Simplification of the Intrastat System – Users versus Providers of Statistical Information

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1.   Introduction

Intrastat system has been introduced as a result of completion of the single market on the Community territory after abolishing physical barriers to trade between Member States including customs controls. Goods not further controlled on the internal border of the Member States have started moving freely without any documents prescribed to monitor their flows. It meant that statisticians had to replace customs documents as source of information for external trade statics by another system since there had been still requirements to have information on the trading of goods between Member States.

Within the framework of the Intrastat system data are directly collected from consignees and consignors of goods. Close link of the system with the value-added tax (VAT) particularly as regards definition of providers of statistical information, reference period and value, enables to verify exhaustiveness of collected data as well as to make adjustments for not reported trade.

Data surveyed within the Intrastat system make it possible to compile foreign trade statistics at the level of Member States. National accounts and the balance of payments are prominent users of the data. The statistics belongs to the basic macroeconomic indicators affecting the economic policy of the governments. The European Commission uses the data at the level of the Community to monitor the developments of the single market and the implementation of European agricultural and trade policy. Data from the Intrastat system make it possible for professional unions and associations to defend the interests of their members, whereas businessmen and entrepreneurs use these data as a part of their market research.

While in the previous customs based system customs documents accompanied all goods moved between Member States, regardless its value or size of consignee/consignor, Intrastat system was proposed in such a way that not all traders are obliged to report intra-Community movements of goods. Particularly small and medium enterprises benefit from the implementation of the threshold system below which the consignors/consignees are exempted from providing any Intrastat information. Thus Intrastat system as such has simplified the reporting of trade between Member States in comparison with the previous system based on customs documents. In spite of this Intrastat system has been mentioned as a negative priority particularly because of burden on providers of statistical information.

2.   Who are the providers of statistical information?

A provider of statistical information (PSI) within the Intrastat system is in general every natural or legal person registered for VAT in a Member State, whose value of the intra-Community trade is above the exemption thresholds. The exemption thresholds are set at a level that according to the amending Intrastat Regulation adopted in 2009 ensures that the value of at least 97 % of the total dispatches and at least 95 % of the total arrivals of the relevant Member State's is covered.[1]

In practice a significant part of the trade between Members States in terms of value is carried out by small number of companies. According to the results of the Standardisation Exercise 2007[2] top 1000 enterprises reported between 59.2 % to 91.4 % of total arrivals and from 51.3 % to 99.5 % of total dispatches of the given Member State. However these 1000 enterprises represent on average 10.9 % of the total number of PSIs on arrival and 22.0 % of the total number of PSIs on dispatch. The average

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[1] Article 10 of Regulation (EC) No 638/2004
[2] Compilation of external trade by enterprise characteristics; reference years 2005; Tables 3: Concentration of trade; not all Member States participate in the pilot study

share of top 1000 enterprise in total arrivals of the given Member State is 77.4 % and 87.2% in total dispatches.

Table 1 Concentration of trade

Member State	Top 1000 PSIs				Total Number of PSIs	
	Share on Total Value		Share on Total Number PSIs			
	Arrival	Dispatch	Arrival	Dispatch	Arrival	Dispatch
CZ	70.4%	79.2%	3.8%	5.8%	26,340	17,154
DK	73.7%	87.9%	11.2%	20.5%	8,915	4,873
DE	83.1%	82.0%	2.5%	2.6%	40,481	38,589
EE	87.1%	95.5%	24.4%	39.6%	4,106	2,524
FR	59.2%	70.4%	1.8%	3.4%	56,051	29,794
IT	62.4%	51.3%	2.3%	2.2%	43,511	44,457
CY	88.5%	x	24.8%	x	4,038	404
LV	82.6%	97.2%	18.6%	51.7%	5,388	1,935
LT	77.1%	93.8%	12.4%	23.1%	8,080	4,330
LU	91.4%	99.5%	21.3%	51.4%	4,689	1,947
HU	80.8%	94.5%	9.9%	30.6%	10,114	3,270
AT	70.7%	82.4%	4.8%	8.9%	20,767	11,286
PL	66.3%	76.9%	4.4%	7.8%	22,778	12,829
PT	72.6%	82.1%	6.2%	14.6%	16,016	6,853
SI	85.6%	97.9%	19.6%	50.4%	5,093	1,985
SK	81.2%	93.1%	9.1%	21.8%	10,933	4,589
FI	83.3%	96.4%	10.4%	25.9%	9,630	3,864
SE	77.7%	90.0%	8.6%	13.7%	11,629	7,313
Min	59.2%	51.3%	1.8%	2.2%	4,038	404
Max	91.4%	99.5%	24.8%	51.7%	56,051	44,457
Avg	77.4%	86.5%	10.9%	22.0%	17,142	11,000

Source: Eurostat, Standardisation Exercise 2007

The question is whether it is necessary to collect either detail or any information from all those PSIs whose contribution to the total trade is marginal. The question had been partially solved by amendment of the basic Intrastat regulation which has enabled Member States to raise exemption threshold on arrival. As shown in table 1 there is a space for further simplification, on dispatch side as well.

The present legislation gives the Member States possibilities to exempt traders below simplification threshold from providing information about the quantity of goods and the nature of transaction. The Member States may allow them reporting a maximum of 10 the most important CN subheadings and regrouping the other products under the code 9950 00 00 in addition. Reporting exclusively invoiced value, partner Member State and product is less complicated for Intrastat providers than submitting complete data set. This is because all required data elements are usually available on the invoice or it is possible to derive them from the invoice. However in 2008 simplification thresholds was implemented only in four Member States, including Slovakia. The reason for not applying this threshold could be the necessity to estimate the quantity expressed either in net mass or in supplementary unit.

2.1. Which variables are the most problematic?

Several surveys which have been realised among providers of statistical information either at EU level[3] or in the Member States had demonstrated difficulties of the Intrastat providers to report correctly eight-digit code of the Combined Nomenclature and quantity, particularly net mass.

The results of the Eurostat survey have showed that 53.4 % of respondents had considered classifying goods according to the Combined Nomenclature difficult in contrast with 39.7 % of respondents who had rated as easy. Similar results have been observed in a survey carried out in Slovakia where 59.9 % of participated providers considered commodity code at the CN8 level as a variable which they are not able to fill in correctly.

Why is it so difficult to classify the goods? Since the Combined Nomenclature is primarily a tariff nomenclature and only secondarily a statistical one, descriptions of goods are technical, requiring

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[3] Survey of the users and suppliers of statistics on intra-Community trade realised by TNS opinion in April – August 2007; total sample for users part comprise 1 796 companies and for suppliers part 3 350 companies from 14 Member States

detailed knowledge of the commodities. The descriptions contain precise parameters allowing customs physical control of goods and thus verification of correct classification of goods necessary for the tariff treatment. The laboratory analysis and tests are carried out as well.

Another variable which causes problems to the Intrastat providers is the net mass. In the Eurostat survey, there have been 33.5 % of the providers considering the reporting of net mass difficult. Slovak survey has demonstrated that 24.5 % of traders have had difficulties to provide net mass correctly.

Particularly in small and medium enterprises it is often the accountant who is responsible for the completion of Intrastat declarations. In case the net mass is missing on invoice (which is a basic document used for deriving the Intrastat data) a recommendation to weigh the goods is not very feasible. An accountant filling the Intrastat declaration did not have to be in touch with the goods.

2.2. Possible solutions for simplification of the Intrastat reporting

Within the framework of the Eurostat survey the providers of statistical information expressed their preferences for simplification of the Intrastat reporting. The majority of surveyed traders – 77.4 % have preferred the adoption of simplified product classification.

Collection of information at the six-digit level does not solve the difficulties with the classification of goods because general rules for interpretation of the Combined Nomenclature are applicable at that level as well. Significant reduction of codes is displayed at the four-digit level of the Combined Nomenclature. However, the collection of quantity in supplementary unit becomes impossible at this level due to the heterogeneity of the applied measurement units.

Using product classifications applicable in other statistical domains (CPA, PRODCOM) would create close link with these domains and would be pre-condition for a possible merging of intra-Community trade statistics with business statistics. The disadvantage of this solution would be however inconsistency with extra-Community trade statistics.

Graph 1 Product classifications by number of codes
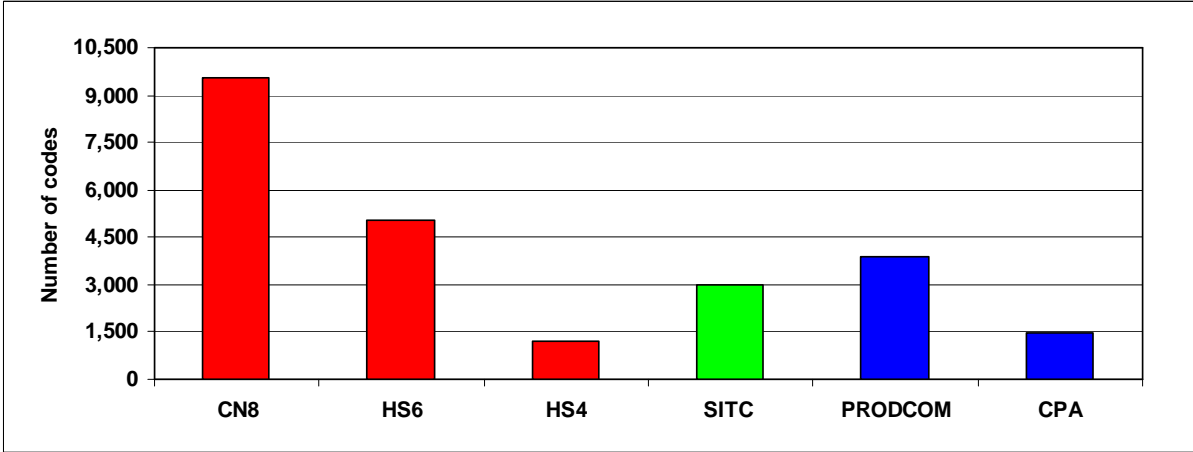
The Eurostat survey provided information about the preferences of different categories of the PSIs for the Intrastat simplification. Simplification of commodity classification has been considered useful solution regardless of company size. The percentage of companies considering useful to exempt more companies from obligation to provide information has been the highest (70.6 %) in group of small companies (with less than 5 employees) and the lowest (55.3 %) in group of large companies (with more than 249 employees). While to classify goods is common problem for all types of companies, the exemption from providing of information concerns only small and medium enterprises.

3. Who are the users?

There are two main types of users of external trade statistics – institutional users (e.g. national statistical institutions, public administrations, governmental bodies, Commission's DG etc.) and users from private sector. Their requirements differ as regards variables, level of details.

Users from the commercial sector – commercial companies, enterprises, business federations, use the external trade data for developing business strategies (e.g. market research, market segmentation, pricing). Institutional users utilize the trade statistics particularly for macroeconomic analysis and political decision making.

According to the results of the Eurostat survey 76.7 % of users from commercial sector develop business strategies on the basis of external trade statistics and 40.1 % of commercial users carried out macroeconomic analysis. Trade data are used for political decision making by 46.7 % of users from EU institutions and 35.0 % of users from Member State's public sector. Macroeconomic analyses are preformed by 58.1% of EU institutional users and 61.6 % of Member States institutional users.

Graph 2 Purpose of trade data use by type of users
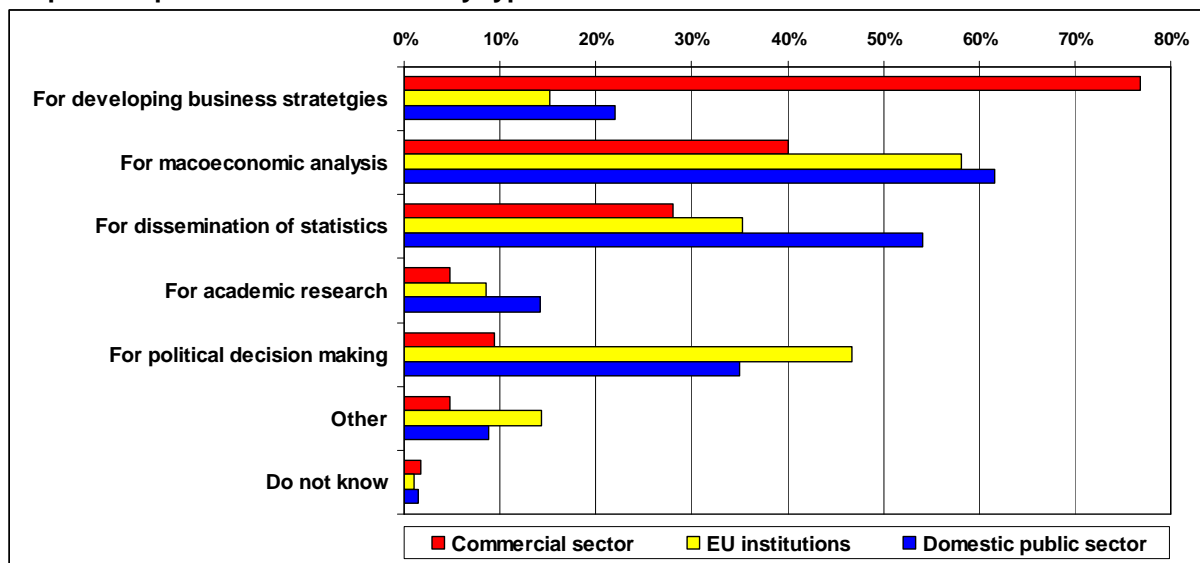
Source: Eurostat survey realised by TNS opinion in April – August 2007

The majority of users prefers detailed commodity break down than aggregated data. Nevertheless the frequency of using different levels of the Combined Nomenclature in the relevant sectors differs.

In the commercial sector external trade data at the eight-digit level are always/often used by 72.7 % of respondents in contrast with 23.0 % using data at the two-digit level.

Institutional users (40.0 % within the EU institutions and 49.9 % from Member State's public sector) frequently utilize data at the two-digit level. Nevertheless these users (63.1 % within the EU institutions and 66.8 % from Member State's public sector) always/often make use of the most detail level of commodity classification.

Concerning trade indicators the value is the most important indicator for all types of users. The percentage of respondents considering the value to be an important indicator is varying from 86.0 % in the commercial sector to 94.3 % in the Member State's public sector.

Net mass is rated as important indicator for 79.0 % of commercial users, 81.0 % of EU and 71.9 % of Member State's institutional users.

3.1. How does the simplification affect the users?

Users who participated in the Eurostat survey had to assess the impact[4] of possible modifications of the Intrastat system. There have not been significant differences among the groups of the users.

Raising the exemption threshold has been evaluated as the solution with negative impact by 47.6 % users from commercial sector, by 39.0 % EU's institutional users and by 46.2 % of Member State's institutional users.

Raising the exemption thresholds entails exemption of small and medium size enterprises from obligation to provide information. To compensate the loss of information including partner Member States and commodity details it would be necessary to develop such methods for estimation of missing data which minimise the impact on the accuracy of data.

Similar consequences will have the raising of the simplification threshold or its implementation in Member States, who did not yet apply it. The exemption from reporting the net mass would cause more problems to the users in particular. Therefore estimation techniques should be worked out to balance the loss of the information.

Aggregation of the classifications has been opposed by 43.3 % of users. The major concern for the users has been the loss of commodity detail. Commodity breakdown at the eight-digit level is used the most frequently by all type of users.

4.   Conclusion

Presented results have illustrated contradictory interests of the providers and users of the external trade data concerning the simplification of the Intrastat system. To balance the provider and user requirements is very difficult. To find acceptable solution for both parties will be the task of the statisticians in the future.

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[4] Large share of respondents (around 25 %) have not been able to asses the impact of different simplification scenarios and another 11.7 % of respondents have not known.