

Interreg - IPA CBC
Italy - Albania - Montenegro



BRE

THE ITALIAN BUSINESS REGISTER

WP T1 – Transnational business classification criteria

Activity T1.2 – Analysis and identification of CB classification criteria

Deliverable T1.2.1 – Unique classification criteria

Chamber of Commerce of Bari



INDEX

FOREWORD - Project general description.....	3
Project summary.....	3
Project objectives.....	3
Project main results	4
Standards in companies classification used in the 3 Countries business Registries.....	5
Unique classification criteria	6
Establishment of BRE unique classification criteria in order to simplify the query function for users	6
The international system of economic classifications	7
Scope and characteristics	8
Structure and coding of NACE	9
Level 1 Codes	10
Historical background and legal context	11
Other transnational criteria for SMEs statistics, besides activity code: dimension, legal form, number of employees and turnover class	12

PROJECT NAME: “Business Registry Empowerment” - **ACRONYM:** BRE - **PROJECT NUMBER:** 230

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FOREWORD - Project general description

BRE is a project co-funded by European Union, under the Instrument for Pre-Accession Assistance (IPA II) in the framework of first call for proposal for standard projects "IPA CBC Italy – Albania – Montenegro". The project falls within the priority axis 1 "Strengthening the cross-border cooperation and competitiveness of SMEs" and in particular the thematic priority 1.1 "Enhance the framework conditions for the development of SME's crossborder market".

Project summary

A coordination among European Business Registries (BR) is a key factor for a joint continental business environment, producing administrative harmonization, transparency, legal certainty, competitiveness. Thus, national Business Registers from 26 EU Countries gave birth to EBR (European Business Register, a network to exchange experiences and to bring national BRs into harmony. Besides, the 1st EU Council Directive, March 9, 1968) mandated new Member Countries for a central BR, meeting some common requirements. Nowadays, pre-Accession Countries (e.g. Albania and Montenegro) have not tackled this issue yet and are still having a legislative debate on it; if nothing happens, after their formal accession they will have to accomplish the significant effort of connecting to an EU "standards" all at once. There it comes BRE project, by exchanging and improving experiences among Italian, Albanian and Montenegrin BRs on 3 levels: legislative (laws, actors involved, policies), operational (process management), technology (software, hardware, outputs). The Italian experience (1993-2005 reforms and electronic BR implementation) may come as a strength: "Early business registry reformers transformed a formerly paper-based business registry into a nationally centralized, one-stop, automated, web-enabled electronic system. Countries with efficient e-registries tend to have a shorter incorporation timeframes, fewer bureaucratic procedures, a lower cost of entry, a significant role in facilitating business creation. These lessons are hoped to be of help to EU new Member Countries as they embark on delivering EU-conformant e-BRs" [World Bank, "Implementing Electronic Business Registry (e-BR) Services", 2007]. So, creating a transnational platform to link national BRs, the BRE project will empower Chambers of Commerce, Ministries and IT providers (policies, process management, IT instruments); but above all SMEs (cross-border partner searching, legality, competitiveness).

Project objectives

BRE Project main objective matches with the specific objective of the Programme, aiming to enhance the framework conditions for the development of SME's cross-border market, through the creation of a transnational Platform, linked to the three National BRs, in order to favour the

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collaboration among companies. This tool, disseminated by tailored training activities, will boost the internationalization behaviour of SMEs giving them access to an official database of existing companies, enabling them to cooperate and innovate together. Therefore, BRE main output will be the Partner Query Platform, in which the 3 BRs will be joint. These registries are (and remain) property of the Public Institutions involved in BRE and they record existing companies, but can be adequately consulted by an on-demand query and deliver partners list, for instance. The main lack of these Registries, in fact, is that they are “stand-alone” and do not communicate with each other. Moreover, Italian, Albanian and Montenegrin companies are not mapped at all and they use different classification criteria. Besides, data are integrated, provided, managed in different ways, so an harmonization of laws, duties, procedures, processes is a key-factor to provide a commercial and industrial integration among the 3 Countries. The second main output of BRE will be a map of existing repositories and database of business information, favouring the integration between them with unique classification criteria. The third main output is the analysis of the existing legislation systems. BRE will provide a white paper proposal for the unification of business registration system. The other main output will be the capacity building actions addressed to Public institutions and mostly training session both virtual and front-end addressed to companies, fostering the possibility to create value collaborating and innovating at CB level.

Project main results

BRE main result is to improve the SME CB framework conditions, in which PPs work as facilitators of competitiveness. With BRE Platform, SMEs located in Italy, Albania and Montenegro will be able to increase their internationalization with the possibility to enter in foreign markets, open new communication channels and introduce collaborative innovations, as well as with the support of such PPs providing tailored training actions. This will be reflected on a wide number of enterprises receiving non-financial support and the number of business support organizations, public institutions and Research centres cooperating and offering such kind of support. Besides, the general improvement of the 3 BRs will enhance business environment, by facilitating information access, providing transparency and accuracy of data, reducing costs and strengthening efficiencies for SMEs, decreasing the public-sector cost, providing a better tool for market surveillance, business monitoring and competitiveness.

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Standards in companies classification used in the 3 Countries business Registries



The list below shows the classification standards according to which it is possible to make a segmentation in the Italian Company Register. All companies are classified with all these variables and can also be identified by combining them.

- Territory of location (by region, by province, by municipality)
- Sector of activity (Ateco, Italian translation of the NACE system; it is possible to segment the database for different ATECO depths:
 - Sector (e.g. "Manufacturing industries")
 - Division (e.g. "Food industry")
 - Class (e.g. "Milk industry and its derivatives")
 - Subcategory (e.g. "Milk processing" vs "
- Period of registration with the Chamber of Commerce (by class of year of registration, by year or by month)
- Legal nature (by classes of legal nature or by every single legal nature)
- Share capital (by classes of share capital)
- Status (active, inactive, failed, ceased)
- Turnover (by classes of turnover)
- Administrative Territory (in which Chamber of Commerce the company is registered)
- Number of employees (by classes)

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Unique classification criteria

Establishment of BRE unique classification criteria in order to simplify the query function for users

The unique classification criterium adopted in BRE will naturally be the Statistical Classification of Economic Activities in the European Community, commonly referred to as **NACE** (for the French term "*nomenclature statistique des activités économiques dans la Communauté européenne*"). It is the industry standard classification system used in the European Union. The current version is revision 2 and was established by Regulation (EC) No 1893/2006. It is the European implementation of the UN classification ISIC, revision 4.

There's a correspondence between NACE and United Nations' International Standard Industrial Classification of all Economic Activities. NACE is similar in function to the SIC and NAICS systems:

- Standard Industrial Classification
- North American Industry Classification System

NACE uses four hierarchical levels:

- Level 1: 21 sections identified by alphabetical letters A to U;
- Level 2: 88 divisions identified by two-digit numerical codes (01 to 99);
- Level 3: 272 groups identified by three-digit numerical codes (01.1 to 99.0);
- Level 4: 615 classes identified by four-digit numerical codes (01.11 to 99.00).

The first four digits of the code, which is the first four levels of the classification system, are the same in all European countries. National implementations may introduce additional levels. The fifth digit might vary from country to country and further digits are sometimes placed by suppliers of databases.

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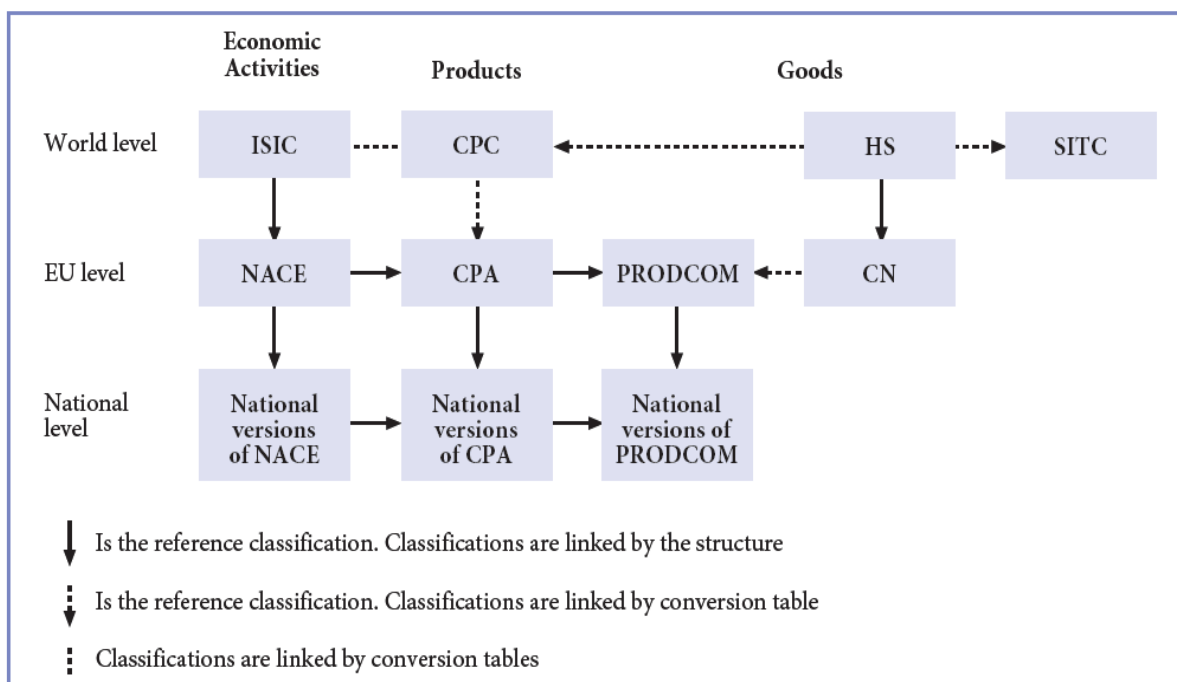
NACE background

NACE is the acronym used to designate the various statistical classifications of economic activities developed since 1970 in the European Union (EU). NACE provides the framework for collecting and presenting a large range of statistical data according to economic activity in the fields of economic statistics (e.g. production, employment, national accounts) and in other statistical domains.

Statistics produced on the basis of NACE are comparable at European and, in general, at world level. The use of NACE is mandatory within the European statistical system.

The international system of economic classifications

The comparability at world level of statistics produced on the basis of NACE is due to the fact that NACE is part of an integrated system of statistical classifications, developed mainly under the auspices of the United Nations Statistical Division.



From the European point of view, this system can be represented as follows:

Where:

- ISIC is the United Nations' International standard industrial classification of all economic activities.

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- CPC is the United Nations' Central product classification.
- HS is the Harmonized commodity description and coding system, managed by the World Customs Organization.
- CPA is the European Classification of products by activity.
- PRODCOM is the classification of goods used for statistics on industrial production in the EU.
- CN stands for the Combined nomenclature, a European classification of goods used for foreign trade statistics.

Such an integrated system allows the comparability of statistics produced in different statistical domains. As a consequence, for instance, statistics on the production of goods (reported in the EU according to PRODCOM surveys) could be compared with statistics on trade (in the EU produced according to CN).

NACE is derived from ISIC, in the sense that it is more detailed than ISIC. ISIC and NACE have exactly the same items at the highest levels, where NACE is more detailed at lower levels.

In order to ensure international comparability, the definitions and the guidelines established for use of NACE within the EU are consistent with those published in the introduction to ISIC.

Scope and characteristics

All observations that are to be described in terms of statistics require systematic classification. Classifications partition the universe of statistical observations according to sets that are as homogeneous as possible with respect to the characteristics of the object of the statistical survey. Statistical classifications are characterized by:

- exhaustive coverage of the observed universe;
- mutually exclusive categories: each element should be classified in only one category of the classification;
- methodological principles which allow the consistent allocation of the elements to the various categories of the classification.

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NACE is the European standard classification of productive economic activities. NACE presents the universe of economic activities partitioned in such a way that a NACE code can be associated with a statistical unit carrying them out.

An economic activity takes place when resources such as capital goods, labour, manufacturing techniques or intermediary products are combined to produce specific goods or services. Thus, an economic activity is characterised by an input of resources, a production process and an output of products (goods or services).

An activity as defined here may consist of one simple process (for example weaving), but may also cover a whole range of sub-processes, each mentioned in different categories of the classification (for example, the manufacturing of a car consists of specific activities such as casting, forging, welding, assembling, painting, etc.). If the production process is organised as an integrated series of elementary activities within the same statistical unit, the whole combination is regarded as one activity.

Structure and coding of NACE

NACE consists of a hierarchical structure (as established in the Regulation (EC) No 1893/2006), the introductory guidelines and the explanatory notes. The structure of NACE is described in the NACE Regulation as follows:

- a first level consisting of headings identified by an alphabetical code (**sections**),
- a second level consisting of headings identified by a two-digit numerical code (**divisions**),
- a third level consisting of headings identified by a three-digit numerical code (**groups**),
- a fourth level consisting of headings identified by a four-digit numerical code (**classes**).

The divisions are coded consecutively. However, some “gaps” have been provided to allow the introduction of additional divisions without a complete change of the NACE coding. These gaps have been introduced in sections that are most likely to prompt the need for

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additional divisions. For this purpose, the following division code numbers have been left unused in NACE Rev. 2: 04, 34, 40, 44, 48, 54, 57, 67, 76, 83 and 89.

NACE coding full description can be found here:
<https://ec.europa.eu/eurostat/documents/3859598/5902521/KS-RA-07-015-EN.PDF>

Level 1 Codes

The 21 Level 1 codes are:

Statistical Classification of Economic Activities in the European Community Rev. 2 (2008): Level 1 Codes

Code	Economic Area
A	Agriculture, Forestry and Fishing
B	Mining and Quarrying
C	Manufacturing
D	Electricity, Gas, Steam and Air Conditioning Supply
E	Water Supply; Sewerage, Waste Management and Remediation Activities
F	Construction
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles
H	Transportation and Storage
I	Accommodation and Food Service Activities

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J Information and Communication

K Financial and Insurance Activities

L Real Estate Activities

M Professional, Scientific and Technical Activities

N Administrative and Support Service Activities

O Public Administration and Defence; Compulsory Social Security

P Education

Q Human Health and Social Work Activities

R Arts, Entertainment and Recreation

S Other Service Activities

T Activities of Households as Employers; Undifferentiated Goods and Services Producing
Activities of Households for Own Use

U Activities of Extraterritorial Organisations and Bodies

Historical background and legal context

- Between 1961 and 1963, Nomenclature des industries établies dans les Communautés européennes” (NICE) (Classification of Industries Established in the European Communities)

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- 1965, Commerce dans la CEE” (NCE) (Classification of Trade and Commerce in the European Communities)
- 1967, Classification for services, followed by one for agriculture, both in broad divisions.
- 1970, Nomenclature générale des activités économiques dans les Communautés Européennes” (NACE - General Industrial Classification of Economic Activities within the European Communities)
- 1990, NACE Rev. 1. Starting from the structure of ISIC Rev. 3, details were added to reflect European activities that were inadequately represented in ISIC.
- 2002, minor update of NACE Rev. 1, called NACE Rev. 1.1
- 2006 NACE Rev. 2. It is to be used, in general, for statistics referring to economic activities performed from 1 January 2008 onwards (Article 8 of the NACE Regulation provides details on implementation)

The Italian National Institute of Statistics (ISTAT) uses a classification of economic activities (**Ateco 2007**) and adopts it in current statistical surveys, after replacing the previous one (Ateco 2002). The 2007 Ateco is the national version of the classification (Nace Rev. 2) defined in the European context and approved by Commission regulation no. 1893/2006, published in the Official Journal of December 30, 2006, which, in turn, derives from the one defined at the UN level (Isic Rev. 4). Therefore, there is no problem in adapting the **ATECO** classification (on which the Italian business registers are based) to the NACE classification, because the two systems can be considered one the translation of the other.

Other transnational criteria for SMEs statistics, besides activity code: dimension, legal form, number of employees and turnover class

Small and medium-sized enterprises (SMEs) are often referred to as the backbone of the European economy, providing a potential source for jobs and economic growth.

SMEs are defined by the European Commission as having less than 250 persons employed. They should also have an annual turnover of up to EUR 50 million, or a balance sheet total

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of no more than EUR 43 million (Commission Recommendation of 6 May 2003). These definitions are important when assessing which enterprises may benefit from EU funding programmes aimed at promoting SMEs, as well as in relation to certain policies such as SME-specific competition rules.

Annual structural business statistics with a breakdown by size-class are the main source of data for an analysis of SMEs. A limited set of the standard SBS variables (number of enterprises, turnover, persons employed, value added, etc.) is available mostly down to the 3-digit (group) level of the activity classification (NACE), based on criteria that relate to the number of persons employed in each enterprise. The number of size-classes available varies according to the activity under consideration. However, the main company classes used for presenting the results are:

- **micro enterprises:** with less than 10 persons employed;
- **small enterprises:** with 10-49 persons employed;
- **medium-sized enterprises:** with 50-249 persons employed;
- **small and medium sized enterprises (SMEs):** with 1-249 persons employed;
- **large enterprises:** with 250 or more persons employed.

Another important element for the SME's definition is Legal Form. On this topic, BRE project will be adopting Eurostat's Concepts and Definitions Database

The legal form (also known as legal status) is defined according to national legislation. It is useful for eliminating ambiguity in identification searches and as the possible criterion for selection or stratification for surveys. It is also used for defining the institutional sector. Statistics according to legal form are produced e.g. in business demography. The character of legal or natural person is decisive in fiscal terms, because the tax regime applicable to the unit depends on this. It means that any statistical register fed with fiscal records will have that information. Experience has shown that legal form will often be useful to make adjustments to information collection processes and questionnaires on the legal unit operating an enterprise. A code representing the legal form should therefore be recorded in accordance with the classification of legal forms or categories.

The following **legal forms** can be found in most countries:

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- **Sole proprietorship:** Enterprise owned exclusively by one natural person.
- **Partnership:** Association of persons who conduct a business under a collective name. It can take the form of a limited partnership.
- **Limited liability companies:** Enterprises comprising joint-stock companies, limited partnerships with share capital and private limited company.
- **Co-operative societies:** These are bodies set down by law in each country. They observe a number of general principles, for example they may only be entitled to provide their services to members, profits are often distributed in proportion to members' dealings with the society, etc.
- **Non-profit making bodies.**
- **Enterprises with other forms of legal constitution:** This group includes nationalised industries, publicly-owned enterprises and state or local authority monopolies.

The source for this classification is Eurostat, "Business registers. Recommendations manual", Methodologies and Working Papers, Publications Office of the European Union, Luxembourg, 2010.

An useful hyperlink is this one: <http://ec.europa.eu/eurostat/ramon/statmanuals/files/KS-32-10-216-EN-C-EN.pdf>

Finally, the classification based on the number of employees and on the turnover class is self-explaining.

A possible classification of turnover ranges, based on Eurostat methodology:

- Absent
- Negative
- up to € 250 thousand €
- 250 - 500 thousand €
- 500 m - € 1 million
- 1 - 2.5 million €
- 2.5 - € 5 million
- € 5 million to € 10 million
- 10 - 25 million €

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- 25 - 50 million €
- more than € 50 million

A possible classification of ranges of employees, based on Eurostat methodology:

- 0 employees
- 1 employee
- 2-5 employees
- 6-9 employees
- 10-19 workers
- 20-49 employees
- 50-99 employees
- 100-249 employees
- 250-499 employees
- more than 500 employees

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