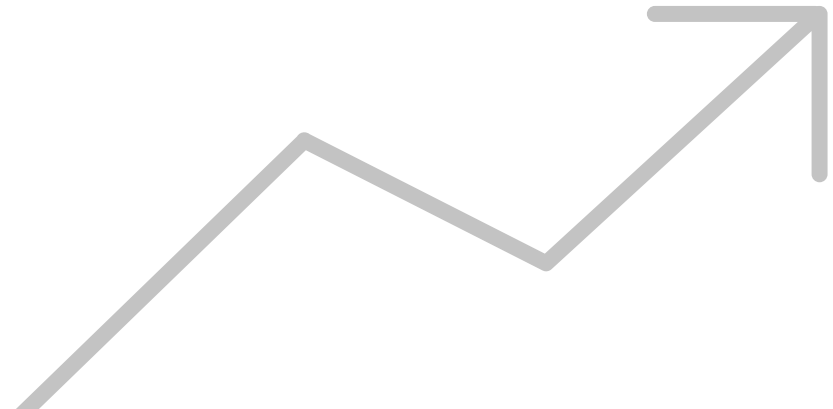


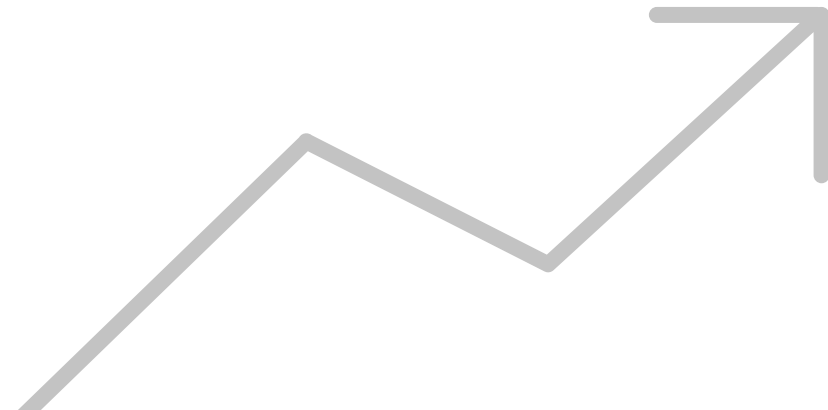
Meeting of the Group of Experts on Business Registers

Brief insights into the German LCU's area of work

15. – 18. October 2024 (online)



What is the german LCU?



Objective

The objective of the work of a Large Cases Unit (LCU) is to ensure the quality of national accounts and underlying economic statistics such as the business register with regard to the conceptually faithful and coherent inclusion of statistical data of multinational enterprise groups (MNEs).

Starting 2020 with LCU – what had been missing?

→ Everything (more or less)

» Legal basis for LCU work

» Drafting of a special law (QVWSG), adoption June 2021

- For example: exchange of microdata (in Germany and EU)

» Staff

» Intensiv stakeholder management

» IT-Tool

» Still ongoing

» Organizational model between Destatis, the Laender and the German Central Bank

» Methodology

» One time problems vs. systematic problems

Speaking of October 2024 – where are we now?

Staff

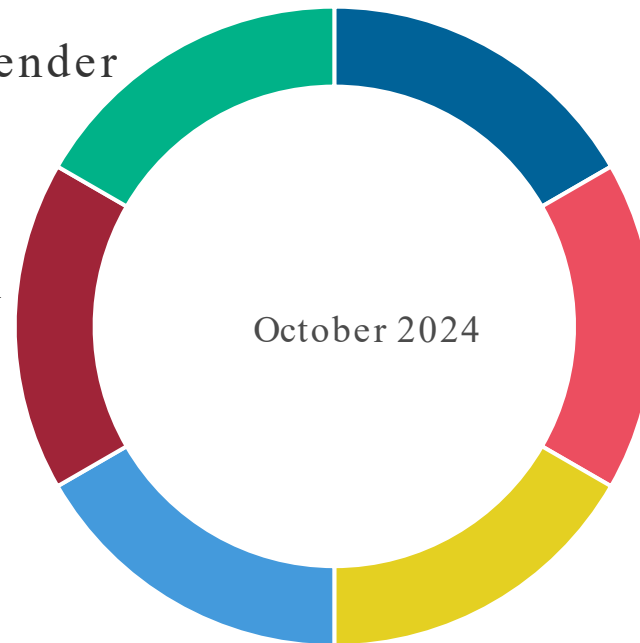
- ~6 FTE at Destatis
- ~8,5 FTE at the Laender

Cases

- ~100 MNEs
- ~6.500 legal units
- ~3/ 5 at manufacturing (NACE B,C)

Methodology

- Inconsistencies turnover + production
- Value added
 - Stocks
 - costs
- Processing under contract
- Merchanting
- VAT-Trader
- SPEs
- FGP



Numbers

- ~2,8 mil. employees
- ~340 bil. Euro value added
- ~2,7 trl. Euro turnover
- ~ 825 bil. Euro import+export

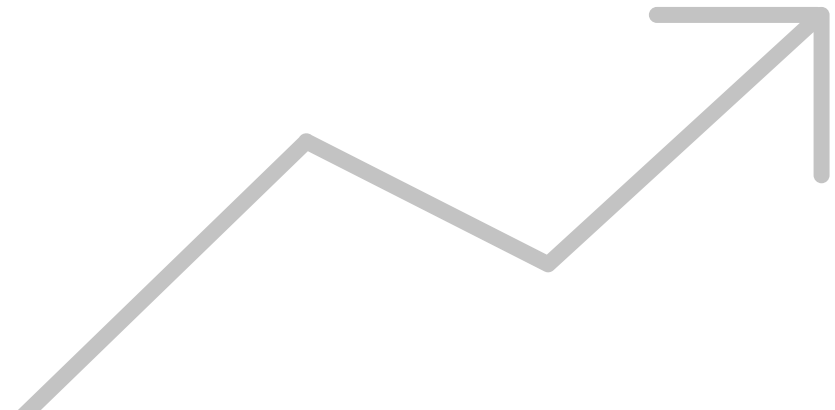
MNE-Contacts

~50 (without follow ups)

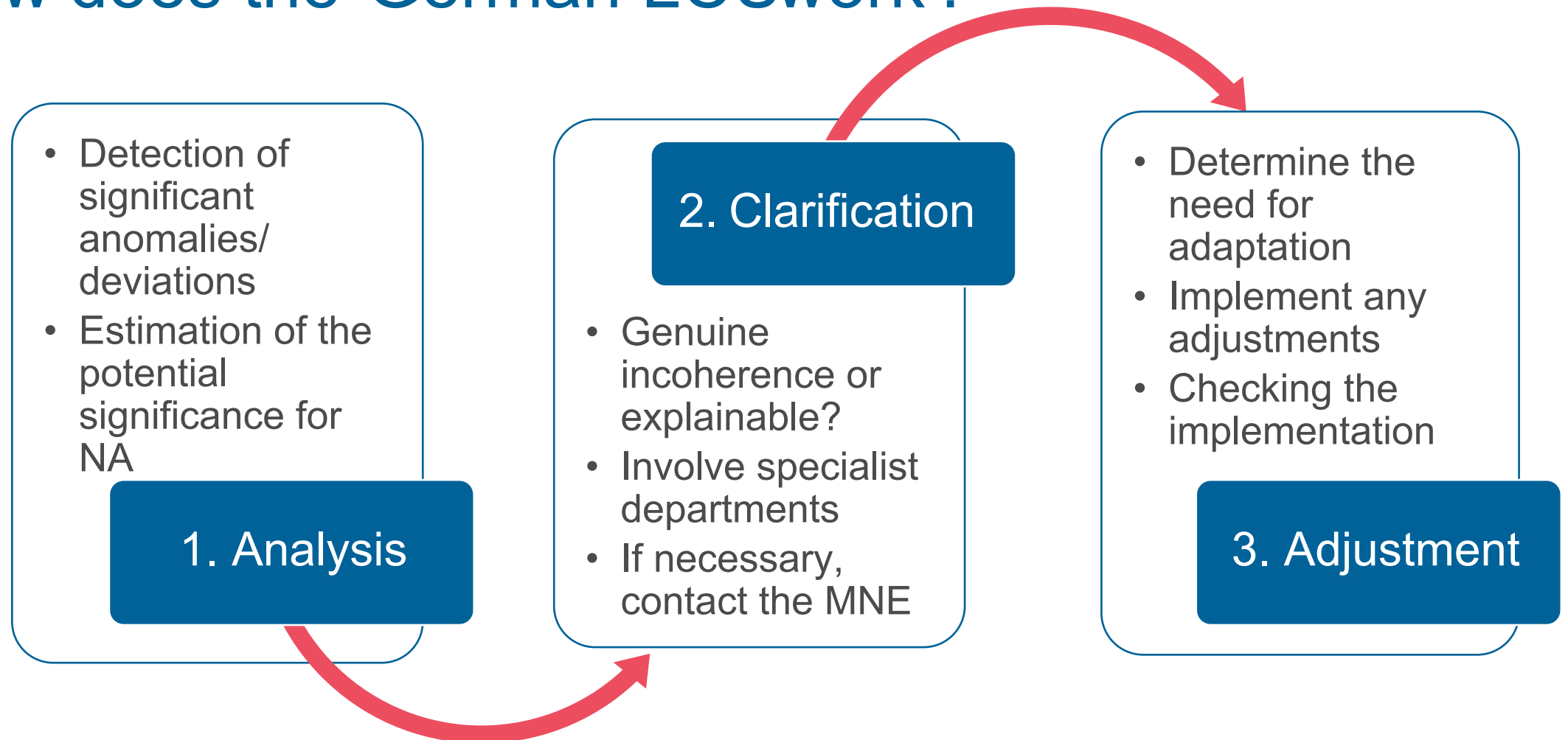
Timeframe

Analysis 2018-2022 (2023)

How do we work at the LCU and find inconsistencies?



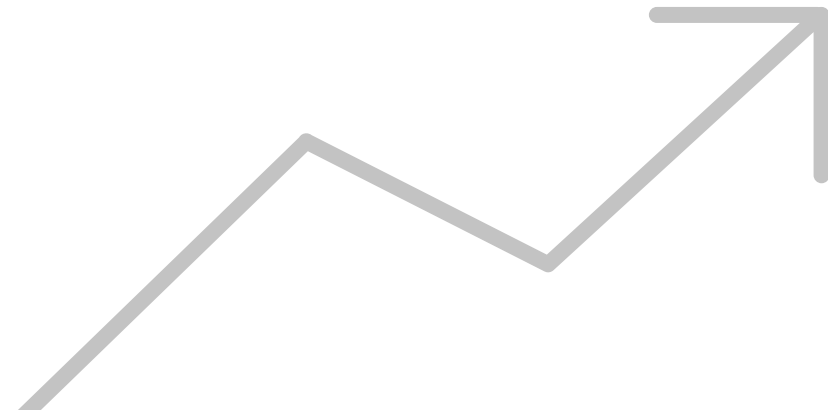
How does the German LCU work?



What do we check with which sources?

Checks (Exempels)	Internal sources						External source			
	SBS	STS	ITGS	ITSS	BR	VAT	VIES	R&D	CbCR	AR
Turnover (value)	✓	✓			✓	✓			✓	✓
Turnover (structur)	✓	✓	✓							✓
Production	✓	✓	✓							
Processing (u.c.)	✓	✓	✓	✓		✓	✓		✓	✓
Merchanting	✓			✓		✓	✓			✓
IP/ IPP	✓			✓				✓	✓	✓
Leasing	✓		✓	✓						✓

Insights to analysis of FGP (factoryless goods producer) case



How can we determine FGP?

→ Real German LCU case

» Starting analysis of MNE structure (BR and/ or profiling)

» Primarily German units, but also global interconnection

» Look into annual reports or financial reports

» The supply chain is usually described and we are looking for two aspects:

- *a) it owns the input materials (raw materials or intermediate goods) to the production process*
- *b) it owns the intellectual property products (IPP).*

» Reporting in BR, SBS, STS

» The German legal units are not coded as Producers (manufacturing) in BR

» Reporting in ITGS, ITSS, VAT, VIES, CbCR data

» ITGS flows to Germany for the final customer

» Merchanting and financial flows (ITSS)

Who is the merchant in transit trade?

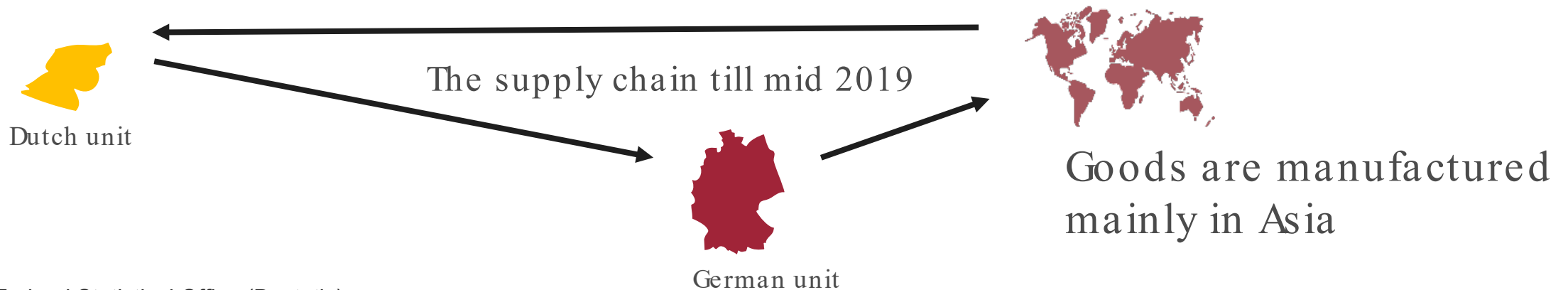
» Looking into CbCR data of the MNE

» Important countries must be Netherlands and starting 2019 Switzerland

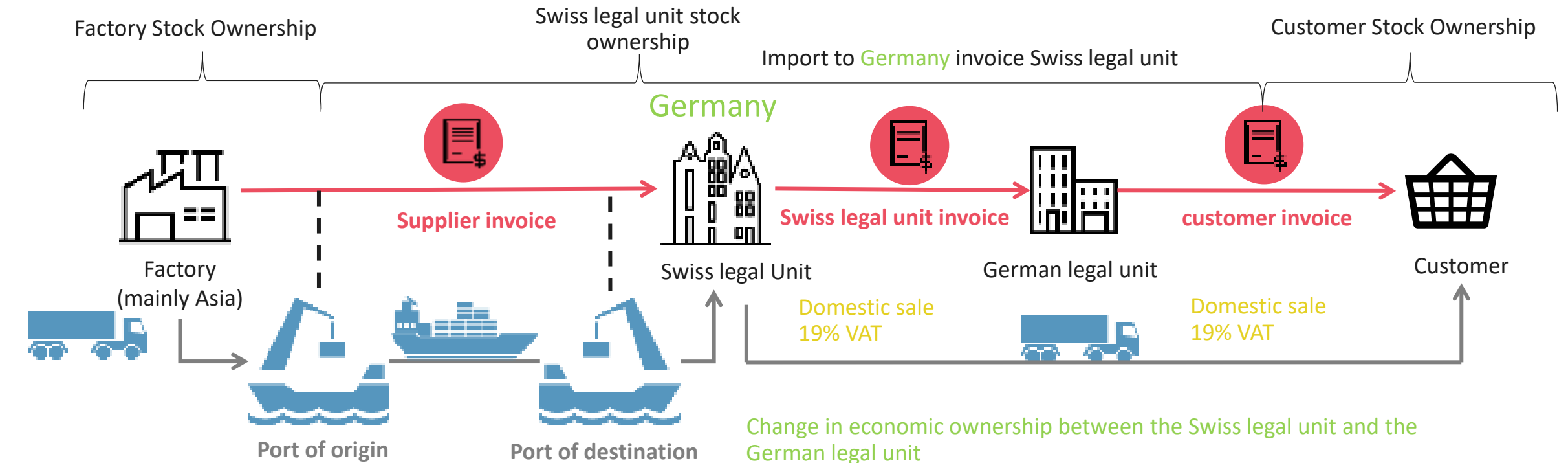
	Profit/Loss	Earnings before Taxes	Equity Capital	Tangible Assets	Turnover and other Proceeds	Turnover and other Proceeds with related Enterprises	Turnover and other Proceeds with unrelated Enterprises	Number of Employees
2017	1.500	7.000	3.000	6.000	36.000	14.000	22.000	57
Netherlands	300	5.000	800	2.000	9.000	8.000	900	1
Germany	100	800	200	800	4.000	2.500	1.300	8
2018	2.300	8.300	2.000	6.000	37.000	15.000	22.000	57
Netherlands	300	5.300	800	1.700	10.000	9.500	600	1
Germany	60	1.800	200	1.000	4.000	3.000	2.000	8
2019	2.700	9.300	2.100	9.400	40.000	16.000	24.000	60
Netherlands	500	3.000	800	100	8.400	8.000	300	1
Germany	200	2.500	200	1.000	4.500	2.900	1.600	8
Switzerland	-100	1.700	1	2.000	2.700	2.500	150	1
2020	1.000	10.000	1.400	9.000	36.000	16.000	20.000	62
Switzerland	150	2.000	1	2.200	10.000	10.000	200	1
Germany	100	3.200	200	1.000	4.000	2.500	1.500	8
Netherlands	30	3.100	100	100	1.000	600	200	1

Who is the merchant in transit trade?

- » Huge revenue with related enterprises in the Netherlands/ Switzerland
- » Total revenue twice as high as in Germany
- » High shares of Netherlands/ Switzerland in tangible assets, equity capital and earnings
- » Other information that completes the overall picture:
 - » Other trade in goods at ITSS data
 - » Licensee fees in ITSS data from the Dutch/ Swiss unit to the German unit
 - » Dutch/ Swiss VAT Trader in ITGS



Can we get a good overview about the supply chain?



 **Financial Flow**
 **Physical Flow**

NOTE: Simplified and harmonized for illustration purposes.

Conclusions?

- » LCU got in contact with the Dutch/ Swiss LCU (or other) and is trying to ensure that all data is reported correctly (SBS, STS, ITGS, ITSS, VAT, BR...)
 - » In Germany should be no production and no entity with a NACE code in manufacturing
 - At least till the NACE revision 2025
 - » We should see royalties from Netherlands/ Switzerland to Germany, which is the main part of turnover/ value added in Germany
 - NACE code 77.40.0
 - » The VAT Trader (ITGS) in Germany should be excluded for NA/ BoP purposes
 - » Dutch/ Swiss units should report transit trade and royalties to Germany
- No “normal” merchanting or processing under contract
- The amount of FGP in Germany is, right now, rather small

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