How will the proposed EU definition of the Enterprise and International Profiling affect the UK Business Register

Abstract

This paper will explain how the UK currently creates enterprises from legal units and how business profiling is used to determine enterprise structures for enterprise groups. The paper will then look at some of the issues that will arise as a result of the proposed change to the enterprise definition in the EU.

The paper will describe current legal unit supply to the business register and then explain the automatic processes in place to create an enterprise. The UK complies with the current EU regulation, by using combinations of legal units, if appropriate, when creating enterprises. For the more complicated businesses, profiling is used to determine the enterprise structure. The paper will examine how this methodology will need to change in order to comply with the proposed new definition of the enterprise. The main difference being that to qualify as an enterprise, it is necessary for a unit to have third party sales. This will mean that any unit with solely intra-group sales will not be considered to be an enterprise.

The impact of the proposed international profiling, based on a top down approach will also be considered. The top down approach based on IFRS global segments, can yield different organizational structures to a bottom up approach based on legal units. The UK currently profiles using a bottom up approach based on legal units. The paper will consider how these approaches lead to different enterprise structures.

The paper will focus mostly on the different methods and concepts, since the new approach has not yet been agreed. ONS will be carrying out data testing to assess the potential impact over the next 18 months, by working on an EU grant.