

SIMPLIFIED BUSINESS INFORMATION – THE WAY FORWARD

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1. IES – The beginning

In 2006, the Simplified Business Information (IES stands for “Informação Empresarial Simplificada”) was created within the framework of a government program for the simplification and modernisation of Public Administration named the SIMPLEX program.

This measure, which resulted from a joint effort of all the public administration entities involved (the Ministry of Finance, the Ministry of Justice, Statistics Portugal and the Portuguese Central Bank), aggregates the fulfilment of several legal obligations by the enterprises in a single act that were previously dispersed and that implied the provision of information materially identical to different organisms of the Public Administration through different channels.

With the IES, the various obligations, namely the annual accounts of the enterprises, are fully complied with by electronic means and in a totally dematerialised form, carried out in a single occasion. The delivery of the IES specifically allows the fulfilment of the following obligations: delivery of annual accounting and tax statements to Tax Authority, responsibility from the Ministry of Finance, delivery of annual accounts for Public Register under the supervision of the Ministry of Justice, provision of statistical information to Statistics Portugal and the provision of information on annual accounting data for statistical purposes to the Portuguese Central Bank.

This measure had a significant impact on enterprises, covering around 400,000 enterprises in Portugal, as well on the different entities of the Public Administration responsible for collecting this information.

Particularly for Statistics Portugal, the main advantages were as follows: complete coverage of the business universe (from 50,000 to 400,000); reduction of information availability from 12 to 6.5 months; information received automatically by electronic means; and a significant increase in the detail of the information. With the implementation of the IES, it was possible to eliminate one of the most costly surveys carried by Statistics Portugal.

In 2015, a new body of the public administration, the Directorate-General for Economic Activities (DGAE) of the Ministry of Economy, integrated the IES with the objective of having access to information on business establishments, necessary to update its commercial register of establishments.

2. IES – The way forward

In 2018, following the simplification process initiated in 2006, which led to the creation of the IES, the government launched the SIMPLEX + program, once again to simplify and modernise

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public services, improving people's lives and businesses' activity in their relationship with the public entities.

In this context, a simplification measure of the IES is foreseen, by pre-filling this declaration with data extracted from the standardised file of tax audits, designated SAF-T (PT) - Standard Audit File for Tax Purposes (Portuguese version), regarding the accounting and also eliminating tables and fields of the current forms, in cases in which the information can be obtained through SAF-T (PT). This measure will simplify not only the submission of the declaration by enterprises, but also the access to the accounting records of enterprises by the entities to whom the information must be legally provided.

The submission of the information will happen in two moments:

First moment:

Enterprises will have to submit the SAF-T (PT) accounting file - which contains all the accounting movements made on a daily basis - and indicate a set of specific information on the declaration, namely the type of normative used, the type of entity, etc.

The Tax Authority will validate this file, within a maximum of 10 days. This validation aims to measure the compliance of the data in the file. It is mandatory to send this file to proceed to the second stage of the process.

Second moment:

Following the submission of the SAF-T (PT) accounting file and validation by the Tax Authority, the enterprises must proceed to the submission of the IES declaration. This declaration includes the pre-fulfilment of the financial statements: Balance Sheet and the Statement of Profit and Loss by activity and some fields in other tables of the IES, using the data extracted from the SAF-T (PT) related to the accounting submitted in the first moment. The remaining fields and tables of the IES must be completed by the enterprise. The IES comprises all the information required for accountability and all the extra accounting tables which contain information that cannot be extracted from the SAF-T (PT) file on accounting required for fiscal and statistical purposes.

2.1. SAF-T (PT)

In 2007, a standard file format for tax audit for exporting data was approved, the so-called SAF-T (PT) - Standard Audit File for Tax Purposes, whose data structure has been adapted in the light of accounting and tax changes. This file, regulated by international standards defined by the OECD, was also adopted in several European countries as a way of presenting accounting and fiscal information by the use of electronic means. Under decree 321-A/2007 of March 26, all enterprises that use a computerised accounting system are obliged to generate this file.

The experience in the usage of the SAF-T (PT) showed that the current structure was insufficient for a complete understanding and control of accounting information due to the flexibility in the use of accounts by different entities. In this perspective, and in order to simplify the IES and allow the automatic completion of the Balance Sheet and the Statement of Profit and Loss included in the IES, in December 2016, the SAF-T (PT) file structure was adjusted, with the creation of taxonomies, i.e. correspondence tables that allow the characterisation of the accounts according to the accounting regulations used by the different enterprises.

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Two types of taxonomy have been defined, considering the existing charts of accounts in the Accounting Standardisation System (SNC), namely one for entities that adopt the Microentities regime - Annex III of decree 302/2016 of December 2 and another for other entities - general regime and small entities - Annex II of the same decree. The entities that adopt International Accounting Standards are also covered in the last annex.

Taxonomies do not only include the codes of accounts provided in the SNC. With the taxonomies, more details than those presented in the SNC were created. Situations such as the definition of the debtor or creditor nature of some accounts; the disaggregation of some "current" and "non-current" assets and liabilities and the specification of some classes of accounts that are omitted or not defined (to be added, if needed) in the chart of accounts are examples of additional details obtained with the taxonomies, thus allowing for the automatic filling of the Balance Sheet and the Statement of Profit and Loss included in the IES. Details on depreciation, amortization and impairment by asset classes and losses were created, with the purpose of automatically filling some fields of other tables from IES and simplifying the filling by the entity.

The SAF-T (PT) file must be generated by information systems in a standardised format, in the XML language, respecting the approved structure. These changes required a reformulation of the accounting programs of the enterprises, with implementation starting from January 1, 2017.

2.2. IES

As previously mentioned, the IES declaration shall be pre-filled automatically by the IT system of the Tax Authority with the data extracted from the SAF-T (PT) file relating to the accounts (validated file) and with the information provided by the entities when submitting the file. The IES fields that are automatically filled in by the Tax Authority are not editable and can be modified by changing the data provided by the entities when submitting the SAF-T (PT) and/or delivering a new SAF-T file (PT) file. The remaining fields of the IES, i.e. fields with information that cannot be obtained directly through the SAF-T (PT) file, must be completed by the entity, in the same way as previously. Once fully completed and validated, the IES statement must be submitted on the Tax Authority portal.

The following table shows the current IES field numbers, the percentage of fields deleted and the percentage of fields to be filled by the entity in the "new" IES:

Annex A		2017 and previous years
Total of fields	Other entities than microentities	3,527
	Microentities	2,197
		2018 and following years
% of fields deleted between 2017 and 2018	Other entities than microentities	58%
	Microentities	61%
% of fields to be completed by the entity in 2018 and following years	Other entities than microentities	72%
	Microentities	73%

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2.3. Working group

The IES working group, made up of all the Public Administration entities involved, has regular technical meetings. The greatest challenge with the "new" IES, besides the reformulation of the current forms and the redefinition of the validations included in the IES submission application, was the definition of taxonomies that would automatically fill a significant part of the declaration. As a side note, it is estimated that for the new IES, 50 meetings were held.

3. Conclusions

The delivery of the IES with automatic filled fields through data extracted from the SAF-T (PT) accounting file, represents a significant change, with advantages at several levels:

- 40% reduction in the number of the requested fields;
- Two month anticipation of most part of the information;
- Annual information, broken down by quarters;
- Greater accuracy in detail variables;
- Implementation of a process that may simplify the collection of infra-annual information.

However, this process also presents some challenges:

- Complete redesign of the database infrastructure;
- Deep change in the programming that supports the production of statistics;
- Higher investment by the need to adapt the technicians to a new reality and expenses in training.

4. The following steps

Infra-annual administrative information

With the implementation of this new system, all enterprises will be able to produce a SAF-T (PT) file, which they must send annually for this purpose. However, since the creation of this file is fully automated, the development of monthly and quarterly files will require a small investment. In this way, it would be possible to sustain the production of infra-annual statistics, leading to the elimination of current business surveys.

Exploitation of other information in SAF-T

There is a set of information included in the SAF-T accounting file that is not yet fully exploited, namely information about products, customers and suppliers. The investment in the harmonisation and analysis of the requested information at product level could bring significant advantages in simplifying the statistics of industrial production.

Creation of other SAF-T modules

The OECD has also developed a module about wage payments which has not yet been implemented in Portugal. The development of this module, in a joint effort between Statistics Portugal, Tax Authority and Social Security, would be an excellent opportunity to eliminate duplication of requests for information in this area and also to streamline statistical production processes.