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SOURCES FOR IDENTIFICATION OF ENTERPRISE GROUPS (BEFORE PROFILING)

Source for Identification of Statistical Units for Business Registers

Note by Census Center, National Bureau of Statistics, China

I. DEFINITION OF STATISTICAL UNITS FOR BUSINESS REGISTER

1. In China, the Business Register (or Basic Unit Register) is a general definition of units of two types, the legal unit and establishment, which are the main units for the purposes of collecting business statistics. In addition, Business Registers (BR) are also required to hold information on the other statistical units underlying the legal units and establishments.

A. Legal unit

2. Legal unit, a term used to refer to units, which satisfies the following requirements:

- (a) it is legally established with its own name, organization and location, and can bear the civil responsibility independently;
- (b) it owns and uses (or is authorized to use) its assets, is charged with obligations and has the right to sign contracts with other units;
- (c) it has a complete set of accounts and is able to compile balance sheet.

3. The legal unit forms the basis for the statistical unit. The following entities are deemed to be legal units:

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1. Enterprise

4. It may be engaged in one or more economic activities at one or more locations. An enterprise may be a sole legal unit. The enterprise is the smallest legal unit that is an organizational unit producing goods or services for the market, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise may, therefore, be a corporation (or quasi-corporation), a non-profit institution or an unincorporated enterprise.

2. Institutional Unit

5. The term refers to a legal unit, only in its capacity as a producer of goods and services for which a complete set of financial accounts including balance sheet is available, but their profits cannot be the source of income for the units that own them.

3. Administrative Unit

6. The term refers to government units.

4. Social Organization, Non-corporate Civilian Unit (Securities or other assets), Funds, Residential Committee and Villagers' Committee

7. These units have no legal unit qualification. However, they also recorded in the same way as legal units.

8. For BR or national accounts, the legal unit is the basic statistical unit. However for economic activity statistics or regional economic statistics, especially in China, though the legal unit can serve as the basic statistical unit, it is preferable to use the establishment for identification of more detailed and therefore more homogeneous categories of economic activities; and preparation of regional statistics.

B. Establishment

9. Establishment is defined as a legal unit or part of a legal unit that is situated in a single location. In other words, an establishment affiliated to a legal unit refers to the unit, which satisfies the following requirements:

- (a) it refers to as an economic unit that engages, under a single ownership or control - that is, under a single legal unit – in one, or predominantly one, kind of economic activity at a single physical location - for example, a mine, factory or workshop;
- (b) it can organize production and operations under its management;
- (c) it must have information on income and expenditures.

10. The concept of the establishment combines both a kind-of activity dimension and a locality dimension. Therefore, Local kind-of-activity unit or Local unit of homogenous production corresponds to the definition of an establishment which would be at a single physical

location or have only one homogenous activity. It is based on the assumption that the aim of the statistical program is to compile data classified both by activity and by geographical region.

11. The category of Establishments is divided into Headquarters and Branches:
 - (a) Headquarters (local store, local units, etc.) - an establishment that plays a leading and central role among the legal units.
 - (b) Branches (Division, branch factory etc.) - other establishments of legal units, those conform to the conditions of establishments.

II. IDENTIFICATION UNITS

A. Identifying Reporting Units for Special Issues

1. Complex enterprise

12. An enterprise corresponds either to a legal unit or to a combination of legal units. In the majority of cases, the enterprise will be the sole legal basis that is a single enterprise which refers to a legal unit. However, in some cases an enterprise consists of more than one legal unit, but that it may also be smaller than the group of legal units that are related by ownership and control. For example, some corporations may be composed of legal units set up for convenience as tax shelters or for other administrative reasons. In such cases, for statistical purposes it is inappropriate and unnecessary to regard each legal entity as a separate legal unit. If the complex enterprise consists of the units (subsidiaries) of the core enterprises and member enterprises of the enterprise groups and group companies, and the subordinate units of the large integral enterprises (companies) which have got corporate business license, generally regarded as the principal legal basis of the enterprise, the other legal units being termed secondary or third etc., they would be separated as the legal units.

2. Ancillary unit

13. A productive activity undertaken with the sole purpose of producing one or more common type of services for intermediate consumption within the same enterprise is defined as an ancillary activity. These are supporting activities undertaken within an enterprise in order to create conditions within which the principal or secondary activities can be carried out. Examples of ancillary activities are: keeping records, communication, purchasing of materials and equipment, personnel management, warehousing etc. Those ancillary units conform to the conditions of establishments; therefore, they recorded in the same way as establishments.

3. Non-resident unincorporated units (branches)

14. When a non-resident unit, not recognized as a legal unit, has substantial operations over a significant period of time in an economic territory, a branch may be recognized as a quasi-corporation. The institutional unit is identified for statistical purposes because the operations have a strong connection to the geographical area of operations in all ways other than incorporation; therefore, they recorded in the same way as establishments.

4. Across-region units

15. The location may be the combination of all locations belonging to a legal unit within the geographical area. The identification of such a statistical unit allows for the distinction between provinces. Therefore, if activities are exercised at two or more locations, these legal units are recorded into one headquarters and one or more than one branches.

B. Regulation for Special Purpose Units

1. Electrical power network units

16. The reporting unit for the electrical power network will be determined according to 3 connected points, such as electrical power generation, power supply and bureau management organization and will be recorded in the same way as legal units.

2. Finance and insurance system

17. The nature of bank and insurance company is taking the entire system as the legal unit. The census stipulates as follows:

- (a) The branches of the bank above county level (branch at the first class) (including the county level, ditto for the following) will be recorded in the same way as legal units, and the savings bank and office will be recorded as establishments.
- (b) Municipal and county insurance branches will be recorded in the same way as legal units, and the insurance branches will not be divided into the establishments.

3. Telecommunication system

18. For China Telecom, China Mobile, China Netcom, China Unicom, China Jitong, China Railcom and China Satcom etc., which branches over the county level will be recorded in the same way as legal units, and the branches below the county level will be recorded in the same way as establishments.

4. Railway system

19. Railway bureau (group company) and the railway sub-bureau (corporation) will be recorded in the same way as legal units and the stations and the sections underlying it will be recorded as establishments.

III. DATA SOURCES OF BUSINESS REGISTERS

20. The information of BR in China is mostly based on a combination of administrative and statistical sources. Administrative sources are sources containing information that is not primarily collected for statistical purpose, and generally include the codes, types, location and activity of units from the registration agencies for which information varies from standards across the different agencies.

A. Collecting information for Business Registers on economic census

21. The statistical sources generally comprise complete sets of required unit information in unified standards, for each reporting unit information is collected by means of questionnaires or interviews in each their census area which is administrative division at county level classified by geographical region. In principle, during enumeration period of time, each unit may make a return at their actual locations. However, during formal economic census registration period of time, the legal units may make a separate return for its affiliated establishments (whether the establishments were at the same site with it) and itself at legal unit's actual locations.

22. The corporation that registered in department of industry and commerce and produced and operated at different sites (i.e. so called inter-city operating corporation) or the corporation that changed the operating site after registration should make return according to actual production and operation locations during formal economic census registration period of time.

23. The following conditions were exclusive: Corporations of architecture unit in their located provinces (autonomous regions and municipalities directly under the central government) reported the census data of the corporations and all their affiliated construction units during economic census registration period of time.

B. Using administrative information on economic census

24. In China various administrative agencies are responsible various types units registration and managements. The Department of Administration and Reform for Government Agency is responsible for the registration and management of administrative agencies and institution. The Authority of Civil Affairs is responsible for registration and management on social organizations. The Department of Administration for Industry and Commerce is responsible for the registration and management on all enterprises and individual business. The State Administration of Taxation and Local Tax Bureau is responsible for registration and management on the units – only in its capacity as a producer of goods and services. The National Economic Census Office demands those local administrative agencies to supply records of unit registration to the statistics office at the same regional level during enumeration period of time.

25. This notice demand in economic census year other government agencies at each level have to supply all unit records which they are responsible for registration to the statistics office at same level before January 2009. The main records include name and organization number and detail address and code on division of administrative region and contact telephone and industry code (main business activity). Using those records as a clue statistics office at each level could conduct enumeration correctly and timely.

Relationship between legal units and its corresponding administrative agencies

Main types of the legal unit	Name of Registration Authority (or approval)	Tax Bureau (only for producer of goods and services)
1 Enterprise	Department of Administration for Industry & Commerce	State Administration of Taxation Local Tax Bureau
2 Institutional Unit	Department of Administration & Reform for Government Agency	
3 Administrative Unit		
4 Social Organization	Authority of Civil Affairs	
5 Non-corporate Civilian Unit		
6 (Securities or other assets) Funds	Financial Administration Agency	
7.1 Residential Committee,	Authority of Civil Affairs	
7.2 Villagers' Committee		

C. Combining data obtained from different sources**IV. PROCESSING OF DATA**

26. The use of basic data collecting from census and administrative sources, or historical data of BR, for certain purposes, particularly for identifying statistical units will ensure a further increase in the comparability of data between them, especial in implementing economic census year.

27. The range of different sources used for a statistical business register means that there are potential problems, such as duplication of units, and so on. Consequently the comparable data would be dealt with by transformation of the data to the BR standards, the merging of data from different source, the identification of the statistical units as well as the link of the data in the BR, that would be maintained on the business register and provide a sampling unit for the current survey, support links to current survey reporting units, and result in better profiling and coherence of structures and data.

A. Considering issues**1. Correspond to statistical units**

28. One problem often mentioned regarding the mobilization of administrative information for statistical purposes is that it is collected for units that do not always correspond directly to the definition of the required statistical units. By correlating administrative units and statistical units, the register offers a partial solution to these difficulties. It is, however, often necessary to gather further information to identify how different enterprises or group units may be divided into legal units or establishments.

2. Priority order of sources

29. Another problem where multiple sources are used concerns consistency between the sources. Data from one source may appear to contradict those from another source. This may be due to different definitions, classifications or differences in timing, or simply to an error in one source. To resolve such conflicts it is necessary to establish priority rules, by deciding which source is most reliable for a particular variable. Once a priority order of sources has been determined for a variable it should then be possible to ensure that data from a high priority source are not overwritten from a lower priority source. This process is made much easier if source codes and dates are stored alongside the main register variables.

3. Matching data

30. If data from several administrative sources are used, it is likely that the manager of the statistical business register will be faced with problems matching the data. Matching is relatively easy if there is some form of common identification number, but if not, it usually has to be based on variables such as name, address and industry code or by other ways. In such cases it is likely that there will be a certain proportion of false matches and false non-matches, and the need for clerical investigation of possible matches.

V. CONCLUSION

31. Using the term “legal unit” and “establishment” as statistical units for BR can make the complex enterprises or units simplified, which corresponding the structure of the legal system in China, including regulations for the organization of businesses, the particular structure of the industries involved, the type of data collection involved, the purpose of data collection etc. In other words, a complex enterprises or enterprise group are multiplex in their legal, accounting, organizational and operating structures, the whole group could be divided into legal units by their legal basis, or divided into establishments by geographical region or activities, for the statistical units.

32. Considering and developing some operational rules or methods for the profiling of enterprises requires more information, specialist guidance and their experience. In our current statistical system, having a few information for the links between legal units for enterprise group (Syndication), tagging marks could recognize the all links between the parent legal unit (core or group head) and subsidiaries (or sub-subsidiaries) company, the later fill out the code of unit which is the controlled enterprise directly for the subsidiaries company in census questionnaires.
