



## Forwarding Armenian Statistics Through Twinning

AM09/ENP-PCA/TP/04

# MISSION REPORT

on

# BUSINESS STATISTICS

## ACTIVITY B.2 IMPLEMENTATION PLAN

Mission carried out by

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## **List of Abbreviations**

CSB	Central Statistical Bureau of Latvia
EU	European Union
NSSRA	National Statistical Service of Republic of Armenia
RA	Republic of Armenia
SBR	Statistical Business Register
SBS	Structural Business Statistics
SD	Statistics Denmark
SRCRA	State Revenue Committee of Republic of Armenia

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## 0. Executive Summary

Component B involves the following objectives: 1) To identify and quantify response burden; 2) to improve reporting forms for business surveys, and 3) to define and adopt a strategy for reorganising the SBR with better coverage and actuality.

This mission was the third activity of the component B, i.e. following activities B.1 and B.3.1 that were carried through March 2011. The key objectives were: 1) to follow up on the two activities B.1 and B3.1. and the material provided by NSSRA as the outcome from these two activities; 2) to become clear on the priorities concerning further development of the Business Register; and 3) to establish a comprehensive roadmap for the remaining project period concerning each of the three sub-components, i.e. business register, SBS reporting forms, and response burden.

It is the overall impression of the MS Experts that NSSRA has done a very good work between the two missions.

NSSRA has decided to concentrate the work on the Business Register part of the component B on the extension of variables received from Tax Register, including working for a wide spread of the administrative use of the NACE Rev. 2 classification as describing the activity for a Legal Unit. A co-operation between NSSRA and the Central Bank of RA concerning a better quality of the SBR, including a mark at Legal Units which are not economically active, progresses very well with the expectation of an extended annual Business Register Survey in the beginning of 2012. The coverage of new kind of units in the SBR is postponed for the time being. NSSRA realizes the importance of co-operation with external sources, and a meeting at high level was held with State Revenue Committee (SRCRA).

Concerning reporting forms and response burden issues a number of business statistics surveys have been chosen for the baseline measurement, two of which were supplemented during the mission as they are the ones closest to SBS. A number of reporting forms were analysed in order to start the process of these reporting forms' improved co-ordination and optimizing. To this end, a road map was developed, involving two MS Experts for the next mission B.3.2 – one on specific SBS issues in relation to EU Regulations requirements, and one on specific design issues with regards to reporting forms and instructions.

# 1. General comments<sup>1</sup>

This mission report was prepared within the Twinning Project „**Forwarding Armenian Statistics Through Twinning**”. Within the framework of the project NSSRA has decided the reduction of reporting burden as the overall aim for component B of the project, *Business Register, Structural Business Surveys and Reporting Burden*. This involves several objectives:

- To identify and quantify response burden
- To improve reporting forms for business surveys
- To define and adopt a strategy for the reorganisation of the SBR with a better coverage and actuality – primarily based on data from administrative registers.

The activity was a follow up on the activities B1 and B3.1 and on the material provided by NSSRA as an outcome from these two activities. The work during B2 concentrated on establishing a comprehensive roadmap for the remaining project period concerning each of the three sub-components, i.e. Business Register, SBS reporting forms, and response burden.

The concrete objectives / expected output of this mission, cf. Annex 1, were:

- decisions on the scope of the business register, i.e. decisions on the unit level, of inclusion of sole proprietors, public institutions;
- a strategy of how to optimize the data collection and the reporting forms of NSSRA, i.e. consolidation of reporting forms, deleting of unnecessary questions, and replacing reporting form based information with information from administrative registers;
- a decision on the NSSRA surveys to be used for the benchmark estimate related to the measuring of the response burden;
- a complete roadmap for the remaining project period and activities of the component;
- a lining up of the implied work programme for NSSRA before the next activity;
- to decide upon the preferred timing of the next activity.

The MS Experts would like to express their sincere thanks to all officials and individuals met for their hospitality and for the kind and active support as well as the valuable information which they received during their stay in Armenia. This has highly facilitated the work of the MS Experts.

The views and observations stated in this report are those of the MS Experts and do not necessarily correspond to the views of EU, NSSRA, CSB or SD.

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<sup>1</sup> The term ‘Legal Units’ refers to both Legal Persons and Individual Entrepreneurs. According to Eurostat’s Business Registers Recommendations Manual 2008, chapter 7, Legal Units include ‘legal persons whose existence are recognized by law independently of the individuals or institutions which may own them or are members of them and natural persons who are engaged in n economic activity in their own right.’

## 2. Assessment and results

The observations in this report are based on interviews and discussion with managers and staff at NSSRA during the meetings and workshops held during the mission. Very much progress has been seen from the activities B1 and B3.1, carried through in March 2011, to B.2, and some misunderstandings have been cleared. Important decisions have been taken which has made it possible to reach the goal of making a roadmap for (each of the three parts of) component B. During the coming activities (missions) some of the actions which have to take place during the twinning project will be planned in more details.

All in all, the MS Experts find that NSSRA and the staff participating to this activity clearly showed a positive and constructive interest and commitment in this component as well as

- understanding and competence with regard to the management of basic business data (identification data) in the SBR and in the conduction of business surveys,
- awareness of the need to pursue for reductions of the response burden, including the benefits of utilising administrative sources.

The work plan of this component was verified and detailed. The road map on activities regarding restructuring of reporting forms for the Structural Business Statistics and Business Register was discussed and agreed.

### 2.1. Business Register

Since activity B.1 the situation regarding SBR has developed in a very positive direction:

- A government decision on the delivery of indicators/variables on turnover, number of employees and activity codes from the Tax Register to NSSRA is under way – adoption is expected in September 2011. This will give a significantly improved coverage in the SBR of these important stratification variables.
- The NACE rev. 2 classification is on the way to be enacted as the official classification for all of Republic of Armenia.

Since the B.1 mission, the following work related to the Twinning component has been done:

- A note has been produced with information about the NSSRA Business Register concerning the data model (Annex B.2.14).
- A list of actual and expected indicators delivered from State Register, Tax Register and Customs Register, focusing on those variables which are of most interest to use the SBR as a sampling frame for surveys. Two other registers are listed (State and Community Registers (RA Treasury) and Employment and unemployment Register (RA State Employment Service Agency)) of which information from the Employment and unemployment Register will increase the use of the SBR (Annex B.2.15).
- A list of tables in the Business Register Database (Annex B.2.20).
- English versions on the annual Business Register reporting form for Legal Persons and Individual Entrepreneurs, respectively, have been sent to the MS Experts.
- The SBR team has established a link between Legal Units and those units which have been registered as separated units of Legal Persons.
- NSSRA has decided to concentrate on the quality of the SBR by extending the variables (NACE code, employees and turnover) received from Tax Register and by checking (all) Legal Units for economically activity.
- NSSRA has decided that the coverage in the SBR for the moment shall concentrate on all active Legal Units, leaving out those Legal Units which are not obliged to register in the State Register and the Tax Register.
- NSSRA has decided that Local Units shall not for the moment be incorporated in the SBR.

### ***Meeting with Mr. Gagik Ananyan, Director of Business Statistics Division***

A meeting with Mr. Ananyan was held Tuesday with the purpose of giving the MS Experts an overview of what has been done from activity B.1 to activity B.2, and inform about the priorities for the redesign of the Business Register.

It has been decided by NSSRA to concentrate on

1. Extending the Business Register (SBR) with variables from Tax Register, especially the NACE code
2. The coming extension of the SBR survey with considerably more enterprises.

The extension of SBR with public institutions (currently not in the SBR as Legal Persons) and Local Units is postponed (to after the Twinning project).

Discussions with the Central Bank of RA – who have themselves a strong interest in an updated SBR – have resulted in an oral agreement about financial support to the extension of the coming annual SBR survey.

NSSRA has decided to make it a priority to work for incorporating information about activity code (NACE rev. 2) in the Tax Register. A political decision has already been taken, and also a draft of a new law to spread out the use of this code to the whole public sector has already been prepared. The decision to use NACE will also have an effect on the registration of the agricultural sector. NSSRA will be the responsible institution for describing the content of the NACE codes to other institutions in Armenia that are going to use the classification.

An agreement has also been made between NSSRA and the Tax Authorities about delivering information about turnover and number of employees to NSSRA, covering all active Legal Units (both legal persons and individual entrepreneurs), and this has been reflected in the mentioned draft to the new law.

The quality of addresses is still a problem, and the Tax Authorities have similar problems. For the time being, NSSRA still finds it important to be able to make the data confrontation concerning the two variables, number of employees and turnover. But as a result of the foreseen improvement of the quality in Tax Register, NSSRA considers it possible, in the long term, to stop conducting the yearly Business Register survey, used for updating the SBR. This will result in changed procedures.

Another priority will be to find out which legal units in the SBR are *not active* any more. The Central Bank of RA is also interested in this subject and has decided to support NSSRA to investigate these units in preparation for marking these units as deceased (inactive).

### ***Meeting 1 with SBR team (Mr. Laert Harutyunyan, Business Register Division, and Mr. Garik Khachatryan, Business Register Division)***

A short follow up meeting Tuesday afternoon clarified about the content of the Business Register. According to NSSRA Business Register 62,830 Legal Persons are registered in the State Register (see Annex B.2.14 concerning the data model). Of these, 1,514 are separated units of Legal Persons. 925 are linked to 278 Legal Persons while 589 are branches of foreign Legal Units. During the meeting it became clear that these 1,514 separated units of Legal Persons have been, as compared to the EU definition, misunderstood as *Local Units* (cf. Annex 8). In some countries – as Denmark – branches of foreign Legal Units are registered in the administrative registers as Legal Units and as Local Units as well. In other countries – as the Netherlands – these Local Units are only registered as Local Units, but not as Legal Units.

The MS Experts were informed that the Legal Persons and Individual Entrepreneurs which are picked out for the *annual Business Register Survey* are the economically most important units covering approximately 90 percent of the GDP.

The MS Experts were also informed in more detail about the *quality* problems by receiving information from the administrative registers. The SBR team has compared the information about turnover or number of employees received from tax register with the information observed in the annual Business Register Survey. In most cases, 77-80 percent, the SBR team estimates that the information is correct (see meeting 2). This might be attributed to the collection of the information at a different point in time.

The SBR team prefers a better quality of the yearly updates to more frequent updating.

### ***Meeting 2 with SBR team***

The purpose of this meeting, held Wednesday, was to get an understanding of why the number of Legal Units registered in the SBR, and the number of Legal Units seen as active in the different subject matter divisions in the Business Statistics Department differ. It turned out that the problem actually is that no information is available to the Business Register concerning all the Legal Units, and these units by then are considered as economically inactive.

SBR categorizes units as economically inactive if they do not fulfill some criteria:

1. The Authorized Capital should be a certain amount. It used to be at least 50,000 ADM to allow the Legal Unit to operate. Now the limit is varies between industries.
2. Legal Units which have not re-registered the *organizational code* in the State Register. It has been compulsory by law to re-register.
3. Legal Units which have not a registered income.

The SBR team positively knows that at least 10,000 Legal Units in the State/Tax Registers are not economically active. In continuation of the discussion about how it is possible to decide whether a Legal Units is active or not the SBR team informed that very small units with no employees and very small turnover are not seen as economically active.

This corresponds to the EU's SBS recommendation. Also in Denmark a "threshold of significance"/cut-off is used to isolate those units which are not seen as economically active. This limit is a turnover which is less than what can pay wages/salary for one person being half-time employed. In Denmark all Legal Units with a turnover more than EUR 7,000 have to register and give information about the turnover, and all units which are evaluated to be economically alive are kept in the Danish SBR. Receiving information from the Danish Tax Authorities about the turnover for each Legal Unit makes it easy to sort non active units out.

The MS experts informed about the different terms 'Legal Unit' and 'Enterprise' according to the EU-regulation about Statistical Units, see Annex 8. The reason for combining two or more Legal Units to one Enterprise is that the decision power is common for the units, and the units work together about the same production. For the moment this does not seem a subject of relevance in Armenian and thus not for the SBR of NSSRA.

Starting from the list of tables in the business register database grouping the variables of the SBR system by type of unit, see Annex B.2.20, the SBR team explained how the SBR database is organized. The list gives an overview of the tables in the SBR, and to these main tables are linked supplementary tables, some of them with information collected by the different subject

matter divisions, including also statistical data. The tables are organized as separate tables for each data supplier, for example a collection of tables containing information received from State Register, a collection of tables containing information received from Financial Division, and a collection of tables containing information annually collected by the SBR. This means that no information is lost. The SBR-system also has a set of view tables collecting information from tables designed to specific purposes.

The coverage of the Tax Register concerning number of employees and turnover will be improved from the current 10 percent to 100 percent. This will improve the quality of the Business Register, and will be very useful for stratification and grossing up purposes.

It is the opinion of the MS Experts that the database and the updating routines are working satisfactorily. However, the MS Experts cannot evaluate whether the possible extension of the SBR with much more enterprises will introduce any problems concerning the response times in the SBR query system, and for extracts to subject matter divisions and the lists for the SBR survey.

According to the SBR team an extension with extra variables will not cause performance problems although it will cost some resources due to development of the database.

### ***Meeting 3 with SBR team***

A short meeting was held Thursday morning in order to discuss the possibility of having some different overview tables worked out. Accordingly, the tables presented in Annex B.2.17 of Legal Units grouped according to NACE were provided by the SBR team.

### ***Meeting 4 with SBR team (after the mission)***

After the mission supplementary figures about the Legal Units were collected by the RTA.

#### ***Concerning the 62,000 legal persons***

14,000 companies in the SBR are updated by the yearly SBR survey. Close to 6,000 of these companies can be matched with the material from TAX, but the information is of relatively bad quality. From the TAX material, 2,000 companies cannot be matched with the companies in the SBR. An estimated 15,000 other legal persons, than the 14,000 in the yearly SBR survey, are considered to be active. About 33,000 (= 62,000 – 14,000 – 15,000) legal persons in the SBR are not active any longer.

#### ***Concerning 85,000 individual entrepreneurs***

10,000 individual entrepreneurs in the SBR are updated by the yearly SBR survey. None of these individual entrepreneurs are part of the material from TAX. An estimated 20,000 (a guess) other individual entrepreneurs in the SBR are considered to be active. About 55,000 (= 85,000 – 10,000 – 20,000) other individual entrepreneurs are not active any longer.

Besides, only very few individual entrepreneurs are registered in the Tax Register as paying VAT. An entrepreneur is only forced to register if the turnover is more than about 58 mill. AMD. It is not clear whether the coming amendments in law will make any change to this.

### ***Meeting Thursday with State Revenue Committee (SRCRA)***

A meeting - jointly organised and chaired by the NSSRA and the SRCRA - was held at the premises of the SRCRA. The meeting was attended by a high level audience, including the Deputy Heads of SRCRA and the Heads of Departments from the SRCRA, and by Mr. Mnatsakanyan, Mr. Ananyan, Ms. Safyan and Ms. Lilit Petrosyan from NSSRA.

The purpose of the meeting was to discuss the perspectives of a strengthened co-operation between the SRCRA and NSSRA regarding the maintenance and updating of the Tax Register and the Administrative Business Register.

The meeting started with a presentation made by Mr. Mnatsakanyan about the nature and role of administrative register in government and society in general, and the vision for usage of administrative registers for official statistical purposes in particular, see Annex B.2.12.

Hereafter, the RTA presented the objectives of the on-going twinning project between NSSRA and SD and introduced SD's approach and general experience from basing its' production on administrative registers to the largest extent possible. The presentation was continued by the MS experts with emphasis on how the co-operation between the Tax Authorities, the Statistical Authorities and the Companies Register works in Denmark with respect to the common Business Register system, and what the institutions involved gain from this co-operation. The presentation was concluded by examples of other main administrative registers in Denmark and how data from these registers can be combined via the common use of unique identifying numbers. The presentation is enclosed as Annex B.2.13.

Following the presentations, the discussion focused on issues like how attribution of unique identifiers is implemented in practice in the registration process, how Business Register data are disseminated to users, and how NACE activity codes could be attributed in a self-registration environment.

Mr. Qocharyan from SRCRA and Mr. Mnatsakanyan from NSSRA concluded that the meeting had been inspiring and useful, and that discussions on this matter between the two organisations will continue.

### ***Objectives of redesigning the Business Register***

The overall objective to redesigning the Business Register is to adjust the SBR tables to the new situation where more information will be available through the administrative registers and look into the updating processes to work towards better quality, especially about the addresses and a marking of the Legal Units which are observed to be not economically active.

The expected new information will include information about activity (using the NACE rev. 2 classification), turnover and number of employees. It is recommended to prepare instructions for correct assigning of the NACE code and carry through courses for SRCRA staff.

If the analysis of the Tax Register will lead to the result that it would be desirable to have more variables in the transmission to the SBR, the redesigning will be more comprehensive.

It is the viewpoint of the MS Experts that the consequences of more data (an increase in the number of Legal Units and more variables) in the SBR will affect the response times in the SBR query system, for extracts to subject matter divisions, and for producing the lists for the SBR survey.

At present, the MS experts do not consider it to be possible to extend the SBR with Local Units. However, information about for instance number of employees would be useful in order to make a regional distribution of the activities, but for the time being no information about the local workplaces / Local Units seems available. The annual Business Register Survey might be used to collect information on how many employees are employed at each Local Unit. If / when the NSSRA finds it desirable to make regional statistics, the Legal Units may be asked about

their Local Units, and to give information about how many employees are employed at each Local Unit. And by then all Legal Units with more than one Local Units should be surveyed.

***Objectives of focusing on quality of the Business Register***

Besides the work with the external data suppliers the objective of this point is to look into areas where it might be possible in the future to adjust the updating routines for the Business Register. The MS Experts particularly sees the possible utilization of information for the different subject matter surveys and using the annual Business Register Survey for supplementary information, see Annex 9.

## **2.2. Response burden and Reporting forms**

### ***Meeting 1 with Mr. Gagik Ananyan***

On Monday, a general introduction and summary of the results obtained after activity B.1 was given:

- NSSRA has decided to send a separate questionnaire to selected Legal Units.
- The supplementary questionnaire on the enterprise's time usage filling in the reporting form proposed in the report from activity B.1 was adjusted slightly and translated into Armenian.
- NSSRA has chosen 4 monthly and 2 annual surveys to use for the benchmarking.
- The 6 statistical forms for baseline measurement of the response burden related to business statistics are 1-KS, 1-Transport (monthly), 1-Transport (annual), 1-Trade, 1-Production and 24-Energy.
- The supplementary questionnaire on the enterprises' response burden were out to 90 enterprises as recommend in the report from activity B.1;
- The first results on questionnaires will be available in July 2011.

It was concluded that the selected statistical forms (surveys) were related to business statistics in a broad sense rather than strictly SBS. During the activity B.2 it was suggested to expand the baseline measurement for two more surveys, which are more directly related to SBS; on Economic activity (1-TG), and on Fixed assets (11-HM).

### ***Workshop on Structural Business Statistics***

On Tuesday a workshop on SBS was held. The purposes of the workshop were

- to reach a common understanding about SBS
- to inform NSSRA about the EU requirements concerning Structural Business Statistics
- to give a general overview of SBS
- to share experience from the practical implementation of SBS in EU countries, in particular in Latvia.

The workshop was held to employees of Business Statistics department, Finance Statistics division and Statistical Work Methodology and Classifications division. The Power Point presentation is included in this report as Annex B.2.11.

### ***Meeting with Finance Statistics section***

Finance Statistics section is responsible for the conduction of the survey 1-TG (on Economic activity), which can be considered as the main survey in NSSRA for SBS. The results from the survey are mainly used by the National Accounts. The survey was firstly developed and implemented in 2003, and the last amendments were made in 2010. The survey 1-TG covers all active market sector enterprises. The survey is collected from large legal units exhaustively (generally with number of employees higher than 30, with some industry specific exceptions), supplemented by a sample survey thereby covering all legal units of the target population.

Also other organisational issues of the survey were discussed.

### ***Meeting with Industry Statistics division***

A meeting was held with NSSRA's Industry Statistics division in order to discuss the annual survey on Fixed assets (11-HM). This survey is closely related to SBS. The coverage, scope, survey strategy, content and design of the reporting form, and latest developments of the survey were discussed. The organisation and the timetable of the survey were discussed as well. The survey has been split between several statistical divisions (Industry Statistics Division, Transport Statis-

tics Section, Construction Statistics Section, Trade and Services Statistics Section, Agriculture Statistics Section and Social Statistics Section). This situation makes it difficult to manage the reporting form and to propose changes to it.

Also the monthly survey (and reporting form) on industrial production was discussed. The main areas for improvements were outlined.

### ***Optimisation of reporting forms***

The two reporting forms related to SBS were chosen to be analysed and optimised (1-TG and 11-HM). Also a few other statistical forms, which were picked for baseline measurement of response burden (1-KS, 1-Trade and 1-Production) were analysed.

It is very important that this work has the necessary focus from the top management of NSSRA. The optimisation of reporting forms obviously could significantly reduce the response burden put on legal units, but to have this effect the existing working routines within NSSRA may have to be changed. In particular, it is expected that when optimizing reporting forms, more and closer co-operation between the different subject matter divisions will be necessary with exchange of data. Furthermore, a common decision model for statistical form design issues and preparation of surveys should be developed.

### ***Meeting 2 with Mr. Gagik Ananyan***

A meeting was held on Thursday with Mr. Ananyan with the purpose to agree on a roadmap for the rest of the Twinning project and some follow up activities after the end of Twinning project. See Annex 5.

### ***The resulting work to be done***

#### Burdensome areas

- Agree upon the identified burdensome areas which should be subject to burden reduction and describe these. The overall target is to pursue a total burden reduction of approximately 20 percent.
- Calculate the response burden describing the present situation.
- Break down the revealed burdens into components and analyze them.
- Identify specific costly burdens.
- Analyze in detail the most costly burdens.

#### Baseline measurement of the response burden

- Put the baseline measurement of the response burden.

#### Reducing the response burden

- When burdensome areas have been identified and analyzed a list of these areas should be made and prioritized.
- Within the Twinning project one or two of these areas will be in focus.
- A roadmap should be made for working with the areas which are not included in the Twinning project.

## **3. Conclusions and recommendations**

### **3.1 Summary conclusions**

The overall conclusions for the business register and the reporting forms/response burden part of the B.2 activity are given below.

#### **3.1.1 Business Register**

**1:** NSSRA has decided to concentrate on the quality of the SBR by extending the variables (NACE code, employees and turnover) received from Tax Register and by checking (all) Legal Units for economically activity.

**2:** The focus on the delivery of more data from the Tax Register will be at the activity of the Legal Units, based on the NACE Rev. 2 classification. This causes a lot of political discussions. It has been decided to analysis the possible expansion of the data delivery from the Tax Register to include even more data than what is already agreed (NACE code, number of employees and turnover).

**3:** It has been agreed that it will be useful to instruct the staff in the Tax Authority to be able to assign correct NACE codes to the Legal Units.

**4:** NSSRA will also focus on an extension of the coming annually Business Survey in co-operation with the Central Bank of RA.

**5:** NSSRA has decided that the coverage in the SBR for the moment shall concentrate on all active Legal Units, leaving out those Legal Units which are not obliged to register in the State Register and the Tax Register.

**6:** NSSRA has decided that Local Units shall not for the moment be incorporated in the SBR.

**7:** The SBR database and the updating routines are working satisfactorily. It must be analyzed if more data (an increase in the number of Legal Units and more variables) in the SBR will involve any problems concerning the response times in the SBR query system and for extracts to subject matter divisions and the lists for the SBR survey.

**8:** For future considerations the NSSRA could look into an eventually new role for the annual SBR update survey and an improved usage of the SBR in the statistical production process.

#### **3.1.2 Response burden and reporting forms**

**1:** The baseline measurement for the response burden for 6 surveys within business statistics will continue and results are expected to be ready by the end of July 2011.

**2:** It was agreed that the baseline measurement for the response burden should be expanded for two more statistical forms, which are more strictly related to structural business surveys, on Economic activity (1-TG) and on Fixed assets (11-HM). Results should be ready by the end of September 2011. Two approaches can be followed in this case:

1. Paper questionnaire can be used, and the content and the approach should be the same as for the first 6 statistical forms (surveys);
2. Phone interviews can be used during the data collection phase of annual surveys (as the data processing is on-going from April to July).

**3:** It is foreseen that expanded baseline measurement for the response burden will be continued for the selected business statistics surveys, which will be sent out in 2011. More detailed agreement on that should be reached during the next mission B3.2.

**4:** Two reporting forms were picked to be analysed and optimised (annual survey 1-TG on Economic activity, and the annual survey 11-HM on Fixed assets). The main focus in optimisation will be paid to the annual survey 11-HM on Fixed assets, as it is the one where most improvement areas were found.

**5:** Also other business statistics reporting forms, which were picked for baseline measurement of response burden (monthly survey on construction 1-KS, monthly survey on trade 1-Trade and monthly survey on industrial production 1-Production) were analysed. The main guideline for optimisation of reporting forms will be prepared during the next mission B.3.2, which will include one MS Expert on SBS requirements and one MS Expert on design of reporting forms and instructions, respectively.

**6:** It is very important to have a general overview about the purpose of surveys and surveys strategies to be able to work more effectively with optimisation of reporting forms. During the activity B.2 a template was prepared, which is to be filled in by survey managers before the next activity B.3.2 (see Annex 6).

**7:** During the activity B.2 several business statistics surveys were analysed and suggestions for improvements were made (see Annex 7). It was agreed that all suggestions made by the MS Experts will be analysed and discussed within NSSRA before the next activity B3.2.

## **3.2 Recommendations**

### **3.2.1 Business Register**

NSSRA's work in the coming months will concentrate on *external relations with Tax Authorities and other sources* and not on *redesign of the NSSRA's SBR system* itself. It should be noted that the timeline for these "political processes" is at the time of writing not known precisely. This will have repercussions for the role and tasks of the MS Experts, and it could affect the timing of the activities planned regarding SBR, implying that activities re SBR and re reporting forms/response burden should not necessarily take place at the same time.

Against that background, the tasks foreseen for the rest of the Twinning project period and some follow-up activities are the below mentioned activities.

#### **3.2.1.1 Agreements with external data suppliers**

Although the format of the new delivery has been agreed with the Tax Authority, the discussions with Tax Register about additional variables, which could be useful for NSSRA, should continue. This involves studying the lists of variables/indicators in the various databases of the Tax Authority of RA. These lists could preferably be discussed with the MS Experts in order to identify all data items useful for the SBR and prepare arguments for the delivery of these data to NSSRA.

The more prominent role of the NACE classification, including the attribution of codes by the Tax Authority, will raise a need for knowledge and understanding of this classification system among non-statisticians. Especially, it will be necessary to train staff from the SRCRA in the usage of the classification in order for them to be able of attributing correct codes. The planning and conduction of these awareness and training activities could be discussed with the MS Experts.

### **3.2.1.2 Cessation of inactive Legal Units and extension of coverage of SBR survey** State Register

A governmental decision has been taken about liquidation of inactive Legal Units. The time frame for carrying out this work is unknown.

#### Central Bank of RA

The Central Bank of RA has indicated its' willingness to give financial support to an SBR updating survey in order to improve the coverage. This is in the interest of the Central Bank since it is itself user of the SBR. This could imply that the coverage of the next annual SBR updating survey could be significantly expanded. Discussions about this cooperation will continue in the near future with a view to enter a formal agreement.

In preparation of this survey it should be kept in mind that the form will be sent to Legal Units which are not used to get it. Room should also be given to the regional statistical offices to find the Legal Units on the list of Legal Units which have to fill in the reporting form (or to find out why the Legal Unit cannot be found and eventually inform SBR about a new address). Possibly, the collection of information will take a longer time when the Legal Units are not used to fill in these reporting forms.

Concerning the updating of the SBR, NSSRA should consider how inactive Legal Units that are registered as active in State Register and/or Tax Register should be marked as observed inactive according to the SBR survey or any other NSSRA survey – information on the source to the marking may be important.

### **3.2.1.3 New role for the annual SBR update survey?**

If and when the positive developments mentioned in section 3.2.1.1 and 3.2.1.2 will be implemented and have the intended impact, the NSSRA is recommended to reconsider the purpose and coverage of its' current annual Business Register update survey. The reason for this proposal is that the target group of the update survey (the most important active economic operators) will be covered by other surveys in different statistical subject matter divisions on a current basis (and will also benefit from better updates from the Tax Register). However, the implications of changing focus from Legal Units already surveyed by different subject matter divisions to those not surveyed needs careful analysis.

The total active population might be divided into three groups: one which is surveyed by the different statistical subject matter divisions and which need not be surveyed by SBR, one which include bigger enterprises and which belongs to the group which is surveyed annually by SBR, and finally one which is surveyed on an irregular basis. A decision on how many enterprises should be included in this latter group has to be decided. If for instance the group consists of 10 per cent of the “rest group” it will take ten years to survey the whole group.

### **3.2.1.4 Designing and restructuring the SBR system**

The above-mentioned activities regarding external sources and quality assurance will all result in needs for changes to the SBR system (tables, processes, screens, extracts). The MS Experts cannot at this point foresee how many and which changes will be needed and the amount of work it will require for the NSSRA. However, the changes should follow the following activities:

- Analysis the consequences on response times in the SBR query system and for extracts to subject matter divisions and the lists for the SBR survey when the SBR is extended with more Legal Units and variables
- Specification and design of the requirements
- Implementation / programming
- Test

- Documentation
- Deployment into current operation
- Evaluation of the results, taking in whether the quality of the delivery from tax has improved and possibly rendered the SBR annually surveys superfluous.

### **3.2.1.5 Improved usage of the SBR in the statistical production process**

If/when these improvements to the SBR have materialised they should be followed up by an improved usage of the SBR in the statistical production process in the various surveys using the SBR data, cf. that “the SBR does not have a value in itself, but only via its’ added value to the statistical outputs”. This means that the NSSRA, for instance the SBR team together with the Methodology Division, is recommended to analyse the possibilities for improved sampling and grossing-up. This could also contribute to reducing the response burden. Such possibilities could be discussed with the MS Experts.

### **3.2.1.6 Timetable / schedule - Roadmap**

Preparation of a definite roadmap related to SBR is not possible because of the un-going “political processes”, but a draft timetable is provided in Annex 4. The timetable has been worked out before an agreement has been taken about the right moment for the study visit in Denmark has been chosen.

## **3.2.2 Response burden and Reporting forms**

Recommendations are included in the summary 3.1.2 concerning Response burden and Reporting forms.

#### **4. Actions before next activity (B.3.2)**

The material resulting from these points must be made available to the MS Experts two weeks before the activity B.3.2 in order for this activity to be fully productive. However, the points 2 and 3 below should be finished before the end of August in order to be discussed with the MS Experts during the study visit within the ICT Statistics component during 29 August – 2 September 2011.

##### **4.1 Business Register**

1. Prepare four more tables concerning number of Legal Persons and Individual Entrepreneurs according to draft.
2. Prepare a full list (in English) of variables from Tax Authorities.
3. Prepare arguments (in English) for including each variable which seems useful for NSSRA.
4. If MS Expert comments on the redesigned SBR reporting form are wished a draft in English should be send. The MS expert will give comments within 14 days after the receipt of the draft.

##### **4.2 Response burden and Reporting forms**

5. Baseline measurement for the response burden for 6 chosen surveys (statistical forms) should be finished and results should be ready for presentation.
6. Baseline measurement for the response burden for 2 additional statistical forms, which are strictly related to structural business statistics (1-TG and 11-HM) should be finished and results should be ready for presentation.
7. Template (see Annex 7) on general overview of the purpose of surveys and of survey strategies should be filled in by NSSRA.
8. Suggestions made in activity B.2 regarding improvements of business statistics statistical forms should be analysed, and the main conclusions should be described by NSSRA.

# Annex 1. Terms of Reference

## *Activity B.2 Implementation plan*

### **1. Purpose of activity**

The activity will follow up on the activities B1 and B3.1 and on the material provided by NSSRA as an outcome from these two activities. The work during B2 will concentrate on establishing a comprehensive roadmap for the remaining project period concerning each of the three sub-components, i.e. business register, SBS reporting forms, and response burden.

### **2. Expected output of the activity**

The expected outputs of the activity are:

- Decisions on the scope of the business register, i.e. decisions on the unit level, of inclusion of sole proprietors, public institutions;
- A strategy of how to optimize the data collection and the reporting forms of NSSRA, i.e. consolidation of reporting forms, deleting of unnecessary questions, and replacing reporting form based information with information from administrative registers;
- A decision on the NSSRA surveys to be used for the benchmark estimate related to the measuring of the response burden;
- A complete roadmap for the remaining project period and activities of the component;
- A lining up of the implied work programme for NSSRA before the next activity;
- To decide upon the preferred timing of the next activity.

### **3. Project Participants**

Mr. Gagik Ananyan, Member of State Council on Statistics (BC Component Leader);

Mr. Ashot Ananyan, Head of Industry Statistics Division;

Mr. Georgy Torosyan, Head of Transport and Communication Statistics Division;

Ms. Mariam Petrosyan, Head of Construction Statistics Division;

Ms. Anahit Harutyunyan, Head of Trade and Other Services Statistics Division.

Mr. Søren Schiønning Andersen, Head of Foreign Trade and Balance of Payments Division, Statistics Denmark (*MS Component Leader*);

Ms. Elina Markaine, Senior Officer, Central Bureau of Statistics of Latvia

Ms. Vibeke Skov Møller, Chief Adviser, Business Register, Statistics Denmark;

*External Stakeholders taking part in the activity*

State Revenue Committee of Republic of Armenia

## Annex 2. Programme for the mission 6–10 June 2011

<b>Time</b>	<b>Place</b>	<b>Event</b>	<b>Purpose / detail</b>
Monday, morning	Congress Hotel	Meeting with RTA	To discuss the programme of the week
Monday, afternoon	NSSRA	Meeting with BC Component Leader and BC Staff	General introduction and news. Summary of results from B1. Status of work in NSSRA: <ul style="list-style-type: none"> <li>○ Business Register</li> <li>○ Response burden</li> <li>○ Reporting forms</li> </ul>
Tuesday	NSSRA	Meeting with BC Experts from Business Register and National Accounts	To discuss the priorities concerning further development of the Business Register, for example: <ul style="list-style-type: none"> <li>○ The importance of local units</li> <li>○ Inclusion of sole proprietors</li> <li>○ How to decide on the activity code</li> <li>○ Higher quality of addresses</li> </ul>
	NSSRA	Workshop	Presentation (CBS) of the EU Regulation on Structural Business Surveys
Wednesday,	NSSRA	Meeting with BC Experts from subject matter divisions	To discuss possibilities to restructure reporting forms. Participation from divisions of Transport, Construction, Industry, Trade & Other Services, Business Register, Methodology
Wednesday	NSRRA	Ad-hoc meetings	Drafting of the road map concerning restructuring of reporting forms and development of business register
Thursday, morning	NSSRA	Meeting with BC Component Leader	Discussion of <ul style="list-style-type: none"> <li>○ The surveys to be used for the benchmarking measurement of the response burden</li> <li>○ The draft road map</li> </ul>
Thursday, afternoon	NSSRA	Ad-hoc meetings	Further work on the road map
Thursday, afternoon	State Revenue Committee	Meeting (joint with Quality Management)	To demonstrate how the co-operation between the NSI and the Tax Authorities can be to the advantage of both institutions
Friday, morning	NSSRA	Ad-hoc meetings	Finalizing road map and internal work plan for NSSRA
Friday, afternoon	NSSRA	Meeting with BC Project Leader and Experts	Presentation of results, agreements of analysis and recommendations and of the implied work programme for NSSRA

### **Annex 3. Persons met**

Mr. Stepan Mnatsakanyan, President of NSSRA

Mr. Gagik Ananyan, Member of State Council on Statistics (BC Component Leader)

Ms. Anahit Safyan, Head of International Statistics Cooperation Division

Mr. Ashot Ananyan, Head of Industry Statistics Division

Ms. Haykush Titizyan, Head of Finance Statistics Division

Ms. Lusya Khachatryan, Head of Macroeconomic Indicators and National Accounts Division

Ms. Lilit Petrosyan, Statistical Work Methodology and Classifications Division

Mr. Laert Harutyunyan, Business Register Division

Mr. Garik Khachatzyan, Business Register Division

Mr. Rubik Qocharyan, Deputy Head, SRCRA

Mr. Armen Alaverdyan, Deputy Head, SRCRA

Mr. Artashes Beibutyunyan, Deputy Head, SRCRA

## Annex 4 Road map – Business Register

	M06 2011	M07 2011	M08 2011	M09 2011	M10 2011	M11 2011	M12 2011	M01 2012	M02 2012	M03 2012	M04 2012	M05 2012	M06 2012	M07 2012	M08 2012	M09 2012	M10 2012	M11 2012	M12 2012
<b>Improving coverage of activity codes, employees, turnover, and other variables from SRCRA</b>																			
<i>External agreements</i>																			
Political discussions with SRCRA								Implementation of NACE in SRCRA register											
<i>Internal work</i>																			
			Get SRCRA variables list		Producing arguments			Redesigning the SBR system											
											Planning training		Training SRCRA SRCRA staff						
<b>Cessation of inactive Legal Units</b>																			
<i>External work</i>																			
												Liquidation of inactive Legal Units in State Register							
Political discussions on Central Bank financed survey																			
<i>Internal work</i>																			
					Redesign ann. SBR rep.form			Production of new SBR rep.form			Redesign of the SBR system								
<i>Study visit</i>																			
																	Later		
New role for the annual SBR update survey																	Later		
Improved usage of the SBR in the statistical production process																	Later		

- The political discussions with the Tax Authorities and the Central Bank are expected to continue through Summer and Autumn 2011, and will end up in written agreements.
- The work concerning an extended delivery of variables from Tax might go off parallel to the political discussions.
  - A complete and translated list of variables from Tax before mission B.3.2 (October 2011).
  - Consider arguments for receiving these variables from Tax Authorities.
  - Decide and agree with Tax Authorities to extend the delivery of variables and a point in time from where this extended delivery should start.
- The implementation of NACE in the Tax Register will be in June and July 2012.
  - Awareness and training activities for staff from the Tax Authorities, April and May 2012.
  - Carry through the training activities in the period before deployment into current operation of the NACE in the Tax Register – expectedly Autumn 2012.
- The time frame concerning liquidation of inactive Legal Units in State Register is unknown.
- The redesign of the annual SBR reporting form taking in the extra variables needed for the Central Bank should be agreed in time to make the practical changes and brought into use for the next annual SBR survey. The re-planning of the SBR survey involves
  - Redesign of the reporting form
  - Acceptance of the redesigned reporting form
  - Production of the redesigned reporting form
  - SBR sends out the reporting form to the local and regional offices in March 2012.
- The implementation of the redesigning of the SBR system concerning receipt of the new variables from Tax Authorities and handling the new variables in the redesigned SBR reporting form, respectively, has to be planned in time to be programmed, tested and put into action. This means that activities concerning
  - the extra variables in the annually SBR reporting form has to finalized May 2012 and
  - delivery to NSSRA of tax variables (NACE, turnover and employees and possible other variables if possible) is assumed to start up middle of 2012.
- The activities described in 3.2.3 and 3.2.5 will take place after the Twinning project.

## Annex 5 Road map – Reporting forms and Response burden

M06 2011	M07 2011	M08 2011	M09 2011	M10 2011	M11 2011	M12 2011	M01 2012	M02 2012	M03 2012	M04 2012	M05 2012	M06 2012	M07 2012	M08 2012	M09 2012	M10 2012	M11 2012	M12 2012
1. Measurement of resp. burden																		
2. Measurement resp. burden 2 more surveys																		
3. Templates on rep. forms filled in																		
4. Suggestions on optimisation of rep. forms analyzed																		
			5. Redesign of reporting forms															
						6. Data collection												
												7. Evaluation of burden						

### 1. Measurement of the response burden:

- 6 surveys/reporting forms for baseline measurement of the response burden related to business statistics were chosen (1-KS, 1-Transport (monthly), 1-Transport (annual), 1-Trade, 1-Production and 24-Energy);
- Questionnaires on response burden have been prepared and sent out to a total of 90 enterprises;
- The first results on these questionnaires will be available in July 2011.

### 2. Measurement of the response burden for 2 additional surveys:

Baseline measurement for the response burden should be expanded for two more statistical forms, which are related to structural business statistics, on Economic activity (1-TG) and on Fixed assets (11-HM).

- The results should be ready by the end of September 2011.

### 3. Templates describing reporting forms filled in:

- The template, which describe the purpose and survey strategy was prepared during the activity B.2;
- The template, see Annex 6, should be filled in by survey manager of following reporting forms; 1-TG, 11-HM (separately for each of responsible section), 1-KS, 1-Trade and 1-Production;
- The template should be filled in and sent to the MS Experts two weeks before the next activity, B.3.2.

### 4. Suggestions for optimization of reporting forms analyzed:

- Several business statistics surveys were analysed and suggestions for improvements were made during the activity B.2,
- The suggestions made were summarized, see Annex 7, and responsible survey managers are asked to give their comments on them,
- Improvement areas for following reporting forms were found; 1-TG, 11-HM, 1-Trade, 1-Production, 1-KS,

- The table should be filled in and sent to the MS Experts two weeks before the next activity B.3.
5. Re-design of reporting forms
- Taking into account results from point 3 and 4, re-design of reporting forms will start during the next activity B.3.2,
  - The final re-design and launching of reporting forms should be done by NSSRA till the next surveys (in the beginning of 2012).
6. Data collection
- Data collection and evaluation of response burden on-going according to the re-designed reporting forms.
7. Evaluation of burden
- Comparison of the response burden before and after the re-design of reporting forms.

## Annex 6. Description of reporting forms

Filled in by survey manager

<b>General information on the Reporting form</b>	
<b>Section/division responsible for the reporting form</b>	
<b>The name and index of the reporting form</b>	
<b>Periodicity</b> ( <i>monthly, quarterly, annual</i> )	
<b>Deadline for data collection</b> (from enterprises)	
<b>Aim of the Reporting form</b>	
<b>Description of the aim of the survey</b>	
<b>Legal acts, which foresees data collection</b> ( <i>not including State Statistical Program</i> )	
<b>The main data users</b> (both; internal and external)	
<b>Target population and sample strategy of the Reporting form</b>	
<b>Description of target population</b>	<i>(Example; active market sector enterprises within NACE rev.2 sections B to E if the number of persons employed is higher than 10)</i>
<b>Reporting unit</b> ( <i>enterprise, local unit, kind of activity unit, local kind of activity unit</i> )	
<b>Survey type</b> ( <i>sample survey, cut off survey, exhaustive survey</i> )	
<b>Description of survey strategy</b>	<i>(Example; enterprises with the number of persons employed higher than 30 or turnover higher than 1,000,000 EUR are surveyed exhaustively, enterprises below threshold are surveyed by sample)</i>
<b>Dissemination</b>	
<b>The main breakdowns of summary data</b>	<i>(Example; 3-digit level of NACE, size classes, regions etc.)</i>
<b>Publications</b>	
<b>Content of publications</b> ( <i>which variables are published</i> )	
<b>Revisions of the data</b> ( <i>are revisions of the data made after publication</i> )	

\* The data in the table should be filled in for following reporting forms: 1-TG, 11-HM (separately for each of responsible section), 1-Product, 1-Trade and 1-KS

## Annex 7. Reporting forms - improvement areas found during B.2

Please comment (before B.3.2) to the suggestions made below for each reporting form  
*Please describe if you agree with the suggestion made. If, yes, when could it be implemented?  
 If no, please explain in details.*

Statistical forms (surveys) taken into account in the table below: 1-TG, 11-HM, 1-Trade, 1-Production, 1-KS

Reporting form	NSSRA comment
<b>1. Questions about situation in previous periods should not be asked</b> <i>Data from statistical database of previous periods should be used instead</i>	
1-Production (table I and II)	
1-Trade	
1-KS	
<b>2. Questions about situation from the beginning of the year should not be asked (if data of each months is asked)</b> <i>Data from each month should be summed up</i>	
1-Production (table II)	
1-Trade	
<b>3. Variables, which can be calculated within statistical office should not be asked</b> <i>Only components of variables should be asked</i>	
1-Production (table I)	<i>This has already been done for 2011 - "comparative prices" is not asked anymore (price statistics data used instead)</i>
<b>4. Variable "Number of persons employed" should be left out and taken from other source</b> <i>Data from "Labour cost survey" or business register should be used instead</i>	
1-Production (table I)	
11-HM (line 68)	
1-Trade	
<b>5. The variable "Revenue" should be left out and taken from other source</b> <i>Data from survey "1-TG" or business register should be used instead</i>	
11-HM (line 67)	
<b>6. The variable "Amortization of fixed assets and intangible assets" should be left out and taken from other source</b> <i>Data from survey "11-HM" should be used instead</i>	
1-TG	
<b>7. Reconsider the necessity of variables on "financial leasing"</b> <i>Variable has been deleted from the requirements, cf. EU Regulation No 295/2008</i>	
11-HM (line 37, 40)	
<b>8. Reconsider the necessity of variables on "operational leasing"</b> <i>Variable is not related to fixed assets and the same variables (in other wording) can be find in the survey "1-TG" (lines 20.1, 20.2, 20.3)</i>	
11-HM (line 38, 39)	
<b>9. Organizational issues for survey on fixed assets "11-HM"</b> <i>At present the annual survey on fixed assets consist of 6 parts (6 owners) - every activity is collected by different sections within NSSRA but the content of the survey is the same. For clarity reasons the survey on fixed assets could be collected and processed in one section of statistical office.</i>	
11-HM	

## **Annex 8 Extract from Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community<sup>2</sup>**

### A. Enterprise

The enterprise is the smallest combination of legal units that is an organizational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit.

#### Explanatory note

The enterprise thus defined is an economic entity which can therefore, under certain circumstances, correspond to a grouping of several legal units. Some legal units, in fact, perform activities exclusively for other legal units and their existence can only be explained by administrative factors (e. g. tax reasons), without them being of any economic significance. A large proportion of the legal units with no persons employed also belongs to this category.

In many cases, the activities of these legal units should be seen as ancillary activities of the parent legal unit they serve, to which they belong and to which they must be attached to form an enterprise used for economic analysis.

### F. Local unit

The local unit is an enterprise or part thereof (e. g. a workshop, factory, warehouse, office, mine or depot) situated in a geographically identified place. At or from this place economic activity is carried out for which - save for certain exceptions - one or more persons work (even if only part-time) for one and the same enterprise.

#### Explanatory notes

1. If a person works in more than one place (maintenance or surveillance) or at home, the local unit is taken to be place from which instructions emanate or from where the work is organized. It must be possible to specify the employment attached to any local unit. However, all legal units that serve as the legal basis for an enterprise or a part thereof must have a local unit which is the registered office, even if nobody works there. Moreover, a local unit can comprise only ancillary activities.
2. A geographically identified place must be interpreted on a strict basis: two units belonging to the same enterprise at different locations (even within the smallest administrative unit of the Member State) must be regarded as two local units. However, a single local unit may be spread over several adjacent administrative areas, in which case, by convention, the postal address is the determining factor.
3. The boundaries of the unit are determined by the boundaries of the site, which means for example that a public highway running through does not interrupt the continuity of the boundaries. The definition is similar to the one in paragraph 101 of the introduction to ISIC Rev. 3 in that it concerns localization in the strict sense of the term, but differs from the definition in paragraph 102 in that this strict sense may not vary according to the statistics under consideration. In addition, the criterion of persons working in the unit is normally applied.
4. The ESA-REG (the regional application of the ESA) uses the same definition of local unit for regional accounts purposes.

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<sup>2</sup> Eurostat Business Register Recommendations Manual 2008 explains in more details the Enterprise in chapter 7 and the Local Unit in chapter 8.

## Annex 9 Reconsidering the purpose of the annual Business Register Survey

### Timetable for the annual SBR survey

March	SBR sends out reporting forms to the local and regional offices
Latest 1 <sup>st</sup> May	The local and regional offices should send out these reporting forms to the Legal Units
Latest 1 <sup>st</sup> June	The Legal Units are obliged to fill in the reporting forms and send them to the local and regional offices
Latest 1 <sup>st</sup> October	Data checking and typing in data in SBR

If information collected by the annually Business Register survey is available from other sources, for instance from different subject matter surveys or in the long run by information from Tax Register, it is not necessary to collect the same information via the annually Business Register survey.

The consideration might be split into two:

1. Improve the quality about ceased Legal Units and information about Legal Units not examined in other surveys.
2. Collect information about Local Units.

#### **Re 1 Improve the quality about ceased Legal Units and information about Legal Units not examined in other surveys**

The purpose of this proposal is to get information about Legal Units not examined in other surveys. Until the quality of the tax information about employees and turnover is sufficient it ought to have interest to know this figures for all Legal Units, among other things because the information might be used for grossing up. The survey will also bring SBR in a position to mark economically inactive Legal Units.

The philosophy is in the annually Business Register survey to ask those Legal Units which are not in the other NSSRA surveys (or only take in a part of these). Within some years all of these Legal Units will have received a reporting form, and the process can start again.

The change in the population for this survey will be a very good follow-up on the coming extended annually survey, as the information after some time will be out of date.

An example:

- 63,000 Legal Persons of which approximately 15,000 are seen as active (or at least these are known as active).
- 84,000 Individual Entrepreneurs of which approximately 10,000 are seen as active (or at least these are known as active).
- The coming extended survey will bring in some more active Legal Units, but also reveal some inactive units.
- Some of the mentioned Legal Units can be marked as not economically active because of for instance lack of Authorized Capital.
- Only the 25,000 Legal Units are for the time being surveyed – in the annually Business Register survey and in other surveys carried out by the different subject matter divisions in the Business Statistics Department. In some cases information corresponding to the SBR-reporting form on the Legal Units is already available from the surveys carried out by the

subject matter division (with the knowledge that not in all cases all the SBR-relevant information is given there) and are not needed to be collected again in the SBR survey.

- And what about the rest at approximately 122,000 (minus those which are known as not economically active and of no relevance for SBS/STS)? If the Extraordinary Business Register Survey is carried out the number in the rest group will be reduced considerably, because a number of Legal Units might be marked as ceased.
- If 10,000 of the rest group were surveyed each year, the information would not be older than 10 years for this whole group – and at least you will get rid of the ceased Legal Units.
- The experience learned through this Extraordinary Business Register Survey will be usable for the changed focus in the coming Business Register Surveys.
- Of course it is necessary to take into account that the information will be out of day when the information is used for grossing up and stratification.
- If not all the Legal Units which today are seen as the active units are surveyed by the SBR this means that some of the information in the SBR will not be updated by the SBR every year. It should be reconsidered if information for the other surveys could replace this information – which means that number of employees in the SBR-table-collection is not from the SBR survey but transferred from another survey. (It ought to appear code for updating source from where the information is taken.)
- An analysis has to be carried out to find out the optimal (the smaller) size of the sample taken from the ‘active group of Legal Units’ (compare the size of the survey now at approximately 25,000) as well as the size of ‘inactive group of Legal Units’ to be surveyed.
- The workload can be expected to increase in the regional statistical offices as well as for the SBR team as that more questions will come up because it must be expected that the up to now not questioned Legal Units are more hesitant about filling out the reporting form.

## **Re 2. Collect information about Local Units**

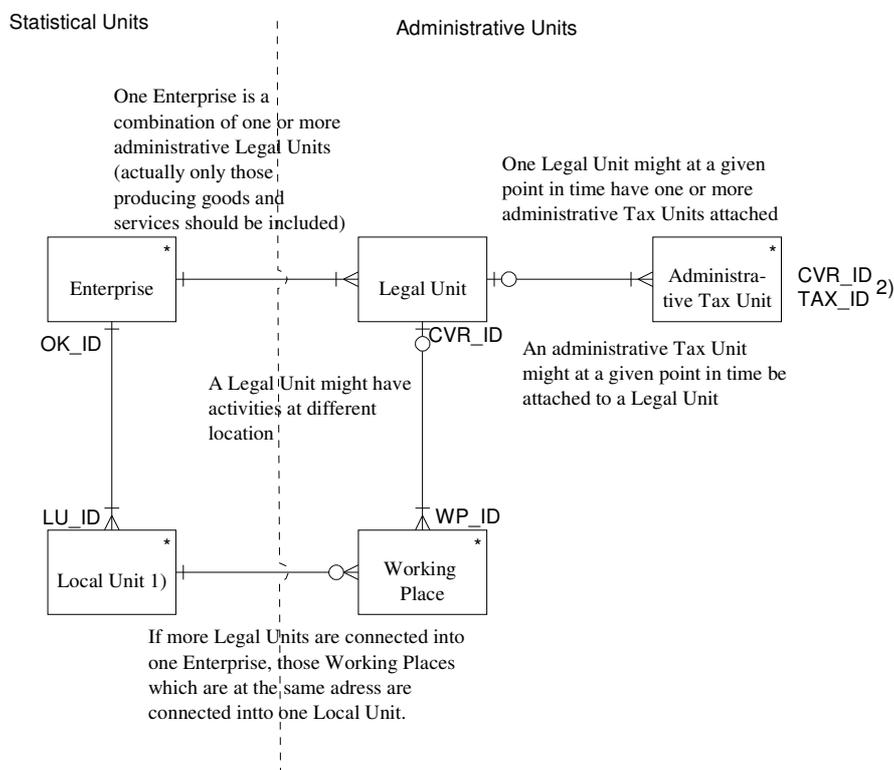
The annual Business Register Survey could also be used to collect information about the Local Units. The purpose of this should be to have some information (number of employees) distributed over Marzes and regions in order to spread out information about activity regionally.

- All Legal Units are at first asked if they have any Local Units, and if that is the case they have to give information about where and the number of employees (on average) at each Local Unit (and the activity code Nace).

**In the next survey those Legal Units which gave information about Local Units at the previous survey will receive a list of those Local Units so they only have to make corrections and inform about the number of employees**

## Annex 10 Information on the Danish threshold of significance / cut-off and number of units

An overview of the connection between different types of Danish business units is shown in the figure below:



1) In Denmark: Local Kind of Activity Unit#  
Which means that a Local Unit is split in two Kind of Activity Units if it is possible to connect the employees to either the one or the other activity.

2) CVR\_ID = TAX\_ID for 623112 out of 663334 administrative Tax Units, but all Tax Units are linked to one Legal Units.

Number of business units in Denmark appears from the table below.

	2009*	2010*
Enterprises over the cut off limit	293,109	247,851
Enterprises under the cut-off limit **	338,860	375,193
Legal Units over the cut-off limit	293,087	247,915
Legal Units under the cut-off limit	324,657	375,197
Administrative Tax Unit over the cut-off limit	323,065	275,876
Administrative Tax Unit under the cut-off limit	334,613	387,458
Local Kind of Activity Units over the cut-off limit	350,472	305,018
Local Kind of Activity Units under the cut-off limit	326,814	378,386

\*The big difference between 2010 and 2009 concerning the number of units over and below the cut-off limit is due to the fact that not all information is available at the time of writing.

\*\*To give an idea of the number of units which have no turnover or employees, the figure for 2009 is 235,478.

### **A short description of the Danish threshold of significance / cut off**

In the Central Business Register, which provides the basis for the Statistical Business Register, all Legal Units, which are obliged to register according to tax legislation (with a yearly turnover at 7 000 ), are registered regardless of their level of activity. This implies that even the smallest activity, although it is not really conducted as a commercial activity, results in a registration of a Legal Unit. The intention of the General enterprise statistics is to analyse the real commercial activity. Starting from the recommendation of Eurostat, Statistics Denmark does not include the smallest enterprises but only those which are really active - throughout the year or a part of the year.

Eurostat recommends inclusion of enterprises, where a workload corresponding to at least ½ man years is carried out. This recommendation has been formalized so that the General enterprise statistics include only enterprises, which have paid wage and salary earners' supplementary pension for employees corresponding to at least ½ man-years and/or have had calculated earnings of a certain volume. The earnings are calculated from turnover. The turnover, which corresponds to given earnings, varies widely from activity to activity, and it is therefore impossible to specify one definite limit for earnings. In sectors within the wholesale trade, the limit of earnings will typically amount to over 72,000 , while for sectors within the manufacturing industry, it will typically range between 21,000 and 29,000 . In the public sector, where turnover is not a relevant estimate for the activity, only the contributions paid into the earners' supplementary pension usually has been used, while enterprises within financing and insurance are reviewed manually, to see if they were really active throughout the year.

For those enterprises that started their activity during the year, the limit for earnings has been set to half the level used for enterprises, which were active during the whole year. This is based on the assumption that newly started enterprises do not usually have a great turnover to begin with, compared to the workload that is carried out.

