Improving the SNA Treatment of Transactions within Multinational Enterprises

Dylan G. Rassier (BEA)

Paper Abstract:

Multinational enterprises play a unique and important role in the global economy and in national economies. Core measures in the SNA are affected by the treatment of transactions within MNEs under the residence concept, which is essentially based on legal residence rather than economic residence. In the case of MNEs that are structured with legal entities that lack economic substance, the legal residence concept may generate results that are inconsistent with the objectives of the SNA. Furthermore, economic literature on the formation of MNEs, global guidance on the taxation of MNEs, and economic measurement literature on alternatives to the legal residence concept all lend support to a concept of economic residence in lieu of legal residence. Thus, this paper proposes improving the SNA treatment of transactions within MNEs by differentiating SNA supplemental measures under the current concept of legal residence from SNA core measures under an alternative concept of economic residence.