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new perspective to multinational enterprises  
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9

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# **Country-by-Country Reports statistics – a new perspective to multinational enterprises**

## **Descriptive analysis of national and foreign MNEs with a local presence in Italy**

VERA SANTOMARTINO, BARBARA BRATTA, PAOLO ACCIARI<sup>1</sup>

### **Abstract**

This paper describes the global allocation of activities of Italian multinational enterprises as emerging from the first collection of Country-by-Country Reports (CbCR), the new reporting tool to be filed by multinational enterprises under Action 13 of the G20/OECD BEPS Project. By making use of a new dataset based on micro-data collected by CbCR filings, this paper addresses the following questions: where are the activities of Italian MNEs distributed internationally? Does the geographical allocation differ for profits, tangible assets, revenues or employees? How does the allocation differ by sectors? How is the global allocation of Italian MNEs different from that of foreign MNEs? Overall the analysis suggests that the global reach of Italian MNEs is relatively smaller compared to foreign MNEs and that domestic activities still represent a significant share of their global activities. Foreign activities are mostly concentrated in high-income countries. Middle income countries present a relatively higher importance in terms of tangible assets and employees than they do in terms of revenues and profits, while the opposite holds for Investment hubs, accounting for a higher share of profits and revenues than they do in terms of tangible assets and employees.

La presente analisi descrive l’allocazione globale delle attività delle multinazionali italiane risultante dalla prima raccolta dei *Country-by-Country Reports* (CbCR) compilati dalle multinazionali in base all’Azione 13 del Progetto G20/OCSE BEPS. L’analisi utilizza il nuovo dataset costituito dai micro-dati raccolti dai CbCR e intende approfondire i seguenti aspetti: dove sono distribuite nel mondo le attività delle multinazionali italiane? L’organizzazione internazionale delle attività è diversa per profitti, immobilizzazioni, ricavi e addetti? Come varia l’allocazione in base ai settori? L’organizzazione internazionale delle multinazionali italiane è diversa da quella delle multinazionali estere? L’analisi suggerisce che l’estensione globale delle multinazionali italiane è relativamente inferiore rispetto a quella delle multinazionali estere e che l’Italia rappresenta una quota rilevante delle attività globali. Le attività estere sono perlopiù localizzate nei paesi ad alto reddito. I paesi a medio reddito presentano un ruolo più importante per la localizzazione di immobilizzazioni e addetti rispetto alla localizzazione di ricavi e profitti, mentre gli *Investment hubs* appaiono avere un ruolo opposto, con una maggiore rilevanza per la localizzazione di profitti e ricavi rispetto a immobilizzazioni e addetti.

**Keywords:** multinational firms, country-by-country reporting, corporate taxation, BEPS, offshoring, global value chain

**JEL:** F23, H25, H26, M16

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## 1. Introduction

The availability of high quality and comprehensive data on the global activities of multinational companies has represented a major challenge for tax administrations that has been addressed by the international community in the context of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project, mainly under Action 13 and Action 11.

Under BEPS Action 13 “*Transfer Pricing Documentation and Country-by-Country Reporting*” countries implemented the Country-by-Country Report (CbCR), a new reporting tool to be filed by MNE groups with global revenues above € 750 million. Within the CbCR, MNEs report information on a set of variables, among which revenues, profits, taxes, employees and tangible assets, broken down on a country-by-country basis. Tax administrations typically receive CbCRs filed by MNEs having their ultimate parent entity resident in the country and then exchange them with tax administrations of foreign jurisdictions in which MNEs reported to have foreign activities<sup>2</sup>. As a result of this exchange system, each tax administration has access to data on the global distribution of activities of its domestic MNEs and of foreign MNEs having operations in its country.

The new tool is mainly intended to be used by tax administrations in the high-level assessment of transfer pricing and BEPS-related risks, however countries agreed that CbCRs may also be used by tax administrations for the economic and statistical analysis of MNEs and BEPS<sup>3</sup>. Year 2018 has been the first year of collection of CbCRs by tax administrations, based on information for fiscal year 2016. The Department of Finance of the Ministry of Economy and Finance received the data from the Italian Tax Revenue Agency in September 2019 and started building a dataset for statistical purposes.

Statistical Tables of Italian CbCRs have been recently published by the OECD in the Corporate Tax Statistics Database. Under BEPS Action 11 “Measuring and monitoring BEPS”, countries agreed to regularly publish anonymised and aggregated CbCR statistics to support the economic analysis of BEPS. To this end, each jurisdiction compiles CbCR filings received by MNEs having their UPE in the country into a single anonymised and aggregated dataset, according to their specific confidentiality standards, and shares it with the OECD for public release. The first release occurred on 8<sup>th</sup> July 2020 and is based on 2016 data received by a total of 26 reporting jurisdictions, including Italy. The main conceptual difference between the OECD dataset and the dataset used in the present analysis can be summarized as follows: the OECD data has a comprehensive perspective on the global activities of all MNEs in the world, although only in the form of aggregated and anonymized data as

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<sup>2</sup> Section 3 explains key CbCR concepts including the definition of Ultimate Parent Entity.

<sup>3</sup> Action 13 Final Report (paragraph 25) and Multilateral Competent Agreement on the exchange of CbCr (Section 5 paragraph 2).



sent out by national tax administrations<sup>4</sup>. The present analysis is, instead, based on a smaller subset of MNEs, since it only covers domestic MNEs and foreign MNEs having operations in Italy and does not include foreign MNEs not having any operation in Italy. Compared to the OECD dataset, the dataset used for the purposes of this analysis presents a higher level of granularity as we use CbCR micro-data, i.e. data at MNE level on jurisdiction-by-jurisdiction based. This presents a number of advantages in terms of economic and statistical analysis, especially of BEPS.<sup>5</sup>

The present analysis is intended to provide an initial insight on the positioning of Italy in global activities of multinational companies as emerging from this brand new data source. This is done mainly by focussing on the global distribution of activities of Italian MNEs. The global arrangement of Italian MNEs is compared, where possible, with the global arrangement of foreign MNEs in order to identify potential similarities or peculiarities in the scale and location of operations. A snapshot of the activities of foreign MNEs in Italy is also provided.

Section 2 contains an overview of existing data sources on the global activities of Italian MNEs and illustrates the innovative features of CbCRs as well as its caveats. Section 3 explains the methodology for building the dataset starting from raw CbCR data. Section 4 illustrates the composition of the dataset in terms of country of origin of MNEs. Section 5 analyses the global reach of Italian MNEs and is intended to address the question on where are Italian MNEs present in the world. Sections 6 and 7 go into more detail in analysing the geographic distribution of activities by geography and by sectors. Section 8 focuses on the global distribution of employees. Section 9 provides an insight on the activities of foreign MNEs in Italy, with a focus on foreign MNEs presenting a high level of operations in Italy. Section 10 contains some concluding remarks.

## **2. Country-by-Country Reports – a new perspective**

This section is intended to provide a brief overview of the most frequently used data sources on MNEs activities, with no intention to be exhaustive in evaluating the pros and cons of each source, but mainly with the perspective to outline the innovative features of CbCR data.

Existing data sources on MNEs are both macro - providing information on the aggregate activities of Italian MNEs - and micro - providing information on the activities of single firms. As to macro-sources, National statistics and Eurostat statistics provide Inward and Outward Foreign Affiliates Statistics (FATS). FATS provide information on in-country activities of foreign-owned enterprises

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<sup>4</sup> A number of countries was not able to provide the OECD with aggregated and anonymized data for fiscal year 2016, so also the OECD data do not encompass all MNEs in the world yet.

<sup>5</sup> An analysis of BEPS as resulting from CbCR data for the year 2017 is being carried out and will be soon made public (in Bratta, Santomartino, Acciari, *forthcoming*)

(inward FATS) and on the activities abroad of domestic-owned enterprises (outward FATS). FATS statistics are based on census surveys. As to inward FATS, data include information on several variables, namely number of enterprises, number of employees, turnover, production value, value added, gross operating surplus, purchase of goods and services, personnel costs, gross investment in tangible goods, R&D expenditure. As to outward FATS, these include information on the number of enterprises, number of employees, turnover, personnel costs, gross investment in tangible goods, value added. For each reporting country, variables are available by controlling country (as for inward FATS) and by partner country (as for outward FATS), although for several countries data is not available. FATS statistics published by the national institute for statistics also contain data on exports and imports. Furthermore the Italian National Institute of statistics reports data on key variables of enterprises belonging to MNE groups, however data is only provided for the national economy.

As to micro-sources, the most frequently used source is the Orbis-BvD database. The Orbis-BvD database contains firm-level financial account information for companies worldwide. More in detail, the database contains balance sheet and income statement information both at the consolidated level and at the unconsolidated level, as well as information on the number of employees and the ownership structure. Although being the largest source of data in this respect, one of the main limits is in the geographic coverage, which is limited for a number of countries, among which the United States, as well as for many other smaller economies.<sup>6</sup>

Another relevant source of micro-data is represented by national tax returns, containing information on tax liabilities of Italian enterprises and of foreign enterprises having a taxable presence in Italy. Although allowing for the analysis of the contribution to national revenues of domestic and foreign-controlled enterprises, the main limitation of tax returns data as for the analysis of MNEs is that it lacks the global perspective, in that there is no information on MNEs economic activities and tax liabilities in foreign countries.

The CbCR data present innovative features with respect to existing sources that allow governments and researchers to gain a refined and more comprehensive perspective on the global activities of MNEs, overcoming some of the limitations of existing data sources.

CbCRs include in one single source a comprehensive set of variables with an extensive geographic coverage - including countries for which coverage in existing data sources is generally poor. These features are described in more detail below:

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<sup>6</sup> A source conceptually similar to Orbis for US MNEs data is the US Bureau of Economic Analysis (BEA). For a deep analysis of the representativeness of the Orbis dataset see Bajgar, M., et al. (2020).

- *Combination in one single source of financial and tax information:* as illustrated above, CbCRs have been developed under a tax policy perspective within the BEPS framework. The main approach in detecting BEPS behaviours is the misalignment between the location where economic activities are undertaken - as reflected by variables such as revenues, employees or tangible assets - and the location where profits are taxed, as reflected by the amount of profits and the amount of taxes reported in each country<sup>7</sup>. The CbCR therefore combines economic and financial variables with tax variables, namely taxes accrued and paid in each country. Existing data sources on MNEs have not been developed for tax analysis purposes therefore they do not include such information.
- *New variables not usually observed in other datasets:* beyond tax information, CbCRs include data on profits reported in each country and on total revenues split between related and unrelated party revenues. These variables are not usually present in other datasets or at least not with the degree of geographical coverage provided by CbCRs.
- *More extensive geographic coverage:* MNEs are required to report activities in every single jurisdiction in the world where they have operations, including countries for which coverage in other datasets is generally low. As an example, the Orbis dataset has good coverage for European enterprises, but a low coverage for US firms, as well as for some investments hubs and developing countries.
- *The perspective of the analysis is the MNE group:* within the CbCR it is the MNE that directly provides information on its global activities, therefore the linkage between the entities and the MNE group is clear. In other datasets such as Orbis, the recognition of the MNE group and of its operations by country is not immediate and requires multiple steps. The National Institute of Statistics has developed statistics aimed at analysing key variables of national enterprises belonging to MNE groups, however, as mentioned above, data is only available for the national economy.
- *Domestic and foreign operations of MNEs included in one single dataset:* in the CbCR MNEs need to indicate not only their foreign operations, but also operations in the country of tax residence. This presents an advantage with respect to FATS statistics where domestic operations are not observed.
- *Data consistency and comparability across countries:* the CbCR has been developed under an international standard therefore data contained therein is intended to be easily and directly comparable across countries.

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<sup>7</sup> Previous analysis on the measurement of BEPS based mainly on financial accounts data (OECD BEPS Action 11 Final Report) or FDI data (Acciari, Tomarelli, Benedetti and Limosani, 2015).

More generally on the coverage of CbCR data with respect to FATS statistics, it could be noted that, although CbCR data only refers to the largest MNEs (global revenues above € 750 million), whereas FATS statistics also include smaller MNEs, FATS statistics are based on census surveys, for which the response rate is 72 per cent (as for 2017 data). Although other sources are used in order to estimate the values of non respondents, it may happen that those companies that are less willing to disclose information on their international activities may choose not to respond, affording eventually a low fine. CbCR filing, instead, represents a fiscal obligation for MNEs<sup>8</sup>. Furthermore in FATS statistics Section K “Financial and Insurance Activities” is not included in certain amount variables (e.g. turnover, value added, investments), whereas CbCR data also includes amounts for MNEs active in these sectors, which account for a significant share of CbCR variables, as will be analysed in more detail. The CbCR dataset and the FATS dataset are not directly comparable since variables are defined differently.

At the same time, CbCR data presents a number of caveats. Some of these caveats depend on the structural way in which the report is designed and on the way information is exchanged between tax administrations, others are expected to be transitory and to be overcome in the following editions as both MNEs and tax administrations gain increased familiarity with the new tool in a learning-by-doing process.

As to the “structural” limitations, CbCRs only contain information on the largest MNEs, namely those having global revenues above € 750 million. Furthermore, as each tax administration has access to information on domestic MNEs and on foreign MNEs having operations in the jurisdiction, aggregated data for national and foreign companies are not fully comparable. One of the main implications of this asymmetry is that smaller MNEs or MNEs with a local scale of operations (e.g. only present in Asian countries) are not represented in the dataset available to the Italian tax administration. An insight of the under-representation of foreign MNEs included in the dataset can be drawn by comparing it with the OECD dataset. The table below compares, for each foreign reporting country, the number of CbCRs included in the present dataset with the total number of CbCRs included in the OECD dataset. As for France, the representativeness of the present dataset in terms of number of CbCRs is high (76%). For Luxembourg and Austria, the share is above 50%. For the other EU countries in the list, the representativeness of the national dataset ranges between 20% and 50%. For non-EU countries, namely US, Canada and Japan, the representativeness is below 20%.

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<sup>8</sup> For MNEs with Italian UPE the relevant provision is Article 2 of the Ministerial Decree of 23<sup>rd</sup> February 2017.

Reporting country	Number of CbCRs in the Italian Department of Finance dataset – MNEs having a physical presence in Italy	Number of CbCRs in OECD Anonymised and Aggregated statistics – all MNEs with or without a physical presence in Italy	Share %
France	137	181	76%
Luxembourg	63	120	53%
Austria	37	73	51%
Netherlands	72	155	46%
Sweden	36	88	41%
Finland	21	54	39%
Ireland	15	45	33%
Belgium	15	54	28%
Canada	25	160	16%
United States	152	1,101	14%
Japan	26	715	4%

The table only matches reporting countries sending information on at least 4 CbCRs to the Italian Tax Administration with the 26 reporting countries for which Anonymised and Aggregated CbCR statistics are available. The number of CbCRs in the OECD Anonymised and Aggregated CbCR statistics is taken from the Corporate Tax Statistics Publication, Second edition.

Other caveats derive from the tool being new both for MNEs filing the reports and for tax administrations analysing them. As a result, CbCR data presents a number of limitations that can affect the quality of the data, requiring extreme caution in its interpretation, at least for the year 2016. A thorough analysis of the limitations of CbCR data is provided by the OECD in the Disclaimer accompanying the release of CbCR statistics as well as in the relevant section of the Corporate Tax Statistics Publication<sup>9</sup>. One of the main limitations stands in the treatment of intra-company dividends in the variable of profit (loss) before tax. In the absence of specific guidance in this respect in the Action 13 report, jurisdictions have undertaken different approaches, some have required MNEs to include them, some have required to exclude them and some have not issued any guidance. This has created inconsistencies across CbCRs, hampering the interpretation of the profit (loss) variable, particularly in the country of the UPE, and its comparability across countries. As for Italian MNEs,

<sup>9</sup> [www.oecd.org/tax/tax-policy/anonymised-and-aggregatedcbcr-statistics-disclaimer.pdf](http://www.oecd.org/tax/tax-policy/anonymised-and-aggregatedcbcr-statistics-disclaimer.pdf).  
<https://www.oecd.org/tax/beps/corporate-tax-statistics-database.htm> (Box “Limitations of the CbCR data and actions to improve the quality of the data”).

analysis has been undertaken in order to explore the issue and it resulted that a majority of Italian UPEs have included dividends in the Profit (Loss).<sup>10</sup>

Another limitation stands in the fact that for some jurisdictions data may be under-estimated due to a limited submission of CbCRs. In particular as for US MNEs, CbCR filing in the United States was voluntary in 2016 therefore data for this year might under-represent the magnitude of the global activities of US MNEs. This might also occur for other countries for which a low number or no CbCRs were available. This means that the positioning of some countries in the global allocation of MNE activities might be mis-represented as reflected in this dataset. The present analysis therefore describes the data as resulting from available CbCRs<sup>11</sup>.

CbCR raw data also presented a number of recurring filing errors. The following section explains the approach undertaken in order to address the issue and build the dataset.

### 3. Creation of the dataset

In order to understand the dataset, it is useful to provide an overview of what a CbCR report looks like, of the information contained therein and of key CbCR concepts, together with an explanation of how they have been used in the construction of the dataset<sup>12</sup>.

CbCRs are composed of three tables. In Table 1 MNEs report the allocation by tax jurisdiction of the following variables: Total revenues, Unrelated party revenues, Related party revenues, Profit (Loss) before Income Tax, Income Tax Paid, Income Tax Accrued, Stated Capital, Accumulated Earnings, Number of Employees and Tangible Assets (other than Cash and Cash equivalents).

Information is reported by sub-groups, meaning the combination of the entities present in each tax jurisdiction. This means that if an MNE operates in one jurisdiction with more than one entity, data is provided by aggregating values referred to all the entities in the jurisdiction, therefore it is not possible to distinguish how each entity contributes to the total values reported in that jurisdiction.

Table 1 also provides the following information that is relevant for the statistical analysis of data:

- *Currency* in which each variable is expressed.
- *Tax identification number (TIN) of the reporting entity*. The reporting entity is the entity of the MNE Group that ensures the preparation and filing of the CbCR in its jurisdiction of tax

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<sup>10</sup> <https://www.oecd.org/tax/tax-policy/italy-cbcr-2016-country-specific-analysis.pdf>

<sup>11</sup> Furthermore for some of the available CbCRs compiled by foreign MNEs, the country of the UPE was not indicated, therefore it was not possible to analyse it.

<sup>12</sup> CbCR template and key definitions are available in Action 13 final Report (Annex III and Annex IV to Chapter V): <http://www.oecd.org/tax/transfer-pricing-documentation-and-country-by-country-reporting-action-13-2015-final-report-9789264241480-en.htm>

residence on behalf of the MNE Group. TIN is essential to spot potential duplications and to match CbCR data with other sources (e.g. Italian tax returns, Orbis database).

- *Role of the reporting entity*: specifies the role of the Reporting Entity with respect to the filing of the CbCR. Possible values are: CBC701 (Ultimate Parent Entity - UPE), CBC702 (Surrogate Parent Entity), CBC703 (Local Filing in the framework of an international exchange, intra-EU exchanges only). The Ultimate Parent Entity (UPE) is the entity within the group that directly or indirectly owns a sufficient interest in one or more other entities of the MNE Group such that it is required to prepare consolidated financial statements. The Surrogate Parent Entity (SPE) is an entity of the MNE Group that has been appointed as a substitute for the UPE to file the CbCR in that entity's jurisdiction of tax residence, on behalf of the MNE Group. Entities act as surrogate parent entities in case the country of their UPE has not implemented CbCR filing. Local filing is an alternative residual reporting mechanism which is allowed in specific circumstances in case neither UPE nor the SPE files the CbCR. The role has been used in the statistical analysis in order to identify the "nationality" of the MNE group by looking at the country of location of the UPE, therefore MNE groups with UPE in Italy are considered Italian MNEs and MNE groups with UPE in foreign countries are considered foreign MNEs. The role has also been used to address duplication issues.
- *Time stamp*: date and time of compilation. This information has been used in order to address duplications issues.

Table 2 of the CbCR reports information on the main business activities (e.g. R&D, Production, Sale) for the list of all the entities of the MNE group by tax jurisdiction.

Table 3 contains additional information reported as free text.

When approaching CbCR data it became evident that a number of filing errors were present in the tables, therefore, in order to build a dataset functional for statistical analysis, a series of preliminary cleaning steps were needed. The approach chosen has been a conservative one, aimed at identifying recurring and macroscopic reporting mistakes and finding solid approaches to correct them in order to make the dataset consistent and reliable while not altering the integrity of the information provided by MNEs.

A first set of cleaning actions concerned duplications. Raw CbCR data presented a number of duplications, multiple identical reports were sent for the same MNE group, mainly from different reporting entities with different reporting roles. The main cleaning approach has been to keep the report sent by the UPE and drop the others. In few instances multiple identical reports were sent by different UPEs located in different countries, in these cases other criteria were used (searching for the

entity in order to identify the correct country of the UPE or keeping the report sent by the UPE located in the country with the highest amount of revenues and employees).

Further cleaning steps were needed in order to correct currency and unit mistakes. As to currency corrections, although the CbCR is supposed to be filed using one single currency for all variables in all jurisdictions, there were instances in which country-specific currencies were used for the same variables or different variables were reported using different currencies. Data has been converted to euros using the relevant 2016 exchange rate. As for unit corrections, although amounts should be provided in full units, in some instances data was provided in thousands or millions. In some cases MNEs mentioned to have used different units in Table 3 and this was searched for by means of manual check of free text reported in Table 3. Furthermore an automatic check for anomalous low or anomalous high values has been undertaken. Suspect data has been compared with Orbis data for the same reporting entity and the relevant correction has been applied where needed.

Beyond unit corrections for amounts, also unit corrections for employees were needed. Employee mistakes mainly derived from MNEs multiplying the correct values by 1,000 or by 1,000,000 as they have done for other variables (as a matter of fact CbCRs are mainly filed using financial accounts data which is generally expressed in thousands or millions, therefore in order to express them in full units for CbCR purposes they need to be multiplied). These mistakes were identified by spotting anomalous high values and comparing them with Orbis data.

After the cleaning process we obtained a dataset composed of 1,251 MNEs and 43,694 subgroups headquartered in 37 jurisdictions and operating in 233 jurisdictions.

#### **4. MNEs present in Italy: geography of Ultimate Parent Entities (UPEs)**

As illustrated above, the Italian Tax Administration receives CbCRs filed by MNE groups with consolidated global revenues above € 750 million and having at least one entity located in Italy.

Out of the 1,251 MNEs included in the dataset, 138 are Italian MNEs and 1,113 are foreign MNEs.

The analysis on the origin of the foreign MNEs (Tab. 1) shows that the European Union accounts for a significant share, with 502 MNEs having their Ultimate Parent Entity in EU countries, mainly France (137), the Netherlands (72), Luxembourg (63), Spain (62) and Austria (37), followed by Sweden, Finland, Belgium, Ireland and Germany.

North America is the second region by number of foreign MNEs, namely 177, of which 152 based in the United States and 25 based in Canada. The figure referred to Other European countries (158) is to a great extent explained by United Kingdom and Switzerland, which represent respectively 93 and



44 MNEs. The presence of Asian MNEs in Italy is broadly referable to MNE groups based in Japan. As to Central America, the figure (21 MNEs) is explained by only two countries, namely Bermuda and the Cayman Islands, presenting respectively 13 and 8 MNEs.

Only very few companies are based in Oceania and Africa, whereas no CbCRs were received from MNEs with an UPE in the Middle East, North Africa and South America. It has to be noted that for a number of CbCRs the country of the UPE is unknown, therefore the absence of MNEs in these regions may be due to their inclusion in the unknown aggregate.

**Table 1. Regional distribution of MNEs present in Italy by Country of UPE**

<b>Country of UPE</b>	<b>Number of MNEs</b>
<b>Italy</b>	<b>138</b>
<b>Foreign countries</b>	<b>1,113</b>
<b>European Union (Italy Excluded)</b>	<b>502</b>
France	137
Netherlands	72
Luxembourg	63
Spain	62
Austria	37
Sweden	36
Finland	21
Belgium	15
Ireland	15
Germany	9
Other countries	35
<b>North America</b>	<b>177</b>
United States	152
Canada	25
<b>Other European countries</b>	<b>158</b>
United Kingdom	93
Switzerland	44
Other countries	21
<b>Central and East Asia</b>	<b>33</b>
Japan	26
Other countries	7
<b>Central America</b>	<b>21</b>
Bermuda	13
Cayman Islands	8
<b>Other African countries, Oceania, Unknown</b>	<b>233</b>
<b>Total</b>	<b>1,251</b>

Looking at the top ten countries by number of MNEs (Tab. 2), United States ranks first, with 152 MNEs, followed by Italy and France (respectively 137 and 138 MNEs). Taken together, the top ten countries group 67 per cent of the total number of MNEs.

Non-obvious figures referred to some countries, such as the absence of China among Asian MNEs or the low number of German MNEs, shall be interpreted with caution since they may be explained by inconsistencies in the filing of the CbCR, being 2016 the first year of collection. Nevertheless the low figure for Germany might be linked to the fact that in Germany a low share of businesses is incorporated, (Taxation trends in the EU, 2012) and sometimes also MNEs might be un-incorporated.

**Table 2. Top 10 countries by number of MNEs present in Italy**

Country of UPE	Number of MNEs
United States	152
<b>Italy</b>	<b>138</b>
France	137
United Kingdom	93
Netherlands	72
Luxembourg	63
Spain	62
Switzerland	44
Austria	37
Sweden	36
<b>Sum of top 10</b>	<b>834</b>
<b>World</b>	<b>1,251</b>

## 5. Global presence of Italian MNEs

Within the CbCR the number of subgroups by country indicates the number of MNEs having at least one entity located in the country.

The average number of subgroups by MNE provides a picture of their average geographical reach. On average, Italian MNEs are present in 18.3 countries (Fig. 1), which is significantly below the average for all MNEs included in the dataset (34.9) and below the average of MNEs based in UK (43.9), US (41.1), France (41.1) and Spain (30.1).

**Figure 1. Average number of subgroups by country of UPE**

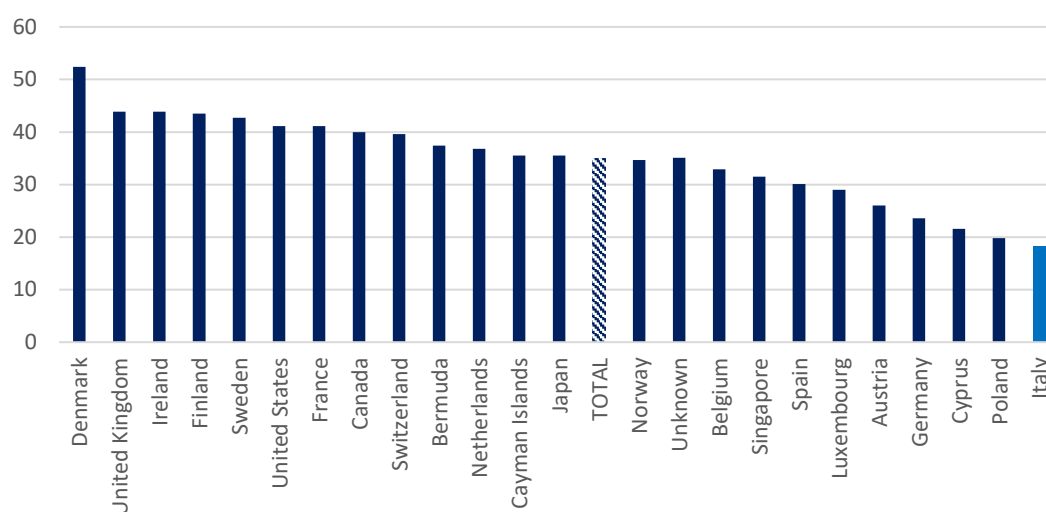


Table 3 shows, within each world region, the countries where Italian MNEs are more present, i.e. where at least 25% of Italian MNEs have chosen to locate their activities therein<sup>13</sup>.

**Table 3. Worldwide presence of Italian MNEs by regions and main countries**  
Number of Italian MNEs having at least one entity in the country

Countries by Region	Number of Italian MNEs present in the country
<b>European Union</b>	
Italy	130
France	86
Germany	83
Spain	82
Netherlands	61
Poland	57
Luxembourg	54
Belgium	51
Romania	48
Austria	41
Portugal	35
Greece	34
Ireland	34
<b>Other European countries</b>	
United Kingdom	78
Switzerland	65

<sup>13</sup> Where no such share is observed in any of the countries the first two countries by presence of Italian MNEs are reported.

Turkey	54
Russia	49
<b>North Africa</b>	
Morocco	22
Algeria	16
<b>Other Africa</b>	
South Africa	22
Nigeria	9
<b>Middle East</b>	
United Arab Emirates	32
Saudi Arabia	17
<b>Central and East Asia</b>	
China	61
India	49
Hong Kong	37
Singapore	37
<b>North America</b>	
United States	83
Canada	39
<b>Central America and Caribbean</b>	
Mexico	35
Panama	14
<b>South America</b>	
Brazil	61
Argentina	35
<b>Oceania</b>	
Australia	32
New Zealand	15
<b>Stateless</b>	<b>**</b>
<b>Total Italian MNEs</b>	<b>138</b>

*Note:* Countries where at least 25 per cent of the 138 Italian MNEs have a presence are reported in the table; where none of the countries in the region meets the threshold, the first two countries by presence of Italian MNEs are reported. For confidentiality standards, when data refers to less than 4 observations, country names cannot be displayed and are indicated by \*\*.

Table 4 ranks the top 10 countries by presence of Italian MNEs, showing that France, Germany and the United States are the foreign countries with highest presence, followed by United Kingdom and Switzerland.

**Table 4. Worldwide presence of Italian MNEs: top 10 countries**

Number of Italian MNEs having at least one entity in the country

<b>Country</b>	<b>Number of Italian MNEs present in the country</b>
<b>Italy</b>	<b>130</b>
France	86
Germany	83
United States	83
Spain	82
United Kingdom	78
Switzerland	65
Brazil	61
China	61
Netherlands	61
<b>Total Italian MNEs</b>	<b>138</b>

The table shows that only 130 of the 138 Italian MNEs report an Italian subsidiary, this difference being likely due to reporting mistakes.

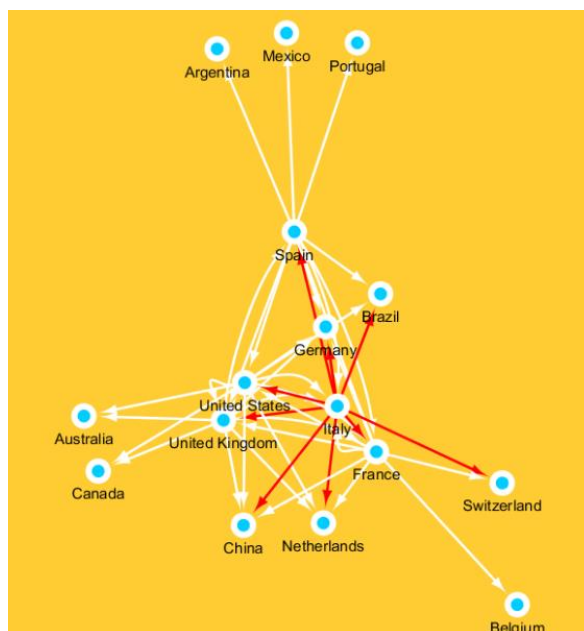
The top 10 list of countries where Italian MNEs are located is similar to that of French, Spanish, British and American MNEs. An indicator of similarity among the geographical reach of these foreign-based MNEs and Italian MNEs can be obtained by matching the number of countries that figure in their respective “top 10 list” and calculating the share of countries that they have in common. As shown in Table 5, French MNEs have the highest degree of similarity with Italian MNEs, followed by MNEs based in UK, US and Spain.

**Table 5. Share of countries in common in the top 10 list of Italian and foreign-based MNEs (France, UK, USA, Spain)**

Country of UPE	Share of countries in common in the top 10 list of Italian MNEs
France	88%
UK	75%
United States	75%
Spain	63%

Figure 2 provides a more thorough picture in this respect, showing that, although very similar, the foreign reach of MNEs may be influenced by geographical and cultural proximity. Portugal and Spanish-speaking countries play a relatively more important role for Spanish MNEs, whereas Canada and Australia are relatively more important for MNEs based in UK and US.

**Figure 2. Worldwide presence of Italian MNEs: top 10 countries. Comparison with top 10 countries of MNEs based in France, Spain, UK, US.**



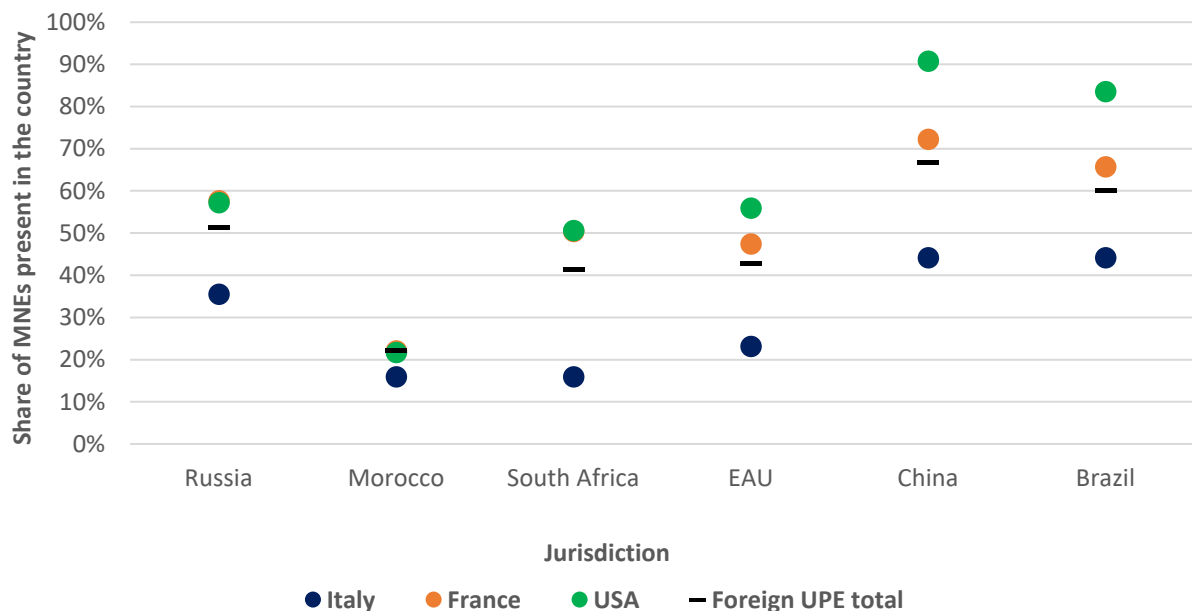
When focusing on the presence of MNEs by region and main countries, this similarity appears to be confirmed. For every region and for a selection of country of UPE, the countries where at least 25% of MNEs are based have been considered. The countries where Italian MNEs are more likely to be

present are also those where French, Spanish, British and American MNEs are more likely to be located. For example China, India, Singapore and Hong Kong are the countries in Central and East Asia where a significant share of MNEs decide to locate at least one entity, irrespective of the country of the UPE considered

However, the main difference among Italian and foreign MNEs appears to stand in the magnitude of their global reach and this is revealed by two peculiarities. In the first place, for each region, the number of countries where at least 25% of MNEs are present is lower when considering Italian MNEs compared to foreign MNEs. This is evident when considering Central and East Asia. China, India, Hong Kong and Singapore are the only four jurisdictions where 25% or more Italian MNEs are located, whereas the list includes additional countries, such as Thailand, Malaysia, and Indonesia, when considering French, British and American MNEs, as well as foreign MNEs in total.

Another distinctive feature of Italian MNEs stands in the fact that, even in the “place to be”, the share of Italian MNEs present there is lower than the share of foreign MNEs localized in the country. For example when considering the presence in China, the share is equal to 44 per cent for Italian MNEs, 72 per cent for French MNEs, 91 per cent for US MNEs and 67 per cent on average for foreign MNEs (Fig. 3).

**Figure 3. Share of MNEs present in specific jurisdictions by country of UPE**



Note: the graph shows the Italian (French, US, foreign) MNEs present in the jurisdiction as a share of the total number of Italian (French, US, foreign) MNEs.



## 6. Global activities of Italian MNEs by geography

The global amount of revenues of Italian MNEs represented in the CbCR is € 809 billion, of which € 192 billion are revenues between related parties of the MNE group and € 618 billion are third party revenues (Tab. 6). The global amount of profits (losses) is € 52 billion. When considering the jurisdictions where Italian MNEs report only positive - or zero - profits, therefore not considering losses, the global amount of profits raises to € 84 billion. Tangible assets worldwide amount to € 368 billion. The total number of employees of Italian MNEs in the world is 1.6 million, of which half employed in Italy half employed in the rest of the world.

As to the separation of global activities between Italy and foreign jurisdictions, for most variables the activities of Italian MNEs are localized by over 50 per cent in Italy (Tab. 6), with the exception of profits and losses, where 36 per cent of overall profits and losses are localized in Italy and 64 per cent in foreign jurisdictions. However, when concentrating only on positive profits, the share is slightly higher in Italy compared to foreign jurisdictions, indicating that Italian MNEs tend to report a relatively higher share of losses in Italy than they do in foreign jurisdictions.

When comparing the domestic and foreign contribution to global activities of Italian MNEs with that of foreign MNEs (Tab. 7.a.), the share of tangible assets and employees of Italian MNEs in Italy (respectively 55% and 50%) is higher than the share of tangible assets and employees reported on average by foreign MNEs in their domestic jurisdictions (respectively 37% for tangible assets and 40% for employees). The figure for profits (losses) is in line with that of foreign MNEs; however, when considering only positive profits, the share of positive profits reported by Italian MNEs in Italy is relatively higher than the share of positive profits reported by foreign MNEs in their respective domestic jurisdictions. The comparison is slightly less immediate when analyzing revenues. The average share reported domestically by foreign MNEs is 60 per cent as for total revenues and 65 per cent as for non- related party revenues, therefore higher than the share referred to Italian MNEs. However, the average is highly influenced by the figure of non-related party revenues of US MNEs in the US. When considering foreign MNEs without US MNEs, the domestic share of total revenues and unrelated party revenues of foreign MNEs decreases to 31 per cent and 37 per cent respectively (Tab. 7.b.), therefore confirming that the domestic dimension appears to be more important for Italian MNEs than for foreign MNEs on average.

Table 8 shows the top 10 countries by location of foreign activities of Italian MNEs for a selection of variables. Around 60 per cent of foreign activities of Italian MNEs is concentrated in the top 10 countries, although the figure is slightly lower when considering employees. The main EU economies

(Germany, France and Spain) as well as UK and USA figure in the top 10 list for almost all variables. As to profits, other EU countries, namely Luxembourg, Netherlands and Ireland are also present in the list. Some peculiarities can be observed with respect to tangible assets, where Kazakhstan stands as the third country after Spain and USA, and where Chile and Norway are also present. This feature is very likely linked to the commodities sector where tangible assets are particularly high. Another peculiarity is observed with respect to employees, due to the presence of China as the second foreign country after US where Italian MNEs report employees. Poland, India and Japan also figure as top offshore locations of employees of Italian companies. Localization of labour force in China, Poland and India may be linked with the lower level of labour costs compared to Italy.

**Table 6. Activities of Italian MNEs: domestic and foreign**

Italian MNEs activities	Total revenues		Related party revenues		Unrelated party revenues		Profits (losses)		Positive profits		Tangible Assets		Employees	
	Values	Share	Values	Share	Values	Share	Values	Share	Values	Share	Values	Share	Units	Share
Domestic	449,112	56	109,377	57	340,326	55	19,024	36	43,648	52	203,128	55	802,791	50
Foreign	359,772	44	82,696	43	277,462	45	33,153	64	40,555	48	164,655	45	801,089	50
<b>World</b>	<b>808,884</b>	<b>100</b>	<b>192,073</b>	<b>100</b>	<b>617,788</b>	<b>100</b>	<b>52,177</b>	<b>100</b>	<b>84,203</b>	<b>100</b>	<b>367,783</b>	<b>100</b>	<b>1,603,879</b>	<b>100</b>

Values are reported in millions of euros, shares as a percentage of World total.

**Table 7.a. Activities of Foreign MNEs: domestic and foreign**

Foreign MNEs activities	Total revenues		Related party revenues		Unrelated party revenues		Profits (losses)		Positive profits		Tangible Assets		Employees	
	Values	Share	Values	Share	Values	Share	Values	Share	Values	Share	Values	Share	Units	Share
Domestic	11,509,200	60	1,737,277	40	9,775,499	65	411,092	40	514,454	38	1,842,748	37	17,788,897	40
Foreign	7,826,066	40	2,648,581	60	5,177,281	35	606,058	60	829,096	62	3,178,083	63	26,525,894	60
<b>World</b>	<b>19,335,266</b>	<b>100</b>	<b>4,385,859</b>	<b>100</b>	<b>14,952,780</b>	<b>100</b>	<b>1,017,150</b>	<b>100</b>	<b>1,343,550</b>	<b>100</b>	<b>5,020,832</b>	<b>100</b>	<b>44,041,791</b>	<b>100</b>

Values are reported in millions of euros, shares as a percentage of World total.

**Table 7.b. Activities of Foreign MNEs excluding US MNEs: domestic and foreign**

Foreign MNEs activities – US MNEs excluded	Total revenues		Related party revenues		Unrelated party revenues	
	Values	Share	Values	Share	Values	Share
Domestic	2,962,017	31%	1,195,978	37%	1,769,615	28%
Foreign	6,545,144	69%	2,054,479	63%	4,490,461	72%
<b>World</b>	<b>9,507,160</b>	<b>100%</b>	<b>3,250,457</b>	<b>100%</b>	<b>6,260,077</b>	<b>100%</b>

Values are reported in millions of euros, shares as a percentage of World total.

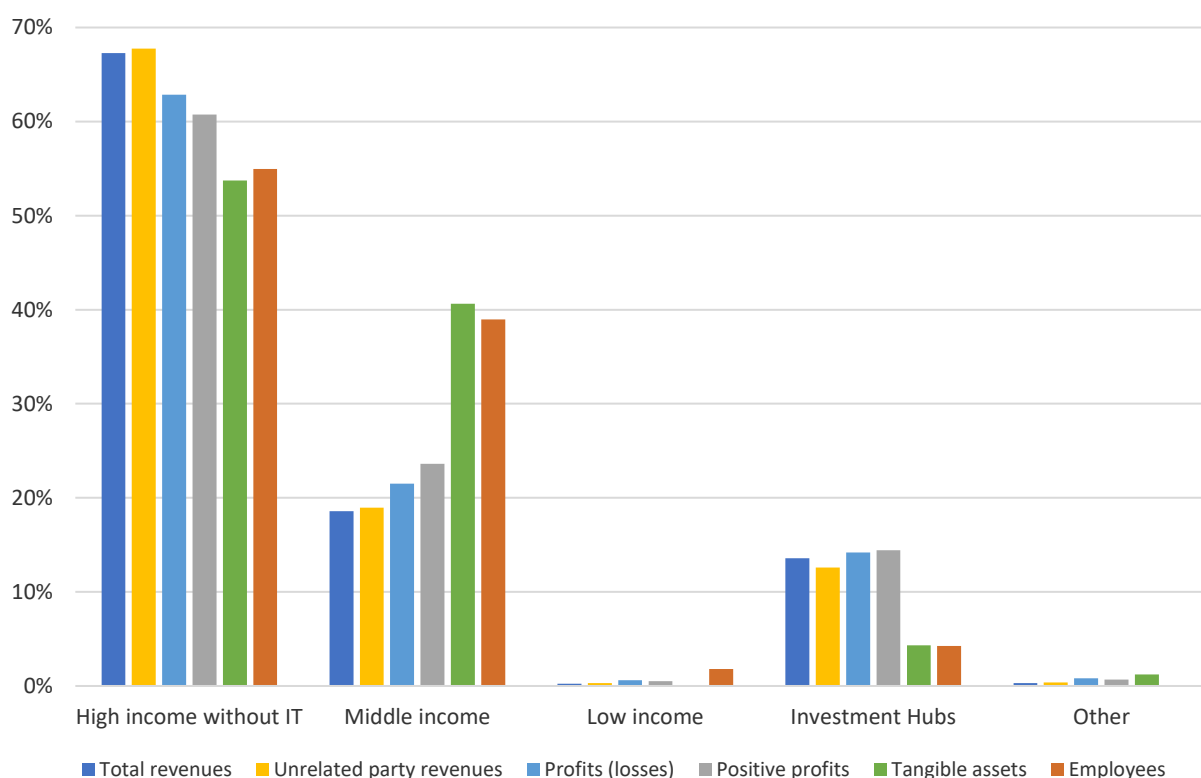
Note: Activities of MNEs for which the country of the UPE is unknown are excluded since the share of domestic and foreign activities cannot be identified.

**Table 8. Foreign activities of Italian MNEs: top 10 countries**

Rank	Foreign jurisdiction	Profits (losses) (€ millions)	Foreign jurisdiction	Unrelated party revenues (€ millions)	Foreign jurisdiction	Tangible assets (€ millions)	Foreign jurisdiction	Employees (units)
1	Spain	5,914	Germany	34,838	Spain	24,996	United States	77,582
2	Germany	3,347	France	30,132	United States	15,404	China	57,807
3	Chile	2,390	Spain	29,067	Kazakhstan	12,277	Germany	56,361
4	UK	2,307	United States	24,704	Germany	7,846	France	40,444
5	Luxembourg	1,567	UK	20,414	Chile	7,329	UK	39,087
6	France	1,479	Brazil	11,893	Norway	7,259	Poland	35,512
7	Libya	1,438	Hong Kong	8,039	Brazil	7,070	Spain	33,321
8	Ireland	1,313	Switzerland	7,206	Angola	6,767	Brazil	31,862
9	Kazakhstan	1,277	Singapore	6,701	Egypt	6,543	India	29,475
10	Netherlands	1,190	China	5,828	Colombia	4,238	Japan	27,616
<b>Total top 10 countries share of foreign activities</b>		<b>67%</b>		<b>64%</b>		<b>61%</b>		<b>54%</b>

The geography of operations of Italian MNEs can also be analyzed with respect to the distribution of activities across country groups classified by income levels. Figure 4 presents the distribution of the foreign activities of Italian MNEs by country groups. High income countries (excluding Italy) account for the highest share of all variables. High income countries account for a great share of revenues (nearly 70%) and profits (around 60%) reported in foreign countries, whereas they account for a relatively lower, but still significant share of tangible assets and employees (respectively 54% and 55%). Middle income countries present a relatively higher importance in terms of tangible assets and employees (respectively 41% and 39%) than they do in terms of revenues and profits, while the opposite holds for Investment hubs, where Italian MNEs report a relatively higher share of revenues (14% for total revenues and 13% for unrelated party revenues) and profits (14%) compared to tangible assets and employees (4% for both variables). This feature is likely linked to tax planning considerations that deserve specific analysis, which is out of the scope of this working paper.

**Figure 4. Foreign activities of Italian MNEs across country groups**  
share of foreign activities



Note: Country groups reflect the World Bank classification by income level. "Investments hubs" are countries with a share of inward FDI stock as a percentage of GDP greater than 150% (Unctad data): British Virgin Islands, Cayman Islands, Malta, Cyprus, Hong Kong, Singapore, Luxembourg, Mozambique, Liberia, Ireland, Seychelles, Netherlands, Bahamas, Anguilla, Saint Kitts and Nevis, Republic of the Congo, Switzerland, Saint Vincent and the Grenadines, Aruba. "Other" reflects countries for which classification by income level is not available and unknown jurisdictions.

## 7. Global activities of Italian MNEs by sectors

MNEs are not required to indicate their activity code in the CbCR, however CbCR data can be matched with other data sources in order to add this piece of information. For the purposes of the present analysis, Italian tax returns database and Orbis-BvD database have been used in order to identify the relevant activity code of the UPE and thus assign it to the MNE group whose information is reported in the CbCR. For several UPEs, the activity code resulted to be “Activities of holding companies” or “Activities of head offices”; it is not unusual that the UPE is the company holding shares of those other companies in the MNE group that undertake real activities. In other words, the UPE operates in certain sectors through its controlled companies, whose information are nonetheless reported in the CbC Report. For these UPEs a further analysis of available public financial accounts has been carried out in order to identify, where possible, the real sector of activity.

The analysis presented in this section is based on the “main activity” of the MNE as identified through the above described process. It has to be noted, however, that the CbCR dataset is focused on the largest MNEs, which can be active in multiple and differentiated sectors. Due to the large scale of operations of these MNEs, the magnitude of “secondary” business activities is not necessarily negligible in terms of the variables reported in the CbCR. It follows that in some instances the analysis by main activity might not accurately capture the wide spectrum of sectors in which MNEs operate.

Table 9 shows the global activities reported by Italian MNEs in the CbCR by sector. Figure 5 shows the relative contribution of each macro-sector to the total value of revenues, profits, tangible assets and employees of Italian MNEs included in the dataset, by also representing the number of MNEs for each sector. *Industry* is the first sector in terms of number of MNEs (70) followed by *Services* (50) and *Wholesale and retail trade* (18), while no MNEs are found in the *Agriculture, forestry and fishing* sector.

However, it is the *Services* sector that represents the highest contribution to the global activities of Italian MNEs included in the dataset. The performance of the *Services* sector is to a great extent explained by the *Financial, Insurance and Real estate activities* (Fig. 6), where most MNEs operating in the services sector are found, explaining over 50 per cent of the figures referred to the *Services* sector as a whole. The only exception is tangible assets, where *Transportation and storage* also plays a significant role. Another interesting aspect is the high share of profits in *information and communication*.

The scenario appears to be slightly different in the case of manufacturing MNEs, where the most “populated” sectors do not necessarily explain the greatest share of total manufacturing values.

Indeed, Figure 7.a clearly shows that a significant contribution derives from MNEs active in *Coke and refined petroleum products* and *Repair and installation of machinery*, where only 4 MNEs belong. Figure 7.b focuses on all other manufacturing sectors that are otherwise squeezed by the values of sector *Coke, petroleum product [...]*. The main insights are that *Chemical, Pharmaceutical* and *Rubber and Plastics* and *Motor vehicles* and *Other transport equipment* represent the highest contributions in terms of positive profits, number of employees and unrelated party revenues. In particular the Motor vehicles sector accounts for 17 per cent of total Manufacturing employees, although only represented by 4 MNEs.

Figure 8 shows the separation of global activities in Italy and in foreign countries for a selection of sectors. As a general trend, it is confirmed that the domestic dimension represents a significant share of the global activities of Italian MNEs. As to manufacturing MNEs, some sectors, namely *Coke, petroleum product [...]* and *Chemical, Pharmaceutical [...]* are relatively more “globalized” compared to others, namely *Textile, Clothing and Leather* as well as *Machinery and Equipment*. The domestic dimension of tangible assets of the manufacturing sector as a whole appears to be squeezed due to the contribution of *Coke, petroleum product [...]* and *Chemical, Pharmaceutical [...]*, where tangible assets are concentrated respectively by 82 per cent and 67 per cent in foreign countries. In the *Chemical, Pharmaceutical [...]* a key role is played by the US, where the greatest share of global tangible assets of Italian MNEs is localized (41% compared to the domestic share of 33%).

As to the *Textile, Wearing and Leather* sector, positive profits are highly concentrated in Italy (over 80%) and so too, albeit to a lesser extent, are tangible assets (56%), whereas foreign countries are relatively more important in terms of employees, representing over 60 per cent of the global number of employees of Italian MNEs active in this sector. The top 3 countries by number of employees are Japan, China and the US.

In the *Machinery and equipment* sector, positive profits and tangible assets are localized by over 50 per cent in Italy while foreign countries are slightly more important in terms of unrelated party revenues and employees.

Moving to the services sector, the global arrangement of *Financial, Insurance and Real estate activity*, shows that the domestic dimension is pretty relevant.

**Table 9. Activities of Italian MNEs by sectors**

	Number of MNEs		Unrelated party revenues		Profits (losses)		Positive profits		Tangible Assets		Employees	
	<i>N.</i>	<i>Shares</i>	<i>Values</i>	<i>Shares</i>	<i>Values</i>	<i>Shares</i>	<i>Values</i>	<i>Shares</i>	<i>Values</i>	<i>Shares</i>	<i>Units</i>	<i>Shares</i>
<b>Agriculture, forestry and fishing</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Wholesale and retail trade</b>	<b>18</b>	<b>13.0%</b>	<b>132,505</b>	<b>21.4%</b>	<b>20,528</b>	<b>39.3%</b>	<b>20,814</b>	<b>24.7%</b>	<b>94,802</b>	<b>25.8%</b>	<b>280,708</b>	<b>17.5%</b>
<b>Industry</b>	<b>70</b>	<b>50.7%</b>	<b>197,439</b>	<b>32.0%</b>	<b>18,918</b>	<b>36.3%</b>	<b>25,295</b>	<b>30.0%</b>	<b>130,917</b>	<b>35.6%</b>	<b>466,493</b>	<b>29.1%</b>
<b>Manufacturing</b>	<b>57</b>	<b>41.3%</b>	<b>170,321</b>	<b>27.6%</b>	<b>16,028</b>	<b>30.7%</b>	<b>22,047</b>	<b>26.2%</b>	<b>115,052</b>	<b>31.3%</b>	<b>394,132</b>	<b>24.6%</b>
Food, Beverages, Tobacco	5	3.6%	8,378	1.4%	494	0.9%	509	0.6%	1,949	0.5%	19,817	1.2%
Textiles, Wearing apparel, Leather and leather products	6	4.3%	6,764	1.1%	923	1.8%	1,046	1.2%	1,429	0.4%	30,738	1.9%
Chemical, Pharmaceutical, Rubber and Plastic products	10	7.2%	15,544	2.5%	2,413	4.6%	2,811	3.3%	4,833	1.3%	49,763	3.1%
Metals and Metal products	9	6.5%	14,878	2.4%	318	0.6%	502	0.6%	6,361	1.7%	33,322	2.1%
Machinery and equipment	8	5.8%	8,438	1.4%	723	1.4%	907	1.1%	1,993	0.5%	33,012	2.1%
Motor vehicles, Other transport equipment	4	2.9%	15,302	2.5%	1,064	2.0%	1,469	1.7%	3,940	1.1%	67,185	4.2%
Coke and refined petroleum products, Repair and installation of machinery and equipment	4	2.9%	76,387	12.4%	6,849	13.1%	11,399	13.5%	82,220	22.4%	76,162	4.7%
Computer, electronic and optical products, Electrical equipment	4	2.9%	12,609	2.0%	1,652	3.2%	1,708	2.0%	3,624	1.0%	40,752	2.5%
Wood, Paper, Printing, Furniture, Other non-metallic mineral products	7	5.1%	12,021	1.9%	1,592	3.1%	1,696	2.0%	8,703	2.4%	43,381	2.7%
<b>Other industrial activities<sup>1</sup></b>	<b>13</b>	<b>9.4%</b>	<b>27,118</b>	<b>4.4%</b>	<b>2,889</b>	<b>5.5%</b>	<b>3,248</b>	<b>3.9%</b>	<b>15,864</b>	<b>4.3%</b>	<b>72,361</b>	<b>4.5%</b>
<b>Private services, Public services, Other activities</b>	<b>50</b>	<b>36.2%</b>	<b>287,844</b>	<b>46.6%</b>	<b>12,732</b>	<b>24.4%</b>	<b>38,093</b>	<b>45.2%</b>	<b>142,064</b>	<b>38.6%</b>	<b>856,679</b>	<b>53.4%</b>
<b>Information and Communication</b>	<b>6</b>	<b>4.3%</b>	<b>40,015</b>	<b>6.5%</b>	<b>3,940</b>	<b>7.6%</b>	<b>5,089</b>	<b>6.0%</b>	<b>19,686</b>	<b>5.4%</b>	<b>105,883</b>	<b>6.6%</b>



<b>Financial, Insurance and Real estate activities</b>	<b>26</b>	<b>18.8%</b>	<b>202,663</b>	<b>32.8%</b>	<b>7,129</b>	<b>13.7%</b>	<b>29,955</b>	<b>35.6%</b>	<b>68,211</b>	<b>18.5%</b>	<b>478,859</b>	<b>29.9%</b>
<b>Transportation and storage</b>	<b>7</b>	<b>5.1%</b>	<b>16,113</b>	<b>2.6%</b>	<b>785</b>	<b>1.5%</b>	<b>1,312</b>	<b>1.6%</b>	<b>50,108</b>	<b>13.6%</b>	<b>100,801</b>	<b>6.3%</b>
<b>Other services<sup>2</sup></b>	<b>11</b>	<b>8.0%</b>	<b>29,052</b>	<b>4.7%</b>	<b>878</b>	<b>1.7%</b>	<b>1,738</b>	<b>2.1%</b>	<b>4,059</b>	<b>1.1%</b>	<b>171,136</b>	<b>10.7%</b>
<b>Total</b>	<b>138</b>	<b>100%</b>	<b>617,788</b>	<b>100%</b>	<b>52,177</b>	<b>100%</b>	<b>84,203</b>	<b>100%</b>	<b>367,783</b>	<b>100%</b>	<b>1,603,879</b>	<b>100%</b>

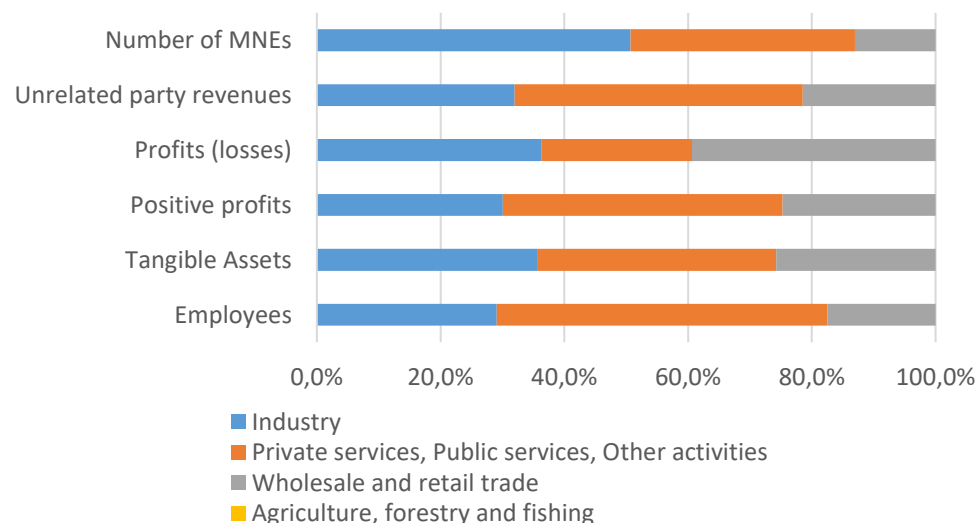
Values are expressed in millions of euros.

(1) Other industrial activities include the following sections of the Nace Rev. 2 Classification of economic activities: B. Mining and Quarrying, D. Electricity, Gas, Steam and Air conditioning supply, E. Water supply; Sewerage, Waste management and Remediation activities, F. Construction.

(2) Other services include the following sections of the Nace Rev. 2 Classification of economic activities: I. Accommodation and Food service activities, M. Professional, Scientific And Technical Activities, N. Administrative and support service activities, R. Arts, entertainment and recreation, s. Other service activities, T. Activities of households as employers; undifferentiated goods-and services-producing activities of households for own use.

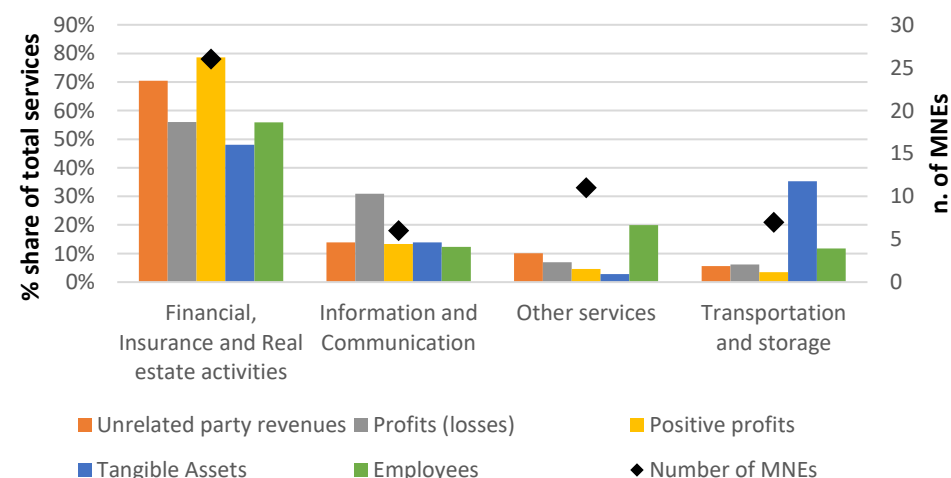
**Figure 5. Global activities of Italian MNEs by macro-sectors**

% share of total sectors

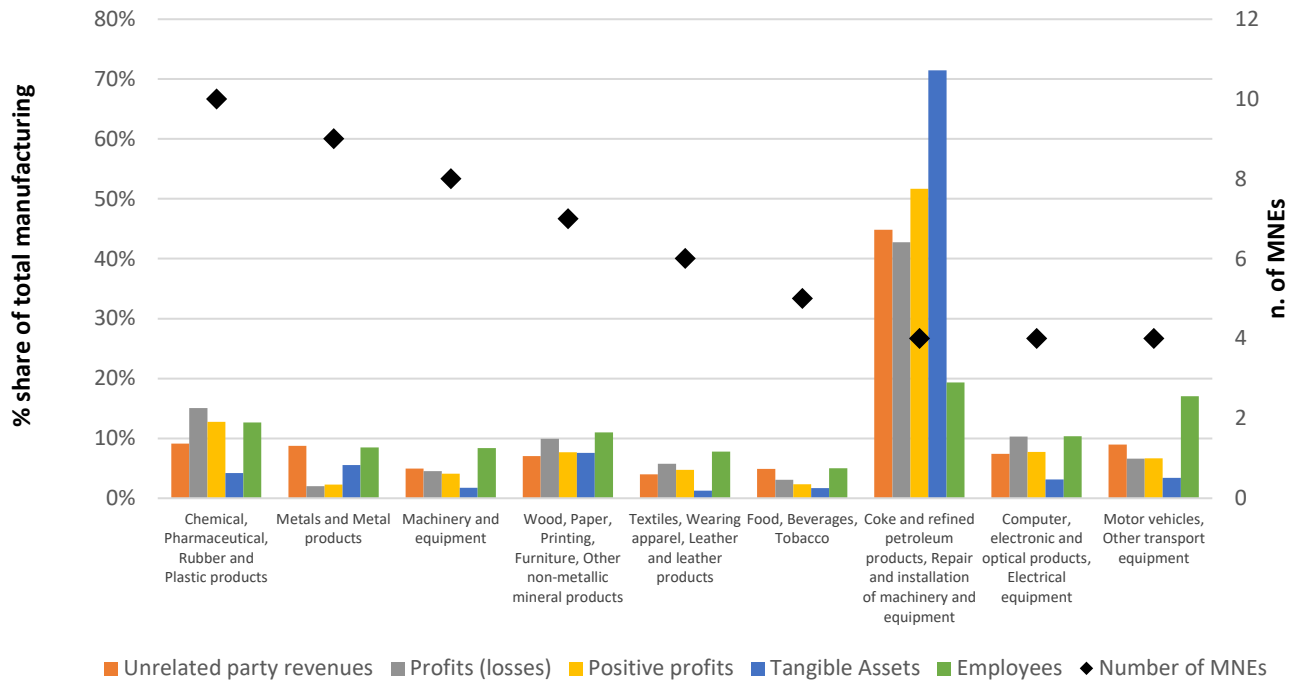


**Figure 6. Global activities of Italian MNEs in the Services sectors**

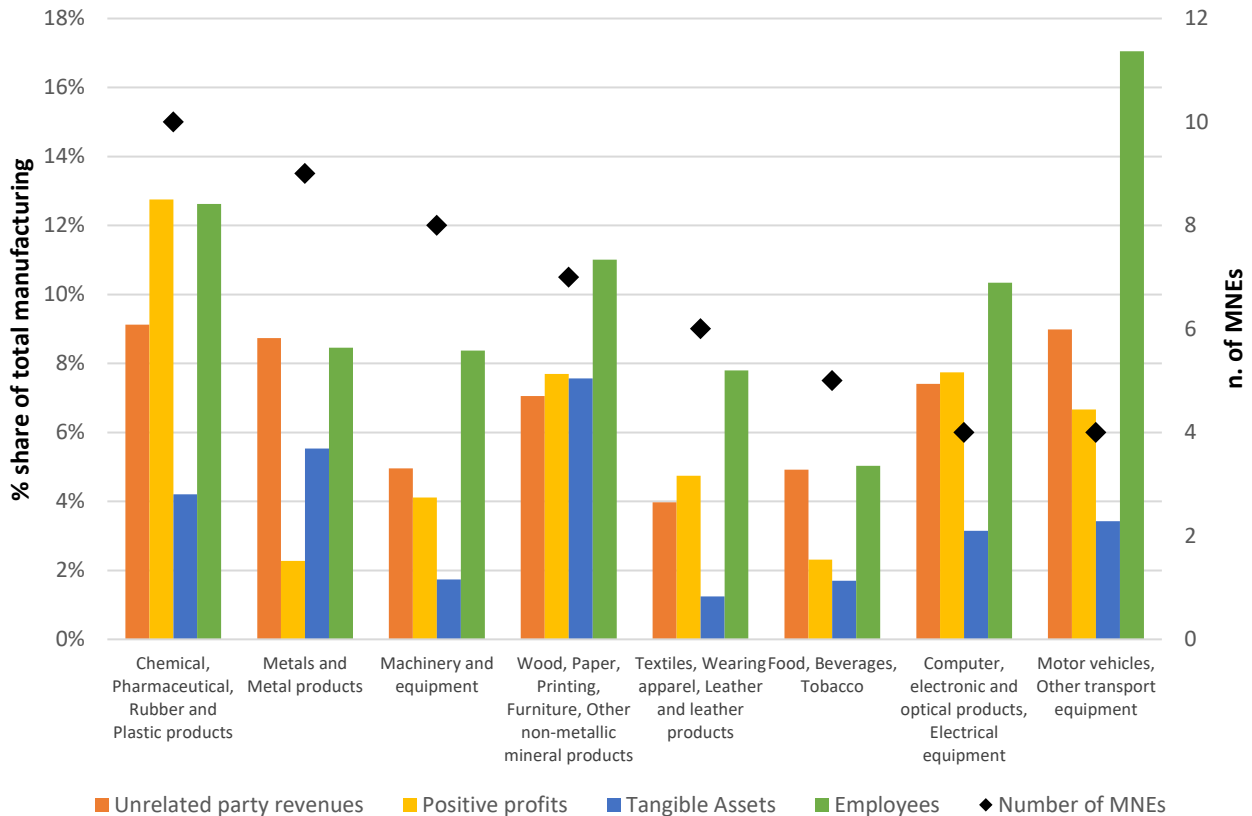
% share of total services (left axis), number of MNEs (right axis)



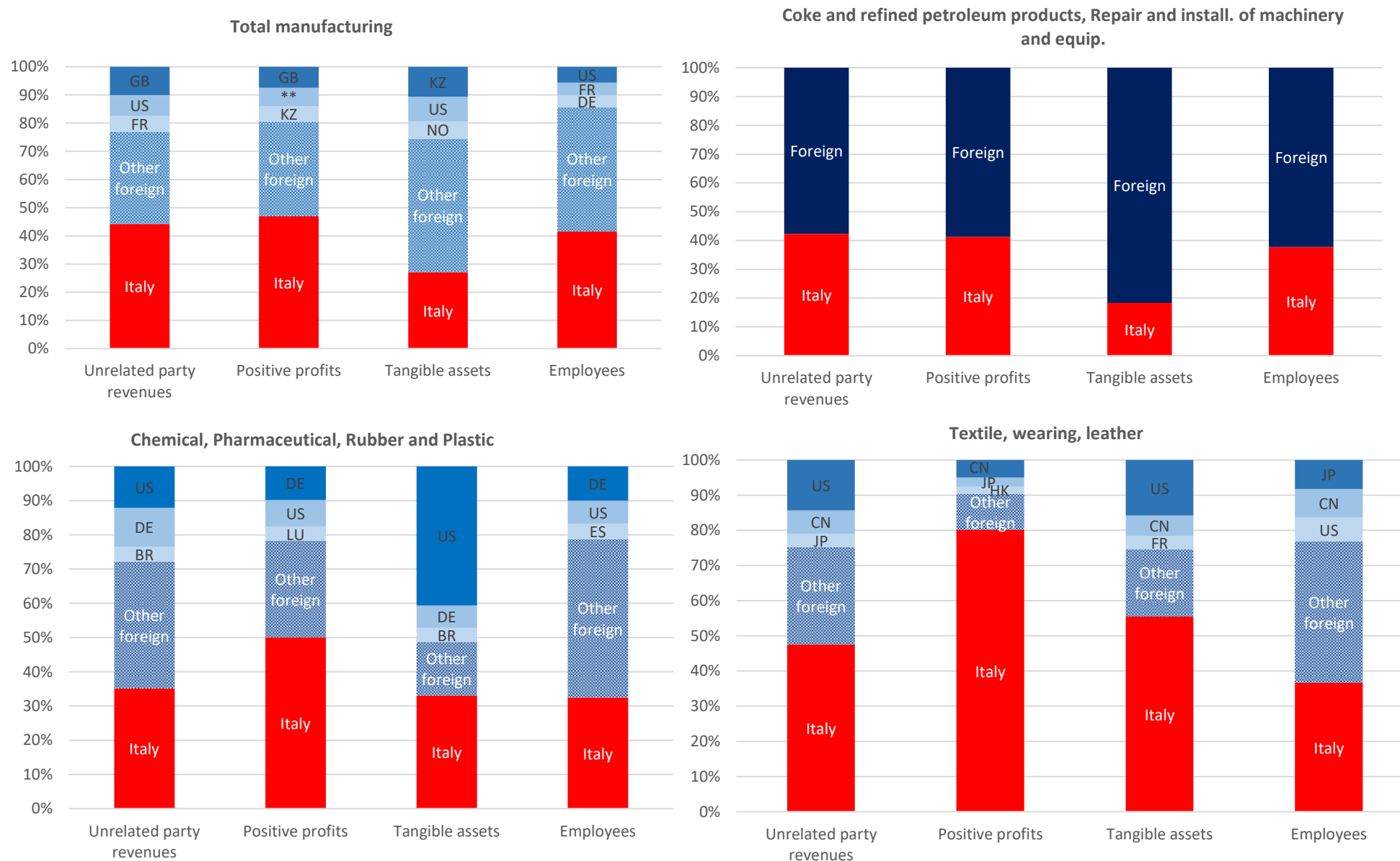
**Figure 7.a. Global activities of Italian MNEs in the manufacturing sectors**  
 % share of total manufacturing (left axis), number of MNEs (right axis)

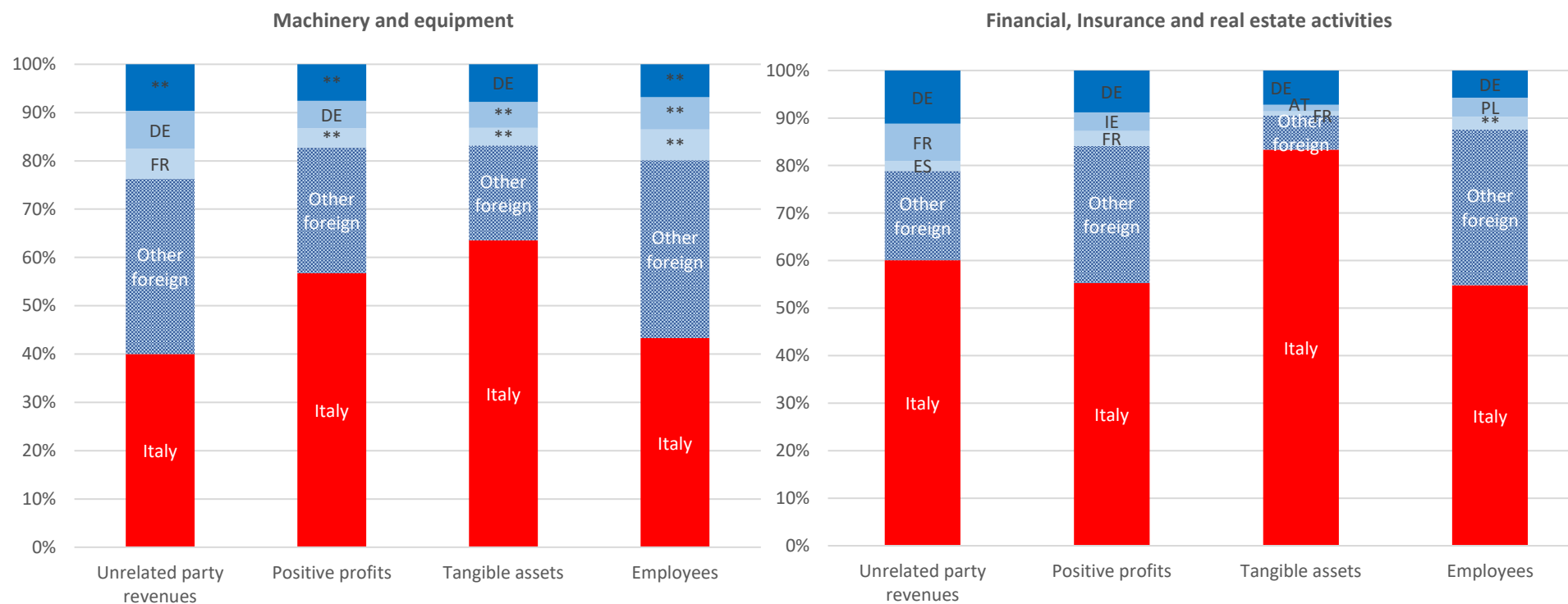


**Figure 7.b. Global activities of Italian MNEs in the manufacturing sectors (excluding coke and petr. refined, repair and inst. of machinery)**  
 % share of total manufacturing (left axis), number of MNEs (right axis)



**Figure 8. Activities of Italian MNEs: domestic, foreign and top three foreign countries**





Note: For confidentiality standards, when data refers to less than 4 observations, country names cannot be displayed and are indicated by \*\*. For Coke and refined petroleum products, Repair and installation of machinery and equipment, none of the top 3 countries can be displayed for confidentiality standards, therefore only the foreign total is represented.

## 8. Geographical distribution of employees of Italian MNEs

A deeper analysis of the number of employees can be used not only to determine the global size of MNEs, but also to gain an indication of intensity and of the involvement of MNEs in a particular jurisdiction.

Italian MNEs present one of the lowest median number of employees per MNE, equal to 5,199 employees, well below the figure for total MNEs and for French, UK, US and Spanish MNEs.

Among Italian MNEs, the distribution of employees across countries may differ sensibly. For all Italian MNEs, we focus on the median number of employees reported in each country and we compare it with the median of employees in all jurisdiction. The percentage difference of the two medians, points out countries where the Italian MNEs tend to have more or less employees than in the rest of the world.

Combining country-by-country information on the share of Italian MNEs present in the country with the measure of employees intensity as previously described, it is possible to obtain a first picture of the relative importance of foreign countries to Italian MNEs (Fig. 9). Focusing on foreign jurisdictions, we do not include Italy as domestic activities are excluded.

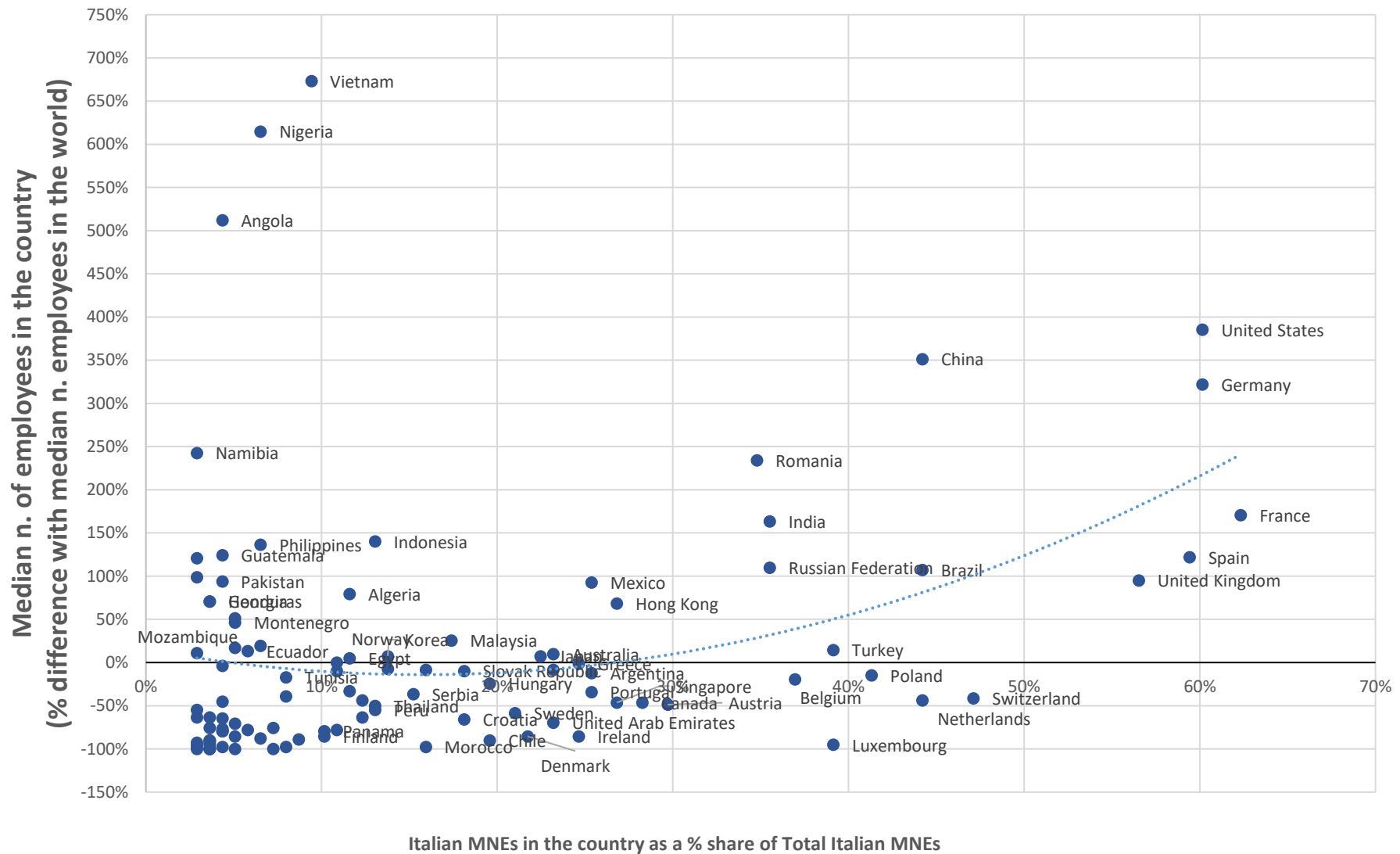
USA, Germany, China, France, Spain (top right in Fig. 9) are countries where the presence of Italian MNEs is significant both in terms of share of Italian companies that decide to have a presence there (above 40%) and in terms of size of operations (median number of employees in the country is 300% higher than median number of employees in the world). Countries like Indonesia and Malaysia are countries that are reached by a relatively lower share of companies (between 10% and 20%) but those that are present have a relatively high median number of employees. Countries at the bottom right (Switzerland, Netherlands, Luxembourg) are countries where a relatively high share of Italian MNEs is present (around 40%) but with a relatively small number of employees. Vietnam and Nigeria are the top countries by median number of employees (top left); however, considering the low number of Italian MNEs present there (less than 10), the figure may be explained by the specificities of the companies operating in these countries.

When comparing the distribution of Italian MNEs with other foreign MNEs (e.g. French and American) it is possible to find some commonalities: there appears to be a trend according to which countries where an increasing share of MNEs is present are also those where a relatively higher median number of employees is observed. These countries are USA, Germany and China. A second commonality stands in the group of countries figuring in the bottom right corner. Luxembourg and

Ireland figure among the countries where a relatively important share of MNEs have a presence but with a median number of employees relatively low if compared to the world median.

The positioning of each country in the graph may be driven by different factors: some may be related to “real economy” elements, as labour intensive sectors may be more relevant for some countries than others, some may be linked with BEPS behaviour as there is no need for high employee presence for these types of activities. The aim of this paper is not to disentangle the two types of reasons, but only to display the distribution of Italian and foreign MNEs as reported by CBCRs.

**Figure 9. Presence of Italian MNEs in the World**  
Share of MNEs and median number of employees per country

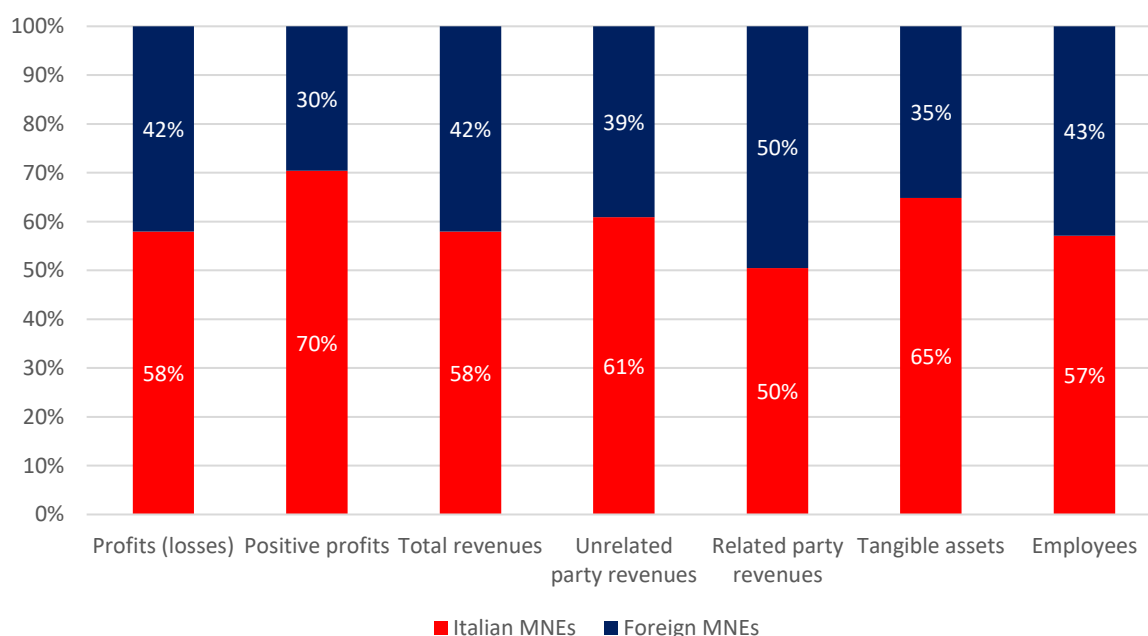


Countries on the positive (negative) Y axis indicate that the median n. of employees of Italian MNEs in the country is higher (lower) than the median n. of employees of Italian MNEs in the world. Countries on the right side (left side) of the X axis indicate a high (low) share of Italian MNEs in the country, e.g. countries on the bottom right indicate a high presence of Italian MNEs with a relatively low median number of employees. \*\* indicate countries that cannot be displayed due to confidentiality issues (fewer than 4 observations).

## 9. Activities of foreign MNEs in Italy

The contribution of Italian MNEs to the total activities reported in Italy by all MNEs is predominant with respect to foreign MNEs (Fig. 10). Foreign MNEs represent only 30 per cent of positive profits and 35 per cent of tangible assets reported in Italy by all MNEs included in the dataset. In terms of employees, foreign MNEs report 603 thousands employees in Italy, whereas Italian MNEs report almost 803 thousands employees in Italy. Analyzing the incidence of related party revenues on total revenues, it appears that the share of related party revenues are more important for foreign MNEs (33%) than for Italian MNEs (24%) (Tab. 10). This might be an indication that foreign MNEs locate in Italy more for production purposes than to penetrate the Italian market.

**Figure 10. Contribution of Italian and foreign MNEs to total MNE activities in Italy**



**Table 10. Activities reported in Italy by Italian and foreign MNEs**

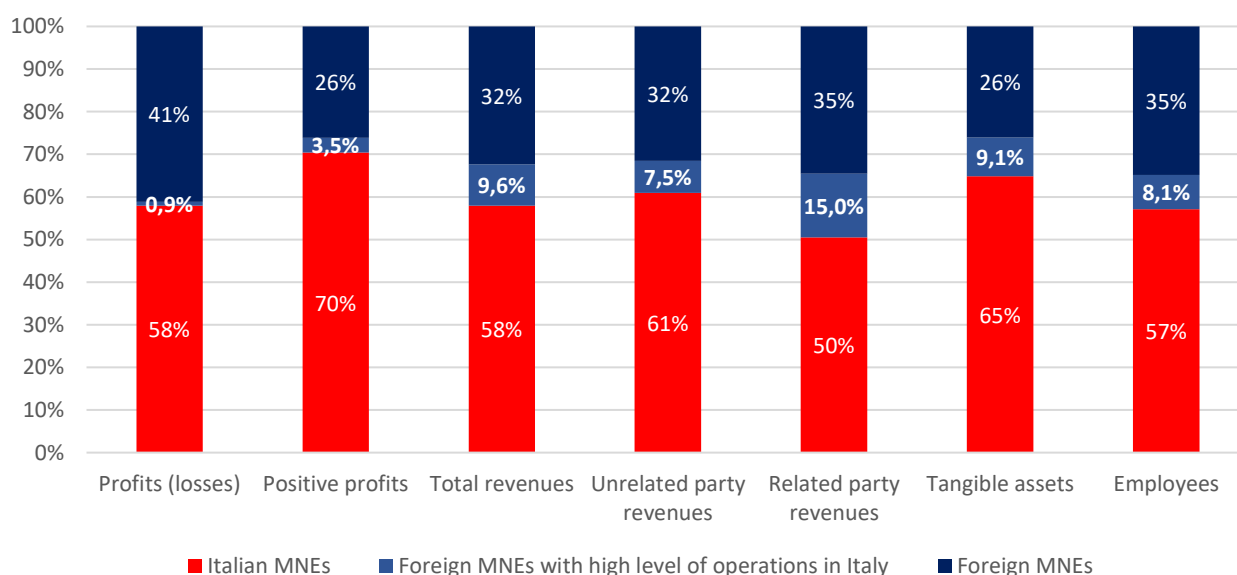
All values are in € million, except employees (units)

	Profits (losses)	Positive profits	Total revenues	Unrelated party revenues	Related party revenues	Tangible assets	Employee s
Italian MNEs	19,024	43,648	449,112	340,326	109,377	203,128	802,791
Foreign MNEs	13,818	18,334	325,643	218,256	107,235	110,172	603,097
<b>Total MNEs</b>	<b>32,843</b>	<b>61,982</b>	<b>774,755</b>	<b>558,582</b>	<b>216,612</b>	<b>313,301</b>	<b>1,405,887</b>



Within foreign MNEs it is possible to identify a subset of foreign MNEs presenting a high level of operations in Italy. These have been identified by analyzing foreign MNEs for which the importance of Italy in their worldwide activity, as measured by the share of unrelated party revenues, tangible assets or employees, is equal or greater than the importance of Italy for the Italian MNE at the 20<sup>th</sup> percentile. This subset is constituted of 26 MNEs active in different sectors, although with a prevalence in the Chemical, Telecommunications and Energy sectors. These MNEs account for 9.6 per cent of total revenues, reflecting a share of 15 per cent of related party revenues and 7.5 per cent of unrelated party revenues (Fig. 11). They also account for a significant share of tangible assets (9.1%) and of employees (8.1%). In contrast, their contribution is modest in terms of profits reported in Italy (0.9% and 3.5% respectively for total profits and positive profits) and their incidence of profits on revenues is lower than the other foreign MNEs present in Italy. The high level of operations in Italy reflects essentially three cases: foreign investment funds that have acquired Italian companies, foreign MNEs for which Italy is an important country in terms of market or in terms of production plants, MNEs that have experienced restructurings resulting in a different location of the UPE but maintaining a high level of operations in Italy.

**Figure 11 . Contribution of foreign MNEs with high level of operations in Italy to total MNE activities in Italy**



## 10. Concluding remarks

The descriptive analysis of the global activities of Italian MNEs as reflected in CbCR data for the year 2016 suggests that overall the geographical allocation of Italian MNEs is quite similar to that of foreign MNEs in terms of top countries of presence. The countries where Italian MNEs are more likely to be present are also those where French, Spanish, British and American MNEs are more likely

to be located. This seems to suggest that large MNEs may follow similar choices in terms of location of their subsidiaries; intrinsic characteristics of those markets may be the reasons for these homogeneous behaviour. Further analysis is needed to confirm this initial insight.

Despite this similarity, the magnitude of the global reach of Italian MNEs is relatively smaller compared to foreign MNEs both in terms of the number of jurisdictions where Italian MNEs are present, and in terms of the share of national MNEs located in the "place to be", i.e. in those countries where MNEs from all nationalities are present. Additionally, domestic activities represent a greater share of Italian MNEs' activities than they do for foreign MNEs.

The analysis by sectors shows that, although Industry is the most populated category in terms of number of Italian MNEs, the highest contribution to the global activities of Italian MNEs derives from those active in the Services sectors.

Analysing the activities by countries' income, foreign activities result mostly concentrated in high-income countries. Middle income countries present a relatively higher importance in terms of tangible assets and employees than they do in terms of revenues and profits, while the opposite holds for Investment hubs, accounting for a higher share of profits and revenues than they do in terms of tangible assets and employees. This may provide an initial insight on possible tax planning strategies, which are however out of the scope of the present analysis and will be explored in future analyses.

As to the presence and operations of foreign MNEs in Italy, the analysis suggests that the contribution of Italian MNEs to the total activities reported in Italy by all MNEs is predominant, that foreign MNEs locate in Italy mainly for production purposes and that within foreign MNEs there is a subset of them presenting a high level of operations in Italy but a low level of profits reported.

Concluding, by using this novel and rich dataset, the paper provides additional pieces of information to answer the big questions surrounding MNEs behaviour which are often left unanswered due to the lack of data.

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