COMMISSION

COMMISSION RECOMMENDATION

of 13 September 1995

on the use of the statistical classification of economic activities in the European Communities for breaking down net turnover by type of activity

(Text with EEA relevance)

(95/377/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to the Fourth Council Directive 78/660/EEC of 25 July 1978 (1) on the annual accounts of certain types of companies, and in particular Article 43 (1) (8) thereof,

Whereas the operation of the internal market requires the application of standards for economic data so that companies, financial institutions and administrations may have reliable and comparable statistics; whereas these statistics are particularly important for companies in order to assess their performance and level of competitiveness and to identify their position *vis-à-vis* the competition;

Whereas the need for international comparability of economic data has led the Member States and Community institutions to adopt common classifications so that the contents of the categories of, in particular, activities and products, will be interpreted in a standard fashion in all the Member States and will be consistent with the United Nations international classifications; whereas, with this end in view, a Regulation has been adopted establishing a 'statistical classification of economic activities in the European Community — NACE Rev. 1' (2), used by the Commission departments for all statistics by economic activity and by the Member States either directly or via a derived national classification;

Whereas Directive 78/660/EEC prescribes measures for coordinating national provisions regarding the annual accounts of certain types of company and requires these accounts to give a true and fair view of a company's assets, financial position and profit and loss; whereas to this end, the minimum contents of the notes of the accounts must be laid down, Article 43 (1) (8) stating that the notes must set out the net turnover broken down by categories of activity;

Whereas by virtue of the exemptions provided for in Directive 78/660/EEC, not all companies in Member States need to provide this information, with the result that information is provided on a voluntary basis;

Whereas it is desirable to establish the conditions whereby the information published on the companies which provide information on a voluntary basis corresponds to comparability criteria both within a given Member State and between Member States of the European Union;

Whereas:

— the convergence of accounting and statistical terminology may help improve the comparability and quality of economic information,

— the general use of NACE Rev. 1 for breaking down net turnover by activity pursuant to Article 43 (1) (8) of Directive 78/660/EEC would be a useful area for application of this convergence as it would give a minimum content to the said provision; whereas this use would thus offer numerous advantages in connection with increased consistency between economic and accounting terminology and in particular:

1. reduction of the administrative burden on companies in connection with the collection of statistics thanks to the use of a common reference,

(1) OJ No L 222, 14. 8. 1978, p. 11.
(2) Council Regulation (EEC) No 3037/90 of 9 October 1990, OJ No L 293, 24. 10. 1990; amended by Commission Regulation (EEC) No 761/93 of 24 March 1993, OJ No L 83, 3. 4. 1993.

2. improved correspondence between the information collected from the companies and the statistics made available to users of economic information,

— it is highly desirable to achieve this (these) aim(s) without imposing new obligations on companies;

Whereas, according to the principle of subsidiarity, the establishment of joint statistical and accounting standards permitting the production of harmonized information is an activity which can be performed efficiently only at Community level and whereas these standards would be applied in each Member State;

Whereas, in the light of this situation, the Commission thinks it is necessary to recommend the Member States to encourage an approach likely to improve the transparency and smooth running of the internal market; whereas in the Contact Committee set up pursuant to Article 52 of the Fourth Council Directive with the particular task of facilitating the harmonized application of the Directive through regular meetings dealing in particular with practical problems arising in connection with its application, a majority of the Members were in favour of the Commission's proposal for the use by companies, on a voluntary basis, of NACE Rev. 1 for breaking down their net turnover by category of activity,

RECOMMENDS THE MEMBER STATES:

— to encourage all companies breaking down their net turnover by category of activity, pursuant to Article 43 (1) (8) of Directive 78/660/EEC, to use the NACE Rev. 1 categories;

— to encourage those companies which refer to the statistical classification to use NACE Rev. 1 as described in the Annex to this recommendation.

Done at Brussels, 13 September 1995.

For the Commission

Mario MONTI

Member of the Commission

ANNEX

Use of NACE Rev. 1 as the reference classification for the breakdown of turnover by activity

Data on turnover broken down by activity may be rendered comparable as follows :

— companies will use a classification suited to their internal management requirements to break down sales of goods or services in their accounts,

— they are recommended to draw up their classification by category of activity in such a way that it is compatible with the statistical classification of economic activities in the European Community, NACE Rev. 1 or the national version thereof (1).

1. **Degree of compatibility**

An internal management classification shall be deemed compatible with the European statistical classification if it :

— uses indentical headings (divisions, groups or classes) as NACE Rev. 1 (2) (3).

— corresponds to a subdivision of NACE Rev. 1 so that the NACE Rev. 1 headings can be obtained by adding together items in the internal classification.

2. **Level of detail required**

NACE Rev. 1 comprises several levels of headings known as divisions, groups and classes.

The part common to all the Member States will go to the level of detail of the NACE Rev. 1 classes. Information should be provided by reference to this level, which is regarded as the most relevant, since the system is identical up to the fourth digit in all countries. This also permits the main activity to be determined and ensures consistency between the Member States.

3. **Special cases and exceptions**

3.1. Some companies might regard the four-digit level of NACE Rev. 1 as too detailed for breaking down their turnover, which could be prejudicial to their interests. In such cases, the breakdown by activity may be made at the three-digit (group) or two-digit (division) level of NACE Rev. 1 ;

3.2. In some cases of partial compatibility between the internal classification and the statistical classification it will not be possible to allocate turnover to a single class, group or division of NACE Rev. 1 or only at a cost which is out of proportion with the usefulness of the information provided : elements of this kind may be grouped under an item entitled 'non-broken-down turnover'.

4. **Note**

For the purposes of breaking down their turnover by activity, companies should separate their purely commercial activities (trade) (4) and their production activities (sales of goods and services produced by the company).

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(1) Compatibility between the internal classification of activities and NACE Rev. 1 will automatically result in compatibility between the internal product classification and the Statistical Classification of Products by Activity in the EEC (CPA), since the CPA, established by Council Regulation (EEC) No 3696/93 is linked to NACE Rev. 1 in such a way that the products classification is structured in the same way as production activities (in the EU). This consistency facilitates the identification of NACE Rev. 1 activity codes on the basis of products and vice-versa. The Regulations on NACE Rev. 1 and the CPA are accompanied by explanatory notes aimed at facilitating their standard use by all the Member States.

(2) NACE Rev. 1 comprises several levels, viz :
— headings identified by a two-digit code, known as divisions,
— headings identified by a three-digit code, known as groups,
— headings identified by a four-digit code, known as classes.

(3) Compatibility can be only partial if certain elements in the internal classification cannot be allocated to a single class (or group or division) of NACE Rev. 1. In this case, the addition of items in the internal classification will permit the sum of several NACE Rev. 1 items (at the level of the class, group or division) to be obtained.

(4) Resale, without further processing, of goods bought in.