a way that they deem

optimal, taking into account their national administrative structure, provided that the quality requirements of ESS business statistics, National Accounts and related statistics like Balance of Payments and Regional Accounts are met.

- The further implementation of Council Regulation (EEC) No 696/93 is being supported throughout the European Statistical System.

**Way forward through a joint notice of intention: The European Statistical System Business Statistics Directors Group (BSDG) and the Directors of Macroeconomic Statistics (DMES)**

- Adopt the:
  - Operational Rules for statistical units (annexed to this notice of intention) as leading reference for the interpretation of Council Regulation No 696/93;
  - Guiding Principles for the implementation of the Operational Rules in statistical business registers and business statistics (annexed to this notice of intention). They can be used as background in order to enhance compliance with Council Regulation (EEC) No 696/93.
- Recognise that through this approach:
  - Fully meeting the ESS statistical business registers and business statistics quality requirements may involve costs and efforts for NSIs.
  - National conditions are taken into account by respecting the proportionality and subsidiarity principles, by which NSIs are allowed to organise data collection, processing and analysis in a way that they deem optimal, provided that the ESS quality requirements are met.
  - Guiding principles are available to help Member States if they so wish so that investments can focus on real and substantial benefits. This is intended to lead to greater compliance, and in turn improved comparability and relevance of European statistics.
- Encourage the on-going efforts in the context of the EuroGroups Register and the national Statistical Business Registers to improve coordination and consistency across Member States for situations where enterprise groups operate across borders, thereby ensuring an accurate description of the activities of the enterprise group in the EU without double counting or omissions and consistent with the methodology of National Accounts and Balance of Payments, improving the quality of the data at national level and providing the basis for meeting the increasing need for data on cross-border aspects of the statistical system in the European Union, including those data to better inform the work on global value chains.
- Call for the continuous sharing of knowledge and practices by ESS-members for statistical purposes, where needed, in order to implement Council Regulation (EEC) No 696/93 in a co-ordinated way.
- Call for the organisation of a more fundamental discussion on statistical units, separate from the Regulation 696/93. This would include reconsidering the choice of statistical units used in National Accounts, BoP and beyond. The Task Force

on Statistical Units has reflected upon criteria<sup>1</sup>, which can be used as a starting point.

**Annexes attached cover:**

- Operational Rules for statistical units as defined in Council Regulation (EEC) No 696/93
- Guiding Principles for the consistent implementation of the Operational Rules in statistical business registers and business statistics

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<sup>1</sup> See TF SU 18-19 March 2015 doc\_8 Criteria for choosing the relevant statistical units  
Path: /CircaBC/ESTAT/bsdg/Library/BSDG public/Links to relevant working groups and task forces/Task Force Statistical Units/Meetings/Task Force Statistical Units March 2015  
URL: <https://circabc.europa.eu/w/browse/c25dd6dc-1ddb-44b0-97ed-9bf115dbc414>



**EUROPEAN COMMISSION**  
EUROSTAT

Directorate G: Global Business Statistics  
**Unit G-1: Business statistics - coordination and registers**

**Annex 1 to the 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**

**Guiding principles for the implementation of the statistical units in National Statistical Authorities for business registers and business statistics**

**Drafted by the Eurostat Task Force “Statistical Units”**

**Adopted by the ESS Directors of Business Statistics (BSDG) and Macroeconomic Statistics (DMES)**

**25-26 June 2015**

## 1. Introduction

(a) This paper provides a set of *guiding principles* for the implementation of the Council Regulation No 696/93 on statistical units in National Statistical Authorities (NSAs) for business registers and business statistics and coordinated with National Accounts/Balance of Payments, combining both the producer and user perspective. These guiding principles should be considered alongside the Operational Rules supporting the Joint BSDG and DMES Notice of Intention.

(b) This paper is organised as follows:

- Terminology and scope
- Business registers and business statistics
- Methods to apply the operational rules
- Quality requirements
- Quality evaluation
- Coordinated implementation

## 2. Terminology and scope

(a) In this document, the guiding principles are shorthand for the main guidelines, criteria and principles to be applied for the implementation of the statistical units in business registers and business statistics. The guiding principles are restricted to the following types of statistical units:

- Enterprise group
- Enterprise
- Kind of activity unit
- Local unit
- Local kind of activity unit<sup>2</sup>

(b) In the context of the guiding principles, the term statistical unit applies to the unit referred to in the output of business statistics. These can be distinguished from those units from which the data are actually collected in the process of producing the output.

(c) The operational rules cover these units.

(d) Although the focus in this document may be viewed as the enterprise, it is important to note that the same principles apply to the other units as appropriate.

(e) In the context of the guiding principles, the term business statistics does not comprise National Accounts but business statistics is an essential data source feeding into the production of the National Accounts.

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<sup>2</sup> The importance of a correct delineation of the LKAU has to be emphasised for National Accounts, in particular for units which are vertically integrated.

### 3. Business registers and business statistics

(a) The types of statistical units (output units) to be included in business registers and used in business statistics are identified in the regulations governing those business statistics.

(b) It is important to recognise the role, and links, of the kinds of input unit(s) used to create statistical units in business registers and business statistics. These include:

- Administrative unit<sup>3</sup> – this entity is defined for administrative purposes.
- Legal unit – this entity is recognised by law or society independently of the persons or institutions that own them (either legal person or natural person).
- Reporting unit<sup>4</sup> – this entity is defined as the unit from which data about an observation unit are collected.

(c) At the national level, for several Member States the links to the administrative unit(s) are critical to generating and maintaining a high-quality business register. There should also be clear conceptual and practical links between the different types of statistical units as well as the corresponding legal units. Input units are therefore not necessarily identical to the statistical (output) units. Statistical (output) units can be artefacts that need to be constructed and which are not directly observable.

(d) In the case of multi-national enterprise groups it is important that the statistical units are determined in a coordinated and consistent way across the Member States.

### 4. European Statistical System good practices to apply the operational rules

(a) For statistical units, the Task Force on Statistical Units has elaborated a set of operational rules. These operational rules were drafted in order to provide agreed solutions to problems of unit delineation for common situations that may be encountered by NSAs. For such situations, these solutions result in coordination across ESS Member States as well as across statistical domains.

(b) In some cases but certainly not all cases, these operational rules can be applied *automatically*. The results intended by operational rules can also be approximated by making use of nationally defined automated rules that operate on administrative units or legal units.

(c) Due to the complexity in delineating large and complex economic organisations, an alternative approach is to apply the operational rules *manually* (profiling)<sup>5</sup>. In this

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<sup>3</sup> An administrative unit does not necessarily need to be as well a legal unit. For example, a legal unit may own several local units in different municipalities. Each of these local units may be registered as an administrative unit, e.g. in the administration of the municipality or for labour-administration purposes. The legal unit is a subcase of the administrative unit.

<sup>4</sup> Reporting units may be e.g. the administrative unit or the legal unit. The reporting unit may be identical to the statistical unit.

<sup>5</sup> It should be noted that some of the operational rules are related to profiling. In business statistics, the term profiling is normally used for the activity of sending staff to the headquarters of a large business (group) to discuss the delineation of statistical and reporting units on the basis of the operating structure of the business. If no visit is carried out and just public information (annual reports,



context, complex organisations tend to be large groups of legal units operating within a single nation or multi-national enterprise groups.

(d) Wherever appropriate, and possible, the recommendations from the ESSNets on ESBRS, Profiling and Consistency should be considered and applied.

## **5. Quality requirements (European Statistics Code of Practice, principles 12-15)**

(a) It is up to NSAs to organise data collection for the business register and for business statistics in a way that they deem optimal, given their national administrative systems, provided that the requirements for ESS business registers and business statistics are met.

(b) For enterprise groups and enterprises, NSAs are required to apply appropriate statistical units' delineation approaches, in line with the legal requirements for European statistics.

(c) In case a NSA discovers a specific situation that may not be explicitly covered in the set of operational rules, it still has to choose between the different methods of delineation (automated rules, manual delineation of statistical units and the use of administrative units) as proxies for statistical units. This is up to the NSAs, provided that the requirements for European statistics are met.

## **6. Quality evaluation**

(a) Due to the range of legal, taxation and regional structural differences across Member States as well as the burden on business, resource and time limitations, it may not always be possible to implement best practice. Thus the different operational rules for the different types of units and associated guidance will be categorised as A, B and C quality-approaches, depending on the complexity and size of the enterprise group, where:

- A methods: most appropriate methods ("A" methods are deemed to meet recommended or best practice, for example, application of manual profiling to deal with all the large, difficult or complex cases of enterprise groups. In the case of multinational enterprise groups, the national delineation approaches need to take into account the complexity of the enterprise group and its global structure).
- B methods: those methods which can be used in case an A method cannot be applied ("B" is deemed to cover alternatives to recommended or best practice but which form good practice. For example, manual or automatic delineation approaches are applied to simple multi-national enterprise groups at the national level, with appropriate consideration of the global structure of the delineated national enterprises).
- C methods: those methods which shall not be used ("C" is deemed to recognise the application of the rules, for example in an uncoordinated way to simpler cases or to specific situations addressed without a rules based approach).

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information from the website of the business, etc.) plus survey information is used, then this is called "light profiling" or "desk profiling". In both cases, it is a "manual" activity.

Table: Application of A, B and C methods for delineation of Enterprise Groups

	Manual intensive profiling	Manual Desktop profiling	Automatic methods
Large and complex <sup>6</sup>	A	B	C
Large and simple	A	A	C
Small and complex	A	A	B
Small and simple	A	A	A

(b) NSAs must be able to demonstrate in a plausible way that the quality requirements for ESS business registers and business statistics are met. This means that they can convincingly justify the choice made for the threshold for applying the different methods and that the impact of any automated rules has been tested.

## 7. Organising a supported implementation

(a) NSAs that do not currently meet the quality requirements for ESS business registers and/or business statistics require an organised and agreed roadmap towards implementation of the changes that are needed. It is proposed that the NSAs focus in particular on the business registers. Naturally, this would most probably lead to a subsequent focus on business statistics, followed by the statistics further upstream (such as national accounts).

(b) Where significant differences occur between the old and new method of delineation of statistical units, their effect on statistics has to be quantified and coordinated with the users.

(c) For business statistics, a linked programme between the short-term statistics and the annual statistics is recommended. This may entail that for at least one period that SBS data will be established according to the old and new ways of producing the data. This will provide details of the scale of the discontinuities and allow users (like National Accounts, Regional Accounts, etc.) to plan for, and address, the impact of the changes which may affect key short-term and annual aggregates. The same principle will apply to other statistical domains whereby at least a single period exists to develop the join between old and new and avoid discontinuities. More detail may be produced by the specific Working Groups upon request by Member States.

(d) Once the quality criteria for statistical business registers are met, it is recommended that business statistics implements the changes following an organised approach and timetable.

(e) After the business statistics have been produced, a natural likely next step would be to take the implementation of the data changes through the other domains

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<sup>6</sup> Large: significant impact in the NACE classes in question  
 Small: negligible impact in the NACE classes in question  
 Complex: e.g. many legal units with many different activities and delivery-relations between the units  
 Simple: e.g. one activity in all legal units and ancillary activities)

concerned. Again, the same principles as above apply, in particular the avoidance of discontinuities.

(f) There is a key extension of the coordinated implementation within NSAs that should be considered. Where enterprise groups operate across borders, there will be a benefit from greater coordination and collaboration between and across Member States to ensure good quality structures and associated data which meet both national and ESS needs. This aspect is being addressed in the context of the EuroGroups Register and the ESS.VIP ESBRS as well as developing international profiling across the Member States.



**EUROPEAN COMMISSION**  
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Directorate G: Global Business Statistics  
**Unit G-1: Business statistics - coordination and registers**

**Annex 2 to the 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**

**Definition of Statistical Units as in CR 696/93, Annex Section III and IV:  
Statistical Units definitions**

**Operational rules for its implementation as developed by the Task Force Statistical Units**

**Drafted by the Eurostat Task Force “Statistical Units”**

**Adopted by the ESS Directors of Business Statistics (BSDG) and  
Macroeconomic Statistics (DMES)**

**25-26 June 2015**

## **Operational rules for the consistent implementation of statistical units as defined in Council Regulation 696/93**

The Statistical Units Regulation (CR 696/93) was adopted one year after the implementation of the Single Market. Its purpose was to provide a basis for consistent and integrated European statistics with the quality and contents required for its management.

The establishment of the Single Market aimed at growing international activities of the enterprises, which resulted first in an increase of international trade but then also in a growing volume and number of direct investments in other countries. Enterprises originally operating only from their home country became more global and are today located in several countries. At the same time the legal complexity of the enterprises increased. Enterprises, which used to consist of one legal unit, split up their activities into a number of legal units in very different ways. This has its origins in tax-, liability-, tariff- and other reasons, not directly related to the economic purpose of the enterprise. Both tendencies also occur for a growing number of small and medium-sized enterprises.

In this changing economic world a mere equation of legal or administrative units with statistical units displays a more and more unrealistic picture of the economy. Moreover, legal and administrative units are designed for purposes which are not primarily connected to statistics and the legal and administrative systems of the Member States are not fully harmonised, so that units created by them may not be comparable.

In order to achieve a uniform interpretation and implementation of statistical units definitions, which makes it possible to compare the data of the different Member States, the ESSnet Consistency was launched in the framework of the MEETS programme and had proposed a reformulation of the definitions of the statistical units enterprise, enterprise group, kind of activity unit and local kind of activity unit complemented with operational rules. A second ESSnet established under the MEETS programme, the ESSnet profiling, concentrated on enterprise and enterprise group definitions and operational rules and developed practical guidance and methods for profiling with a focus on the tendencies towards globalisation and increasing complexity of enterprise structure. In both ESSnets several Member States collaborated. Based on this work, a Eurostat Task Force has been established to develop a set of operational rules for the interpretation and implementation of Council Regulation 696/93.

The mandate of the Task Force Statistical Units was adopted by the European Statistical System Business Statistics Directors Group and supported by the Directors of Macroeconomic Statistics at their respective meetings in December 2014. The objective of the Task Force was to provide guidance on and ultimately to foster an improved and comparable implementation of statistical units as laid down in Council Regulation 696/93.

Emphasis was put on consistency with ESA 2010 (and SNA 2008), the BoP Regulation and other EU legislation. Therefore the Task Force comprised experts from business registers and business statistics, National Accounts, Balance of Payments and other statistical areas, coming from Member States, Eurostat, the ECB and the OECD .

The rules can be understood as a compromise and some Member States may consider them as second best solutions. However, from a users' perspective, consistency and comparability across domains and countries should be given priority. The operational rules are meant to cover the vast majority of cases. In their application, all rules should be jointly considered rather than looked at an individual rule in isolation.

This document contains the set of operational rules developed by the Task Force Statistical Units. They were reviewed by the Working Group on Business Registers and Statistical Units, the National Accounts Working Group and the Balance of Payments Working Group. Further the CMFB and its dedicated subgroup on FRIBS and BoP/IIP were consulted. These operational rules were adopted by the Business Statistics Directors Group and the Directors of Macroeconomic Statistics at their parallel meetings 25-26 June 2015 in Luxembourg.

Operational rules have been developed for the following statistical units: enterprise, enterprise group, kind of activity unit, local unit, local kind of activity unit. In addition examples for ancillary activities are given. Each operational rule is preceded by the respective part of Council Regulation 696/1993. In some cases, further guidance has been added.

The Task Force did not develop operational rules for the institutional unit as it does - in general - not form part of the target population of Business Statistics. Further guidance on the application of the institutional unit may be found in Council Regulation 696/93 and in ESA.

## Statistical Units

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## Enterprise

### Definition CR696/93

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

#### Explanatory note

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

### Operational Rules

#### **(1) Operational rule: Characteristics of an enterprise**

*A unit is deemed to be an enterprise if it*

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

#### **(2) Operational rule: Activity of an enterprise**

*An enterprise is deemed as active in a certain period if it generates turnover, employs staff or makes investments in the period<sup>7</sup>.*

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<sup>7</sup> 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) Operational rule: Identification of Enterprise in case of an Enterprise Group**

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

*Further guidance:*

- *It should be noted that some enterprise groups may decide to organise their activities in various so-called profit-centres or operating segments<sup>8</sup>.*
- *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<sup>9</sup>.*
- *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) Operational rule: Ancillary legal units<sup>10</sup>**

*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.*

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<sup>8</sup> In general the profit centre equals the operating segment, but it can also be different. An operating segment as defined in IFRS is a component of an enterprise group that has discrete financial information available, and whose results are reviewed regularly by the entity’s chief operating decision maker for purposes of performance assessment and resource allocation. An operating segment manager is accountable to the chief operating decision maker for the results of the segment.

<sup>9</sup> Vertical Integration: 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 (Source: SNA 2008 paragraph 5.23).

<sup>10</sup> This operational rule may also apply to operating segments by analogy. It applies also to legal units managing only factors of production, such as land, buildings, equipment or staff for other legal units.

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

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

#### **(5) Operational rule: Vertically integrated legal units<sup>10</sup>**

*A vertically integrated enterprise is one in which different stages of production are carried out in succession by different parts of the same enterprise. The output of one stage becomes an input for the next stage, only the output from the final stage being actually sold on the market<sup>11</sup>.*

*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<sup>12</sup>.*

#### **(6) Operational rule: Enterprises active in more than one country**

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

## **Operational Rules for Head Offices, Holding Companies and Special Purpose Entities**

### **Explanatory notes**

*Head Offices (HOs), Holding Companies (HCs)<sup>13</sup> and Special Purpose Entities (SPEs) have special characteristics.*

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<sup>11</sup> Source: SNA 2008 paragraph 5.23.

<sup>12</sup> The rule should be seen in connection with the other rules, in case not all the output is absorbed by the other unit, it still has to be checked, whether the unit delivering the output has autonomy or not and forms an organisational unit with the unit using the output.

<sup>13</sup> For the definition of Head Offices and Holdings see: Final report from the Task Force on the classification of Holdings and Head Offices" 11 March 2015, Path: CircaBC/ESTAT/nacecpacon/Library/Methodological documentation

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

*The following rules are based on ESA and the final report by the Task Force on Head Offices, Holding Companies and Special Purpose Entities (SPEs)<sup>14</sup>. They regulate how to distinguish Head offices from Holdings and in which cases these entities are characterised as institutional units. The rules refer to Head offices and Holding companies of very large enterprise groups owning subsidiaries. A head office of a huge international enterprise group is clearly in the scope of these rules, whereas a legal unit, employing the chairman of a small or medium sized enterprise, which may have moreover e.g. the purpose to reduce liability, does not fulfill the criteria of being an institutional unit; and is hence not in the scope of these rules.*

### **(1) Operational rule: Identification of the enterprise characteristics**

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

- a) A HO/HC/SPE owned by a non-resident parent is to be considered by convention as an enterprise.*
- b) A HO/HC/SPE owned by multiple owners, and not controlled by any other legal unit, should be considered as a separate enterprise.*
- c) For a HO/HC/SPE wholly owned by a single resident unit, having no employees and no compensation of employees are not sufficient criteria for lack of independence; in such cases, further investigation is needed.*

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<sup>14</sup> [http://ec.europa.eu/eurostat/documents/737960/738007/Final\\_Report\\_Task\\_Force\\_SPEs.pdf/9390b392-62d3-45b4-a4ee-fd9ed7a78da2](http://ec.europa.eu/eurostat/documents/737960/738007/Final_Report_Task_Force_SPEs.pdf/9390b392-62d3-45b4-a4ee-fd9ed7a78da2) and <http://unstats.un.org/unsd/nationalaccount/sna/nn37-en.pdf>

- d) *HOs are always considered to have autonomy of decision.*
- e) *Governments' (and corporations') use of SPEs is normally to raise finance. Such SPEs are not separate institutional units when resident. Non-resident SPEs of governments are recognized as separate institutional units. At the same time, all stocks and flows between general government and the non-resident SPE are recorded in the general government and SPEs accounts; including imputed transactions reflecting general governments borrowing from the non-resident SPE.<sup>15</sup>*

## **(2) Operational rule 2: Identification of Head Offices and Holding Companies**

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

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

## **(3) Operational rule: Distinction between Head Offices and Holding Companies**

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

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

## **(4) Operational rule: Identification of SPEs**

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

- a) *SPEs are always related to another legal unit, often as a subsidiary of that legal unit.*
- b) *SPEs have large balance sheets; usually with no non-financial assets. Therefore, investment income and holding gains are major elements of their accounts.*
- c) *SPEs have few or no employees.*

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<sup>15</sup> See ESA 2010, para 20.47- 20.48

- d) *The production of SPEs is very limited. Usually fees are charged from the parent company.*
- e) *SPEs are often ultimately controlled by a non-resident parent, directly or indirectly.*

## Enterprise group

### Definition CR696/93

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

#### Explanatory notes

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

A number of exercises are underway but not finished concerning the concept of the group of enterprises. It is defined here starting from the concept of accounting group as given in the Seventh Council Directive 83/349/EEC (OJ No L 193, 18. 7. 1983, p. 1). This Directive came into force for the first time for consolidated accounts of the financial year which began in 1990. Directive 90/605/EEC (OJ No L 317, 16.11.1990, p. 60) extended the scope of application of the Seventh Directive.

2. Within the meaning of the Seventh Directive, a group is presumed to exist where 20 % of the capital or voting rights are held or controlled by another enterprise. Provisions regarding the control of the power to appoint directors must be taken into account. Behind financial (majority) control, the aim is to take into account where the control really is.

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

- consider accounting groups at the highest consolidation level (group head),
- include in enterprise group units whose accounts are entirely integrated in those of the consolidating company,

- add majority-controlled units whose accounts are not included in the overall consolidating by virtue of application of one of the criteria allowed by the seventh Directive, i. e. difference in the type of activity or small relative size,

- discount temporary links of less than a year.

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

5. Enterprise groups are often bound together by various types of links such as ownership, controlling interest and management. These units are often linked with units of the same family from several different generations. The enterprise group unit often corresponds to a conglomerate bound together by a network of complex relationships and frequently covers a very wide range of activities. Subgroups can be identified within enterprise groups.

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

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

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

### ***Additional explanatory text***

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

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

*Naming conventions*

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

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

- a. Controlling unit: Global<sup>16</sup> Group Head (GGH)*
- b. Managing unit: Global<sup>16</sup> Decision Centre (GDC)*
- c. Consolidating unit: Highest Level Consolidating Unit (HLC)*

*Clarification of the definition of an EG*

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

## **Operational Rules**

### **(1) Operational rule: Control**

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

*An EG is controlled by its Global<sup>16</sup> Group Head (GGH). The GGH is defined as the unit (legal or natural person) which controls all legal units of the group and is not controlled by any other legal unit.*

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<sup>16</sup> Also in enterprise groups which are purely domestic, i.e. they are located completely in one country, the terms Global Group Head and Global Decision Centre apply. The word "global" does not refer to global in the sense of "worldwide" but in the sense of "overarching" as there might be more than one decision centre within the group. If e.g. an enterprise group comprises more than one enterprise, these enterprises may also have decision centres. However, these decision centres do not make decisions about the enterprise group. Only in the Global Decision Centre decisions about the group are made.

## **(2) Operational rule: Management and Control**

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

*The unit carrying out the actual management of the EG is named the Global<sup>16</sup> Decision Centre and it is not necessarily identical with the GGH.*

## **(3) Operational rule: Consolidation and Control**

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

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

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

## **Kind-of-activity unit (KAU)**

### **Definition CR696/93**

The kind of activity unit (KAU) groups all the parts of an enterprise contributing to the performance of an activity at class level (four digits) of NACE Rev. 1 and corresponds to one or more operational subdivisions of the enterprise. The enterprise's information system must be capable of indicating or calculating for each KAU at least the value of production, intermediate consumption, manpower costs, the operating surplus and employment and gross fixed capital formation.

#### Explanatory notes

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



In fact the KAU corresponds to the operational definition given in paragraph 96 of the introduction to ISIC Rev. 3.

2. The KAUs falling within a particular heading in the NACE Rev. 1 classification system can produce products outside the homogeneous group, on account of secondary activities connected with them which cannot be separately identified from available accounting documents. Conversely, the KAUs classified under a particular heading in the classification system on the basis of a principal activity do not produce the entire output of homogeneous groups of specific products because the same products can be produced in secondary activities of KAUs falling under some other classification heading.

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

4. All the costs of ancillary activities of an enterprise must be allocated to the principal and secondary activities and thus to the KAUs observed within the enterprise.

***Additional explanatory text:***

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

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

**Operational Rules**

**(1) Operational rule: Thresholds**

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

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

*and*

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

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

*or*

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

## **(2) Operational rule: Other KAUs**

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

## **(3) Operational rule: Estimates**

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

Remarks:

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

*(b) The delineation of KAUs is relevant only for enterprises which are (i) heterogeneous, and (ii) the secondary activities of which are so important that not to delineate these enterprises into KAUs would have a significant negative impact on the accuracy of the measurement of national production, at the level of NACE activities.*

*The number of KAUs to be delineated will thus depend, on the one hand, on the desired level of accuracy (of the indicator in question), and on the other hand, on the concrete economic structure, in a given country and at a given point in time, i.e. the number and size of the enterprises, their heterogeneity at activity level, and their organisation.*

*(c) The thresholds (of 30% and 20% respectively) quoted in operational rule (1) as guidance mean that NSIs may delineate more KAUs. Examples could be where one of the secondary activities of an enterprise is of little significance for the enterprise in question (i.e. it would contribute less than 30% or 20% to the enterprise's total production) but where that particular secondary activity is of national significance (e.g. if the enterprise in question is the only national producer in that specific NACE activity).*

## **Local unit**

### **Definition CR696/93**

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

1. If a person works in more than one place (maintenance or surveillance) or at home, the local unit is taken to be place from which instructions emanate or from where the work is organized. It must be possible to specify the employment attached to any local unit. However, all legal units that serve as the legal basis for an enterprise or a part thereof must have a local unit which is the registered office, even if nobody works there. Moreover, a local unit can comprise only ancillary activities.

2. A geographically identified place must be interpreted on a strict basis: two units belonging to the same enterprise at different locations (even within the smallest administrative unit of the Member State) must be regarded as two local units. However, a single local unit may be spread over several adjacent administrative areas, in which case, by convention, the postal address is the determining factor.

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

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

### **Additional explanatory text:**

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

## **Operational Rules**

### **(1) Operational rule: Identification**

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

### **(2) Operational rule: Physical geographic location**

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

### **(3) Operational rule: Local unit without postal address**

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

### **(4) Operational rule: Activities performed outside physical locations**

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

### **(5) Operational rule: Activities performed at private residence**

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

### **(6) Operational rule: Localities without staff**

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

### **(7) Operational rule: Activities of local units**

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

### **(8) Operational rule: Local units of an enterprise**

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

## Local kind-of-activity unit (local KAU)

### Definition CR696/93

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

#### Explanatory notes

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

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

#### H. Local unit of homogeneous production (local UHP)

The local unit of homogeneous production (local UHP) is the part of a unit of homogeneous production which corresponds to a local unit.

#### **Additional explanatory text:**

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

### Operational Rules

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

*In case where in one location an activity is prevailing, which is not the main activity of any KAU of the enterprise, and this activity accounts on enterprise level for less than the threshold to form a KAU, an additional KAU may be delineated so that correct LKAUs can be formed.*

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

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

#### **(3) Operational rule: Ancillary activities**

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

## Ancillary activities

### Definition CR696/93

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

(a) it serves only the unit referred to: in other words, goods or services produced must not be sold on the market;

(b) a comparable activity on a similar scale is performed in similar production units;

(c) it produces services or, in exceptional cases, non-durable goods which do not form part of the unit's end product (e. g. small implements or scaffolding);

(d) it contributes to the current costs of the unit itself, i. e. does not generate gross fixed capital formation.

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

- production of small implements for the unit's use is an ancillary activity (in accordance with all criteria),

- own-account transport is normally an ancillary activity (in accordance with all criteria),

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

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

4. Having regard to the definition in point 1, the following activities must not be considered as ancillary activities:

(a) the production of goods or work carried out which forms part of fixed capital formation - in particular, construction work for own account. This is in line with the method used in NACE Rev. 1, where units carrying out construction work for own account are classified under the building industry if data are available;

(b) production, a significant part of which is sold commercially, even if much is used as consumption in connection with the principal or secondary activities;

(c) the production of goods which subsequently become an integral part of the output of the principal or secondary activity - e. g. production of boxes, containers, etc. by a department of an enterprise for use in packing its products;

(d) the production of energy (integrated power station or integrated coking plant), even where this is consumed in its entirety in the principal or secondary activity of the parent unit;

(e) the purchase of goods for resale in unaltered state;

(f) research and development. These activities are not very widespread and do not produce services which are used in current production.

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

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

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

7. If ancillary activities are organized in such a way as to serve two or more entities of a multi-unit enterprise, they may constitute a group of ancillary activities at a distinct location. In this case, in the same way as it would be desirable to cover certain activities completely even if they are carried out independently or by entities which are engaged exclusively in ancillary activities

(such as computer services), it could be useful to allow for supplementary classifications. For this purpose these ancillary entities could then be classified according to their own activities as well as being classified under the activity of the unit to which they belong.

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

**Additional explanatory text:**

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

**Operational Rules**

**(1) Operational rule: Examples of possible ancillary activities<sup>17</sup>**

*1. Distribution and logistics*

*Trade services of own products*

*Freight transport services*

*Cargo handling services*

*Storage and warehousing services*

*Freight transport agency services and other freight transport services*

*Postal and courier services*

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

*Marketing management consulting services*

*Advertising services and provision of advertising space or time*

*Market research and public opinion polling services*

*Advertising and related photography services*

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<sup>17</sup> Compare: Global Value Chains and Economic Globalization Project Report (GVC-EGP), page 26 Table 2; URL: [http://www.cros-portal.eu/sites/default/files/Item\\_3\\_Sturgeon\\_GVC-EGP\\_Report\\_v.10-02-12.pdf](http://www.cros-portal.eu/sites/default/files/Item_3_Sturgeon_GVC-EGP_Report_v.10-02-12.pdf)



*Telephone call centre services*

*Trade show assistance and organization services*

### *3. ICT services*

*Information technology (IT) consulting and support services*

*Hosting and information technology (IT) infrastructure provisioning services*

*IT infrastructure and network management services*

*Telephony and other telecommunications services*

*Internet telecommunications services*

### *4. Administrative and management functions*

*Legal and accounting services*

*Management consulting and management services*

*Business consulting services*

*Other management services, except construction project management services*

*Combined office administrative services*

*Specialized office support services*