Early Warning System - Case 2

Online music retailer

Final methodological assessment - prepared by the EWS secretariat with the approval of relevant EWS network members

Based on information available in March 2018

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Company T, registered in country A, sells downloadable music over the internet. It makes its sales through online stores in many countries. The online stores are different across countries, depending on the rights the company has to sell the content in each country. Prices vary between countries. A consumer will need a physical address and a credit card in the country in order to be able to purchase content in that country's store.

The company does not own the content, but pays for the right to distribute them. Hence, no significant intellectual property (originals or licenses to reproduce) appears on its balance sheet.

The company employs around 30 people in country A. The company's main activity is to arrange the invoicing. The company is not responsible for the software that is needed to use the content on computers or mobile devices, or for the management of the content of the store.

Company T reports to the statistical office of country A. Hence, its entire activity appears in country A's business statistics and national accounts (as merchanting). The value added generated is however relatively modest.

At a certain moment, the mother company of T decides to merge T into another existing unit in country B. It disappears entirely from country A. In country B it becomes part of a much larger unit the main activity of which is in a different NACE section. The production/turnover of the former company T will therefore no longer be identifiable.

The agreed treatment is to regard the relocation as a real economic change and to move the output and value added from country A to country B.