

Simplification of Intrastat

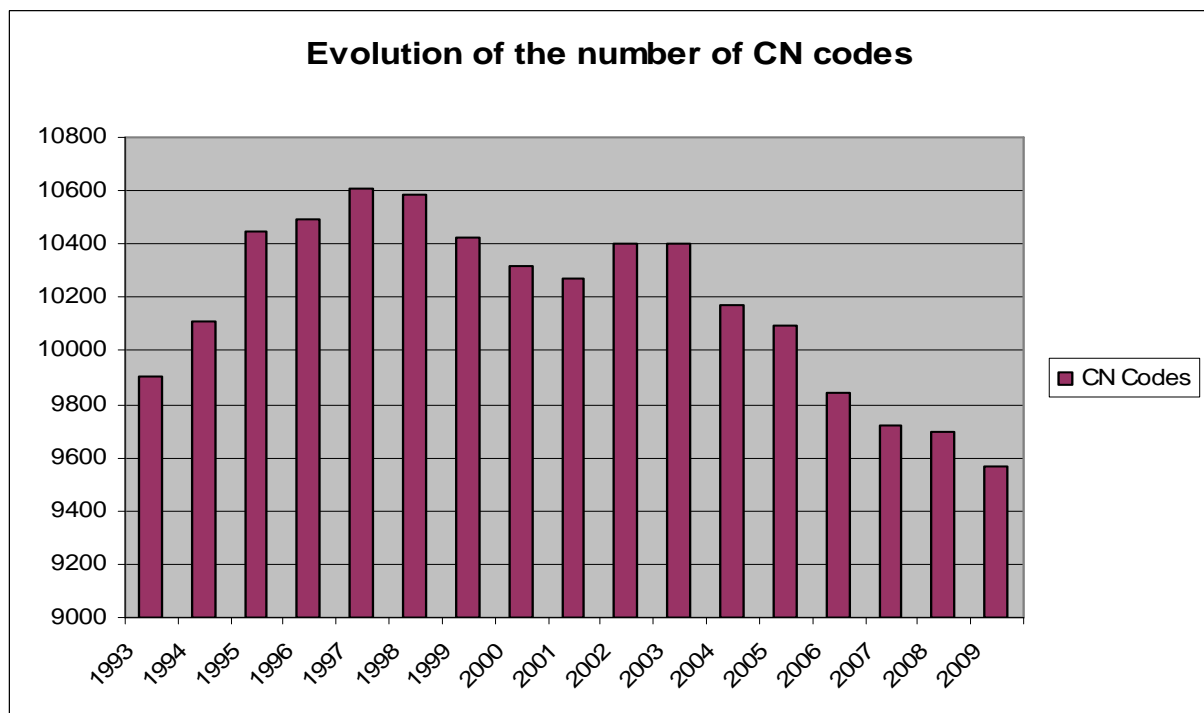
Johan Debruyn, European Commission (Eurostat)

1. Introduction

When the system of intra-community trade in goods statistics (Intrastat) was introduced at the inception of the Internal Market in 1993, it already represented a major simplification for traders. They no longer had to lodge Customs declarations for every intra-EU trade transaction and were allowed to file a monthly statement. Moreover, the majority of traders were already then exempted from reporting their trade.

In the course of its existence, Intrastat has been subject to significant efforts to reduce burden on business. Reporting trade coverage requirements were lowered (99 to 97% from 2005 onwards) in order to allow Member States to increase their reporting thresholds and hence exempt larger numbers of businesses (Providers of statistical information or PSIs) from the reporting obligation.

Especially over the last few years the number of nomenclature headings (CN8) was reduced substantially. In 2009 there are 8% less CN codes than there were in 2003. (see graph below). In 2010 a further reduction of around 130 codes is to be expected.



In the course of the years the reporting of certain data was made optional and simplified reporting for complex products or particular movements of goods was introduced.

By means of the Edicom programmes and investments by Member States, many resources were also deployed for upgrading the data collection, processing and transmission systems in the Intrastat National Competent Authorities (NCAs) and in Eurostat. One of the results is that in all Member States the number of Intrastat declarations on paper has decreased considerably. In some Member States it has even led to a legal obligation to report electronically.

As a result of the simplification efforts, at present, around 80% of businesses involved in intra-EU trade could be exempted from reporting on the basis of the EU regulation. As this Regulation only sets minimum trade coverage ratios, Member States can choose to set their reporting thresholds at levels lower than would be allowed by the EU.

In spite of these efforts, Intrastat reporting is still considered quite burdensome by business communities in several Member States and in some cases also by NCAs. Although all studies carried out so far have clearly indicated that the administrative burden generated by statistical reporting is very limited (ranging between 0.5 and 1% of all administrative burden), it also appeared that Intrastat accounts for about 50% of the total statistical burden. The perceived burden for Intrastat stems from this large relative part of statistical burden and from the fact that data elements reported under Intrastat are perceived by businesses as being reported already for other purposes (VAT, accounting etc.)

On the other hand, a user and PSI survey carried out by Eurostat in 2007 showed that large proportions of both groups are currently satisfied but that nevertheless, proposals to lighten the reporting burden would be welcomed by PSIs. However, a significant proportion of users expressed concerns over the effects on data quality

Since the start of the Lisbon Agenda, the Commission has made a commitment to cut unnecessary red tape and over-regulation. As outlined in the Commission Communication on Better Regulation for Growth and Jobs in the European Union¹, simplification of existing EU legislation (and hence a reduction in the burden on business) is one of the core issues of this policy initiative. This commitment was more specifically targeted to statistics in the Commission Communication on the Reduction of response burden, simplification and priority setting in the field of Community statistics². The latter Communication identified Intrastat as an area where simplification is possible and desirable.

Over the past 5 years, the Council Presidencies have also kept better regulation and the reduction of administrative burden high on the political agenda.

The spring ECOFIN Council of 2007³ agreed on a quantified target and timetable for burden reduction. Overall burden on business generated by EU and Member State's legislation should be reduced by 25% by the end of 2012. A contract was tendered out to a consortium of consulting companies which were asked to conduct a comprehensive burden measurement exercise and identify the reporting obligations considered as most burdensome. 13 policy areas (with a total of 44 legal acts) were identified. Statistics is one of these areas and 6 legal acts were earmarked for investigation. Next to Intrastat there were Structural Business Statistics, Prodcum and 3 legal acts in the agricultural area). Based on this measurement exercise, the consortium has issued a number of recommendations, some of which will be validated in 2009 by the High Level Group on Administrative Burden (HLG) and be taken forward as recommendations to the Commission. One of these recommendations is the introduction of single flow in Intrastat.

2. Simplification Working Group 2007

In this context and in parallel with the broader Commission activities, the further simplification of Intrastat has remained a priority for Eurostat. In cooperation with the Member States Eurostat devoted considerable efforts to analytical work on the possibilities in this direction. The Working Group on the Simplification of Intrastat was established and met several times in 2007.

Two main simplification options were identified by the Working Group: the single flow and further increases of the exemption thresholds for reporting on intra-community trade flows. In addition to these main options, other possibilities of simplification and modernisation of Intrastat were and are considered, including better use of administrative data, possibility of merging the Intrastat and VIES systems, further reduction of the number of commodity codes in the Combined Nomenclature and further development of IT tools for automated reporting.

¹ COM (2005) 97 final of 16 March 2005

² COM (2006) 693 final of 14 November 2006

³ 6610/07 (Presse 35)

The Working Group concluded that for the short term the best solution would be to increase exemption thresholds in order to not cause data quality to deteriorate. The minimum trade coverage rate for dispatches was kept at 97% and the trade coverage for arrivals was lowered to 95% so that Member States would be allowed to increase their exemption thresholds accordingly. In the longer term the perspective of single flow reporting would be kept, but before its introduction an important number of quality issues would need to be tackled. The further work of the Simplification Working Group was taken on board of the regular Methods and Quality Working Groups.

3. Amended Intrastat Regulation

Based on the conclusions of the Working Group on the Simplification of Intrastat, it was decided to amend the existing Intrastat Regulation (EC) 638/2004 in order to make the coverage rates adaptations possible. In the course of 2008 the amending Regulation was drafted and approved by the Intrastat Committee. Regulation (EC) No 222/2009 of the European Parliament and of the Council amending Regulation (EC) No 638/2004⁴ was approved on 11 March 2009.

Moreover, the amending Regulation will establish better provisions for the definition of quality requirements; it will provide the legal basis for compiling intra-Community trade statistics broken down by business characteristics.

It is estimated that this measure could exempt a further 190.000 European companies from reporting arrival flows for Intrastat.

The Regulation came into force retroactively from 1 January 2009.

4. Recent findings by Member States

In 2008 a number of Member States carried out studies and surveys on Intrastat simplification, the results are summarised hereunder:

Austria

In Austria around 87% of the enterprises involved in intra-Community trade are exempted from Intrastat reporting. However Statistics Austria would like to go further with the reduction of burden and has therefore organised a survey on three simplification options:

- the Simple Single Flow System (SSFS),
- the threshold option
- the introduction of a Qualified Single Flow System (QSFS); this system would do away with the arrival declarations and compensate the quality problems of the SSFS via an extension of data elements to be reported by dispatchers.

All respondents agreed that a SSFS would cause massive quality losses as well for the accuracy of aggregated as for detailed data. An effect on timeliness and availability of data is to be expected as well. Especially from the user perspective, the introduction of a SSFS would be unacceptable at this point in time.

Concerning the threshold option the majority of respondents say that this option would have very limited impact on the quality of external trade data.

The advantage of the QSFS is that on the one hand the reporting relief for the respondents would be the same as under a SSFS and on the other hand its negative consequences would be reduced by an obligatory extension of parameters for the dispatch side with the aim to ensure a future availability of arrival variables for the national foreign trade statistics of the partner Member States. Dispatchers

⁴ OJ L 87, 31.3.2009, p.160

would report on the partner enterprises instead of just partner countries. A harmonisation of the reporting threshold in all Member States would be needed. The timeliness and data availability aspects would be the same as under the SSFS meaning that certainly in the short run, the threshold option would be the preferable way to simplify.

Belgium

The Belgian project on the simplification of Intrastat investigated the impact of a SSFS, of raising thresholds (lowering the coverage rates) and of introducing an Extended Single Flow system (ESFS). Under ESFS dispatchers would declare as usual but for arrivals a Simplified Arrival Survey would be used. It would be limited to a small panel of major arrival companies

It was concluded that even for macro users (National Accounts and Balance of Payments) already too much detail would be lost under ESFS and moreover burden reduction would not be as important as expected.

This is why Belgium decided not to investigate this system further but to concentrate on higher thresholds in a traditional double flow system. A slightly lower coverage rate of 95% compared to the current 97.8% and 98.5% for arrivals and dispatches would result in a reduction by almost half of the number of businesses having to report (11,451 compared to 20,514). Data quality would moreover be affected only marginally.

Denmark

The Danish project which analysed the single flow system and thresholds options came to a similar conclusion. Lowering the coverage in arrivals from 97% to 95% would exempt around 2200 companies (20% of all companies reporting to Intrastat). The reporting threshold for arrivals was adapted accordingly in January 2009. A further reduction of coverage would cause already quite significant losses of information without further reducing the number of reporters significantly. VIES data may be used to compensate for the loss of country information. Lost information about commodities cannot be easily compensated.

The single flow system should certainly be kept in mind for the longer run. The users expect that a future single flow system will increase quality compared to lowering coverage further. Moreover if a single flow would be introduced with a coverage of 99% in dispatches more enterprises in Denmark could be exempted from reporting to Intrastat (-35%) However an increase in coverage is a big disadvantage for small and medium sized enterprises involved in dipatches, as some of them would again become liable for Intrastat after having been exempted for quite a number of years.

For the main users of the statistics, a reduction from 97% to 95% coverage in arrivals is preferable to a single flow system because it has only a limited effect on data quality. If it will be possible to lower coverage rate in one or both flows by using the option of increasing the threshold, it is necessary to find new methods to maintain the existing level of quality.

Finland

Tulli Finland has done a survey on the burden on Intrastat data providers. The Intrastat burden is around 50% of total statistical burden. In 2007 the Intrastat sample consisted of approximately 9500 companies and since the threshold values for declaration were raised for the year 2008, the sample decreased to approximately 7500 companies. The number of commodity codes submitted by the data providers has increased from the year 2007 (number of the commodity codes is higher in 2008). The total number of commodity codes has increased while the number of data providers has decreased.

The introduction of a single flow system would reduce burden (expressed in monetary terms) by about 80% whereas the 97-95 threshold option would only have a 20% effect.

An analysis was made on mirror dispatch series using regression models to see if they were of sufficient quality to replace arrival data. This is not the case at this point in time so more investigation is necessary. It is also likely that under single flow, the same frequency and level of detail could not be maintained. This issue will need to be tackled with users (who need the detail).

Germany

Destatis conducted a study on the Effects of Single-Flow Reporting on the compilation of investment in machinery and equipment in the National Accounts. Also in Germany Intrastat generates around half of the statistical reporting burden for enterprises. Single flow is a simplification option which is being considered.

The introduction of single flow would have a negative effect on the total trade balance and hence on GDP. The impact would be -1%. This effect would be partially offset by the use of single flow data in the calculation of gross fixed capital formation in machinery and equipment (GFCFME). This indicator also constitutes an input for GDP. Here the effect would be +0.3%.

On chapter level variances are much higher than on aggregate level, some attaining levels of over 100% in both directions.

All in all, the project results indicated that single flow data could be a sufficient input to the German GFCFME only if the figures are time consistent and available completely, punctually, and at the most detailed CN 8 digit level. This is at this point in time not the case.

Greece

Statistics Greece has conducted a survey on the different options for the simplification of Intrastat. The survey included PSIs (enterprises and third party declarants) and users. The large majority of PSIs spend less than 5 hours per month on Intrastat. The most important part of burden is caused by finding the correct CN code to be reported. The most eye catching result of the survey was that respondents suggested as best way to simplify to somehow have dispatchers include CN codes on invoices and on other relevant documents. This would reduce burden considerably (for arrival reporters) and at the same time increase data quality. If data quality (mainly timeliness) can be assured, the next best option would be the introduction of a single flow system.

Hungary

First an analysis was conducted for a major coverage reduction to 90%. It was shown that for the large majority of companies (about 90%) the exemption would be total. Only for a smaller part of PSIs (500-700) declaring both flows exemption would be partial. In case of a radical reduction of the coverage rate, the importance of the adjustments would grow significantly. It would have also a significant impact at the more detailed levels for product groups (CN4 or CN8). In the case of a large threshold increase it could be that whole product groups would disappear because of the exemption of their traders. 139 out of 469 NACE activity codes would totally disappear in case of a coverage reduction to 90%.

Secondly the introduction of a single flow system was analysed, it appeared that the number of PSIs would decrease to a comparable extent as under reduced coverage. However quality problems would be a lot more important because of the size of the asymmetries (asymmetries with Slovakia were analysed) and because of timeliness.

Hence the coverage reduction scenario was put forward as the most feasible also because of its ease of implementation.

Latvia

Statistics Latvia analysed how changes of exemption thresholds in both flows at different levels could change the number of PSIs for Intrastat and the ensuing reduction in the number of CN codes reported. Additionally the impact of single flow was studied.

It was shown that the number of traders involved in arrivals was almost three times higher than the number of traders involved in dispatches at each coverage rate. About two thirds of all traders are already exempted from Intrastat reporting at the present coverage rate of 97%.

If the single flow system would be introduced with a coverage rate of 99%, 84% of the total number of PSIs would be exempted from reporting obligations. Compared to the present double flow reporting system, such decrease of traders would be possible moving from the current coverage rate of 97% to 90%. With a coverage rate of 97%, around 71% of PSIs would be exempted from reporting obligations while at of 95%, it would be 78%.

For Latvia, it would be better to collect the dispatches flow (in case of single flow) as it would exempt an essential part of PSIs. Taking into consideration different thresholds for EU countries, small Member States like Latvia would lose a lot of information. At present, none of the investigated options for simplification of Intrastat would be satisfactory enough to ensure the necessary quality of foreign trade data for Latvia's needs. But the reduction of threshold could be considered as possibly the best solution in short term.

Lithuania

Data adjustments, confidential trade, misclassification of goods and other reasons cause discrepancies in mirror trade flows. That is why the introduction of the single flow system would lead to a deterioration of data quality at the aggregated and at the detailed level. Single flow would cause substantial data losses in Lithuania. Virtually all CN2 categories would be affected.

Raising the thresholds would reduce the number of PSIs. However, it would cause an increase in asymmetries as Member States with large trade volumes would lose the statistical data of trade with smaller Member States. The value of trade below threshold is estimated on the basis of the VAT declarations data. Allowing the coverage rate to drop below 93% would cause unacceptable data quality issues (with some CN2 categories disappearing completely) but above that level impacts are less important. In case of dispatches, losses would be higher than in case of arrivals. Raising the exemption thresholds does not have any impact on the total value of exports and imports because the uncollected part of the trade statistics has to be estimated by using VAT data.

Results of the performed analysis showed that both simplification options would give comparable results in terms of a share of enterprises exempted from Intrastat reporting. The main difference is that in the case of raising thresholds reporting burden would be lightened for the enterprises of small and medium size. Compared to the single flow system, raising thresholds would have no impact on the total values of dispatches, arrivals and the trade balance. In the case of the single flow system, value of arrivals would significantly decrease (12% in 2005 and 6% in 2006) and it would cause changes in the figures of the trade balance. Concerning quality and accuracy of data, the threshold option seems the better one.

Luxembourg

Statec analysed different simplification options: "global" thresholds versus "sectoral" thresholds. Sectoral thresholds are based on the activity classification by NACE. Statec have investigated the impact of raising thresholds in terms of trade value, PSIs and reported CN8 codes and as well the impact in the context of sectoral threshold. That is a "3 threshold" system based on the NACE aggregates "Industry", "Trade" and "Others".

Trade coverage is 98.7% on the dispatch side. Lowering the coverage rate to 97% would generate a decrease of reporting PSIs by 25%. In the case of lowering the coverage rate to 95%, only 9% of the

traders involved in dispatches would have to report their trade. That is why data on trade at detailed product level would become quite partial. Furthermore, 5% of the traders generate more than 90% of total trade expressed in value. As the biggest traders are in general industries, a decrease of the global coverage rate leads to an over-weighting of the Industry sector. A trade coverage of 90% implies a complete loss of information for some activities and a strong decrease of reporting PSIs for some sectors.

It was assessed if a system of sectoral thresholds could be implemented and could be acceptable for the PSIs. Compared to the global system it provides similar results in terms of reduction of response burden. However, no significant improvement in terms of reported codes could be achieved. That is why Luxembourg will not implement a 3 sector threshold system as the increased administrative burden is not compensated by the improvement of data quality at the detailed level. It was concluded that thresholds should be raised carefully in order to avoid leaving only a very partial picture of Luxembourg dispatches at the detailed level.

Malta

Statistics Malta's project analysed user requirements and the possible impact of changes in Intrastat on the quality of national accounts and balance of payments. The introduction of a single flow system will generate serious quality problems for small states. To attain adequate trade coverage, Malta has comparatively low arrivals thresholds compared to other Member States. Significantly higher thresholds at the country of dispatch would result in loss of arrivals data that would have normally been recorded and it would increase discrepancies for the smaller states and impact the country's NA and the BoP. Because of the low threshold, Malta does not need to adjust for below the threshold trade.

One option for simplification that can be adopted by Malta is the non-collection of statistical value and its replacement by estimations.

If the single flow system would be introduced in Malta, only 13% of the entire PSI population would be required to submit Intrastat dispatch declarations, whereas if thresholds were to be increased to €80,000 (the current threshold is €700), the percentage would be around 41%. If accuracy and timeliness deteriorate under single flow, the BoP will be negatively affected and there will logically be a negative impact on GDP as well.

Statistics Malta prefers the thresholds option over the single flow system. If implemented, it would be an option with less adverse consequences. Since accession in 2004 Malta has not yet raised its thresholds.

Netherlands

CBS Netherlands have problems with non-response and that makes it less easy to determine the actual reduction of the burden as a consequence of simplification measures.

With the number of companies with a reporting obligation as measure, in case of a single flow dispatch system with coverage of 97%, about the same reduction can be attained with a coverage rate of 92% for both flows or a coverage rate of 90% for arrivals and 95% for dispatches. Coverage rates which are lower than 92% for both flows give more reduction. In case of a single flow system with coverage of 98%, the same reduction can be obtained with the coverage rate of 94% for both flows or coverage rate of 90% for arrivals and 97% for dispatches.

Some qualitative aspects were also analysed such as: loss of CN codes, consequences for the trade balance, and consequences for the quality of estimates on chapter level. The loss of codes for dispatches is worse than for arrivals. The single flow system certainly affects the trade balance. But that is not the case with lowering the coverage rate because there is VAT information available which can be used for adjustments for missing trade. The values of trade for the two most important chapters will decrease especially for the single flow arrivals scenario. In case of lowering coverage rates, the

deviations are less. However, lowering the coverage rate will also have effects on data quality, especially on detailed level, because of the loss of CN codes.

Due to problems with non-response, in a case of a further decline of the coverage rate, efforts have to be made to improve the present estimation methods. In case of single flow, the pressure on the Netherlands will increase to make a substantial effort to tackle non-response. This will probably increase the burden on small and medium enterprises.

Lowering the coverage rate is a relatively simple method to reduce burden, but it will also result in a loss of CN codes. On chapter level, consequences will be less, especially for the most important chapters. However Statistics Netherlands support the threshold option for the short term.

Poland

Reducing the coverage rate from 97 to 95% for arrivals would exempt more than twice as many enterprises from reporting for Intrastat compared to the current situation. If coverage rates were allowed to drop further, this effect would gradually become smaller. If the coverage for dispatches were to go down to 95% as well, the effect would be slightly weaker. The quality impacts are quite acceptable. The coverage option on the level of 95% (both ways) will result in a loss of information on dispatches (measured by the value of trade) by 3.10% and by 2.23% on arrivals. Introducing the option on the level of approx. 95% coverage of trade in both directions would result in a decrease of the number of reporting entities by half, as well as in a radical decrease of the registered declarations and items of goods.

In case a single flow system would be introduced slightly more (around 56%) of all entities would be exempted. The basic problem however is that it is impossible to check asymmetries. Some errors or deficiencies in partner data were revealed after analysis of mirror statistics. Under single flow such checks will only be possible via analysis of values registered in the tax systems (VAT, VIES).

The option of increased thresholds clearly seems preferable. Costs are minimal and the number of exempted businesses is only slightly lower. Single flow shows at this point too many quality problems and would, also in a transition period cause serious breaks in time series.

Other types of simplifications, reducing the CN detail level and changes of the reporting frequencies entail considerable costs and unsure profits. These options are worth considering, but in case of their implementation it is necessary to specify the required level of detail of collected data and time periods when they are to be processed and made available.

Romania

The analysis of possibilities to use fiscal data for estimation and adjustments of intra-community trade statistics lead to the conclusion that between Intrastat data and fiscal data there are significant discrepancies. The use of fiscal data would result in a deterioration of quality.

Although the number of PSIs could be reduced by 69% for single flow and by 62% for extended single flow (system comparable to the Belgian one), they are not for the short term or medium term, feasible solutions. Unsolved asymmetries would lead to a loss of quality for National Accounts and Balance of Payments statistics. In case of the implementation of single flow, Romania is in favour of applying a no threshold system or a single threshold for all Member States at a very low level.

Reducing the coverage to 95% for both flows would decrease the number of Intrastat declarants by 46% (90%: reduction of 69%). Switching to the 97-95% as made possible by the amended Intrastat Regulation would result in decrease of number of Intrastat declarants by 41%.

Concerning raising the threshold for statistical value in order to reduce burden is not considered as a feasible solution as the quality of statistical data would be very strongly affected by raising significantly the statistical value estimation.

Romania as well prefers the threshold option for the short term.

Slovakia

Statistics Slovakia performed an analysis of asymmetries in trade with Hungary. The aim was to identify the causes of the discrepancies. They were, triangular trade, below threshold trade, different thresholds, quasi transit, incorrect methodology for declaring goods (different partner country), missing data because of the processing which was not declared, misclassification, VAT fraud and companies which do not exist anymore or companies that did not declare data which they had to.

Four chapters with large discrepancies at each flow in 2006 were investigated at the level of CN8 subheadings to detect sources of discrepancies. Particular CN8 subheadings were analysed to identify declaring enterprises and their partner enterprises with preservation of confidentiality rules.

Sweden

Statistics Sweden did a project on asymmetries in trade with Denmark. Some of the asymmetries for certain commodities are a result of the use of confidential commodity codes. There are 52 critical commodity codes where major asymmetries between Sweden and Denmark have been identified, selected and analysed. Other causes of asymmetries are incorrect commodity classification and trade estimates. Both countries make an extensive use of VAT data when estimating trade below threshold value and non-response. The trade structure is similar between both countries since their exemption thresholds are at relatively similar levels for both flows.

Comparing Swedish arrivals from Denmark and Danish dispatches to Sweden it can be seen that Danish dispatches to Sweden are approximately 6 to 7% higher than Swedish arrivals from Denmark during 2006 and 2007. Concerning Danish arrivals from Sweden and Swedish dispatches to Denmark there are greater differences. Danish data on arrivals are 12% higher than Swedish dispatches to Denmark. Six chapters show absolute asymmetries exceeding 50 million Euros between Swedish arrivals and Danish dispatches in 2007 and seven chapters show absolute asymmetries exceeding 50 million Euros between Swedish dispatches and Danish arrivals.

United Kingdom

The UK are supporting and working towards the introduction of single flow in the longer term. In the short term, the option of reducing the coverage rate of Intrastat by changing the percentage of the value collected has been agreed as the best option although the effects on data quality need to be thoroughly assessed to ensure that the loss of details is balanced by accurate and reliable estimates for the trade no longer collected. The amount of trade lost under a 90% coverage rate would be too great for this to be a viable simplification option for many data users. The simulation results show that a 95% coverage rate is an acceptable option, as the fairly minimal loss of detail at this level is offset by a considerable saving in trader numbers; the total number of Intrastat traders is expected to fall from around 30,000 to around 19,000 (-37%) under a 95% coverage rate on both flows. The number of eight-digit Combined Nomenclature level (CN8) codes likely to be lost under a 95% coverage rate is relatively small; the 81 arrivals commodity codes and 209 dispatches codes expected to disappear from the trade statistics collected represent 0.9 per cent and 2.3 per cent respectively of the arrivals and dispatches codes collected under a 97% coverage rate.

For both arrivals and dispatches, no Harmonised System chapter-level (HS2) codes are lost entirely, even when the coverage rate is reduced as low as 90%. However, for arrivals, 81 CN8 codes would disappear entirely under a 95% coverage rate and 326 would be lost under a 90% coverage rate. For dispatches, 209 CN8 codes would disappear under a 95% coverage rate and 644 under a 90% coverage rate.

The question is which coverage rate would be required. It appeared that, in order to obtain sufficiently detailed and reliable data from all Member States if single flow were to be introduced, the coverage rate would need to be less than 98.3% in order for any further reduction in the number of declarants to

be made. The 98% level may therefore be a viable compromise in a single flow situation, should the coverage rate need to be increased from the current level of 97%. However, this would still mean lowering the threshold for dispatches which could result in as many as 6000 additional dispatches traders being required to submit Intrastat returns. Although these 6000 are responsible for only around 1% of total dispatches trade, there is a danger that detailed trade data on specialised market goods may be missing if the data is not collected. It may be difficult to produce accurate non-response estimates for such a large number of traders with no historical Intrastat data.

The conclusion of this project is that the analysis supports a recommendation to reduce the coverage rate for Intrastat arrivals from 97% to 95%.

Furthermore HMRC have carried out an asymmetry reconciliation exercise with Ireland.

There are many reasons why asymmetries occur:

- methodological discrepancies – specific movements of goods, differences in recording leased goods and repairs
- valuation discrepancies – threshold differences, exchange rate variations, determining statistical value
- partner country discrepancies – difference in country of dispatch/destination and country of origin, transit trade, triangular trade
- other differences – misclassification of commodity codes, fraud, reporting time-lags.

5. Single flow issues

5.1. Advantages

- Advantages for PSIs: the response burden would be reduced considerably. This could generate important savings in IT and personnel costs. Moreover, the number of PSIs would decrease as enterprises which only report arrivals would no longer be obliged to report at all.
- Advantages for the statistical offices: The work burden (data-entry and data-control) could be reduced. This could make substantial budgetary savings possible (IT costs and to a lesser extent also personnel costs). However non-negligible introductory costs will need to be planned for.
- Advantages concerning timeliness: response speed could increase and reduced transmission delays could be envisaged (at present 70 days).

5.2 Disadvantages

- Decrease of data quality. Asymmetries will be hidden: In theory, exports reported from Member State A to B should be equal to the imports into B from A. However, major discrepancies exist in Member States' Intra-Community trade statistics. Therefore, mirror statistics and reconciliation exercises try to decrease the differences. The single flow system will show coherent figures, but it will be impossible to assess their quality.
- Loss of national sovereignty. The Intrastat system gives Member States the possibility to adjust the system according to their national needs. No optional data (e.g. CN9 codes, country of origin, region, delivery terms, mode of transport, statistical procedure) will be available for national purposes on arrivals; special simplifications attributed to certain declarers or for specific transactions can not be applied anymore (e.g. parts for motor vehicles); limited control possibility of Member States on their trade data (e.g. consultation with the partner MS is always necessary when the record of an arrival is implausible). Each Member State will be dependent on the efficiency of the work of the other 26 Member States, before it is able to publish the data. National users will be displeased.
- Coverage problem: at present the threshold system exempts about 80% of intra-Community trade operators from reporting. Member States trade will be affected differently by the single flow system

(e.g. dispatches to smaller Member States might be influenced more by the thresholds and Member States could lose part of their trade data). A comprehensive impact assessment is only possible on country level.

- Weakening of the methodology: e.g. breaks in time series will appear, additional FOB-CIF adjustments are necessary, passive confidentiality on the arrival side has to be managed.

5.3. Variants of single flow

As was demonstrated by the experiences in Austria, Romania and in Belgium, also the variant versions of the single flow (qualified single flow or extended single flow), each cause their own additional quality or burden problems.

5.4. Burden reduction

Based on the PSI population at the end of 2006 in the EU25, Eurostat calculated that the introduction of a single flow system with only dispatches collected would reduce the number of PSIs from 540,000 to roughly 200,000 (-63%). This figure is calculated from the current trade coverage ratio of 97%. This is an impressive figure, but as it was indicated in the overview of the studies carried out by Member States, the availability and the accuracy of data would decline tremendously. If a single flow system with dispatches were to be introduced, investigations show that, in order to maintain data quality at an acceptable level a coverage ratio of somewhere between 98 and 99% of dispatches would be desirable. This would reduce the number of PSIs to between 237,000 (-56%) and 325,000 (-40%). This brings the result already in the neighbourhood of what can potentially be achieved by changing reporting thresholds to bring them in line with the minimum coverage ratios in the new Intrastat legislation i.e. 350,000 PSIs or (-35%). This option would cause only minor quality issues whereas an increased threshold, in the case of single flow, would also imply having to (re)include a certain number of dispatchers. Looking at these figures, it is clear that single flow can only be considered as a long term option after the quality problems have been solved.

6. State of play, Short term way ahead: MEETS programme

In order to implement the amended Intrastat Basic Regulation, Eurostat has drafted a Commission Regulation. Part of these implementing provisions is subject to scrutiny by the European Parliament. Final adoption by the Commission is expected before the end of 2009.

As mentioned above, the High Level Group on Administrative Burden (HLG) has appointed a "rapporteur" for the area of statistics who held meetings with the services responsible in Eurostat in the course of June 2009. The rapporteur has advised the HLG to recommend to the Commission that for Intrastat further analysis should be undertaken to eventually in the long term switch to single flow reporting whilst guaranteeing data quality in all its aspects. It is generally expected that the HLG will follow this advice.

The MEETS programme is in its first year of operation. The current call for proposals in the area of trade statistics was launched at the beginning of May 2009. Eurostat has received 38 proposals from 18 different Member States. Most projects are related to quality issues, asymmetries and linking business and trade statistics.

The draft financing decision for the MEETS 2010 call for proposals has been submitted to the Intrastat/Extrastat committee of June 2009. The financing decision will be submitted for approval to the ESS committee in October 2009.