Working Party on International Trade in Goods and Trade in Services Statistics

TREATMENT OF VAT REGISTRATION IN BOP AND NA UNCERTAINTIES IN MEASURING GOODS AND SERVICES IN DIFFERENT STATISTICS

7-9 November 2011, OECD Headquarters, Paris

This contribution is for information and discussion under item 4.1 of the agenda.

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Treatment of VAT registration in BOP and NA
Uncertainties in measuring goods and services in different statistics

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OECD Working Party on International Trade in Goods and Trade in Services Statistics
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Hungarian Central Statistical Office MAGYAR NEMZETI BANK
The primary objective of the MNB shall be to achieve and maintain price stability.

Outline

• Methodology
• Value added recorded in but not belonging to resident economy
• Correction in NA and BOP
• Dilemma: correction under goods or services?
• Revision in NA/BOP or Foreign Trade Statistic or both?
• Revision in 2008 and 2011
• Data sources
• Macroeconomic statistical problems
• Purposes
• Outlook
Methodology

- Intrastat (information related to VAT register) reporting system - all companies with VAT number have to report to Intrastat system.

- Companies without physical existence are considered as non-residents.

- UN study: Impact on Globalization on National Account 2011
The phenomenon - value added recorded in but not belonging to resident economy

- Value added which is related to foreign enterprises registered under Hungarian VAT and recorded in Hungary’s foreign trade statistics, but which is not due to the residents of the Hungarian economy according to the balance of payments or the national accounts concepts.

- Hungarian corporations value added to be adjusted because sales via VAT registration vis-a-vis non residents differ significantly from the value reported by their resident partners.
Reverse side issue

- Hungarian companies have also VAT registrations in other EU member states - Hungarian value added recorded in other countries.

- In this latter case data sources are more complicated - resident VAT declarations and foreign trade data do not contain this value added.
The phenomenon

\[
\text{FTS} = 8(50-42) + 20(110-90) = 28
\]
\[
\text{NA/BOP} = 15(55-40) + 5(100-95) = 20
\]
Correction in NA and BOP - under goods or services?

- The objective of the correction is to obviate the need for the HCSO and MNB having to record value added which is related to foreign enterprises having Hungarian VAT numbers and recorded in Hungary’s foreign trade statistics and vice versa.
- Why is this phenomenon not the same as (quasi transit trade) Rotterdam-effect?
- National concept: triangular trade - correction is made under goods.
- (Eurostat database) Community concept - is there community border between partners?
Linking problem: software costs - revision of NA /BOP or Foreign Trade Statistics or both?

• The price of goods exported, either through VAT registrations or not, may include extra costs, belonging to foreign fellow company. An example is software costs.

• How to estimated this software costs?

• How to adjust foreign trade data?

• Methodological treatment of software including goods.
Revision in 2008

• The HCSO and MNB first published revisions to trade in goods data related to VAT registration in Hungary in September 2008.

<table>
<thead>
<tr>
<th>% of GDP</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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</thead>
<tbody>
<tr>
<td>Effect on C/A</td>
<td>-0,5</td>
<td>-0,8</td>
<td>-1,2</td>
<td>-1,3</td>
</tr>
<tr>
<td>trade balance</td>
<td></td>
<td></td>
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</tbody>
</table>

• At that time a macro-assessment procedure (trade margin) was applied in goods.
Revision in 2011

- The revision of trade in goods data only affects exports this time and made on company level.

<table>
<thead>
<tr>
<th>% of GDP</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011q1</th>
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</thead>
<tbody>
<tr>
<td>Effect on C/A</td>
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<td>-0,6</td>
<td>-1,0</td>
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<tr>
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</table>

- The underlying reason for this revision: in the case of certain corporations, value added to be adjusted because sales via VAT registration differ significantly from the value used as a basis/benchmark in macro-assessments.

- Another reason: Hungarian corporations registered under VAT abroad (reverse side issue).

- This revision and from this time onward adjustments in the balance of payments and national accounts take into consideration both macro-assessment and company level adjustment.
Data sources

• Intrastat
• VAT
• MAP of company relations
• Business Statistics
Macroeconomic statistical problems

- Foreign trade statistics - data should be corrected for national GDP and BOP purposes.

- Problem for analysts and policy makers - information are available only $t+72$, and $t+90$ days.

- Macro level adjustment easy to forecast - but not enough precise.

- Company level adjustment is not easy to forecast.
Purposes

• New data sources to analyse the problem on micro level
• To have quick information about the new phenomenon
• To avoid long historical data revisions in the time series
Outlook

• G20 recommendations

• New Eurostat policy on business and trade statistics

• Microdata exchange

• Integrated data on international trade and global value chains (GVC)

• International trade package integrated business and foreign trade statistics
Thank you for your attention!

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