Simplified Business Information: the use of administrative data in Portugal

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Abstract:
Statistical production in Portugal faces a new paradigm with the use of administrative information in the production of structural business statistics. This new reality differs from other statistical systems once all economic data related with structural business statistics come from one single administrative source, being collected by electronic means, webform, at an only moment. With this new model Statistics Portugal can access to all the basic information with no need to estimate even partly of data.
Another aspect that turns out to be different in this new collecting data model is the fact that statistics happens to come out from all the enterprises population as a whole, instead of being produced from a sample.
For the enterprises, the new model represents a significant costs reduction associated to the fulfilment of some legal obligations, once in a single moment and process they are able to send data for taxes purposes, settlement of accounts and publish it on the Public Register of Annual Reports, and statistical data to Statistics Portugal and to the Portuguese Central Bank.
For the Portuguese National Statistical System and mostly to Statistics Portugal, the new form of attainment of this information corresponds to the beginning of a new stage of statistics production on enterprises, based in administrative data, with a large covering in terms of statistical units (enterprises) and in terms of information, making the need conditions to reorient the statistics activity, in the direction of the increment of the consistency and update of annual data.
What is the Simplified Business Information?
The Simplified Business Information (IES – stands for “Informação Empresarial Simplificada”) is a new system where enterprises can present in a single moment the accounting data for fiscal, statistical and annual accounting register, using electronic means.

What are the advantages for the Statistical System?
The statistical system is able to obtain all structural business statistical data from a single source. All the variables needed by statistics will be available and all the data will be obtained by electronic means. Besides, part of editing is already made, once is included in the system. It reduces substantially the costs for Statistics Portugal once the collection of Structural Business Survey (SBS - one of its most expensive annual surveys) was over and few resources are needed to follow the Simplified Business Information.

Why this system could be considered as innovative?
With the Simplified Business Information, Statistics Portugal will access to all statistical data on Business by electronic mean from a single source, that present more consistency to all data. These data is already editing and will be obtain in a shorter delay – that will be presented until the end of June of year n+1. Once this is the only way that enterprises have to present their taxes declaration, guaranties that it will be received data for all of them with no need to estimate non responses.

How could be possible the creation of the new system?
The political support was the key of this new system. In fact, without the political support from the Justice Secretary of State it would not be possible to achieve these results once some Legislation was needed. In this process were involved, besides the Justice Secretary of State, the Ministry of Finances and the Ministry of Presidency.

The main purpose of this paper is describing how it became possible to different entities from Central Administration to work together, creating this singular new born process of collecting data.
On the other hand, it will be made a description of the information circuit, starting from enterprises providing data till the very moment of the information dissemination to all entities involved in the project.
Finally, it will be described the impact and the challenges that Statistics Portugal faces by using this new method of collect and process business data.
1. Framing

It has about one decade since Statistics Portugal has taken the handle of contact other entities from public administration that also uses data from the enterprises accounts, in order to promote the dialogue and searching a solution that allowed a single collection of information. Thus the aim was contributing for the reduction of the costs associated to information collection and, mainly, for diminishing the burden on the enterprises, once until then they were sending the same information, using for the effect different transmission format and, in some cases, definitions that were not aligned.

Besides some protocols with smaller impact, in 2004 a protocol was established with the Directorate-General for Taxes that allowed Statistics Portugal to accessing to some important data.

Earlier in 2006, with the conception of the Simplex Program (National Governmental Program for Administrative and Legislative Simplification), it was possible to start to define and to prepare of a clearer and persistent form, a measure that concentrates the efforts of some organisms of the administration (Statistics Portugal, taxes administration (Directorate-General for Taxes), Public Register of Annual Reports (Directorate-General for the Business Registers and Notary) and the Portuguese Central Bank, under the coordination of the Justice Secretary of State. Those entities had the aim to create a new system for a single and timeliness collection of annual information on the enterprises (accounting data), that it allowed its use by the involved entities guarantee that those data covers its needs of information in this scope.

On the other hand, and of a completely innovative form, it was established that the instalment of this system would have to be implemented in a completely dematerialized form, abolishing the possibility of delivery data in paper support. For that purpose the platform already carried out and used by the Taxes, was accepted as the most suitable for this project.

In such a way, and after some joint works between those entities, it was possible in about one year (from the beginning of the works and the effective implementation of the system) to prepare and to implement the system of Simplified Business Information (IES).
The IES consists thus in one new form of delivery, by electronic means, of declarative obligations of accounting, fiscal and statistical nature.

Before IES, enterprises were obliged to present the same information on its annual accounts to the different public entities, through different ways:

- they had to make the settlement of accounts and the corresponding register, in paper, next to the Public Register of Annual Reports;
- they had to deliver the annual declaration of accounting and fiscal information to the Ministry of Finances;
- they had to deliver statistical information on its accounts to the Statistics Portugal;
- they had to deliver information on its accounts to the Portuguese Central Bank.

In the general, the fulfillment of each one of these obligations implied, for the enterprises, the need to transmit quite similar information on its annual accounts to four different entities (Public Register of Annual Reports, Fiscal Administration, Statistics Portugal and Portuguese Central Bank) and through four different transmission formats (most of them by paper form).

By the creation of IES, all the information that enterprises have to present on its annual accounts is transmitted at a single moment and to a single entity, through an electronic form (exclusively) approved by Decree-Law No. 8/2007, of 17 of January and the Executive Order No. 208/2007, of 16 of February.

Thus, with the creation of the IES, a new form of delivery the accounting information to the fulfillment of these 4 legal obligations was put in place.

Thus, from 2007 onwards, and starting with the year of 2006 as reference, the Portuguese enterprises will start to present at a single moment and by electronic format, a huge set of annual data on its accounts, that will be used for statistical, fiscal and for purposes of settlement of accounts. For the enterprises, the new model represents a significant reduction of administrative costs associated to the fulfilment of those legal obligations.

For the Portuguese National Statistical System and to Statistics Portugal, the new form of obtain this data corresponds to the beginning of a new stage of the production statistics on business, based in administrative data, with a vast covering in terms of
statistical and characteristic units, creating all the conditions to reorient the statistical activity, in the direction of the increase of the consistency data. It is important to point out that this system will allow getting all the information needed for the production of Structural Business Statistics, being this characteristic the one that becomes this singular system all.

The principles of European Statistics Code of Practice are aligned with this new model that allowed, of exemplary form, to the cooperation between different Portuguese entities from administration in a common goal – to simplify the life of the enterprises.

2. Conception and development of the system:

Statistics Portugal, the Portuguese Fiscal Administration, the Public Register of Annual Reports and the Portuguese Central Bank, had been invited to create a new system of collection of data bearing in mind their need of information.

It was accepted by all the entities involved that Statistics Portugal, while national statistical authority, would have to include all its needs of information in this new system, as well as would have to include the definitions and concepts used in the National Statistical System, which are aligned with the ones of the European Statistical System.

Thus, the information was possible to obtain exhaustingly for all structural business statistics, satisfying all needs of data, namely for responding to European Union Regulations on statistics including data to produce the national accounts. With this new system it can be stated that all data for Structural Business Statistics can be obtained through a single administrative source that covers the totality of the needs in this statistical area. Therefore, the data obtained through the new system guaranties the consistency of the information.

One of the main innovations of this system, face to those that already had been implemented in other countries mainly of the Europe, is that all the information is obtained only by electronic means, through the use of Webforms, implemented by fiscal administration and covering all data needs for statistical purposes.

From the year of 2000 onwards the presentation by the enterprises, of its annual accounts information for fiscal purposes can only be made by electronic means.
Presently the fiscal administration receives information from more than 400,000 enterprises, corresponding to the totality of those that are in activity in the country.

In the specific case of Simplified Business Information (IES), the forms contain more than 1,400 variables to answer the needs of data for all involved entities (previously the fiscal administration only collected about 140 variables), having been defined more than 1,000 editing rules – the editing rules corresponds to a set of conditions that have as aim to guarantee the coherence of the information.

The Software houses, producers of systems and IT that support the activity of the accounting enterprises, had been involved, since the beginning, in all this process, with the aim to include it in their systems. The main objective was to implement, as much as possible in an automatic way, a form to get from the systems already existing an easy process that allow the production of the file with all the data needed to fulfil IES, to be transmitted through web service.

Also the fiscal administration developed a system with the same aim. Thus, it can be used by enterprises a freeware that allow them to fulfil IES. In this case, the system only allows answering to the requested data and does not allow the elaboration of the enterprises own accounting.

The Chamber of Chartered Accountants, national entity that regulates the profession of Chartered Accountants, had a very active participation in the conception of this new model, having promoted 48 workshops all over the country that involved more than 26,000 accountants. In these sessions, was pointed out the necessity to answer correctly to the information and was done a framing of all system, having for the effect the participation of technicians from some of the involved entities. Statistics Portugal had also an active intervention in these 48 workshops, having used in advantage the chance to enhance the importance of the statistical data nowadays.

3. The circuit of the information:

The circuit of data, in this new system, consists of the delivery of an electronic declaration from enterprises, or from chartered accountants duly authorized for the effect, through a safe linking by Internet (deliveries can be made online or through web service).
The support system already includes a set of coherence rules in order to guarantee the consistency of all the submitted data.

Once received the information, a first validation check takes place in order to guarantee that the declaration respect a set of requirements – in case that they do not fulfil, the declaration is rejected and the enterprise is obliged to submit a new one.

After submitted and accepted, the declaration is transmitted within a maximum period of 48 hours to the Statistics Portugal, without any type of transformation. From this moment data starts to be subjects to the beginning of statistical confidentiality.

When received by Statistics Portugal, each declaration is submitted to a new process of control that beyond guaranteeing the internal coherence of the information proceeds to its comparison with the data from the same enterprise to the previous year and from enterprises with similar characteristics (size class and activity sector). If some outliers are detected, that implies a direct contact from Statistics Portugal to the enterprises, and the result of this contact, with or without changes of the data initially submitted, is not transmitted to none of the other involved entities – safeguards thus the principle of the confidentiality.

Independently from the contacts carried out by Statistics Portugal, in case that an enterprise decides to submit a new declaration IES, through the system, the data are received by the Statistics Portugal 48 hours after its submission.

4. Main advantages of the new system:

The business statistical system, it is in course of complete reorganization, due to the implementation of this new system of getting and access to the information on the enterprises.

First, because it will be possible to access to the data from all the enterprises as a whole (the population), what will imply a substantial increase on the quality of the information to be produced.

Secondly, because it will certainly occur a very significant reducing in timeliness of data, once it will foreseeing that in July of each year it will be possible to receive the data from 95% of the enterprises (given of previous the fiscal year).
It will be also possible to Statistics Portugal to contact directly the enterprises for any clarification of doubts, which may result in corrections on the data initially provided – this circuit of information will be made out of the normal process of information submission, in order to guarantee the confidentiality of the data supplied by the enterprises.

The concerns with the reduction of the statistical burden for respondents and the possibility of use of administrative data in statistical production, that are principles established in the European Statistics Code of Practice, had been always in the mind of the Statistics Portugal when was become involved in this process. In fact, the enterprises were obliged, until then, to submit data substantially similar to the four entities under different formats. Now they will start to supply the same data in a single moment and under a same format. Moreover, they have the possibility to get all the needed information automatically from its own system, which also supports the elaboration of its accounting.

The information that the Statistics Portugal has access, will allow the production of statistics with better precision – will produce statistics on the basis of about 400,000 enterprises (before that, SBS were based on the inquiry of 59,000 enterprises).

Finally, this new system will allow one more adequate calibration of the results proceeding from the specific statistical operations, that will be remained, but only in the part that is not common and that it cannot directly be obtained through the IES. This means that if all the data of structural frame is gets through the IES, having for base, basically, accounting information, the specific information, for example, on products produced by industrial enterprises (PRODCOM statistics), constructions carried through the construction enterprises, products sold by the commerce enterprises or services supplied by business services, will continue to be collected by way of surveys carried through sampling.

The re-orientation of resources, in result of this new system, will allow Statistics Portugal to concentrate its activity in the analysis of results and to introduce greater value added in its outputs. In fact, the system (IES) in itself already includes a vast set of validation rules that will guarantee a good part of the consistency of the data. Thus, the work of editing will be substantially reduced.
5. Conclusions:

Statistics Portugal is to implement a new system in the production of Structural Business Statistics.

This new system was become possible given to the strong involvement and commitment of different public entities. It is important to point out the strong political support gotten from the Justice Secretary of State that, without interfere in technical aspects, it was crucial in order to achieve the main purpose of this project.

Also the commitment of the Chamber of Chartered Accountants and the software houses that produce software and systems to support the elaboration of the accounting was fundamental for the success of this innovative model.

In summary, all the interested parts had been involved in the construction of this new innovative system and worked as partners.

Statistics Portugal is thus in conditions to produce with lower cost for itself and for the enterprises, more and better business statistical information in one shorter delays. Despite the first results are not still available, this already can be considered a case of success. Although, for the first year of IES and despite the postponement of the stated time of delivery (of the declarations) up to 16 of September of 2007 (in this first year of IES implementation), more than 50% of the total enterprises already submitted their data.