



**MONTENEGRO STATISTICAL  
OFFICE MONSTAT**

## **METHODOLOGY**

### **STATISTICAL BUSINESS REGISTER**

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Statistical business registrar  
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## INTRODUCTION

### 1. Importance and need for the Statistical Business Register (SBR)

In accordance with the need to harmonize the statistical system of Montenegro with the statistical systems of the European Union Member States, the conditions were created for the introduction of the Statistical Business Register (hereinafter referred to as the SBR) into the statistical system.

The SBR represents a highly important component of the statistical survey system (in order to achieve a satisfactory level of consistency and comparability of statistics, the standardization of registers is necessary; for this reason, the Council Regulation on Statistical Business Registers – EEC No 696/93).

The SBR is a reliable source of data on the population and demography of business entities. It serves as a sampling frame for all business statistics surveys within the national statistical system, provides a database from which address information is drawn for the distribution of questionnaires in statistical surveys, etc. Such a register is considered a system that transforms data from administrative sources into data suitable for statistical use. The importance of the Statistical Business Register also lies in the fact that it is an up-to-date file containing all statistical units active on the territory of Montenegro, generating revenue and possessing relevant statistical and administrative attributes.

### 2. Objectives of the SBR

Following the decision on the necessity of introducing and maintaining the SBR, a detailed analysis of current and future objectives was undertaken in order to determine the most appropriate way to develop the SBR. The main objectives of the SBR are:

**Coverage** – The objective of the register is to cover as much national economic activity as possible, although there is an increasing cost-benefit ratio when attempting to include the smallest units; therefore, some form of threshold is usually applied in practice.

**Quality** – A high-quality business register contributes to improving the efficiency of the national statistical system, which in turn may help reduce the reporting burden borne by business entities.

**Authority** – The SBR serves as the primary source of data for a large number of statistical surveys within the national statistical system.

### 3. Principles of the SBR

In line with its established objectives, the SBR is designed on the basis of the following fundamental principles: confidentiality, comprehensiveness, timeliness, and rationality.

- Principle of comprehensiveness – The SBR covers all units engaged in economic activity on the territory of Montenegro, regardless of their legal form, size, or activity.
- Principle of timeliness – This principle refers to the continuous recording of all changes occurring during the activity of registered units, as well as to the updating of the entire SBR based on data collected through questionnaires completed by register units and on data obtained from administrative sources.

- Principle of rationality – Since the SBR serves as a framework for numerous statistical surveys, it is necessary to adhere to the principle of reducing the reporting burden on reporting units by requesting the same data several times from reporting units for different surveys.
- Principle of confidentiality – Individual data on all units included in this register are confidential and are used exclusively for statistical purposes, as regulated by the Law on Statistics and the Statistical System.

#### **4. Legal Basis of the SBR**

The Statistical Business Register in Montenegro is maintained in accordance with the legal framework of the European Union in the field of business statistics, primarily Regulation (EU) 2019/2152 on European business statistics and its accompanying implementing acts. This framework ensures the harmonisation of registers, comparability of data and the exchange of information between the national statistical system and Eurostat. Statistical units are defined in accordance with Council Regulation (EEC) No 696/93.

## II UNITS OF THE STATISTICAL BUSINESS REGISTER

For the classification of SBR units, the following criteria are applied, as defined by Regulation (EEC) No. 696/93: Legal, accounting or organizational criterion

- Geographical criterion
- Activity criteria

### Legal, Accounting or Organizational Criterion

“In order to define units that can be recognized and identified within the economy, a legal or institutional criterion must be applied. In some cases, legally separate units may be grouped together if they are not sufficiently autonomous from an organizational perspective. For the definition of certain types of units, an accounting or financial criterion is applied.”<sup>1</sup>

### Geographical Criterion

“A distinction should be made between the following areas: local, regional, national and global. Rules relating to geographical criteria must be strict in order to enable consolidation and to avoid double counting or omissions.”<sup>2</sup>

### Activity Criteria

An activity arises when resources such as equipment, labour, industrial techniques, information networks or products are combined, resulting in the creation of a specific product or service. It is characterized by input (goods or services), a production process and output (goods or services), and is determined by reference to a specific level of the KD-2025 classification.

If a unit carries out more than one activity, all activities except ancillary activities are ranked according to gross value added, based on the type of costs they generate. A distinction is made between the predominant (primary) activity and secondary activities. Units are classified on the basis of their activity. If more than 50% of value added is generated by one activity, this determines the classification of the unit. Classification is carried out in steps, starting from the highest level – Section (one letter), through Division (two digits) and Group (three digits), down to Class (four digits). The determination of the predominant and secondary activities is carried out using the top-down method.

### Top-Down Method

The top-down method follows a hierarchical principle: the classification of a unit at the lowest level of classification must be consistent with its classification at higher structural levels. In order to satisfy this condition, the process begins with the identification of the relevant highest levels and then proceeds downward through the classification levels as follows:

- The section with the largest share in value added is identified;
- Within this section, the division with the largest share in value added is identified;
- Then, the group contributing the most to value added is identified;
- Then, the class with the largest share in value added is identified.

<sup>1</sup> Source: Regulation EEC No. 696/93

<sup>2</sup> Source: Regulation EEC No. 696/93

Primary and secondary activities are supported by ancillary activities such as, for example, administration, accounting, data processing, process monitoring, purchasing, sales and marketing, storage, repairs, transport, etc. Ancillary activities within a unit are carried out in order to enable or facilitate the production of goods or services for third parties undertaken by that unit. The outputs of ancillary activities are not themselves offered to third parties.

## **1. Legal Unit**

A legal unit, either on its own or in combination with other legal units, provides the legal basis for one of the most important statistical units, namely the enterprise. It is not a statistical unit in itself, but it performs all or part of a production activity and is used to constitute an enterprise.

It includes:

- Legal persons whose existence is recognized by law independently of the individuals or institutions that may own them or be their members;
- Natural persons engaged in an economic activity on their own account (self-employed persons).

A legal unit has legal personality, meaning that its rights and obligations are defined by the Company Law of Montenegro. Certain rights may be granted or obligations imposed only on legal units by law, which is why statisticians must take legal units into account, as they – and only they – have obligations toward statistical authorities.

Usually, an enterprise has one legal unit serving as its legal basis. However, this is not always the case, since it is sometimes possible for several legal units to be combined in order to carry out a business activity, i.e. to form one enterprise.

### **1.1. Relations Between Legal Units**

Legal units may have various types of relationships with one another, based on financial (ownership and control) and business relations.

The most important business relations include procurement, strategic advice, market partnerships, licensing agreements, and franchise agreements. These relationships may be based on informal arrangements as well as contractual agreements.

With regard to financial ownership relationships, these arise as close relationships between a natural person and a legal person, and between legal persons. Ownership may be full or partial, meaning that a legal unit may be wholly owned by a natural or legal person, or ownership may be shared between natural and legal persons.

A control relationship is a different type of close relationship that occurs only between a natural or legal person exercising control and a legal unit that is controlled, which is always a legal person. Units Engaged in Economic Activity and Units Not Engaged in Economic Activity but Included in This Register

Forms of carrying out economic activities include companies and other forms defined by the Company Law of Montenegro:

- a) General partnership – “OD”
- b) Limited partnership – “KD”
- c) Joint-stock company – “AD”
- d) Limited liability company – “LLC” (multi-member and single-member)
- e) Institution
- f) Cooperative
- g) Entrepreneur (Sole Proprietor)
- h) Parts of foreign companies (Branches of foreign companies)
- i) Non-governmental organization
- j) Trade union organization
- k) Sports organization

- a) General partnership – code under which it is recorded in this register (10)

A general partnership is a relationship between persons carrying out an activity for the purpose of generating profit. All companies whose members do not have limited liability are general partnerships. Persons who have entered into a partnership relationship are called partners and are collectively referred to as the firm. A partner may be a natural or legal person. A partner has unlimited joint and several liability.

- b) Limited partnership – code under which it is recorded in this register (11)

A limited partnership is a company consisting of one or more persons called general partners and one or more persons called limited partners, collectively referred to as the firm. General partners have unlimited joint and several liability for all obligations of the company. Limited partners are liable for the obligations of the company up to the amount of their contributions. Contributions of limited partners may be in cash or in assets and rights subject to valuation. During the existence of the company, a limited partner may not, directly or indirectly, withdraw or receive back any part of their contribution; otherwise, they are liable for the company's obligations up to the amount withdrawn or received. A general partner or limited partner may be a natural or legal person.

- c) Joint-stock company – code under which it is recorded in this register (12)

A joint-stock company acquires legal personality on the day of registration. It is a company of natural or legal persons established for the purpose of carrying out an economic activity, whose capital is divided into shares. A joint-stock company is a legal person whose assets and liabilities are completely separate from those of its shareholders and it is liable for its obligations with all of its assets. Shareholders are not liable for the company's obligations with their personal assets. A joint-stock company may be established for a definite or indefinite period and ceases to exist in accordance with the provisions of the aforementioned Company Law. Parts of a joint-stock company do not have legal personality.

- d) Limited liability company – code under which it is recorded in this register (15 and 14)

A limited liability company acquires legal personality on the day of registration. It may be established by natural or legal persons by contributing monetary or non-monetary assets to the company for the purpose of generating profit, and its founders are liable for the company's obligations up to the amount of their

contributions. The founders' contributions constitute the initial capital of the company. The company name must include the designation "LLC". A limited liability company may be established by one or more persons and may have a maximum of 30 members. Parts of a limited liability company do not have legal personality.

e) Institution – code under which it is recorded in this register (85)

An institution is a form of organization established to carry out activities in the fields of education, science, culture and physical culture, pupil and student standards, healthcare, social protection, child welfare, social insurance, etc.

f) Cooperative – code under which it is recorded in this register (21)

A cooperative is a voluntary organization of cooperative members who, through joint business operations, pursue their economic interests and independently decide on matters of common interest.

g) Entrepreneur (sole proprietor) – code under which it is recorded in this register (18)

An entrepreneur is a natural person engaged in an economic activity for the purpose of generating profit, and who does not carry out that activity on behalf of another person. A person engaged in an independent profession regulated by specific legislation shall be considered an entrepreneur within the meaning of this law, if so prescribed by that legislation.

An entrepreneur is liable for all obligations related to the economic activity performed, with their entire personal assets.

h) Part of a foreign company (branch of a foreign company) – code under which it is recorded in this register (90)

A part of a foreign company is a part of a company established and registered outside Montenegro that carries out activities within its territory. It exists and conducts economic activities in accordance with this and other laws of Montenegro.

i) Non-governmental organization – code under which it is recorded in this register (83)

All organizations operating in society can be divided into state organizations (public sector) and non-state organizations (private sector). Non-state organizations established by citizens on the basis of private initiative are organizations of civil society.

These non-state organizations can further be divided into profit (commercial) and non-profit (non-commercial) organizations. Profit organizations are those whose activities aim to generate profit and increase existing capital (e.g., privately owned enterprises). In contrast, non-profit organizations are those that do not generate profit or, if they do, do not reinvest it to increase capital but rather use it for various socially beneficial activities and purposes (e.g., humanitarian and charitable activities).

Non-profit organizations may be established not only by citizens but also by the government; therefore, they are divided into governmental (public) and non-governmental (private) non-profit organizations. When referring to civil society organizations, this term always refers to the latter type – non-governmental non-profit organizations.

Non-governmental non-profit organizations are autonomous and independent organizations established by groups of citizens with various motives, interests, goals and needs. These are all organizations that are not governmental (state), although the state also has its own organizations addressing similar issues, but with the support of the state apparatus (through organization, control and financing of their activities).

j) Trade union organization – code under which it is recorded in this register (82)

A trade union organization is a voluntary interest-based organization of employees and represents the basic form of trade union organization and activity. A trade union organization is constituted by trade union branches, by adopting the Trade Union Program and the Statute of the Confederation of Trade Unions of Montenegro, as well as the Rules of the Trade Union Organization.

Trade union branches are a smaller organizational form within a Trade Union Organization and are established in accordance with the interests of the membership and the work process.

The Trade Union Organization is independent from management and state authorities, as well as from political and other parties.

Members of the Trade Union Organization include all employees, except members of management. The organization advocates for the realization, protection, and improvement of the economic, social, educational, and cultural interests of trade union members. It has legal personality and is registered with the Ministry of Labour and Social Welfare in Podgorica.

k) Sports organization – code under which it is recorded in this register (82)

Sports organizations are established by a founding act and in accordance with Articles 36, 37, 47, 48, and 50 of the Law on Sports (Official Gazette No. 36/11 of 27 July 2011). With the exception of professional sports clubs, they are non-profit legal entities.

An amateur sports club may be established for the purpose of conducting training sessions, preparations, and competitions for athletes in a specific sport. In carrying out sports activities, an amateur sports club pursues educational, socio-cultural, and humanitarian objectives. It may be established by domestic and/or foreign legal and natural persons.

A sports organization may be established and carry out sports activities if it has: an adequate sports facility or premises and equipment; appropriate personnel; and a program of activities. Upon registration in the Register, a sports organization acquires legal personality.

### **3. Institutional unit**

An institutional unit is a basic center of economic decision-making characterized by autonomy in decision-making in the performance of its principal functions.

In order for a unit to be considered autonomous in decision-making with respect to its main function, it must:

- Have the right to own goods or assets in its own name, and therefore be able to transfer ownership of goods or assets in transactions with other institutional units;
- Be able to make economic decisions and carry out economic activities for which it is considered legally responsible.

Maintaining a complete set of accounts means that the unit must keep accounting records covering all its economic and financial transactions during the accounting period, as well as a balance sheet of assets and liabilities.

Holding companies are institutional units whose primary function is to manage a group of units. The following units are considered institutional units:

- Units that have a complete set of accounts and autonomy in decision-making:
  - private and public enterprises.
  - Cooperatives and partnerships, if recognized as independent legal entities;
  - Public producers that are treated as independent legal entities under specific legislation;
  - Non-profit institutions treated as independent legal entities;
  - Government agencies.

Units that have a complete set of accounts and are, by convention, considered to have autonomy in decision-making.

**Quasi-corporations:** sole proprietorships, partnerships and public enterprises, other than those previously mentioned, to the extent that their economic and financial behavior can be separated from that of their owners.

#### **4. Kind of activity unit (KAU)**

A Kind of Activity Unit (KAU) groups together all parts of an enterprise that contribute to the performance of an activity at the level of a class of the KD-2025 classification. It was introduced as an observation unit in order to improve the homogeneity of statistical survey results by activity and thereby enhance the international comparability of those results, since at the enterprise level different types of horizontal and vertical integration may be observed, both nationally and internationally.

An entity that carries out only ancillary activities for the enterprise to which it belongs is not considered a separate KAU.

#### **5. Local unit (LU)**

A local unit is an enterprise or part of an enterprise (workshop, factory, warehouse, office, mine, depot, etc.) located at a geographically identified place. At or from this location, an economic activity is carried out, except for certain exceptions, by one or more persons (who may also work part-time) for the same enterprise.

Additional explanations provided in Regulation (EEC) state:

- If a person works in more than one location (e.g. maintenance or supervision) or works from home, the local unit is considered to be the place from which instructions are issued or from which the work is organized. All legal units serving as the legal basis for an enterprise or for part of an enterprise must have a local unit, which is the registered office (headquarters), even if no one works there.
- By convention, the postal address is a determining factor for identifying the local unit.
- The boundaries of the unit are defined by the boundaries of the land on which it is located; for example, a public road passing through the unit does not interrupt the continuity of its boundaries.
- Local units without separate legal personality that are dependent on foreign enterprises are treated as quasi-enterprises.

A local unit must have one or more employed persons, working at least part-time, in order to be included in the Statistical Business Register. An exception to this rule applies to registered headquarters that constitute the legal basis of an enterprise and must be recorded as local units “even if they are only domiciliary activities without any real activity and even if no one works there”.

Local units may carry out more than one activity and may, for the purposes of statistical surveys, be treated as one or more Local Kind-of-Activity Units (LKAUs).

## **6. Local Kind-of-Activity Unit (LKAU)**

A Local Kind-of-Activity Unit corresponds to the operational definition of an “establishment”.

The compilation of the statistical units Local Unit (LU) and Kind-of-Activity Unit (KAU) is based on information on the Local Kind-of-Activity Unit (LKAU), as follows:

- Local unit – based on address;
- Kind-of-activity unit – based on activity.

## **7. Enterprise group**

An enterprise group is an association of enterprises linked by legal and/or financial relationships. It may have more than one decision-making center, particularly for determining business policy, sales policy, and profit policy. It represents an economic entity authorized to make choices, especially with regard to the units it comprises. It is a statistical unit at the international level, whereas the enterprise is defined only at the national level.

The economic importance of enterprise groups and their inclusion in the Statistical Business Register lies in the fact that enterprise groups are one of the most important channels of external growth, enabling the combination of the advantages of flexible structures, composed of a set of legally autonomous units, with the advantages arising from the possibility of centralizing certain specific functions that benefit from economies of scale and size. The activities of enterprise groups extend globally, as the location of units is a strategic variable aimed at achieving comparative advantages.

The main reasons why enterprises form an enterprise group are:

- To control a broader market;
- To increase domestic productivity through better management;
- To address certain issues related to the internal organization of the enterprise, as well as its relationships with the external environment.

According to Council Regulation No. 696/93 on statistical units, the enterprise group is a statistical unit. The main issue raised in business statistics concerns understanding the structure of the economy as expressed by the number and size of autonomous units, i.e. enterprises.

From the perspective of Member States (as well as the European Union as a whole), it is important to know the number of foreign-controlled enterprises and to obtain indications for assessing the impact of globalization processes on the domestic economy.

The concept of control is the fundamental concept used to delineate an enterprise group. The legal unit at the top of an enterprise group is called the head of the group. The head of the group is "a parent legal unit that is not controlled, either directly or indirectly, by any other legal unit."

The source of data on the statistical unit of the enterprise group is the Statistical Business Register. The main data sources are the Tax Administration, the Central Register of Business Entities, consolidated accounts, as well as specific SBR surveys on the operations of medium-sized and large enterprises and enterprises with constituent units.

The Central Register of Business Entities contains data on the percentage of ownership held by legal or natural persons in a legal entity.

There is a possibility that an enterprise group may be:

- **All-resident** (a group composed entirely of legal entities from our country and consisting of at least two legal units);
- **Truncated** (where the head of the multinational enterprise group is located in a foreign country);
- **Multinational** (a group of enterprises in which at least two legal units are located in different countries).

### III CONTENT OF THE STATISTICAL BUSINESS REGISTER

According to the methodology, the SBR covers all units engaged in economic activity on the territory of Montenegro (excluding households and foreign embassies), regardless of their legal form, size, or activity. The SBR is based on two classifications: the Classification of Activities (KD 2025) and the Classification of Territorial Units (NUTS).

The content of the SBR consists of:

- a) Legal units, and
- b) Statistical units: enterprise, local unit, and enterprise group.

For each unit included in the SBR, data are available relating to identification, demographic, and stratification characteristics.

#### 1. Identification variables

Identification variables include:

- 1a) Identification number + External identification numbers;
- 1b) Name
- 1c) Address
- 1d) Legal form of organization
- 1e) Activity status + Codes and explanations related to activity status

##### **1.1. Identification (Registration) Number**

The identification number is a key element of the SBR and performs a particularly important function within the statistical information system, serving as an instrument for the integration of statistical surveys and as a means of linking with other registers (e.g. the Tax Administration register, etc.).

It is a permanent number assigned to a unit of the Statistical Business Register from its establishment until the cessation of its activity, i.e. its closure. The identification number for legal units is taken from the Central Register of Business Entities, while identification numbers for all other statistical units are created separately (individually and uniquely) by the Statistical Office of Montenegro, since it is very important to avoid mixing identification numbers of different categories of units. For this reason, it is recommended to adopt different identification number structures (in terms of length and type of characteristic) for each type of unit.

The unique registration number of all units consists of eight digits, calculated according to modulus 11. The generation of registration numbers is performed automatically and may only be carried out by authorized users. Once assigned and used, a registration number cannot be reused.

#### **+ External Identification Numbers (e.g. registration number)**

Since one of the functions of the SBR is to enable the mobilization of information contained in administrative documents, cross-links with such documents must be maintained. Therefore, the identification numbers used for recording units in those documents must be taken into account.

This problem is automatically resolved in countries where a common identification number is used in practice, at least for some units—mostly legal entities—in all administrative documents.

## **1.2. Name**

Each legal unit, enterprise or local unit has or may have a name that must be recorded.

- **Name of legal units**

This is of great importance for identification and must therefore be recorded with great care.

Natural persons must be clearly distinguished from legal persons. With regard to natural persons, unambiguous information on the personal status of the individual must be available, so that the following are recorded as autonomous variables:

- Surname
- First name
- Sex (for the purposes of personal communication)

These data are often insufficient to identify a person with certainty. Therefore, it is very important to record the unique identification/personal number used by all administrative authorities, consisting of thirteen digits.

- **Name of the enterprise**

Enterprises often use the name of the legal unit that controls them. In such cases, it is not necessary to record it again if data on the relationship between the enterprise and that legal unit have been entered. However, many enterprises also use a “commercial name” that differs from the name of the legal unit that controls them; if this is the case, it must be recorded.

- **Names of local units**

A name does not always exist, especially if the local unit is the only one within the enterprise. In that case, the name of the establishment is often identical to the “commercial name” of the enterprise. However, in enterprises with several local units, a regulation must be adopted requiring that the names of local units be recorded separately, if they exist.

- **Legal form of organisation**

The code representing the legal form of organisation is recorded in accordance with the classification of legal forms or categories specific to our country. In this classification, natural persons are separated from legal persons and from the following broader categories with those characteristics: commercial companies, non-profit organisations, administrative bodies (government, local authorities), etc.

### **1.3. Address**

Each unit must have at least one address. The best solution is to record only the address of local units, and in the case of legal units and enterprises to record the identification number of the local unit that represents their registered office/headquarters. This solution is implicitly recommended in Note No. 1 to the definition of the local unit added to the Regulation on statistical units, according to which: “each legal unit must have one local unit as its registered office, even if nobody works there”, and as such it has been applied in our Statistical Business Register (SBR).

Similarly, the address of a unit of kind-of-activity (KAU) will be identical to the address of the local unit to which it belongs. For each local unit, the valid address of its location must be recorded. This address will be supplemented with the code belonging to the national nomenclature of territorial units, harmonised with the Nomenclature of Territorial Units for Statistics of the European Union (NUTS).

In addition to the address, a mailing address must also be recorded, if the unit wishes mail, including statistical questionnaires, to be sent to another location. Changes of name and address are reflected in the Statistical Business Register as soon as they are reported. The reason is that these data are used for sending questionnaires for various statistical surveys, as well as for geographical analyses of register data. As regards other contact details, such as telephone and fax numbers, e-mail address and others, they are also entered as soon as any changes occur.

### **1.4. Activity status**

Only data on enterprises and their units that are active are recorded in the Statistical Business Register. Legal units are of interest to the register as long as they constitute the legal framework for an active enterprise. In practice, there are reasons—such as the possibility of reactivation—for often taking dormant legal units into account when compiling the register, or retaining enterprises or statistical units that have ceased operations. For this reason, codes indicating whether the unit’s status is “active” or “inactive” are also recorded. For a legal unit, this status must be legal in nature; for statistical units, it is “economic”.

#### **Codes and explanations related to activity status:**

1 – Active

- Active;
- Bankruptcy proceedings – only if there is a possibility of continuing activity;
- If contact with the unit is not possible but it shows characteristics of activity;
- If the address is incorrect but the unit shows characteristics of economic activity;
- If seasonally active;

2 – Activity not yet started

3 – Activity temporarily suspended (dormant)

9 – Activity ceased – terminated – through bankruptcy or liquidation  
(Ceased activity before the reference year and never resumed activity)

9a – Activity ceased due to merger

## 2.Stratification variables

Stratification variables are:

- Primary activity
- Secondary activity
- Ancillary activity
- Size: number of employees
- Size: turnover and value added tax (VAT)
- Geographical location
- Institutional sector

Stratification variables are divided into three groups: classification by activity, size and location. They directly influence the probability that a unit will be included in a particular survey.

### 2.1. Activity

Each statistical unit—enterprise, local unit or kind-of-activity unit—must be linked to variables defining its activities.

#### 2.1.1. Code of primary activity

This indicates the primary activity carried out by the unit, in accordance with KD 2025 (four-digit class). If several activities are carried out simultaneously within one unit, the primary activity is determined in accordance with the rules defined in the introduction, i.e. using the top-down method.

#### 2.1.2. Additional codes

Other additional codes are usefully applied in order to distinguish between permanent and seasonal activities.

#### 2.1.3. Code of secondary activity

A secondary activity of an enterprise is considered significant if it represents more than 10% of the total activity of the enterprise or more than 5% of the total national activity of that kind.

## 2.2. Size

The size measure for statistical units is important for sample design, grossing-up results to the population and analysing the population.

Several criteria are used to construct size indicators: employment, turnover and the amount of assets (net assets). These criteria are prescribed by the Law on Accounting (Official Gazette of Montenegro, No. 145/21 of 31.12.2021, 152/22 of 30.12.2022, 084/25 of 31.07.2025).

It is important that this indicator can be updated once a year for all units, regardless of whether or not they were selected in the previous year to be included in a survey sample.

### 2.2.1. Size code based on employment

When referring to this variable, it should be noted that the primary objective is not to measure employment as such, but to obtain a stratification variable.

The size classes used are as follows:

#### ENTERPRISE CLASS NUMBER OF EMPLOYEES

MICRO	[0–9]
SMALL	[10–49]
MEDIUM	[50–249]
LARGE	> 250

For the classification of enterprises by size on the basis of this criterion, the annual average number of employees is used, rather than employment on a specific reference date.

### 2.2.2. Size code based on turnover

The most precise way to assign a size code to an enterprise is on the basis of turnover.

The definition of turnover to be used is as follows:

“Turnover comprises the total income of the enterprise (or local unit) during the reference period and corresponds to the sale of goods and services on the market. Turnover includes all duties and taxes invoiced on the goods and services of the enterprise or local unit, with the exception of value added tax (VAT). It also includes all other charges (transport, packaging, etc.) passed on to the customer, even if these costs are separately indicated on the invoice. Price reductions, rebates and discounts granted to customers, as well as the value of returned goods, must be deducted from turnover; however, cash discounts are not deducted.”

Turnover does not include the sale of fixed assets. Subsidies received from the government or the EU are also excluded.

The above refers to the classification of enterprises according to European Union standards and the European Commission Recommendation of 6 May 2003, which entered into force on 1 January 2005.

In the legal framework of Montenegro, the only legal act defining the concepts related to enterprise classification is the Law on Accounting (Official Gazette of Montenegro, No. 084/25 of 31.07.2025). Depending on the average number of employees, total annual income and total assets, legal entities are classified as follows:

**1. Micro legal entities** – those not exceeding two of the following three criteria:

- Average number of employees up to ten;
- Total annual income up to €900,000.00;
- Total assets up to €450,000.00;

**2. Small legal entities** – those not exceeding two of the following three criteria:

- Average number of employees during the financial year up to 50;
- Total annual income up to €10,000,000.00;
- Total assets up to €5,000,000.00;

**3. Medium-sized legal entities** – those which are neither micro nor small legal entities and which do not exceed two of the following three criteria:

- Average number of employees during the financial year up to 250;
- Total annual income up to €50,000,000.00;
- Total assets up to €25,000,000.00;

**4. Large legal entities** – those exceeding two of the three criteria referred to in point 3 of this paragraph.

### 2.2.3 Size code based on net assets

For enterprises in the financial market sector whose activity falls within Section K of the KD-2025 activity classification, the size criterion most often considered relevant is the amount of net assets.

The amount of net assets is based on the company's accounting balance sheet and is taken as the net value of those assets (less depreciation) minus the value of current liabilities.

### 2.3. Geographical location

The stratification variable "location" is mandatory only for local units. Changes of location may, in certain cases, lead to the closure of one unit and the creation of another. Rules concerning the continuity of legal units differ from country to country and are not under the control of the national statistical institute.

It is important to be aware that a change in the location of a legal unit does not necessarily imply a change in the location of the enterprise. For example, the official address of a business centre may change depending on where the accounting records are kept, while the places where activities are carried out usually remain the same.

When updating stratification variables, the dates of changes, the source of the new information and the previous value are recorded. These data are of great importance for assessing the quality of variables and for reviewing the change process. Recording both the source and the date of change is particularly important for monitoring business demography.

### 2.4. Institutional sector

The need for aggregation means that individual institutional units cannot be observed separately; instead, they must be grouped into categories called institutional sectors, some of which are further divided into subsectors. Each enterprise must be classified into one of the institutional sectors (and possibly a subsector) for the purposes of National Accounts.

Each sector and subsector groups together institutional units that behave in a similar economic manner. Institutional units are grouped into sectors based on the type of production and according to their principal activity and function, which are considered relevant to their economic behaviour. A sector is subdivided into subsectors according to criteria relevant to that sector, allowing a more precise description of the economic behaviour of units.

The European System of Accounts (ESA 96) distinguishes the following institutional sectors:

- Non-financial corporations
- Financial corporations
- Government – State – Public administration
- Households
- Non-profit institutions serving households (NPISH)
- Third countries and international organisations – Rest of the world

**Table of institutional sectors and subsectors**

Non-financial corporations
Financial corporations
Central bank
Other monetary financial institutions
Other financial intermediaries, except insurance corporations and pension funds
Financial auxiliaries
Insurance corporations and pension funds
General government
Central government
State government
Local government
Social security funds
Households
Employers (including own-account workers)
Employees
Recipients of property income
Pension recipients
Recipients of other transfer income
Others
Non-profit institutions serving households (NPISH)
Rest of the world
European Union
Member States of the European Union
Institutions of the European Union
Third countries and international organisations – Rest of the world

Therefore, it is necessary to record the code for the “**institutional sector**” for enterprises. The code indicating whether, in general terms, the activity of an enterprise is commercial or not enables an initial classification by separating the general government sector from non-profit institutions or those serving households.

Each institutional unit belongs to only one sector and subsector. When the principal activity of an institutional unit is the production of goods and services, in deciding to which sector it should be allocated, it is first necessary to distinguish the type of producer to which it belongs.

## Note

The **institutional sector** is not the same as the sector to which an enterprise belongs based on its principal activity. In the **System of National Accounts (SNA)**, three types of producers are distinguished:

### a) **Private and public market producers**

(Market producers are KAUs – local kind-of-activity units – or institutional units whose largest share of production is market production). Institutional units that are market producers are classified into the sectors of:

- Non-financial corporations
- Financial corporations
- Households

### b) **Private producers for own final use (own consumption)**

(These are KAUs – local kind-of-activity units – or institutional units whose largest share of production is production for their own final use). Institutional units that are private producers for own final use are classified in the **households sector**, together with unincorporated enterprises owned by households.

These are always either:

- Market producers, or
- Producers for own final use (this occurs in the production of owner-occupied housing services and goods produced for own account).

All unincorporated enterprises owned by households are classified in the households sector. The only exception concerns **quasi-corporations owned by households**, which are market producers and are classified in the sector of non-financial corporations or financial corporations.

### c) **Private and public other non-market producers**

(These are KAUs – local kind-of-activity units – or institutional units that supply most of their output free of charge or at prices that are not economically significant). Institutional units that are other non-market producers are classified into:

- The general government sector, or
- The non-profit institutions serving households (NPISH) sector.

## 2.5. Time frame of changes

The traditional view of SBR (Statistical Business Register) quality was based on the need to reflect reality as accurately as possible. This implied that changes should be entered into the register as soon as possible. According to the ISO definition, the quality of registers is now determined by the extent to which they meet users' needs. Accuracy may be important for some users of the register, but stability is equally important for all users, especially those working with short-term statistics and using their results, as well as those requiring consistency between short-term and structural data.

Key characteristics, such as stratification variables at the enterprise level, are updated quarterly and monthly.

## 2.6. Data sources

The SBR may be updated from multiple sources. At the beginning, for updating the SBR, the Statistical Office of Montenegro used four main data sources:

- The Administrative Register of the Statistical Office of Montenegro
- The Central Register of Business Entities
- The Tax Administration Register
- The Health Insurance Fund Register

At the current stage, the main source of data for two key stratification variables is the **Tax Administration register**. For updating administrative changes, the **Central Register of Business Entities** is used, which provides data on changes by email within an agreed timeframe.

In addition to these sources, other external sources are also used, such as the Internet, websites, yellow pages and various business associations, which are very important sources for collecting data on addresses, telephone numbers, email addresses, websites, etc. Statistical surveys are also very important data sources for the SBR, from which, according to the feedback principle, information is obtained and used for updating the register.

## 3. Demographic variables

The demographic variables are:

- Date of creation
- Date of legal registration
- Date of cessation of activity

At least these three variables (dates) are recorded for each unit in order to enable an initial demographic analysis of the entrepreneurial population and its local units.

### 3.1. Date of creation

For a legal unit this is:

- In the case of a legal person, the date of establishment of the legal unit;
- In the case of a natural person, the date of administrative recognition as the legal holder (principal or auxiliary) of the enterprise (date of registration with the Central Register of Business Entities).

For statistical units (enterprise, local unit, etc.), this is the date when the unit was first established, i.e. created in the SBR.

### 3.2. Date of legal registration

For certain purposes, such as analysing time lags between real-world events, information on the date of entry into the register is maintained.

### **3.3. Date of cessation of activity**

For a legal unit this is:

- In the case of a legal person, the date of termination of business activity;
- In the case of a natural person, the date of the announcement of a permanent ban on carrying out all activities.

For statistical units (enterprise, local unit, etc.), this is the date of the final cessation of activity. Between activity and closure of an enterprise, there is usually a period of inactivity during which the unit is recorded as “dormant”. An indicator of such a state is the absence of employees — zero paid salary contributions, cessation of tax payments, etc.

Only after 18 months of such a condition may the unit be deleted from the register, and that date is recorded. When the SBR is updated once a year, a period of 24 months in “dormant status” is applied.

In any case, there may be units that are considered “dormant” under this rule but must be retained in the register, such as holding companies.

## **4. Variables indicating relationships between units**

### **Belonging relationship**

The relationship between the legal unit and the enterprise it controls, as well as the relationships linking the enterprise to the subordinate statistical units in which it carries out activities, must be time-stamped and precisely described.

- Date of the beginning of the relationship;
- Date of the end of the relationship;
- Description of the relationship;

### **Description of the relationship between the legal unit and the enterprise**

The relationship may be described in one of the following ways:

- Owner – manager;
- Manager who is not the owner;
- Owner who is not the manager;
- Auxiliary legal intermediary of the enterprise.

The first two types correspond to a close relationship in which one legal unit is the principal legal representative of the enterprise. It is necessary to verify whether the enterprise has such a close relationship with only one legal unit.

### **Description of the relationship between the enterprise and the local unit**

Not all local units have the same role within the enterprise: there is only one principal place of business.

## **Control relationships**

Although the SBR focuses on enterprises and their local units, the fact that enterprises are parts of groups is also taken into account.

Belonging to a group is an important stratification criterion for analysing enterprise performance, and this criterion is considered when selecting the survey field.

A group is a set of enterprises directly or indirectly controlled by the same legal unit. In this context, control means the power to appoint the managers of the legal unit that directs the activities of the enterprise.

The dimensions of a group are recorded through relationships between legal units rather than between enterprises. However, this solution has certain shortcomings with regard to the temporal monitoring of groups, since the legal unit heading the group may change over time.

Therefore, it is more useful — and this has been implemented — to introduce the group into the SBR as an explicit unit with its own identification number.

## IV SCOPE OF THE STATISTICAL BUSINESS REGISTER

Theoretically, an ideal SBR covers — i.e. maintains records of — all enterprises engaged in the production of goods and services, that is, those participating in the creation of GDP of a country, in our case Montenegro, as well as their local units, the legal units of which enterprises consist, multinational enterprise groups and principal enterprise groups operating solely within the national territory, for statistical purposes.

### 1. Exceptions

Data on households engaged in the production of goods and provision of services for their own needs are not included in the SBR, since they are not considered enterprises. It is irrelevant whether the production is used only for household needs (e.g. production from private gardens) or is invested within the household.

This exception particularly applies to households within the meaning of Section U of the Activity Classification KD-2025, i.e. households employing domestic staff (household help, childcare, gardener, driver, etc.).

The SBR also does not include data on natural persons who own property (land, residential buildings and other buildings) if they use that property for their own purposes (or for their household's purposes) or even rent it out to third parties.

The effects of these exceptions require careful analysis. If a natural person or legal unit recorded in the SBR as the legal basis of an enterprise also employs domestic staff or similar workers for the maintenance of buildings that may be owned by them, such workers must not be included in the enterprise size variable.

Other exceptions: Since they do not contribute to the GDP of the countries in which they are located, data on international organisations, embassies and foreign representations whose activity falls within Section V (extraterritorial organisations and bodies) of the KD-2025 activity classification are not included in the SBR.

On the other hand, data on embassies and representations of foreign governments are included in the national registers of the countries they represent.

### 2. Optional inclusion in the register

Units engaged exclusively in activities covered by:

- Section A: Agriculture, hunting, forestry and fishing
- Section P: Public administration

The techniques used for collecting statistical data in these sectors do not necessarily require knowledge of the enterprise population and their local units. However, if an enterprise whose principal activity falls within these sections has a significant secondary activity corresponding to another section, this must **обязательно** be recorded in the SBR, together with the local units where those activities are carried out.

### **3. Size limitation**

All enterprises are covered by the SBR, regardless of their size.

It is impossible to establish an entrepreneurial unit without a combination of production factors that includes at least some labour. Therefore, an enterprise must provide employment, whether on a voluntary or paid basis. There is a provision stating that an enterprise must employ at least one person on a part-time basis.

The only exception to this rule concerns holding companies, which must be recorded as enterprises since they exercise control over several enterprises, even if they do not report any employees.

## V METHOD OF DATA COLLECTION AND DATA SOURCES

One of the very important administrative sources for the SBR is the Tax Administration, which is a state administration authority responsible for the assessment, collection and control of taxes, established by the Government of Montenegro. Its powers are as follows: it conducts tax inspections, undertakes collection measures and other actions and activities within its competence under this or other laws; decides on the rights of taxpayers; maintains a register of taxpayers; assesses taxes in the manner and according to the procedure prescribed by law; requires taxpayers and other legal entities to submit documentation and provide other information necessary for determining tax liabilities; summons persons to participate in tax proceedings; enters and inspects business premises where business books, records or other items necessary for the application of tax regulations are or may be located; seizes business books, records and other items necessary for the application of tax regulations in accordance with the law; imposes penalties for tax offences prescribed by this or other tax regulations; uses the services of experts and specialists, natural and legal persons, in tax assessment procedures when professional knowledge is required; adopts by-laws regulating in more detail the implementation of tax laws; requests assistance from courts in enforcing and implementing tax regulations; at the request of taxpayers, provides information on the type of tax, the method of assessment and payment conditions; informs taxpayers about the course of tax inspections and their rights and obligations in such procedures; provides instructional and educational services related to the application of the law; provides taxpayers with a free copy of the tax return form; safeguards tax confidentiality; treats taxpayers and other persons with respect and consideration; files criminal complaints with the competent authority for committed criminal offences and submits requests for initiating misdemeanour proceedings; forwards information, including tax secrets discovered during criminal investigations or obtained during the collection of other information, to competent law enforcement authorities where there is reasonable suspicion of a misdemeanour or criminal offence; applies international treaties and agreements on the avoidance of double taxation and other tax-related benefits; prepares reports for the Government or local self-government units on the situation in the field of taxation; submits initiatives to the Ministry of Finance for the adoption of regulations and other acts governing the tax system and tax policy; cooperates with other authorities and organisations in the country and abroad on matters relating to tax crimes, in accordance with international treaties or agreements; takes measures necessary to ensure the safety of tax officials; takes measures to prevent corruption of officials in the performance of official duties; organises the functioning of a unified information system in the field of taxation; ensures the implementation of Government positions and conclusions in the field of taxation; and performs other tasks established by law and other regulations.

The Central Register of Business Entities (CRPS) is responsible for the registration of companies and other entities in Montenegro. The Central Register is part of the Tax Administration in Podgorica. The data and documentation submitted to the CRPS are maintained in a unified information database secured in accordance with prescribed procedures. The CRPS provides public access to the database, index and documentation.

Data from administrative sources are collected electronically (by linking through key variables), via email or CD, as well as through questionnaires completed by reporting units, by telephone, etc.

As regards the frequency of obtaining data from administrative sources for the purposes of the SBR, it can be said that, previously, except in exceptional cases, they were obtained once a year.

The situation has now changed significantly and is as follows:

Number of employees – on the 15th of the month for the previous month;

Turnover – quarterly, 15 days after the end of the quarter;

VAT – quarterly, 15 days after the end of the quarter;  
Telephone number – daily;  
E-mail – daily;  
Web – daily.

Data on newly established legal units, as well as all changes recorded in the Central Register of Business Entities, are downloaded from the website via a link created specifically for our needs, which the registered user accesses at the end of each working week.

Statistical surveys (e.g. SBS, industry, trade, RAD1, investments, etc.) are also cited as a very important source for updating the SBR. These surveys use the register as a sampling frame and provide feedback information on units recorded in the register.

The Central Bank of Montenegro is the supreme institution of the monetary system of Montenegro. It was established by the Law on the Central Bank in November 2000 and began operations on 15 March 2001, making it one of the youngest central banks in the world.

The Constitution of Montenegro defines it as “an independent organisation responsible for monetary and financial stability and the functioning of the banking system.”

In fulfilling the responsibilities assigned by the Constitution, the Bank, among other things, supervises the banking system; performs and controls interbank payment operations domestically and internationally; acts as fiscal agent, banker and advisor to the State; and conducts regular macroeconomic analyses, providing recommendations to the Government on economic policies.

The Montenegrin economy is dollarised (euroised), since the monetary system of Montenegro has been based on the euro as the official means of payment since the end of March 2002. Montenegro adopted the dollarisation regime on 2 November 1999, when a dual-currency system with the German mark and the dinar was introduced. From January 2001, the German mark was the sole legal tender until the introduction of the euro in March 2002.

One of the strategic goals of the Central Bank of Montenegro is accession to the Eurosystem, which would make Montenegro officially part of the Economic and Monetary Union.

Final accounts of business entities are obtained from the Central Bank.

## VI MAINTENANCE OF THE STATISTICAL BUSINESS REGISTER

### 1. Continuity rules

#### 1.1 Continuity rules relating to the enterprise

The issue of continuity is considered both theoretically and practically. In theory, continuity rules are derived from the definition of the enterprise and its use for statistical purposes. In practice, continuity rules depend on the costs of collecting additional information for the Statistical Office and on the impact on the reporting burden.

With regard to the use of the enterprise definition in the European statistical system, data on enterprises are mainly used for statistics relating to the production of goods and services. In addition, enterprises play a role in National Accounts. The definition is consistent with its main use, according to which an enterprise is an organisational unit engaged in the production of goods and services.

Given this definition and its uses, it is logical to define continuity on the basis of the continuity of the factors of production. The factors of production include management; therefore, the element of “a certain degree of autonomy in decision-making, particularly in the allocation of resources” is covered. The definition also allows the legal unit to be considered as an element; however, legal units are the basis of enterprises and belong to the administrative sphere — they do not in themselves correspond to the statistical use of the enterprise. The continuity of legal units is an operational element in defining continuity rather than a theoretical one.

In theory, an enterprise is considered to continue to exist if its factors of production continue to exist. It ceases to exist if its factors of production cease to exist. Obviously, factors of production must be identified, recorded and measured. The main factors considered in assessing continuity are: employment, machinery and equipment, land, buildings, management and intangible assets such as goodwill. It is clear that measuring the continuity of all these factors is quite difficult and costly. This may be feasible for large units, but for the large number of small units there is a clear need for more practical criteria.

In theory, the continuity of an enterprise depends on the continuity of its factors of production: employment, machinery and equipment, land, buildings, management and intangible assets. The continuity of these factors must be measured and assessed in order to determine whether the enterprise continues to exist.

In practice, an enterprise loses continuity if there is a change in at least two of the following factors: the controlling legal unit, the principal activity performed according to the KD-2025 classification at the four-digit level, and the main location of the enterprise. If a one-person enterprise expands, moves to new premises and changes its legal form, it is nevertheless considered to retain its identity.

If the application of continuity rules leads to inconsistency, the factor of employee retention determines which enterprise retains its identity.

An enterprise continues to exist under its old identification number if it performs seasonal activities or resumes active

ities within 18 months after a temporary cessation caused by external factors, illness, accident, military service of the entrepreneur, etc.

### **1.1.1. Reactivations**

One of the most difficult problems in maintaining the SBR is temporary cessation of enterprise activity. If the SBR receives information that an enterprise has ceased operations and later receives information that the same enterprise has resumed operations, should it be treated as a continuation of the old enterprise?

The problem is further complicated because the information received often does not specify whether the cessation was temporary, and upon resumption it is often not specified whether the activity is being resumed rather than started for the first time.

Three types of activity must be distinguished:

#### a) Enterprises performing seasonal activities

An enterprise performing seasonal activities is one that produces only during a certain part of the year, and does so every year during the same period. This is common, for example, in tourism. In order to avoid paying taxes and contributions, an enterprise may declare cessation and resumption of activity in the SBR each year. Such cases may represent an important part of demographic events in a country.

For enterprises performing seasonal activities, the convention is that they retain their old identity upon resuming activity. Since potential seasonal activities can be defined according to KD-2025, special care must be taken in maintaining the SBR to determine whether administrative registrations correspond to real start-ups or to resummptions of activity.

#### b) Temporary suspension of activity

An entrepreneur may suspend activity due to illness, accident, military service, etc. Depending on tax and social protection legislation, the entrepreneur may declare suspension of activity in the administrative register and subsequently declare resumption of activity.

The convention in such cases is that the enterprise retains its old identification number upon resumption of activity, provided that the resumption occurs within 18 months. After 18 months, the original enterprise is considered to have ceased to exist and a new one is considered to have been established.

In that case, the original enterprise is considered to have ceased to exist, and a new one is deemed to have been created.

#### c) Suspension of production due to external reasons

The suspension of production may occur, for example, due to damage to a factory caused by an accident such as a fire. Production is halted and, in most cases, resumes after some time; however, the suspension of activity may last for a prolonged period. During the suspension, the enterprise may lay off part of its staff. Such cases are rare.

The convention in such cases is that the enterprise retains its old identification number upon resumption of activity, except if the resumption occurs after more than 18 months. In that case, the original enterprise is considered to have ceased to exist and a new one to have been established.



### **1.2.1. Continuity in relation to the definition and use of the local unit**

The definition and use of a statistical unit are important when considering continuity. The Regulation on statistical units defines a local unit as “an enterprise or part thereof (e.g. workshop, warehouse, office or depot) situated at a geographically precisely defined place. At that place, or from that place, economic activities are carried out for which – except in certain cases – one or more persons are employed (even if only part-time) for the same enterprise.”

A local unit is not merely a spatial relationship between the entities “enterprise” and “geographical place” or “location”; it corresponds to a tangible part of the enterprise. It consists of factors of production combined for the purpose of producing goods and services, as in the case of an enterprise, but it does not necessarily constitute an organisational unit, and its clientele may be another part of the same enterprise. The factors of production include employees, with at least one employee working part-time, and it does not need to benefit from “a certain degree of autonomy”, as an enterprise does.

Given this definition and its uses, it is logical to define the continuity of a local unit in relation to the continuity of its location and its factors of production, with emphasis on those factors that can be immediately identified at the local unit level, namely land, buildings and, in particular, employment. The continuity of the enterprise is also important for the continuity of the local unit, since the local unit depends on the enterprise. This dependency is important because the local unit, unlike the enterprise, is not an organisational unit with a certain degree of autonomy. Furthermore, if the local unit and the enterprise are one and the same, the continuity rules for both should lead to consistent results.

### **1.2.2. Continuity in practice**

With regard to the importance of the location criterion and the need to distinguish between short-distance and long-distance relocations, the continuity of the local unit is first considered in cases where the location does not change, and then in cases where the location changes but not to a distant place (if the location changes to a distant place, continuity is lost).

#### **Location does not change**

Although economic activity to some extent reflects all factors of production, including employment, a continuity criterion based specifically on employment may also be applied in order to give it greater weight. A practical convention would be that continuity of employment exists if 50% or more of the employees of the local unit continue to work at the same or from the same location, and that continuity is considered interrupted if this percentage is lower than 50%.

If all relevant factors (i.e. continuity of the enterprise, primary economic activity and employment) change, the local unit is considered to have lost its identity. If none of these factors has changed, the local unit is considered to have retained continuity (provided that the location has remained the same). If one or two factors change, an assessment of these factors should be made; however, in practice, rules are formulated for each of the following potential situations.

**a) Change of enterprise (without other changes)**

The convention in this case is that continuity of the local unit exists. It is therefore considered that the local unit has moved from one enterprise to another.

**b) Change of primary activity (without other changes)**

In this case employment is generally (at least 50%) the same, so it is unlikely that a change in primary activity occurs abruptly, even though the code of the primary activity changes at a certain point in time. The convention in this case is that the continuity of the local unit is maintained.

**c) Change in employment (without other changes)**

Since the location remains the same, as does the primary economic activity, employment appears to be the only factor of production that changes. Given that the enterprise continues to operate, it is reasonable to adopt the convention that in this case the local unit retains continuity.

**d) Change of enterprise and primary activity, same employment**

If both the enterprise and the primary activity change, the local unit is not simply transferred to another enterprise but undergoes, at the very least, a reorganisation. Even if most of the employees remain, the local unit loses its identity.

**e) Change of enterprise and employment; same primary activity**

If both the enterprise and employment change, again the local unit is not merely transferred but at least undergoes a reorganisation. In this case, the local unit loses its identity.

**f) Change of primary activity and employment; same enterprise**

The fact that the enterprise remains the same is not in itself sufficient for the local unit to be considered the same if there is a change in the basic factors of production, particularly employment. In this case, the local unit loses its identity. The conclusion is that at least two or three factors must change for a local unit to lose its identity. If only one factor changes, it retains its identity, provided that the location remains the same.

**Relocation over a short distance**

If a local unit moves over a short distance, this implies a change in certain important factors of production (land, buildings). If any of the three previously mentioned factors (enterprise, primary economic activity and employment) also changes, the local unit loses its identity. If none of them changes, it retains its identity.

**Short distance** – before defining distance, it is very useful and practical to apply a regional classification. Moving outside the region of the local unit indicates a loss of identity, whereas moving within the boundaries of its region does not. This means that if the new location is within the same region as the previous one, the local unit retains its identity, provided that the enterprise, primary economic activity and employment remain the same; otherwise, identity is lost. In this case, regions should be defined as the smallest administrative areas.

## Reactivations

As with enterprises, a practical problem also arises with reactivations. If a local unit ceases to exist and later resumes operations, the SBR staff must decide whether to reuse the old identification number. Analogous to the case of enterprises, the rule is that a local unit continues to exist (i.e. retains its old identification number) if it carries out seasonal activities or resumes operations within 18 months after a temporary suspension caused by production stoppage due to external reasons, illness, accident, military service of the entrepreneur, etc.

The time perspective is very important. Changes in different characteristics may occur at various time intervals during the year. The “survival” of a unit depends on the chosen time perspective.

### 1.3. Links between the enterprise and the continuity of the local unit

The enterprise and the local unit each have their own continuity rules. Thus, an enterprise may continue to exist while one or more of its local units cease to exist, or it may cease to exist while one or more of its local units continue operating.

It is possible for a local unit to lose its identity while the enterprise does not, even if the enterprise consists of only one local unit. The primary economic activity and employment of the local unit may change, but these conditions are not sufficient for the enterprise to lose its identity. If the enterprise retains the same legal unit, it remains the same provided that the location remains unchanged.

The conclusion is that one local unit may cease to exist and be followed by the establishment of another local unit at the same location, while the enterprise itself remains the same.

#### Presentation 1:

Precondition: the condition of the same location is fulfilled (y).

Unchanged link with the enterprise	y	y	y	n	y	n	n	n
Unchanged activity code	y	y	n	y	n	n	y	n
Unchanged number of employees	y	n	y	y	n	y	n	n

Survives	x	x	x	x
Does not survive	x	x	x	x

**Presentation 2:**

Precondition: the condition of the same location is not fulfilled (n). The change of address is not significant.

Unchanged link with the enterprise	yn	n	n	y	y	y	n
Unchanged activity code	yn	n	y	n	y	n	y
Unchanged number of employees	yn	y	n	n	n	y	y
Survives							
	x						
Does not survive	x	x	x	x	x	x	
				x			

**2. Quality issues and error treatment**

Users of the SBR expect it to be “high quality”, i.e. relevant, accurate and up to date. It is very important to determine the required level of quality and to have a policy for monitoring and, where necessary, improving quality.

The first step in determining the quality of the SBR is to identify the users and assess their relative importance. Each of these users has different needs and priorities. Once user needs are identified, a hierarchy of user requirements is established according to priority, depending on their number and on the importance of the users expressing those needs. This leads to the development of a framework of criteria for assessing the quality of the SBR.

Eurostat has defined seven quality criteria or aspects, as follows:

**Relevance** means that the SBR covers the statistical or administrative units necessary for organising data collection, and that the variables recorded for each unit allow proper stratification of the population of units so that representative samples can be selected. The SBR should be relevant to the needs of its users.

**Accuracy** is one of the quality criteria that is relatively easy to measure. It includes quality surveys and comparisons between business entities operating in specific geographic areas and those recorded in the SBR. Similar checks can also be carried out by economic activity.

**Precision** means that the information currently recorded must correspond to the real situation.

**Timeliness** is logically closely linked to precision. The population of business entities and their local units changes very rapidly, and the characteristics of each unit may change permanently. A good SBR must provide the most accurate possible picture for a period that is as recent as possible.

**Clarity and accessibility** – Clarity is not a particularly relevant quality criterion for the SBR. As for accessibility, there are two aspects that may be important to users. The first aspect concerns how easily

users and potential users can access the information contained in the SBR. The second aspect refers to how easy it is to interpret the information from the register.

**Comparability** is considered from both spatial and temporal perspectives.

**Coherence**, with regard to the SBR, may be viewed as internal coherence and coherence with other registers. Internal coherence refers to consistent data treatment within the register, for example the consistent application of updating and profiling rules. Coherence with other registers is best achieved through the use of a unique identification number, enabling relatively simple data linkage.

Given the available sources, it is impossible to maintain an SBR without any errors. Fortunately, the SBR does not need to be perfect in order to be a useful tool for statisticians. However, it must meet certain quality standards in line with the needs of statisticians.

## **2.1. Reasons for quality errors**

Quality errors arise as a result of systematic or random errors in the processing of administrative or statistical data: failure to submit documents, typing or coding errors, programming errors, as well as more significant shortcomings that are difficult to correct and must be analysed.

### ***2.1.1. Shortcomings in data submission procedures***

The SBR is also maintained through questionnaires sent to enterprises, but the regulations governing the obligation of enterprises to provide such data may contain shortcomings in specifying the events that must be reported.

Likewise, these regulations may define certain formalities that enterprises can avoid, depending on their legal form, activity or size.

The establishment of new legal units is generally reported immediately, since a legal unit requires an identification number or registration certificate in order to enable the enterprise responsible for it to carry out its activity. The cessation of activity is very often not reported, either due to negligence or simply because the business entity does not know whether the cessation is final or only temporary.

### ***2.1.2. Inaccurate declarations***

This source of quality errors is difficult to distinguish from false declarations. This is particularly important with regard to activity declarations. Such imprecision is natural, mainly because when starting a business, a business entity often does not yet know what its primary activity will actually be.

## **2.2. Quality criteria of a register**

Not all quality errors are equally important, and their seriousness depends on how the SBR is used. If the SBR is primarily intended to serve as a sampling frame, the most serious shortcomings are:

### ***2.2.1. Omissions***

The absence of units that actually exist. These omissions may be accidental or systematic.

Errors in coding activity status become omissions if a legal unit is recorded as dormant, although in reality it corresponds to an active enterprise.

### **2.2.2. Duplication**

The same unit is recorded more than once under different identification numbers. This is often the result of an error in removing restrictions for statistical units.

### **2.2.3. Address errors**

These errors may lead to difficulties in attempting to establish contact with an enterprise, to the point that it may not even be known whether it has ceased to exist or whether certain information about it is still valid. Other errors follow which are less serious, since they can be corrected on the basis of survey results.

### **2.2.4. Coding errors**

For stratification variables, these are errors related to size or primary activity.

This type of error may lead to discrepancies in estimates. An increase in the variability of results leads to the need to enlarge the sample, thereby increasing survey costs.

The effects of these coding errors are just as harmful as omissions if the survey covers only a sub-population of units derived from incorrectly recorded variables.

### **2.2.5. Falsely active units**

This type of error is automatically corrected during surveys, but the expected percentage of falsely active units must be taken into account when determining sample size.

On the other hand, survey costs increase, since it is necessary to determine, for a large number of entities that do not provide data, whether they have ceased operating or are simply refusing or forgetting to respond to the survey.

If the SBR is used for panel surveys, demographic analyses or duration analyses, other types of errors may become very serious.

### **2.2.6. Errors in historical records**

## **2.3. How to measure quality**

Setting quality objectives implies continuous efforts to identify errors in the SBR and to find ways to eliminate them. Quality can be measured in various ways.

- The oldest method of measuring SBR quality is to conduct control surveys specifically designed to assess register quality. Through this procedure, it is possible to measure errors in classification by size or type of activity, as well as the frequency of falsely active units.

However, this method cannot measure the quality of registers with regard to their two most serious defects: coverage errors and duplication of registration.

- To measure coverage errors, three methods can be applied, which should be combined:

### **1. Comparison with external data**

It is very important for each country to have data on enterprises and local units that are maintained independently of the SBR and that, in principle, provide good coverage of limited content. These include administrative sources from the government (public) sector, telephone directories (yellow pages), etc.

Computer matching of these records with the SBR shows which units are missing from it. A survey is then conducted to determine whether these units actually exist and are not errors in the other sources, or whether they already exist in the SBR but in another form.

### **2. Territorial control survey**

Conducting an economic census to enumerate all production units through systematic field coverage of the territory, in order to detect those not included in the register, is a more expensive but far more reliable method.

### **3. Indirect verification through employment**

Comparing employment estimates by geographic area and main activity sectors based on SBR data with employment data obtained from other sources can generally indicate shortcomings in SBR coverage.

It is much more difficult to design a way to measure SBR quality when it comes to the risk of duplication or multiple entries in registration, since this risk largely depends on the sources and procedures used for updating. This problem can be addressed by comparing SBR values, such as employment and turnover data, with other sources.

Comparing the quality of SBRs across different countries is very useful, as it may lead to the exchange of ideas and methods. The most important “tool” for such comparison is Eurostat’s annual questionnaire on statistical business registers.

## **2.4. Quality improvements**

The following are examples of ways in which SBR quality can be improved under certain circumstances.

### ***2.4.1. Improving the functioning of data transmission channels***

A good understanding of the methods and processes used by the data providers is very important for understanding the SBR input received from these sources. Therefore, it is essential to establish good cooperation and close contacts, which will help data providers better understand why their data are requested and how they are used. It is often recommended to have a written agreement (memorandum of cooperation) with the main administrative sources.

### ***2.4.2. Improving the quality of metadata***

The availability of relevant metadata greatly increases the usefulness of the data, which is particularly important for the SBR, where such data may take several forms:

- **Source codes** – These are alphanumeric codes linked to specific variables to indicate the source of the information, for example a code showing whether turnover data come from statistical surveys or administrative sources (this contributes to data quality control).

Each administrative source has its own code, created internally within the SBR for the purpose of identifying and analysing the quality of data obtained from different administrative sources and for establishing priorities among those sources.

- **Dates** – This code most often refers to the date when the data were last updated in the SBR (it contributes to data quality control).

For the stratification variables employment, turnover and activity, source codes and dates are recorded and displayed alongside the data for direct SBR users.

### ***2.4.3. Use of additional information sources***

Additional data sources are used to expand the coverage of units or variables, and it is very important to have a good understanding of these sources and the type of information they contain. Since the SBR is used as a sampling frame for statistical surveys, it is necessary for the flow of information between the SBR and surveys to be two-way, so that information from surveys is used to update the SBR in the same way as information from administrative sources.

### ***2.4.4. Supplementing updating sources***

For statistical purposes, the SBR is not a legal register but an economic register; therefore, it reflects the real situation more accurately and not only the information reported to fulfil legal formalities. To achieve this, it is necessary to mobilise other updating sources, whether administrative or statistical in nature, or to create new ones.

- **Mobilisation of administrative sources**

The SBR is designed to facilitate the use of information collected for administrative purposes in statistical applications. For this reason, in countries that do not have an identification system across departments, it is required that external identification numbers in the SBR be used by other administrative bodies. This use contributes to the quality of the SBR maintenance process.

Thus, every enterprise with employees must submit a list of employees once a month, indicating the duration of employment, the extent of engagement and the amount of wages paid. This list is required by various authorities – the tax authorities, to verify the amount of income tax paid, and social insurance authorities, to include employees in the pension system.

The Statistical Office has signed an agreement on mutual data exchange with the Tax Administration for the electronic transmission of lists of enterprises with employees. This is a significant source for compiling

employment and earnings statistics, and it is also used to update the SBR with regard to size-related variables (employment).

Each year, enterprises are also obliged to provide the tax authority with accounting data for calculating the tax payable on income (or turnover). These declarations are an important source of business statistics and make it possible to avoid many surveys.

They are used to create a variable in the SBR based on turnover. A variable is created referring to the last quarter for which information on the unit's activity has been submitted to the tax authorities.

- **Mobilisation of statistical survey results**

The SBR is used to compile lists of units that are the subject of statistical surveys. Most SBR users are primarily interested in those units that have a significant share in the national economy, that are large or complex, and that are often best maintained through profiling. However, other users who are interested in business demography or in the development of small and medium-sized enterprises must not be neglected.

The results of statistical surveys must be fully utilised for updating the SBR in the same way as administrative sources. More precisely, statistical surveys are the only source for determining the primary activity of a newly created unit or for detecting a change in the primary activity of an existing unit.

- **Developing the use of the SBR**

Expanding the range of uses and increasing the number of SBR users enhances the likelihood of feedback and the early detection of errors and inconsistencies.

### ***2.4.3. Improving data processing***

The quality of an SBR also largely depends on the management procedures and the strictness with which they are applied. Standard practice, in our case, is that before creating a new unit in the register, checks are carried out to ensure that the unit does not already exist in another form, such as under a different economic activity or at a different address.

## VII MONITORING CHANGES IN THE STATISTICAL BUSINESS REGISTER

### 1. Types of changes

The treatment of changes is inevitably linked to what is recorded in the SBR at any given time, i.e. units, their characteristics and the relationships between units.

This dimension is important for several reasons. Some of them are listed below:

- There is high demand for information on business-demographic changes, such as the number of births, the number of mergers, etc., as well as their economic effects.
- Economic statistics based on populations of units from the SBR also have a time dimension. The way changes are handled in the SBR certainly affects these statistics.
- The handling of changes concerns the stability, or at least the consistency, of statistics derived from the SBR. For example, it affects the way short-term statistics are linked to long-term statistics. If sample frames for different types of statistics with the same reference moment or period are set at different dates, the treatment of changes that occur or are detected between those dates may affect the consistency of these statistical data.
- Statisticians conducting surveys face changes in the population under observation, such as panels of enterprises. They are interested in how the SBR links survey units over time, which changes are recorded in the SBR, what the causes of changes are, etc.

When describing how changes should be handled, it is important to avoid misunderstandings related to terminology. For example, the term “birth” may have different meanings. It may refer to the registration of a new legal unit in an administrative register serving as a source for the SBR, or to the addition of a new enterprise record in the SBR, or to the actual appearance of a business entity in the economic sphere, whether registered somewhere or not.

It is necessary to explain how the consideration of changes is structured. It should be kept in mind that the scope of this consideration depends on three aspects:

- First, the Regulation on the SBR refers to two types of statistical units (enterprise and local unit), but these are not the only statistical units used in economic statistics. Other regulations refer, for example, to the enterprise group, the kind-of-activity unit (KAU), and the local KAU. These units may also be relevant when considering changes. Therefore, the framework for handling changes involves identifying the types of changes that are generally considered relevant, regardless of what is mentioned in the SBR Regulation.
- Explanations concerning the handling of changes focus on market producers. The treatment of changes relating to market producers may also be applied to units in the government sector and in the sector of private non-profit institutions, but in some cases specific adjustments are necessary.
- The third aspect relates to the fact that the national SBR covers only the national economic territory. Enterprises and all lower-level statistical units are limited to the national economic territory, even though they may be part of an international group.

## 2. Reference frameworks and terminology

### Reference frameworks

In order to avoid misunderstandings, it is important to emphasise the distinction between the real world and its representation in administrative records and in the SBR. Administrative documentation is based on the application of administrative concepts in observing the real world, while the SBR is based on the application of statistical concepts to the real world.

Reality cannot be observed or measured without applying a framework or model of observation, as well as concepts. These are largely derived from the purpose of observation; in the case of the SBR, the purpose is primarily to form a framework for compiling economic statistics. The purposes of non-statistical administrations (chambers of commerce, tax authorities, etc.) differ.

However, differences in the purposes of observation do not necessarily lead to measurements of reality that are not comparable. The importance of administrative documents for the SBR also clearly arises from the fact that the legal unit – defined by another administrative authority, not by the statistical office – is part of the SBR and constitutes the “foundation” of the enterprise.

### Terminology

If a distinction is made between different reference frameworks, this should be reflected in the use of appropriate terminology. In other words, the following rule applies:

- Changes in the real world are called “events”. Every event considered sufficiently important to be statistically recorded is described as a statistical concept to which a name is assigned and, where possible, this name is aligned with the terminology used by the users of that statistic. An example is “birth”.
- Changes in the SBR are called “movements” (or “movements within the SBR”). The two most important types of movements are the addition of a new statistical unit record to the SBR (e.g. following the real birth of an enterprise) and the deletion of an existing record. These movements are called “creation” (or “creation in the SBR”) and “deletion” (or “deletion from the SBR”).
- Changes within administrative records are called “administrative changes”. The two most significant administrative changes are the registration of a new administrative unit (e.g. the creation of a VAT unit in the VAT register) and its deregistration/deletion. These administrative changes are referred to as “administrative births” and “administrative deaths”.

## 3. Structural approach to handling changes

The purpose of the SBR is to accurately record statistical units, their links and their characteristics at a given point in time. By “accurately” it is meant that units, their links and their characteristics must correspond as closely as possible to the real situation as determined by statisticians.

Therefore, if we want to understand the rules for handling changes in the SBR, we begin with an overview of events, in line with the demand for information. This overview first identifies events that affect the existence of statistical units and the links between them, i.e. so-called demographic events. An event may affect only one type of statistical unit, but it may also affect different types of statistical units simultaneously, as well as their links. It may also affect the characteristics of statistical units.

Demographic and non-demographic changes are intertwined in several ways. Therefore, where relevant, changes in the characteristics of statistical units, such as their primary activity or size, are taken into account. Links between legal units are also important when considering demographic changes, since they represent the structure of enterprise groups.

Changes occur gradually. For example, starting a business or grouping businesses may take time. Three issues arise in this context:

- First, there is the problem of determining the date of change. At what moment is a new business, which undergoes a long start-up process, considered to exist, including its entry into the SBR?
- The second issue concerns which changes should be taken into account at all. Comparing enterprises or local units after several years would, in many cases, lead to the conclusion that they have changed significantly, possibly implying a change of identity. However, if the same enterprises and local units are compared every week, it is likely that within a week no change substantial enough to affect identity has occurred. Since many statisticians use the SBR at least once a year, and the register is updated continuously, in practice only events that occur within a year (not necessarily a calendar year) are often taken into account. This implies that more than one event may occur within a year, and in that case all of them will be taken into consideration.

## VIII ACCESS TO THE STATISTICAL BUSINESS REGISTER

An analysis of the needs that led statistical institutes to create the SBR has shown that it represents a useful tool for meeting the growing needs of a large number of economic entities. Administrative and government bodies, enterprises, researchers and others wish to have access to an appropriate register that provides standardised data relating to identity (e.g. name and address) for each enterprise, as well as classification criteria according to size and activity codes.

Some countries keep all register information strictly confidential and reserved for their statistical institutes, which is also the case in our country.

Even when specific regulations on registers provide access to individual data, statisticians question the limits of such access, as they are fully aware that their register—designed to meet statistical needs—is not merely a simple reflection of statements that units, usually referred to in legal regulations as “enterprises” (i.e. “legal units” in statistical terminology), are obliged to submit for legal disclosure purposes. Statistical offices create statistical units—enterprises, kind-of-activity units, local units—which represent their interpretation of statements provided by legal units belonging to enterprises. They determine and assign what they consider to be the primary activity of the enterprise, and often even update data on the characteristics of those units—such as size and activity—based on the results of statistical surveys.

With regard to our country and our institution, access to statistical data, including SBR data, is regulated by the Law on Statistics (Article 6, paragraph 10), which states that “statistical confidentiality” means the protection of data relating to an individual statistical unit, collected exclusively for statistical purposes or obtained indirectly from administrative or other sources, against any kind of misuse. This includes protection against the use of data for non-statistical purposes and against unlawful disclosure. The principle of statistical confidentiality does not apply to data of Government of Montenegro bodies. The use of personal data is exclusively for statistical purposes, which means that data collected through statistical activities covered by confidentiality provisions must be used solely in accordance with the provisions of this law and may not serve as a basis for determining the rights or obligations of reporting units.

In Montenegro, individual data from the SBR are not published; only aggregated data according to various criteria are released. In addition, analyses resulting from the maintenance of this register are produced in response to user needs and requests that can be satisfied using the data contained within it.

### 1. Access limitations

Two principles may serve as guidelines: the statistical office must not disclose individual data collected from legal units corresponding to enterprises under a guarantee of confidentiality if those units consider such information confidential; and any information about enterprises that has been made public by a legal unit is not, by its nature, confidential.

If we apply these principles to the SBR, it is clear that equal access to all information contained in the SBR cannot be granted.

Information on legal units—their name, address, legal form and field of activity—does not have to be considered confidential, since the law requires that it be made public.

On the other hand, decisions concerning how to address this issue, which statisticians make in order to establish an enterprise corresponding to a combination of legal units or to classify units of economic activity within an enterprise, are considered confidential, since their disclosure would be disadvantageous for the enterprises concerned. The same applies to the affiliation of a legal unit (or enterprise) to a particular group, as defined by statisticians.

Information on the size and primary activity of units entered into the SBR gives rise to many sensitive issues; therefore, in our country, these data from the SBR are published only at an aggregated level.

By law, the possibility of disclosing size indicators and activity codes updated on the basis of survey results depends on the interpretation of the rules on the confidentiality of statistical data. Such interpretation may derive from certain legal provisions or court practice, but the decision cannot always be made solely by statisticians.

## **2. Desirability of Access**

It can always be debated whether it is appropriate to allow access to the primary activity codes of enterprises as determined by statisticians. Although this information is inherently very useful, and no non-statistical organization has been very successful in collecting it, granting access to these data would, if not legally, then in practice give them a reference role. This could have tax, social, or financial administrative consequences for enterprises, even if it is constantly emphasized that all administrative bodies must define their own relevant classification criteria in accordance with the regulations they apply, and that these criteria do not necessarily have to be the same as those used for statistical purposes.

## **3. Access to the Statistical Business Register Database**

### **Access right I**

Access Right I applies to employees of the Structural Business Statistics and Registers Division. The immediate head of this division is responsible for the process of establishing, maintaining, and updating the SBR, training employees, preparing questionnaires, and monitoring compliance with international regulations. The head of the division accesses the database via a username and password. The username is assigned by the database administrator, who is appointed by the head of the Sector for Statistical Coordination and Information and Communication Technology.

The head of the division has the right to access all data on all units in the register and the right to modify them, subject to the necessary control and verification of new data to be entered into the database. All modified data are stored in historical tables together with the date of modification and information on the person who made the changes.

Employees of this division are responsible for updating the SBR, contacting reporting units, and checking data. They access the database via a username and password and have access to all unit data in the register, as well as the right to modify them.

### **Access right II**

Access Right II applies to employees of the Sector for Statistical Coordination and Information and Communication Technology.

For the purpose of maintaining the SBR, the head of this Sector appoints two programmer employees who are granted access to all SBR data and to database maintenance functions. They may perform automatic updates of data on the number of employees, turnover, and VAT, which are entered directly into the database based on data received from the Tax Administration, in accordance with a signed Cooperation Agreement.

The head of this Sector also appoints a person responsible for the sample, who does not have the right of direct access to the database; instead, the sampling frame is provided to this person by a programmer. These persons do not have the right to modify data, except in the case of automatic updates.

All users and their respective authorizations are defined within the database. The content of the application is determined in accordance with the assigned SBR access rights. Usernames are assigned by the database administrator. When entering data or making any other changes, the name of the user who made the modification is recorded in the table. The database also logs the name of the person who accessed it, as well as the exact time of access.

### **Access right III**

Access right III applies to employees responsible for the preparation and implementation of statistical surveys.

Employees who are granted access to a limited part of the SBR are appointed by the heads of the sectors in which various statistical surveys are conducted, who inform the head of the sector responsible for the SBR accordingly.

Along with the proposal, the sector head specifies the part of the SBR to which the employee is granted access (e.g. legal entities of a particular activity). The sector head keeps records of employees within their sector who have access to SBR data and informs the head of the sector responsible for the SBR and the database administrator of any changes.

Employees conducting various statistical surveys have access to identification and demographic characteristics and, in exceptional cases, to financial indicators.

Employees conducting statistical surveys do not have the right to modify data in the SBR. For data updates, they complete a questionnaire (Annex 1) with new or amended information and submit it, signed and dated, with an indication of the source of the new data, to the head of the Structural Business Statistics and Registers Division.

## **IX HISTORY – MONITORING DEMOGRAPHIC CHANGES**

It is necessary to describe the main demographic events and how they can be distinguished from the user's point of view, without limiting the description to any specific types of statistical units.

### **1. Criteria for Identifying Demographic Events**

The SBR contains a description of real-world business entities for as long as they are considered relevant for meeting the needs of statistical users.

#### **Categories of use:**

When formulating criteria, users' needs are taken into account. A distinction is made between external and internal uses, i.e. between use for statistical purposes that depend on the SBR and use within the statistical office. External uses can be further divided into business demography statistics and other statistics for which demographic categories are important.

An example of the first group is statistics on the creation and cessation of units, while an example of the second group is time series of populations of statistical units, such as enterprise panels, which indicate, for example, the number of births and deaths and their impact on measurable variables expressed numerically.

Although, in principle, the criteria for identifying demographic events should be derived from the demand for information by external users, it must be borne in mind that information on such events is also highly significant for statisticians conducting surveys. They need to understand how the units under observation behave over time and what causes inflows into and outflows from the population under study. These data are necessary for obvious practical reasons related to data collection and processing, but also for the interpretation of collected data.

#### **Demographic Events Considered Important**

By definition, demographic events affect the existence of statistical units and their mutual relationships. Statistical units are identified and defined in accordance with the needs of observing and analysing the production system, as set out in the EU Regulation on statistical units.

It is very important to bear in mind that the enterprise is the central unit of the statistical system and that all statistical units are defined in relation to the enterprise, at least to the extent that they can be observed. They represent either a part of the enterprise in terms of economic activity or location (kind-of-activity unit – KAU and local unit), or a combination of enterprises linked by common legal and/or financial ties (enterprise group).

Demographic events should be identified and grouped in a way that reflects the central role of the enterprise within the statistical system.

An enterprise is an organisational unit engaged in the production of goods or the provision of services and which enjoys a certain degree of autonomy in decision-making, particularly with regard to the allocation of its current resources.

Changes in the existence of such combinations of production factors are considered events of importance for users of statistical data based on those units.

In addition to changes in the existence of production factors combined within statistical units, changes in the distribution of existing production factors are also relevant for users of economic statistics. If we assume that such changes are of a demographic nature, they must lead to the creation of the statistical units concerned and to the establishment of links among them. However, changes in distribution can be observed at several levels.

If the enterprise level is taken as the reference level, redistribution may occur within the enterprise, which would also include changes at the level of KAUs and/or local units.

Redistribution may also occur between enterprises, which can result in a decrease in the number of enterprises (concentration, which may occur, for example, through mergers), or an increase (deconcentration, which may occur, for example, through the spin-off of part of an enterprise). The number of enterprises may also remain unchanged; in that case, redistribution may take the form of transfers of KAUs or local units. In other cases, this may be referred to as restructuring.

One concept that deserves special mention concerns the entrepreneur, the owner of an enterprise. Although, strictly speaking, changes relating to the entrepreneur are not of a demographic nature—since the entrepreneur represents a statistical unit or a link between statistical units—the controlling legal unit may be regarded as an approximation of the concept of entrepreneurship, particularly when it is a natural person.

## 2. General Typology of Demographic Events

### Typology

The typology is accompanied by certain explanations.

- **Changes in combinations of production factors**
- **Creation of a combination of production factors**
  - Formation of an enterprise group (and all lower-level statistical units)
  - Creation of an enterprise (and all lower-level statistical units)
  - Creation of a KAU or a local unit
- **Disappearance of a combination of production factors**
  - Dissolution of an enterprise group (and all lower-level statistical units)
  - Closure of an enterprise (and all lower-level statistical units)
  - Closure of a KAU or a local unit

- **Changes in the distribution of production factors**
- **Redistribution of production factors within a single enterprise**
  - Redistribution of production factors within KAUs and local units
  - Redistribution of production factors only within KAUs
  - Redistribution of production factors only within local units
- **Redistribution of production factors involving more than one enterprise**
- **Concentration of enterprises**
  - a) Concentration within one enterprise group
  - b) Concentration involving more than one enterprise group
    - **Deconcentration of enterprises**
      - a) Deconcentration within one enterprise group
      - b) Deconcentration involving more than one enterprise
        - **Transfer of production factors between enterprises**
          - a) Transfer of a KAU or local unit within an enterprise group
          - b) Transfer of a KAU or local unit between enterprise groups
        - **Restructuring**
          - a) Restructuring within an enterprise group
          - b) Restructuring involving more than one enterprise
- **Transfer of an enterprise from one enterprise group to another**

### **3. Explanations**

In order to better understand the above typology of demographic events, several additional explanations are necessary. The categories in this typology represent basic kinds, i.e. "types", of events that can be distinguished. Each event is classified into only one category within the typology. However, it may occur that a real-world event does not fully correspond to the definition of any single category.

For example, a business organisation may undergo restructuring while, at the same time, certain production factors disappear. As is the case with many other classifications, in such situations the category that best fits the event must be determined.

The terms **concentration** and **deconcentration** are understood to have a broader meaning. In everyday usage, they may refer not only to the enterprise level but also to the enterprise group level, implying a decrease or increase in the number of controlling entities or groups. The use of these terms in the above typology results from considering the enterprise as the reference unit.

### ***3.1. Typology of Demographic Events for Specific Statistical Units***

There is a need for a typology of demographic events related to enterprises, demographic events related to local units, etc.

#### **• Demographic changes concerning enterprises**

This chapter describes demographic changes concerning enterprises and movements within the SBR in which data on them are stored. Where possible, changes in characteristics are also taken into account. The SBR represents the existence of an enterprise by assigning a unique identification number to the file/record of that enterprise. The creation and deletion of files are logically linked to the creation and deletion of identification numbers and correspond to changes in the continuity of the enterprise's activity. Conversely, if there is no interruption in the activity of an enterprise, its identification number cannot change.

### ***3.2. Typology of Demographic Events Related to a Single Enterprise***

At the enterprise level, the categories of the general typology differ with respect to two aspects:

#### **• Continuity of the enterprise's activity:**

For example, in the case of the cessation of an enterprise's activity, the enterprise loses its identity, whereas a change in the distribution of production factors does not necessarily lead to a loss of identity.

#### **• Number of enterprises involved in an event:**

The number of enterprises existing before the event, as well as the number after the event, is also important. For example, the creation of a single enterprise (in the sense of starting a new business, possibly on the remains of a previous one) differs from the concentration of two existing enterprises, among other things, with respect to the number of enterprises involved.

## **4. Demographic Events**

The events listed below are mutually exclusive. Since this is a complete, i.e. exhaustive list, it also constitutes a typology of events.

#### **• Existential changes**

(Events that affect only one enterprise after the event takes place and do not affect any enterprise before the event, or affect only one enterprise before and none after the event):

- ✓ Creation/formation
- ✓ Cessation/deletion

- **The creation of an enterprise** refers to the start of activity of an enterprise that did not previously exist and does not involve any other enterprise.
- **The cessation of an enterprise** refers to the opposite event. Since an enterprise is an organisational unit engaged in the production of goods or the provision of services (depending on its definition), creation implies the combination of production factors, while cessation implies the discontinuation of their activity, with the restriction that this event does not concern any other enterprise.

A key issue concerning the creation and cessation of enterprises relates to the date on which these events occur. A very important question is from which moment an enterprise is considered to be created. In principle, this question can be answered by referring to the definition of an enterprise: creation takes place at the moment when the conditions specified in the definition are fulfilled—that is, when it begins operating as an organisational unit engaged in the production of goods or the provision of services.

- **Concentration**

(events affecting more than one enterprise before the event and one enterprise after the event)

- ✓ merger
- ✓ take-over

Enterprises may combine in such a way that the number of existing enterprises decreases, i.e. grouping/concentration occurs. Such integration may take place in various ways and forms.

If two enterprises fully merge into one, they may either both lose their identity entirely because they no longer retain distinguishing features in the new organisation, or one enterprise may retain its identity. In the latter case, the other enterprise is usually much smaller and is simply absorbed by the larger enterprise, which essentially remains the same.

If both enterprises lose their identity, this is called a **merger**. If one retains its identity, this is called a **take-over**. In the situation described here, both enterprises cannot retain their identity, since the number of enterprises would then remain unchanged.

Although the number of enterprises decreases in the case of concentration, mergers and take-overs do not imply the cessation of units, as explained earlier. Cessation is a completely different event. However, all these events may lead to the deletion of files/records from the SBR. Likewise, the emergence of a new enterprise as a result of a merger is not considered a creation. It should also be noted that, as a consequence of a take-over, certain characteristics of the enterprise that retains its identity may change.

- **Deconcentration**

(changes affecting one enterprise before and more than one enterprise after the event)

- ✓ split-up
- ✓ spin-off

Events leading to **deconcentration** are the opposite of events leading to concentration. The opposite of a merger is a split-up, and the opposite of a take-over is a split. Similar terminology is therefore used.

- **Changes affecting more than one enterprise before and more than one enterprise after the event:**
  - ✓ formation of a joint company / joint venture investment
  - ✓ restructuring

The formation of a company for joint investment purposes involves the creation of one enterprise by two or more enterprises, where none of them has the right to make final decisions in managing the new enterprise.

**Restructuring** is a change involving more than one enterprise before and more than one enterprise after the event, and which does not represent the creation of a joint venture company. It affects the identity of at least one enterprise, while the total number of enterprises before and after the event may remain the same. The category of restructuring includes all cases not classified elsewhere in the typology of events.

It should be noted that some companies involve the transfer of substantial parts of production capacity into a new enterprise, while others involve the transfer of financial capital or business expertise (so-called know-how).

- **Change of group:**

The enterprise remains the same but moves from one group to another.

In this case, the same combination of production factors exists both before and after the event. After the event, however, it belongs to a different enterprise group than it did previously.

### **Possible Extensions**

There are several possibilities for further refinement. The category of enterprise creation could be divided into enterprises that obtain their production capacity from a “parent enterprise” and other enterprises. Within the restructuring category, a separate subcategory could be introduced for the transfer of part of the production capacity from one enterprise to another within the same enterprise group.

The need for such further subdivisions depends on the demand for information, the frequency of such events, the availability of information sources, and the associated costs.

As already mentioned, demographic events may lead to changes in the characteristics of units that retain their identity. In this context, size class and primary economic activity are of particular importance. Of course, changes in these characteristics may also occur without any demographic event, i.e. such (non-demographic) changes may concern only a single enterprise that continues to exist.

There is undoubtedly demand for information on changes in size class and primary economic activity. Changes in turnover class are important, if for no other reason than that small and medium-sized enterprises are defined in relation to turnover class.

Changes in characteristics are also very important for surveys, as they may cause changes in the population of units covered by a survey and may be used for stratification purposes.

## 5. Movements within the Register Reflecting Demographic Events

Below, the translation of events from the typology into movements within the SBR is considered one by one, together with information on sources and on the reconstruction of events based on SBR data. It is initially assumed that data on all enterprises involved in a given event are included in the SBR.

### Translating Event Data into Movements within the SBR

- **Creation and cessation**

The representation of creation and cessation in the SBR is straightforward: a new identification number is created, or an existing one is deleted.

However, there is a problem concerning the determination of the date of creation, or the “date of commencement of enterprise activity.” Should the date of creation be considered the beginning of investment? The date of the first sale? The date when the first product was delivered? Or when the first permanent employee was hired? These dates may not coincide with the date of registration of the corresponding administrative unit in an administrative source. The definition applied here is that the moment of creation in the SBR is the moment of the first registered employee and/or the first recorded turnover.

- **Merger and take-over**

In the case of a **merger**, all identification numbers of the enterprises existing before the event are deleted, and one new identification number is created for the newly formed enterprise.

In the case of a **take-over**, the acquiring enterprise retains its identification number. Therefore, no new identification number is created in the SBR, and only the identification numbers of the enterprises being taken over are deleted.

The date considered as the starting point of the change is the date on which the autonomy in decision-making—referred to in the definition of an enterprise—is lost by the enterprises in the merger process or by the enterprise being taken over.

- **Split-up and spin-off**

Since split-up and spin-off are processes opposite to merger and take-over, their registration is also the reverse. In the case of a **split-up**, new identification numbers are created for the enterprises resulting from the event, and the identification number of the original enterprise is deleted.

In the case of a **spin-off**, a new identification number is created only for the separated unit.

- **Creation of a joint venture company and restructuring**

The creation of a joint venture company is registered by creating a new identification number for the company, and no other new creations or deletions occur. The date considered as the start of the company's activity is the date on which it assumes the role of a unit with autonomous decision-making authority.

- **Change of group**

The way in which a change of group is registered depends on how the enterprise group itself is recorded.

If the group is explicitly registered, meaning that it has its own file/record in the SBR, the link between the enterprise and the original enterprise group is deleted, and the link between the enterprise and the new enterprise group is added.

If the enterprise group is not explicitly registered, but only indirectly through links between legal units (or links between enterprises), the change of group will be registered automatically and implicitly.

### **5.1. Sources of Information**

In practice, most events are registered upon receiving a "signal" from an administrative source of the SBR. These signals relate to administrative changes, and depending on the quality, meaning, and relevance of the administrative data, there may be a need to undertake updating activities in the SBR.

Sometimes no additional data are required to update the SBR, but in certain cases it is necessary to collect supplementary information. In all cases, however, cost rationalisation must be taken into account. As a result, the SBR updating policy may differ for small, medium-sized, and large enterprises.

Administrative creations and cessations do not necessarily lead to the creation and cessation of enterprises, and enterprises may be created or cease to exist without changes in their legal units. Nevertheless, in most cases, data on administrative creations can serve as a good starting point for updating the SBR with regard to enterprise creation.

However, there is a complicating factor: the existence of dormant administrative units, particularly dormant legal units. The administrative registration of a dormant legal unit does not lead to the creation of an enterprise file in the SBR. But if a dormant unit later begins operating, this may not automatically be recorded in the SBR. The same applies to active legal units that become dormant and later resume activity.

The situation concerning the registration of enterprise cessation is more difficult than that of enterprise creation. Notifications received from administrative registers regarding administrative cessations are an insufficient source for updating the SBR with respect to enterprise deaths, since there is usually no incentive for a unit to deregister from an administrative source after ceasing activity.

### **5.2. Reconstruction of Demographic Events from SBR Data**

In order to reconstruct a demographic event, it is necessary to know which enterprises participated in it. For creation and cessation this does not present a problem, but in the case of concentration and deconcentration, as well as in the case of the creation of joint venture companies and restructuring, it is necessary to register, over a certain period of time, the links between the enterprises involved in the process—particularly where those enterprises cease to exist as a result of the event.

## Statistical business registrar

For example, in the case of a merger, the original enterprises must be linked to the newly established enterprise, while in the case of an acquisition, the enterprise being acquired must be linked to the acquiring enterprise. If such “temporal links” are recorded, all events can be reconstructed.

The above indicates that the SBR is a historical register, i.e. it keeps records of deleted enterprises. In fact, no actual deletions occur in the historical register. “Deleted” records are retained and marked as historical.

The following table contains the main demographic events for which data are requested, the number of enterprises involved in these events, and the consequences of these events for the SBR in terms of the number of data entries / creations and deletions within the register.

The real world			SBR	
Event	Number of enterprises before the event	Number of enterprises after the event	Number of creations	Number of deletions
Creations	-	1	1	-
Closure	1	-	-	1
Merger	>1	1	1	>1
Acquisition	>1	1	-	n-1
Split-up	1	>1	>1	1
Spin-off	1	>1	n-1	-
Creation of a joint venture company	>1	n+1	1	-
Restructuring	>1	>1	0 or more	0 or more
Change of group	1	1	-	-
primjedba: $n > 1$				

## **X HARMONISATION OF STATISTICAL BUSINESS REGISTERS**

### **Why harmonise?**

- In all Member States, the availability of an SBR is of crucial importance for the process of collecting economic statistical data needed to obtain an overview of short-term economic developments and to gather data on the structure of the economy. The scope, comprehensiveness and quality of SBRs vary considerably from country to country, but achieving consistent and comparable statistics is not possible without prior standardisation of statistical business registers.
- The single market encourages the emergence of new and more numerous demands for information on the structure of enterprises. For example, there is a need to compile statistics on takeovers, mergers and acquisitions. In addition, for years there has been a sharp increase in the internationalisation of enterprises, with the formation of multinational companies expanding beyond national borders, for which data are required.
- In many countries, increasing pressure is being exerted to reduce the burden on enterprises related to their obligation to provide information for statistical surveys. On the other hand, and independently of any need for information on individual enterprises, Eurostat requires improvements in statistical production and anticipates new demands for information on, for example, services or small and medium-sized enterprises. The rationalisation of information collection systems can, to some extent, reconcile these contradictory needs. Good SBRs make it possible to conduct surveys more efficiently and economically across different enterprises, and by using the same information for different purposes, the overall amount of data collected can be reduced. Therefore, the existence of harmonised SBRs would help ease the reporting burden on enterprises and, in some cases, even minimise it.

### **What needs to be harmonised?**

#### **1. Definition of units**

In order to enable Member States and their institutions to compare and integrate their statistical systems, they must have at their disposal a complete and common set of statistical units.

This implies the following:

- a) each unit used must have a common definition, and that definition must be unique;
- b) the set of statistical units must always be available for use by every Member State.

In short, what is needed is a common vocabulary with the necessary explanations that allow for harmonised identification of units.

#### **2. Coverage**

The register must contain data on all enterprises and local units. Regardless of which groups may be excluded, the coverage must be identical in order to avoid introducing bias into samples and into statistical data derived from the SBR.

### 3. Updating

Entities appearing in SBRs are created, may change their form, and eventually cease to exist. Over time, their characteristics also change. If demographic events affecting the identity of units are not standardised, and if the conditions and frequency of updating are not harmonised, it becomes very difficult to make comparisons on an international basis.

### 4. Characteristics

The characteristics of different units, like the units themselves, must be harmonised. They determine the degree of comparability of strata used in sample design, the consistency of relevant subpopulations (e.g. public corporations), and the standardisation of definitions for certain derived units.

Table of types of changes

Code of the change	Name of the change
1	Creation
12	Creation by establishment
13	Creation by merger
14	Creation by split
19	Creation in another way
2	Cessation
21	Cessation by liquidation
22	Cessation by bankruptcy
23	Cessation by acquisition
24	Cessation by merger
25	Cessation by split
29	Cessation in another way
3	Changes in data
31	Change in legal form
32	Change in ownership form
4	Introduction of a segment with modified identification
41	Change in legal form and ownership form
42	Change in legal form and origin of capital
43	Change in legal form, ownership form and origin of capital
44	Change in ownership form and origin of capital
51	Initiation of liquidation
52	Bankruptcy proceedings opened
59	Compliance with the law
6	Alignment of activity with the new classification of activities
61	Change of name (company name)
62	Change of registered seat and address
65	Change in affiliation/linkage
66	Change of principal activity
68	Change in conducting foreign trade activities
69	Change of other data
90	Technical correction

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