

Improving the SNA Treatment of Transactions within Multinational Enterprises

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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.