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BUSINESS REGISTER IN ALBANIA*

Working paper submitted by the Institute of Statistics (INSTAT), Albania**

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1. History

1.1 Background of the register

Until 1990 only public enterprises existed in Albania. Since then however the situation has changed markedly and private enterprises now play a significant role in the economy. The tremendous growth in the number and output of these enterprises has necessitated the development and use of a statistical business register to estimate GDP accurately in a cost-effective way. This process began on the 1st January 1993 with the establishment of a register that required all economic entities in Albania to register their businesses. Another important milestone was the establishment of new law (nr 7687 date 16.03.1993 article 3) that obliged all tax offices to provide INSTAT with information on the creation of new enterprises, changes and deaths, and which was underpinned with a Memorandum of Understanding between INSTAT and the General Directory of Taxation. One other important date in the development of the register was 18.07.1994 when approval was reached on applying the International Nomenclature of the EU for Economic activities (NACE, at the 4 digit activity level)

1.2. Administrative sources (considered and used in developing a register)

A number of administrative sources were considered (in 1993) to use as the basis of a statistical register. These were:

- *The Court Register.* Based on law nr. 7667 date 28.01.1993 which created a trade register for all juridical (legal) persons in Albania. This excludes (natural) physical persons, including entrepreneurships.
- *Chamber of Commerce.* Based on law nr 7804 date 10.03.1994, the Chamber of Commerce is obliged to maintain a commercial register that includes:
 - All entrepreneurships (natural persons) engaged in commercial activities;
 - Commercial companies; and
 - Public enterprises
 In practice, however, this law does not cover all market enterprises.
- *Register of Taxation.* All economic entities located and operating in Albania must register here and pay taxes to tax offices.

Of these three primary sources, the tax register is considered as being the most comprehensive in terms of coverage (in principle it includes all legal units and entrepreneurships). And so, as a result, this source was selected as the best source for building and updating the statistical business register.

In terms of registration process, economic entities are required to first register in the district court (for entrepreneurships) or the Tirana court (for legal units). The date of their registration is the date of the creation of the entrepreneurship or legal unit.

1.3. Administrative business register (Tax administration register).

Information on enterprises from tax offices includes:

Identification variables:

ID number (TIN); Name of enterprises; Name of president; Address; Legal form

Stratification variables:

Economic activity; Number of employees

Demographic variables:

Births; Date of changes in economic activity; Deaths

It's important to state that when the legal status of an enterprise changes it is recorded as a death, with a corresponding entry as a birth for the new legal entity.

By way of process, the declarations are periodically collected by regional statistics offices that check and codify the returns before passing them to INSTAT headquarters in Tirana; where the data are registered and processed in a program developed by software consultants, ACCESS. Tax authorities provide all enterprises with an identification number (fiscal number). This number plays a key role in the statistical business register.

In 1996, when value-added tax (VAT) was introduced, enterprises were divided in two groups:

VAT payers – This group consists of businesses that have a turnover of more than Lek 8 million, any smaller enterprises that engage in import-export activities and other smaller enterprises who voluntarily subscribe to the VAT system. On top of the identification number provided by the local tax authorities on registration, these enterprises also receive a Taxpayer Identification Number (TIN).

Small Business Tax payers - Businesses with less than Lek 8 million turnover, and that are not registered for VAT, pay the small business tax. Small businesses are required to re-register each year to obtain licenses that permit economic activities.

Both VAT and SBT payers are included in the statistical business register.

1.4 Quality of information on declaration forms

Some problems are evidenced in the data entry process:

1. *Number of identification (fiscal code)*. It is possible that the same fiscal code is used for two different enterprises. Where this occurs a dummy fiscal code is assigned to the second enterprise. Another problem concerning the fiscal code is that identification numbers from deceased enterprises can be assigned to new enterprises. Unfortunately it is not possible to identify these occurrences within the framework used by INSTAT; although it should not affect GDP exhaustiveness as long as the industry class and size of the new enterprise is correctly recorded. Another phenomenon is that some enterprises that have more than one activity have different fiscal code numbers for each separate activity.
2. *Missing information for address*. Quite often information on enterprise location is missing or incorrect, making follow-up checks by interviewers very difficult.
3. *Description of economic activity*. The declarations form contains a box for tax experts to describe the economic activity of the enterprise. Statistics experts translate these descriptions into the appropriate NACE four-digit code. In some cases however the

descriptions are not detailed enough to permit this. Where this occurs INSTAT staff contact the enterprises directly.

1.5 Developments in creating a unified ID number for all enterprises

In 2003 the General Directory of Taxation set up for the first time a national register of all enterprises. All enterprises on this register are identifiable by a single identification number (TIN); replacing the fiscal code. (VAT registered) enterprises that already had TIN number prior to 2003 retained their original TIN.

This register therefore includes:

1. All VAT registered enterprises;
2. Government institutions;
3. International institutions;
4. Charities;
5. National bank of Albania;
6. Juridical persons that have religious activities etc;
7. Labour unions, Chamber of Commerce and industry or agriculture; and
8. Non-VAT registered enterprises.

INSTAT uses this tax register as the main administrative source for updating the statistical business register. Since 2003 data and information on births, changes of classification and deaths are received quarterly.

1.6 Problems in creating a unified register

1. The introduction of a unified register has led to some problems with historical data, since tax offices were not interested in linking TINs to the equivalent fiscal code numbers for enterprises.
2. NACE descriptions are not always provided for enterprises. Where this occurs attempts are made to contact the relevant enterprises and determine the code.
3. Information is not always provided on the number of employees; although this information will be provided in forthcoming years, based on VKM. 771 date 13.11.2003 “ For obligatory collection social and health contribution”. Where this occurs estimates are made by statistical experts in each district. The newly created enterprises survey that will be doing in 2005 will solve the problems of missing information on number of employees and misclassification or missing on NACE code.

2. Statistical business register

2.1 Background to the Register

The statistical business register is used as the sampling frame for the annual structure business survey and publication of data.

The basic source for updating the register is tax records from the tax authorities (mainly VAT inquiry data). Since 1994 134,200 enterprises have been created, 52,000 of these are currently on the business register. The ASBS surveys all enterprises with five or more employees (about 3,500 businesses). Businesses with fewer employees are sampled on the basis of only the main

economic activity (about 9,200 businesses are surveyed), stratified by 2-digit NACE activities, although for some sectors, 3 and 4 digit NACE are used. About 90% of registered businesses fall into this category, (1-4 employees), amounting to some 30% of turnover.

2.2 Updating the Register

The administrative business (tax) register is completed in the February immediately after the year in question and is based on the assumption that **Legal unit = Enterprise = Local unit**. The statistical business register, completed the following March, updates this information using the following surveys:

1. Quarterly survey of large enterprises (enterprise more 10 employees)
2. Annual structure survey
3. Results from balance sheets(annual account)
4. Retail trade survey (quarterly)
5. Survey of productive enterprises (quarterly)
6. Survey of constructive enterprises (quarterly)
7. VAT file

Updated Variables include: Address of enterprise; Status of activity (active or not); NACE code; Number of employees and Name of enterprise and president. Only the statistical business register serves to provide the sampling frame for statistical business surveys. The variables used for the sampling frame include: ID number; number of employees and economic activity.

Dealing with Deaths

Enterprises that have stopped economic activities and will not be starting again are recorded as deaths. However enterprises that have declared a temporary cessation and plan to start economic activity after a few months are recorded as active. To get some idea of size, 22% of registered enterprises were recorded as deaths in 2003 and 10% were recorded as having temporarily ceased activities (based on annual structure survey result, year 2003).

2.3 Treatment of non-response

The non-response rate to the 2003 Annual Structure Business Survey was 6.5% (Table 1) and 5% for the retail trade survey. The following cases are considered as non- response:

- Non-contact
- Full refusal
- Partial refusal

Non-contact and full refusal by enterprises represented 4.3 percent of all enterprises included in the sample in 2003. However by using information available on balance sheets these rates were reduced to 3.1 percent. For this remaining part of non-respondents estimates are made using the re-weighting method

The treatment of partial non-response, is done using direct methods or combinations such as:

- Studying time series data of enterprises and branches
- Data from balance-sheet file
- Information from other files available in INSTAT such as:

- Business register
- VAT file
- File of production price index
- Averages of branches where the enterprise is included.
- Data from enterprises that have similar conditions

2.4 Classification used on statistical business register:

- a) International classification NACE 4 digit
- b) Size of enterprises based only on number of employees (Albania law "For small and medium enterprises):

Micro firm	1 - 5 employees
Small firm	6 –20 employees
Medium firm	21 –80 employees
Large firm	over 80 employees

2.5 Other administrative source not used for updating statistical business register:

- a) Court Register
- b) Chamber of commerce register
- c) Insurance and health register
- d) Municipality register.

3. Future plans

3.1 Plans for future improvements to the Register

1. Using of other administrative sources
2. Development of specific survey for Business register such as: Newly created enterprises survey
3. Set-up the update business register with the complete coverage: non-profit institutions, international institution, and general and local government units existing, and used as frame for all economic statistics
4. The register parts for both legal and local units completed.

3.2 Plans for future improvements to the annual business surveys

- SBS to cover all enterprise activities and in line with EU requirements and domestic demands of information.
- Annual statistics based on the revised accounting standard started. Coordinated use of results from annual reports and surveys started.

The variables of the BR in ALBANIA compared with the variables of the BR regulation

The variables of the BR regulation	Business Register Regulation			Business Register, ALBANIA
	Legal Unit	Enterprise	Local unit	Legal unit = Enterprise = Local Unit
Identification variables				
Identity number	√	√	√	√
+ external identity numbers	√		√	
Name + Address	√		√	√
Legal form	√			√
Stratification variables				
Principal activity		√	√	√
Secondary activity		√	(Optional)	
Ancillary activity			√	
Size: persons employed		√	√	√
Size: turnover		√		
Size: net assets		(Optional)		
Geographical location			√	√
Demographic variables				
Date of creation	√	√	√	√
Date of cessation	√	√	√	√
Relationship variables				
Unit controlling	(Optional)	√	√	
