

**Eighteenth Meeting of the
IMF Committee on Balance of Payments Statistics
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**Specifying Criteria and Indicators to Split Units under Joint
Sovereignty/Jurisdiction and Multiterritory Enterprises**

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**Specifying criteria and indicators to split units under joint sovereignty/jurisdiction
and multiterritory enterprises**

In the course of BOPCOM and BOPTEG's deliberations, these committees had already researched or been advised of several cases of multiterritory enterprises or joint sovereignty zones. (Although conceptually separate, the proposed solution to both the multiterritory enterprise and joint sovereignty zone cases is the same, so they are discussed together.)

The following specific cases were considered:

For SAS Airlines, the treatment adopted was to prorate on the basis of the equity shares. (Subsequent changes in the corporate structure and privatization of a country's shares suggest that this method might not be immutable.)

A UK-Dutch shipping company was prorated on the basis of tonnages handled in the respective countries. (The tax authorities have also accepted this method.)

In the Australia-East Timor Joint Sovereignty Zone, the activities were split equally in line with the shared sovereignty, although the income is split 90/10.

Other cases we heard about include the hydroelectric schemes on Paraguay's river borders and other cases of submarine cables.

As a result of considering these cases, the first conclusion made by BOPTEG and BOPCOM was that the correct treatment should be for the enterprises to be prorated between the related economies. However, in view of the varying circumstances and the appropriateness of each of the solutions adopted, it was decided not to endorse any single criterion for allocation, but rather to provide some general guidance on a range of possible criteria, such as equity, sovereignty, or operational measures such as tonnages. The list would not be exclusive. The BOPTEG/BOPCOM conclusions also urged that there should be cooperation to ensure data consistency between the countries involved.

One other case raised at the AEG meeting was that of the Nordea Bank, on which Eurostat and the relevant countries may have some extra insight. For more input, AEG members could consult their respective countries to see if this approach is acceptable to them.

However, extra consultations would probably just reinforce the conclusions made by BOPTEG and BOPCOM, since the approach adopted has been designed to recognize that the cases are

difficult and diverse, and that all these existing treatments identified are reasonable ways of handling them, and point the countries involved in other cases in the direction of some factor that reflects the country proportions of each enterprise's operations.

In summary, AEG members are asked whether they would prefer the BOPTEG-BOPCOM approach or something more prescriptive that some AEG members seem to have envisaged.

The AEG would be asked to answer the following questions:

Do you agree with the prorating of multiterritory enterprises and enterprises in joint sovereignty zones?

If so, would you prefer that the manuals suggest:

(a) a range of possible criteria for prorating?

(b) a particular criterion? If so, which criterion?

To cover the possibility that (a) might be chosen, other suggestions on possible criteria for inclusion in the list would be welcome.