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EUROSTAT

Directorate D: Government Finance Statistics (GFS)
Unit D-2: Statistics for Excessive Deficit Procedure I

Luxembourg,

FINAL FINDINGS

EDP dialogue visit to Denmark

29-30 November,

3 December 2021

Executive summary

Eurostat undertook an EDP dialogue visit to Denmark on 29-30 November and 3 December 2021.

The main objectives of this EDP dialogue visit were (1) to review institutional responsibilities in the field of government finance statistics (GFS) including EDP reporting and to discuss the revision policy for national accounts and GFS, (2) to analyse and clarify technical issues relating to the EDP data provided in the context of the notifications, (3) to clarify aspects related to the practical implementation of the market/non-market test plus the sector classification of some specific units, (4) to discuss the accrual recording of taxes and the estimation of taxes unlikely to be collected, as well as (5) to clarify the recording of specific government transactions such as capital injections into public corporations, guarantees, dividends and super-dividends, classification of Private-Public-Partnerships (PPP), concessions and emission trading permits, etc.

Eurostat reviewed the **institutional responsibilities** with respect to the reporting of data under GFS and EDP. As far as the split of responsibilities is concerned, there have been no major changes compared to the previous EDP visit, which took place in May 2019: both financial and non-financial accounts (annual and quarterly) are compiled by Statistics Denmark (SD). The EDP tables and the EDP questionnaire are compiled by SD for the actual data and by the Ministry of Finance (MoF) for the planned data. The Danish National Central Bank (NCB) is not responsible for any of the EDP tables but provides some of the source data for the financial accounts.

The discussion on the compliance with Council Directive 2011/85 focused mainly on the accounting basis of the monthly/quarterly data. As currently the monthly/quarterly data is not published on a cash basis, Eurostat encouraged Økonomistyrelsen to further examine the possibility to adapt its IT software in order to support a systematic reporting of cash information in the future.

Furthermore, Eurostat focussed the discussion on **data sources**, notably for financial accounts. Starting with 2020, three additional data sources were introduced in the compilation of the financial accounts of general government, mainly to obtain complementary information on the counterparts as well as on specific transactions such as securities.

Eurostat welcomed the implementation of a new **revision policy** starting with 2020. The new revision policy allows to ensure consistency between the EDP and GFS data published by Eurostat at the end of October and the national accounts data published by SD at the beginning of November. Eurostat recommended that the open years for routine revisions in national accounts should concern at least four years and not just three, as it is currently the case in Denmark.

As a **follow-up of the EDP dialogue visit** of 7–8 May 2019, Eurostat welcomed the implementation of the majority of the action points and further discussed the state-of-play of those action points that are still open or in progress.

Regarding the **analysis of EDP data** for the October 2021 EDP reporting, Eurostat pointed out that the main outstanding issues relate to the recording of the capital injection into Kalaallit Airports International A/S and the recording of taxes and non-paid taxes in national and government own accounts. With regard to the capital injection into Kalaallit Airports International A/S, Eurostat proposed that the rules of reinvested earnings on foreign direct investment should be applied.

Eurostat thanked SD for completing **the table on government measures undertaken in the context of COVID-19 pandemic and the table for reporting of expenditure and other costs financed by the Recovery and Resilience Fund (RRF)**. Eurostat clarified with SD the recording of the government capital injection into SAS Airlines as well as the recording of the acquisition of hybrid instruments from SAS.

Concerning the **delimitation of general government sector**, Eurostat mainly discussed the changes in sector classification since the 2019 EDP dialogue visit, as well as the sector classification of specific units such as Metroselskabet, Vaeksfonden, KommuneKredit and some railway companies. With regard to the market/ non-market test, the main discussions focused on the deduction of subsidies on production and investment grants when calculating the market/ non-market test. Further discussions were related to some public units classified in the non-financial corporations sector, notably to some individual entities having results close to the 50% threshold for the market/ non-market test.

A substantial part of the discussions was related to the sector classification of specific units such as Metroselskabet, Vaeksfonden, KommuneKredit and some railway companies.

Regarding **Metroselskabet**, which is responsible for the operation, development and construction of the Copenhagen Metro, the discussion mainly focused on how the depreciation of assets is reflected in the market/ non-market test. Eurostat also analysed the possible impact of the company's negative equity on its sector classification in the national accounts. SD agreed to contact the company to obtain further information on the depreciation of assets and the way in which the equity was valued and to inform Eurostat on the outcome of these discussions.

The discussion on the **public railways companies** classified in the non-financial corporations sector focused on how the aggregated gross fixed capital formation (P.51g) and the aggregated consumption of fixed capital (P.51c) was calculated and reflected in the market/ non-market test, in particular, of the main railway company (DSB). Eurostat also recalled that the discussions on the treatment of Public Service Obligation payments are still ongoing at European level and that this aspect will be re-discussed with the Danish statistical authorities when an agreement will be achieved at European level.

Extensive discussions took place on the sector classification of **KommuneKredit**, a public financial institution providing lending to local governments and public corporations controlled by local government. The sector classification of KommuneKredit had been previously discussed on several occasions on a bilateral basis, notably during the May 2019 EDP dialogue visit, but also at European level in the framework of task force and working group discussions on similar entities across the EU. The aspects deepened during the 2019 EDP dialogue visit underlined that there are strong arguments to reclassify the unit inside general government. Due to the fact that KommuneKredit has similarities in its functioning and activities with Kommuneinvest in Sweden, it was agreed that a meeting will be organized between Eurostat and the Danish and Swedish Authorities in order to reassess the sector classification of these entities.

In relation to **Vækstfonden**, it was concluded that the unit could keep its current classification in S.12. Nevertheless, this entity will be further monitored in order to see the impact on some recently created programs on its financial situation, notably the possible losses in relation to the financial support offered to companies in the COVID-19 context. In addition, the government involvement in the current and future activity of this entity should be further scrutinized.

Eurostat and the Danish Statistical Authorities reviewed the **implementation of the accrual principle**. Extensive discussions took place on the recording of taxes and the method used for estimating write-offs/ write-downs of arrears.

With regard to the possibility to collect cash data, it was explained that in Denmark there is a single tax account in which the receipts for all kind of taxes are collected. While it is not possible to obtain cash data for each type of tax, it could be possible to obtain cash data netted for the total amounts of taxes. In relation to the method of valuation of tax arrears, it was clarified that the current method estimates the value of the tax arrears to a certain percentage of their nominal value. The correction used in the estimation model is updated on a monthly basis.

For the year 2020, DKK 13 billion were recorded in the national accounts as non-paid taxes. DKK 8,5 billion were calculated by the Ministry of Taxation, based on their market value. In addition, SD included a correction of DKK 4,5 billion in relation to the deferral of taxes, following certain policy measures implemented in response to the COVID-19 pandemic. These corrections were mainly due to the fact that the actual collection of some taxes was postponed until 2022, as part of some relief measures. Eurostat asked to be informed, by the April 2022 EDP notification, whether there are new measures undertaken by the Danish government during 2021 which could potentially lead to further corrections.

During the meeting, several aspects on the data sources for "Mini One-Stop Shop" (MOSS) scheme as well as on their recording were discussed with the Danish statistical authorities. SD informed Eurostat that, currently, there is no information available on the amounts of VAT on digital services collected by the Danish Tax Authorities on behalf of other countries. In this context, SD agreed to investigate whether the related impact on

general government net lending/ net borrowing is correctly reported and whether estimates should be included in the calculations.

With regard to the part of the agenda on interest accrued and derivatives, it was agreed that all the questions related to the data provided in the tables will be addressed in writing to the Danish National Central Bank.

With regard to the **recording of specific government transactions**, the discussions concentrated on topics such as the recording of guarantees, government claims as well as capital injections into public corporations. Eurostat further clarified with the Danish Statistical Authorities other topics such as dividends paid by public corporations to government and the super-dividend test.

Eurostat appreciated the information provided by the Danish Statistical Authorities prior and during the EDP dialogue visit and considers that the discussions were open and constructive.

FINAL FINDINGS

Background

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Denmark on 29-30 November and 3 December 2021.

The delegation of Eurostat was headed by Mr Luca Ascoli, Director of Eurostat Directorate D 'Government Finance Statistics (GFS)'. Eurostat was also represented by Ms Gita Bergere, Ms Camelia Jüttner, Mr Miguel Alonso, Mr. Thomas Forster and Mr. Philippe de Rougemont. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) did not participate in the video conference. The Danish Statistical Authorities were represented by Statistics Denmark (SD), the Ministry of Finance (MoF), the Danish National Central Bank and the Agency for Public Finance and Management (Økonomistyrelsen).

The previous EDP dialogue visit to Denmark took place on 7-8 May 2019.

Eurostat carried out this EDP dialogue visit in order to review the implementation of the ESA 2010 methodology and to ensure that the provisions of the Eurostat Manual on Government Deficit and Debt (MGDD) and that the Eurostat decisions are duly implemented in the Danish EDP and Government Finance Statistics (GFS) data.

The main objectives of this EDP dialogue visit were: (1) to review institutional responsibilities in the field of government finance statistics (GFS) including EDP reporting and to discuss the revision policy for national accounts and GFS, (2) to analyse and clarify technical issues relating to the EDP data provided in the context of notifications, (3) to clarify aspects related to the practical implementation of the market/non-market test as well as to the sector classification of some specific units, (4) to discuss the accrual recording of different taxes and the estimation of taxes unlikely to be collected, as well as (5) to clarify the recording of specific government transactions such as capital injections into public corporations, guarantees, dividends and super-dividends, classification of Private-Public-Partnerships (PPP) and concessions, emission trading permits.

In relation to procedural arrangements, Eurostat explained the procedure, in accordance with article 13 of Regulation No 479/2009, indicating that, within days, the main conclusions and action points would be sent for comments to the Danish Statistical Authorities. Within weeks, the provisional findings would be sent in draft form for review. After amendments, the final findings will be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat appreciated the quality of the information provided by the Danish Statistical Authorities prior to the visit. Eurostat also thanks the Danish Statistical Authorities for the excellent co-operation during the meeting and considers that the discussions were transparent and very constructive.

1. STATISTICAL CAPACITY ISSUES

1.1. Institutional responsibilities in the framework of the compilation and reporting of EDP and government finance statistics

Introduction

In Denmark, national accounts data for the general government sector, both financial and non-financial (annual and quarterly) are compiled by Statistics Denmark (SD). The EDP tables and EDP questionnaire are compiled by SD for the actual data and by the Ministry of Finance (MoF) for the planned data. The supplementary tables for the financial crisis are compiled by SD in cooperation with the MoF.

There are several cooperation agreements signed between SD and other institutions involved in the EDP compilation. Since 2014, there is a signed Memorandum of Understanding (MoU) between SD and MoF related to EDP statistics. In January 2018, the MoU on financial accounts between SD and the Danish National Central Bank (NCB) was updated in order to formalize the role of the NCB as provider of source data in the EDP process. These co-operation agreements define the area of responsibility of each of the institutions and ensures high quality and reliability in the submission of EDP data. Additionally, SD signed a cooperation agreement with the Danish National Audit Office which stipulates closer cooperation on quality issues and enhancement of the transparency of the accounts for public institutions as well as one with Økonomistyrelsen, the Danish Agency responsible for the government book-keeping.

Discussion

Statistics Denmark confirmed during the discussions that there had been no changes in the institutional responsibilities for the compilation of EDP data and EDP tables compared to the 2019 EDP dialogue visit. SD also confirmed that there had been no changes for other aspects such as the quality management framework and the audit and internal control arrangements. Regarding the existing agreement between SD and the Court of Audit (Rigsrevisionen), Eurostat asked SD if they were aware about the report published by the Court of Audit on the 2020 central government accounts, disclosing some potential problematic aspects such as the calculation of the market value of the arrears or the estimation of the value of the debts owed by citizens and companies to the public sector. SD explained that the Court of Audit is informing them on a systematic basis about their annual reports and on the aspects which could be relevant. The audit of the central government accounts is submitted to SD for information each year, usually seven months after the reporting period, and before its publication. In case possible errors in the accounts figures would be estimated to be above DKK 100 million, further investigations would be undertaken. SD stressed that, in the report for 2020, it is mentioned that the Public Accounts Committee is rather satisfied with the overall appliance of the accounting rules. Eurostat welcomed the established collaboration between the two institutions.

Eurostat reviewed the publication of fiscal data according to Council Directive 2011/85. The Directive requires the publication of cash-based fiscal data or equivalent figures from public accounting on a monthly basis for the central government, state government and the social security subsector, and on a quarterly basis for the local government subsector. In addition to these data, annual information on guarantees, liabilities of public corporations, off balance sheet PPPs, non-performing loans and participation of governments in the capital of corporations shall also be provided.

The task of collecting and publishing the relevant fiscal data from the public authorities has been entrusted to Økonomistyrrelsen.¹

Discussion

Eurostat recalled that the budget reporting in DK consists of a balance sheet covering all public entities (own account of the State having 12-digit codes) and a related profit and loss account (income statement of the State having 8-digit codes). Currently, the Statistical Authorities are using only the information included in a 4-digit sequence of the code. Nevertheless, it could be possible in the future to better exploit the information derived from the remaining 8-digit codes in order to obtain more accurate and detailed information, for example on the split F.81/F.89

With regard to the amounts recorded in the working balance, Eurostat indicated that, for the local government subsector, the sum of the quarterly data does not match the annual working balance presented in EDP T2C. It was agreed that Økonomistyrrelsen will check why this is not the case.

Eurostat recalled that the 'fiscal data' published by the Danish Statistical Authorities in accordance to Directive 2011/85 are on a quasi-accrual basis (consistently with the working balance of EDP table 2A, table 2C, table 2D), and not on a cash basis. Following action point 1 from the 2019 EDP dialogue visit, Økonomistyrrelsen agreed to make further efforts to supplement the current publication of monthly data with cash based data for central government. This would require information on revenue and expenditure, and notably on payment data, to be structured in a different way. SD explained that the Danish central government accounting data does not contain detailed cash data relating to expenditures and revenues and a detailed publication of cash-based data according to the Directive is thus impossible. The Danish National Bank publishes on a monthly basis the net flow of cash from the central government bank account. Nevertheless, this does not allow to directly link the monthly (accrual based) revenues and expenditures to the monthly bank statements based on the information available in the accounting systems. Due to the fact that in Denmark there is only one government bank account for all incoming and outgoing cash flows, this makes it impossible to establish a consistent link with the balance sheet. Such a link is only partially possible. Eurostat recalled that, as a follow-up of action point 1 of the 2019 EDP dialogue visit, the Agency for Public Finance has informed Eurostat in 2020, that obtaining supplementary data is on the working program for 2021 as part of a larger data collection. The Agency intended to supplement the accounting figures with payment statements. Eurostat asked during the meeting more details on the progress undertaken in obtaining accounting figures with payment statements in 2021. The Agency explained that not much progress was achieved in this respect. Eurostat also asked about the difference between payment statements and cash figures. The Agency replied that payment statements are basically cash figures. In this context, Eurostat encouraged the Agency to further examine the possibility to adapt its IT software in order to support a systematic reporting of cash information in the future.

With regard to the data on contingent liabilities, Eurostat noted that the amount of non-performing loans almost doubled in the last 5 years. Nevertheless, the amounts are not very high compared to other EU countries (approx. 0.5% of GDP). Eurostat asked SD

¹ No data are reported separately for the social security subsector, as no monthly data are available for this sub-sector. Some of the missing information for the social security subsector is included in the central government data (e.g. unemployment benefits are covered by the budget of the Ministry of Employment).

whether they know the beneficiaries of these loans. SD agreed to further investigate this aspect taking into account also the fact that the proportion of non-performing loans registered in the government accounts increased over time.

With regard to the data on liabilities of public corporations, Eurostat noticed that data for the years 2018, 2019 and 2020 are not published and requested that such data should be updated on the correspondent website.

For the data on guarantees, Eurostat mentioned that the data was updated for the year 2020 and the amounts of standardized guarantees were revised according to the data provided to Eurostat for the October 2021 EDP notification.

Findings and conclusion

Action point

- 1) Eurostat took note that the Danish accounting system is able to show detailed accounting information based on a 12-digit code, where certain digits or sequences of digits represent different aspects of information. Currently, the Statistical Authorities are using only the information included in a 4-digit sequence of the code that enables the recording of the national accounts revenue and expenditure for the government sector. The current practice does not allow for receivables/payables to be identified at very detailed level and link them to each transaction category or to allow that each cash payment is linked to the corresponding accrual transaction. The Agency for Public Finance and Management (Økonomistyrelsen) agreed to consider making further efforts in order to better exploit the information derived from the remaining 8-digit codes. In this context, the Agency agreed to provide to Eurostat a note explaining how the information included in the 8-digits of the accounting code can/will be exploited in order to obtain more accurate and detailed information on the split F.81/F.89. *Deadline: Progress report to be provided by mid of June 2022².*
- 2) The Agency for Public Finance and Management agreed to further examine the possibility to adapt its IT software in order to eventually support a systematic reporting of cash information. *Deadline: Progress report to be provided by mid of June 2022³.*
- 3) The Agency for Public Finance and Management will update the data on the liabilities on public corporations for the years 2018, 2019 and 2020 published on their website under Council Directive 2011/85. In addition, it will be also checked why the sum of the quarterly data on revenue and expenditure published for local government under this Directive does not correspond to the amounts recorded in the working balance for local government in EDP Table 2C (both are accrual-based data). *Deadline: February 2022⁴.*

² A note was provided on this action point. Nevertheless, no progress was achieved in relation to a better exploitation of the remaining 8-digit codes.

³ A note was provided on this action point. Nevertheless, no progress was achieved in relation to the implementation of an IT system.

⁴ Action point implemented.

- 4) Eurostat noticed that the amounts of non-performing loans published in the framework of the Council Directive 2011/85 increased significantly in the last five years and invited Statistics Denmark to investigate why this is so and who are the beneficiaries of these loans. *Deadline: June 2022.*

1.2. Data sources and revision policy in the context of ESA 2010 implementation

1.2.1. Data sources for central (extra-budgetary accounts), local government and social security funds. New data sources for Financial National Accounts

Introduction

Statistics Denmark informed Eurostat that the responsibilities related to the compilation of financial accounts had been slightly modified between the institutions. Previously, SD has been responsible for compiling the national accounts' annual financial accounts, while the Danish National Central Bank has been responsible for the quarterly financial accounts. Both statistics have been aligned for many years with the non-financial national accounts, but historically there have been discrepancies between the quarterly and annual financial accounts.

In order to achieve full consistency between the quarterly and annual financial accounts, in 2019 a joint IT system was implemented based on the best practices of the two institutions. The project involved a reconsideration of the data sources used for financial accounts as well as a prioritization between different sources.

As a result of the new collaboration between Statistics Denmark and the Danish National Central Bank, three existing data sources are used now in more detail in the compilation of the financial accounts of general government. These data sources are based on monetary financial institutions (MFI) statistics, debt securities and the balance of payment statistics.

The statistics on MFI are monthly statistics of the assets and liabilities of Danish MFIs as well as a statement of monthly movements (flows) in the balance sheet items. The balance sheets of MFIs are reported with information on counterparty country and sector. The MFI statistics are based on reports from monthly and annual reports of financial assets and liabilities from the Danish MFIs and Danish branches of foreign MFIs, therefore the statistics can be calculated according to the host principle⁵.

The Security statistics represent a monthly compilation of securities that are either issued or held by Danish residents. Securities can be shares, bonds or investment certificates. Other financial instruments such as options, futures, swaps, etc. are not included in the statistics. The securities statistics contains information on issues and holdings of securities. The Securities statistics are considered as a secondary source of statistical data and are aggregated from direct reports from the MFI, IF, IP and BoP statistics.

⁵ This implies that the Danish MFIs' assets and liabilities in foreign branches are not included in the data, while the branches of foreign MFIs can be included.

SD also uses the Balance of Payments (BoP) statistics which includes a compilation of Denmark's total balances abroad. The BoP statistics transactions are composed mainly of current accounts, capital transfers and financial accounts.

Discussion

SD explained that the MFI and VP security statistics were also used as data sources in the previous notifications. Nevertheless, since 2020 these data sources were used much more intensively and with better and more complete counterpart information. SD explained that the information available in the central government own accounts is also better used now, notably to obtain more complete counterpart information. SD is able to obtain complementary information on specific transactions such as securities. Eurostat asked whether these data sources are used by SD and the Danish National Central Bank to complement or to substitute the information included in the government own accounts. SD explained that, currently, the government own accounts as well as the MFI statistics, Balance of Payments and VP debt securities statistics are used complementarily. SD and the NCB are assessing on a systematic basis the data sources available and are using in the compilation those data sources which are considered to be more reliable and complete.

Eurostat invited Statistics Denmark to provide a note including more information on the main data source used for each of the financial instruments, such as loans, debt securities, etc. as well as to explain how SD and the Danish National Central Bank are reconciling the data sources, in case they noticed differences between the various sources. In addition, Eurostat asked the Danish Statistical Authorities to clarify whether the exploitation of the new data sources had an impact on the stock of the Maastricht debt or whether only the split by financial instruments was affected. Eurostat requested SD to update the relevant section on data sources in the EDP Inventory.

Eurostat inquired about the amounts recorded in EDP table 3B under the line "other volume changes" in the Maastricht debt liabilities. Eurostat recalled that, in October 2020, SD explained that the amounts recorded under this line were due to the changes in the data sources as, in order to ensure consistency in the time series due to the introduction of the new data sources, a break in the time series was introduced since 2016Q4 via other volume changes. Eurostat asked whether the amounts recorded in the same line for the year 2017, 2018, 2019 and 2020 are also linked to the implementation of the changes in the data sources. The Danish Statistical Authorities explained that the amounts included in this line after the year 2016 are normally not related to the newly introduced data sources. SD consulted during the meeting also the National Central Bank. The Bank explained that, indeed, the amounts included here should theoretically not be related to this aspect, but they will further investigate the reasons and come back to Eurostat. Eurostat indicated that the line "other volume changes" is normally used to reconcile the stock of government debt with the flows. Therefore, it should be investigated whether the amounts currently included there could be explained by the need to reconcile the stock of the government debt from government accounts with the transactions reported in the additionally used data sources, or whether it is rather that the stocks of debt from the newly introduced data sources need to be reconciled with the transactions from the government accounts. Eurostat suggested that, if the amounts included here are only resulting from the change in data sources, the differences between the previous and new data sources should preferably be included in the line "other statistical discrepancies".

SD concluded by stating that, except the data sources mentioned above, there are no other data source improvements and it is not foreseen to introduce or change other data sources.

Findings and conclusions

Action points

- 5) Statistics Denmark explained that, starting with 2020, three data sources were better exploited in the compilation of the financial accounts of general government. These data sources (MFI statistics, Balance of Payments and VP debt securities statistics) are used by Statistics Denmark and the Danish National Bank to complement (or to substitute) the information included in the government own accounts. The three data sources are largely used to obtain complementary information on the counterpart as well as on specific transactions such as securities.
 - a) In this context, Eurostat asked to the Danish Statistical Authorities to clarify whether the exploitation of these new data sources had also an impact on the stock of debt or whether only the split by financial instruments was affected.
 - b) In addition, Statistics Denmark was invited to provide more information on which is currently the main data source for each of the financial instrument, such as loans, debt securities, etc. as well as to explain how Statistics Denmark and the Danish National Bank are reconciling the data sources in case there are differences in the data. *Deadline: A detailed report to be provided by end of March 2022⁶.*
- 6) Eurostat recommends Statistics Denmark to update the EDP Inventory along the lines discussed during the meeting, notably including detailed information on the new data sources used for the compilation of the financial accounts, such as the MFI statistics, VP debt securities and Balance of Payment Statistics. Statistics Denmark will explain in the EDP inventory which information from these data sources is used for each of the financial instruments and what benefits it brings over the data source used before. A short description of the prioritization of data sources should be also included in the EDP Inventory. *Deadline: May 2022⁷.*
- 7) Statistics Denmark will investigate and report back to Eurostat the reasons for the amounts included in the line "other volume changes" in the EDP table 3B for the years 2017-2020. In the EDP tables 3, the line "other volume changes" is occasionally used to reconcile the stock of government debt with the flows (although these reconciliation entries should more correctly enter other statistical discrepancy). Therefore, Statistics Denmark is invited to notably examine whether the amounts currently included here could be explained by the need to reconcile the stock of the government debt with the transactions reported in the additionally used data sources (MFI statistics, VP debt securities and Balance of Payment Statistics) or whether it is rather that the stocks of debt from the newly introduced

⁶ Action point implemented.

⁷ Action point implemented.

data sources needs to be reconciled with the transactions from the government accounts (or a mix of both situations). If the amounts included here are only resulting from the introduction of the above-mentioned data sources, the differences between the previous and new data sources should preferably be included in the other statistical discrepancies. *Deadline: A note is to be provided by end of March 2022*⁸.

1.2.2. Revision policy: Implementation and assessment of the new revision policy

Introduction

The Danish revision policy for the National Accounts System and for the Government Finance Statistics was updated in 2020. The new revision policy is in accordance with the Harmonized European Revision Policy (HERP).

The revision policy is nationally co-ordinated with the Danish National Bank. The main objective of the new revision policy was to align the revision process for the yearly national accounts system as a whole, including Government Finance Statistics and Balance of Payments Statistics from the third quarter of 2020 onwards.

The revision policy now follows the subsequent schedule for national accounts, sector accounts, financial accounts and government finances:

March (end-of) Preliminary version T-1

June Preliminary version T-1

Preliminary version T-2

Final version T-3

September Preliminary version T-2

The yearly routine revisions of the Danish national accounts take place in connection with the June version of the national accounts. As part of the June version, the year T-3 is finalized and is therefore not open anymore to further changes until the next major revision of the national accounts.

The major (benchmark) revisions are normally occurring at an interval of 7-8 years in Denmark. Occasionally, so-called “data revisions” could take place in order to include significant new information or to correct significant errors. Nevertheless, there are no specific thresholds in order to determine what is considered a minor and respectively a major correction.

Eurostat highlighted that the majority of the Member States implement a major revision every five years. SD informed Eurostat that they will implement its next major revision in 2024, thereby beginning a practice of implementing a major (benchmark) revision every 5 years. Statistics Denmark explained that the 2019 major revision according to the

⁸ Action point implemented.

HERP principles was voluntary, and that they did not consider a benchmark revision necessary in 2019. This was due to the fact that, after the 2010 ESA implementation completed in 2014, Statistics Denmark revised the National Accounts statistics in 2016, primarily with new information from the foreign trade and Balance of Payments statistics.

Discussion

Eurostat welcomed the implementation of the new revision policy. Eurostat asked whether SD noticed some data shortages in the data quality due to the implementation of a new timetable. SD mentioned that they did not. Eurostat asked also whether some new calculation methods were developed/implemented in order to deal with quality issues due to the new timetable. SD mentioned that there were some few new methods introduced, notably on the calculation of investments by public enterprises.

Furthermore, Eurostat pointed out that it is recommended that the open years for routine revisions in national accounts should concern at least 4 years (October T-4) and not just three years. Eurostat is aware that the main purpose of the Denmark's revision policy is to ensure that the National Accounts system, including GFS, is seen as a whole and that all the ESA tables, including the GFS-related tables, are consistent. Nevertheless, due to the Danish practice to revise only three years, major errors or methodological problems are sometimes not corrected if they concern the year T-4, and therefore a break in the EDP reporting period might occur. Eurostat emphasized that, in case of such issues, the EDP data should always be corrected. The Danish Authorities proposed, in case an EDP-induced need for a revision is not acceptable from a National Accounts statistics perspective, to connect the updated EDP-tables to the ESA-tables with a bridge table until the next benchmark revision takes place. This can in particular be relevant if the revision causes serious breaks in the National Accounts between (T-3) and (T-4), thus affecting the growth rate of GDP. Eurostat recalled that, this is not an ideal solution and that EDP and GFS tables should always be aligned as required by the Council Regulation 479/2009.

Eurostat further welcomed that Statistics Denmark is adapting its revision policy according to the harmonised European revision policy and that, in the future, the major revisions will be organized every five years. Eurostat asked whether there are any aspects which raise concerns/questions in relation to the next major revision in 2024. Statistics Denmark explained that, for 2024, the biggest revision will be caused by the implementation of the recording of UMTS as specified in the Eurostat guidance.

Findings and conclusions

Action points

- 9) Eurostat welcomed the implementation of the new routine revision policy, starting with September 2020, implying the update of the national accounts data in June and not in November as it was previously the case. Nevertheless, Eurostat noted the risk that differences/discrepancies could occur as a result of the EDP Requests for clarification rounds of either April or October. Eurostat would like to stress that, despite the fact that the main principle behind the Danish revision policy is to ensure that the national accounts system and all the ESA tables (including the GFS-related tables) are consistent, the B9 of general government should nonetheless always correctly reflect the agreements reached with Eurostat flowing from these Requests for clarification and be

implemented in the EDP tables published in April and in October. In addition, EDP and GFS tables should always be aligned as required by the Regulation⁹.

- 10) Eurostat took note that the next benchmark revision will be implemented in Denmark in 2024 and that further major revisions will be implemented in the future on a five years rhythm. Eurostat welcomed that Statistics Denmark is adapting its revision policy according to the harmonised European revision policy.

2. FOLLOW UP OF THE EDP DIALOGUE VISIT OF 8-9 MAY 2019

Fifty-three action points were agreed in the framework of the 2019 EDP dialogue visit. The majority of them have been implemented by the Danish Statistical Authorities. Nevertheless, Eurostat proposed to discuss the action points which are still open or those where Eurostat still has some questions under the corresponding methodological part of the agenda.

3. FOLLOW-UP OF THE OCTOBER 2021 EDP REPORTING – ANALYSIS OF EDP TABLES

Eurostat pointed out that there are only few outstanding issues from the October 2021 notification which remain to be clarified. The main issues relate to the recording of the capital injection into Kalaallit Airports International A/S and the recording of taxes in national and government own accounts.

With regard to the government capital injection into Kalaallit Airports International A/S, Eurostat recalled that this unit is a subsidiary of Kalaallit Airports Holding A/S. The holding company is owned by the state of Greenland. The holding company owns 2/3 of Kalaallit Airports International A/S and the Danish state owns the remaining 1/3.

Kalaallit Airports International A/S was founded in 2019 with the main objective to construct and operate two new international airports in Greenland. The international airports are still under construction and are expected to be functional from 2024 onwards. Until then, Kalaallit Airports International A/S will be in an investment phase. This explain the fact that the company is currently running deficits. The Danish government intends to inject up to DKK 0.7 billion from 2019 to 2030 in return for shares. The State of Greenland plans to inject up to 1.4 billion from 2019 to 2030 in return for shares. The ownership share will be constant with each injection. SD considered that the capital injection in 2019 represents a founding capital and accordingly should be, recorded as transaction in equity (F.5).

Discussion

Eurostat mentioned that, as the corporation is still in an investment phase, the capital injected by the Danish government seems to have more the nature of an investment grant. According to ESA 2010 § 4.152, investment grants consist of payments made for the purpose of financing all or part of the costs of acquiring fixed assets.

⁹ The numbering of the action points corresponds to the numbering in the official document “Main conclusions and action points of the EDP dialogue visit to Denmark, 29-30 November, 3 December 2021” send to the Danish Statistical Authorities on the 22 of December 2021.

SD explained that the Danish government is not the only investor, as the State of Greenland is also injecting money in this project. Greenland is not part of the Danish general government. Eurostat proposed that, in this case, the rules of reinvested earnings on foreign direct investment should be applied, so the capital injection could remain recorded as financial transaction.

Findings and conclusions

Action point

- 11) With regard to the capital injection into Kalaallit Airports International A/S, it was agreed that the founding capital invested in 2019 by the Danish government as well as next future injections will be recorded in the financial accounts, while the Airport profit (or loss) will be accrued (proportionately) as government revenue in accordance to the rules of reinvested earnings on foreign direct investment. *Deadline: March 2022¹⁰.*

4. RECORDING OF GOVERNMENT MEASURES UNDERTAKEN IN THE CONTEXT OF COVID-19

4.1. COVID-19 tables

Eurostat thanked SD for completing the table on government measures undertaken in the context of the COVID-19 pandemic. Eurostat took note of the measures undertaken by the Danish government in the COVID-19 context, such as wage subsidies; subsidies to cover fixed costs of corporations; subsidies to self-employed; social assistance to people outside the labour market; taxes on paid forced saved holiday allowances; loans provided to corporations; capital injections into airline corporation SAS; loans to LD funds to pay the forced saved holiday allowances and standardised guarantees to private banks which provide loans to corporations.

Eurostat asked whether SD included in the table the DKK 4.5 billion estimated by SD as expected losses on the postponement of taxes. SD explained that the additional amounts of expected losses on the postponement of taxes estimated by SD as well as the amount of deferred taxes (net of expected losses) were not included in the annex table but only in the EDP tables. SD agreed to include these figures in the next transmission of EDP data, in April 2022. With regard to the schemes in relation to the loans provided to corporations in the COVID-19 context, Eurostat mentioned that it seems that, currently, not all the loans provided are included in the table, as the data provided prior to the EDP dialogue visit is much higher than that in the annex 8. SD confirmed this discrepancy and agreed to include for the next notification all the loans provided in the COVID-19 context in the table. Eurostat asked whether SD already estimated the possible losses in relation to these loans. SD explained that, currently, there are no such estimations on the possible losses and, therefore, no such figures were included in the annex table. Eurostat agreed to include in a separate action point all the issues discussed on the completion of the annex 8 table, so that SD could implement all the suggestions for the next transmission, in April 2022.

¹⁰ Action point implemented.

Findings and conclusions

Action point

13) Statistics Denmark agreed to adapt the presentation of the COVID tables (Annex 8) according to the discussion in the meeting, in particular, taking into account the following aspects:

- a) To include in the table the DKK 4.5 billion estimated by Statistics Denmark as expected losses on the postponement of taxes in line 3, with a counterpart entry in indirect liabilities ('implied balancing debt') in line 29.
- b) The amount of deferred taxes (net of expected losses) should also be included as fiscal claims (F89) in line 26 with a counterpart entry in indirect liabilities.
- c) To complete line 12 on furlough schemes with the sum of the line 12 (D.39p related to furlough schemes as subsidies on production, expenditure) and line 13 (D.3p subsidies, expenditure, other than furlough schemes).
- d) All the loans provided in the COVID context should be included in the line 42 of the part 3 of the table.
- e) The loans provided by the EU to the Danish government in the COVID context should be included in the line 37 of part 3 of the table.
- f) The amounts of debt securities of DKK 200 billion currently included in line 30 of the part 2 should be excluded because these debt securities were not issued explicitly for COVID purposes. The funding of COVID measures out of general resources are to be reported under indirect liabilities ('implied balancing debt') in line 29.
- g) The amounts recorded as (tax) revenue from holiday frozen funds released in 2020 would in concept imply negative entries for the year 2021 and later years, as this measure is only frontloading the release of funds (with the associated tax revenue implication). *Deadline: April 2022 notification¹¹.*

4.2. Table for reporting of expenditure and other costs financed by the Recovery and Resilience Facility (RRF)

Eurostat thanked SD for completing the table on government expenditure financed by the RRF. SD explained that the data is provided by the Ministry of Finance. Eurostat pointed out that, in order to have reliable data for this table, it is essential that there is a systematic flow of information between the actors involved in the completion of this table. Eurostat indicated that the figures included in the table are susceptible for revisions as the costs for the projects are estimated, and the figures should be revised as soon as the actual amount to be reimbursed by the EU is known. The amount to be reimbursed depends on several parameters such as the fulfillment of some specific conditions and milestones. During the discussion, it was confirmed that the data included in the RRF table refers to the central government only. Nevertheless, SD explained that it is not expected that local governments will be very active in managing RRF programs and that most of the projects will be undertaken at central government level.

Eurostat mentioned that the European Commission disbursed € 201 million in pre-financing (around DKK 1,5 billion) for Denmark in 2021. SD explained that this payment was not considered as an advance but was recorded as an RRF grant received from the EU in the table for 2021. Eurostat further clarified different options in relation

¹¹ Action point implemented.

to the completion of the parts 1.3 and 1.4 of the table, which relate to inflows and outflows. Eurostat proposed a different presentation of the data in the parts 1.3 and 1.4 of the table and agreed to submit its proposals to SD.

4.3. Other expenditure measures, including support to SAS Airlines

Eurostat proposed to briefly clarify the recording of some expenditure measures, notably the government recapitalisation of SAS Airlines. The government capital injection as well as the acquisition of hybrid instruments into SAS airlines had been recorded as government expenditure (capital transfer) in the Danish national accounts during 2020.

SD recalled that they recorded the capital injection into SAS as government expenditure and the acquisition of hybrid instruments as debt securities (F.3). Eurostat proposed to record the acquisition of hybrid instruments as equity (F.5) at inception and not as debt securities (F.3). It was agreed that, despite Eurostat's preference to record these instruments as equity at inception, Statistics Denmark could keep the current recording of the instrument as debt securities (F. 3), nevertheless with the condition that the market value of the hybrid notes is recorded in the accounts (through other economic flow).

Eurostat further asked SD whether other government capital injections into the SAS corporations are expected for the future. SD explained that they did not have such information but will keep Eurostat updated on this issue.

Findings and conclusions

Action point

8) With regard to the recording of a recapitalisation measure benefiting SAS, carried out by issuing hybrid notes in addition to common equity, Eurostat agreed with Statistics Denmark that these should be recorded as capital transfers, with an impact on B.9. Taking into accounts the features of these hybrid notes, which look similar to an equity instrument, Eurostat recommends that Statistics Denmark treat the instrument as equity (AF.5) from inception and at market value (through another economic flow). Nevertheless, in case Statistics Denmark would still prefer to keep the current recording of the instrument as debt securities (AF. 3), this would be acceptable, but then instead of recording zero market value as it is currently the case, the market value of these hybrid notes should be recorded in the accounts (also through another economic flow). *Deadline: End of March 2022¹².*

5. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

5.1. Delimitation of general government, application of market/non-market rule in national accounts

5.1.1. Practical implementation of the market/non-market test

Introduction

¹² Action point implemented.

Eurostat proposed to discuss under this agenda point the follow-up and the status of implementation of several action points resulting from the May 2019 EDP dialogue visit.

Discussion

Eurostat recalled that, according to action point 24, SD was requested to provide to Eurostat more details on the formula used for the calculation of the 50% criterion, showing the survey items and the related business accounts' codes applicable, as well as the template of the annual survey. Statistics Denmark had provided to Eurostat the English template of the annual survey. It was explained that there is no standardized set of business account codes and that, for the calculation of the 50% criterion, the items included in the annual survey were used. The numerator includes turnover/net sales (excluding discounts, VAT and excise duties), capitalised work performed by company for own purposes and other operating income.

On the denominator side, there are the cost of sales + cost of subcontractors and other work done by others (by non-employees) + rent paid + cost of minor equipment and fixtures not capitalized + payments for temporary workers provided from another enterprise (e.g. agencies) + payments for long-term rental and operational leasing of goods + other external charges (administrative cost etc.) + wages and salaries + pension costs + other social security costs + depreciation and amortisation of property, plant and equipment, and intangible assets + impairment of property, plant and equipment, and intangible assets + other operating charges of a non-trading type (administrative cost etc.) + interest. Interests are calculated as income from interests - interest payments. If the net total is an income, interests are set to zero in the calculation. If the net total is expenditure, the respective amount is used in the calculation of the test.

Eurostat agreed with the formula used by SD, nevertheless requested additional information on the income included in the line "other operating income" of the annual survey. SD explained that this line includes income which is not directly derived from the main activity of the corporation. For example, a transportation company could have some revenues from the sale of food or beverage products in a kiosk in the bus station. Eurostat asked whether amounts received as subsidies could also be incorporated under this item. SD explained that this could be also the case. Eurostat proposed to SD to analyze the data for 2019 for the 15 biggest companies in order to see what is exactly included in the line "other operating income". SD agreed that, in case that the outcome of the analysis would show that "other operating income" includes also subsidies on production, these amounts will be deducted from the sales when calculating the 50% criterion.

Eurostat requested more details on the data included in the lines labelled as "ordinary write-off in respect of debtors" or "write-downs of current assets" of the annual survey. SD agreed to provide additional information on what is exactly included here as well as in the line "depreciation and amortization of property" and "impairment of property, plant and equipment".

With regard to the "costs of sales", the item is split in the annual survey in two separate lines, one including information on intermediate consumption (4a) and another including purchased goods for resale (4b). Eurostat recommended that the amounts included under the line "purchased goods for resale" should not be included in the sales.

Eurostat asked whether SD is using the same template for collecting data for the corporations at central and at local government level. SD confirmed that this is the case.

In relation to action point 25, Eurostat recalled that it refers to the exclusion of subsidies and grants from the calculation of the 50% criterion. During the 2019 EDP mission, Eurostat took note that the subsidies and the investment grants received by public corporations from government are included as sales in the calculation of the market test. SD was requested to perform a one-off exercise and to recalculate the 50% criterion without subsidies. SD informed that it is not possible to determine which companies benefit from subsidies. The amounts of subsidies are aggregated so that there is no information in the budget on the amounts received by individual corporations. In order to perform this exercise, SD used the subsidies reported in the national budget and tried to allocate them by taking into account different activities susceptible to get such government support, such as transportation (railways), windmills and other sustainable energy. Consequentially, SD performed the market/ non-market test excluding the subsidies on production for railways companies: DSB and DSB tog. In addition, the market/ non-market test has been recalculated for eight companies: DSB S-Tog A/S, DSB, Trafikselskabet Movia, Sydtrafik, Midttrafik, Fynbus, Nordjyllands Trafikselskab, and Nordjyske Jernbaner A/S. SD informed Eurostat that none of these eight companies fall below the 50% criterion for three years in a row. For three other transportation companies - Sydtrafik, Fynbus, and Nordjyllands Trafikselskab – an estimate for the subsidies had already been included in the previous years in the calculation of the market test. Nevertheless, SD noticed that the amounts of subsidies estimated for these companies have been too high compared to the actual subsidies. As a result, the market test for the three companies had been artificially low, therefore this was corrected for the year 2017.

Eurostat asked whether SD is still performing the market/ non-market test for the above-mentioned companies excluding the subsidies on production from sales. SD confirmed that this is the case. Eurostat stressed that it is important to reflect on how the amounts of subsidies could be further collected so that the estimates calculated by SD could be replaced by actual figures.

Eurostat recalled that, in the same action point, it was also requested that new calculations of the market/ non-market test should be performed deducting the investment grants from the numerator. SD informed Eurostat that there is no central list of investment grants. Instead, the question has been examined by SD using a questionnaire. The data was used to sort the public corporations by size of liabilities and then go through the annual accounts for each of the largest corporations to find any investment grants. The 12 largest public corporations have been examined. None of the twelve entities analyzed had investment grants in their annual accounts.

Eurostat pointed out that it is highly recommended to get information on subsidies and investment grants via a more systematic way. Eurostat proposed to SD to consider amending the annual survey so that information on subsidies on production, investment grants or EU funds is available and taken into account in the calculation of the market/ non-market test.

SD explained that the survey is used for a number of statistics within SD and, as such, can be only updated in agreement with different statistical departments. SD explained that they don't expect that the annual survey would be amended in the short-term. The last such update of the annual survey was in 2017 and required, at that time, extensive updates in various systems. Eurostat further asked how was it possible for SD to assess, as described in the note provided prior to the mission, that for Sydtrafik, Fynbus, and Nordjyllands Trafikselskab the amounts of subsidies estimated have been too high in the previous years compared to the actual subsidies if there is no information on subsidies

available. SD clarified that the annual survey previously included information on subsidies. Nevertheless, when the survey was updated, in 2017, the line on subsidies on production was removed. Eurostat considered that such a change in the template was unfortunate and invited SD to propose for the next update of the annual survey to include a new line on subsidies on production, investment and other grants.

Eurostat moved on to remind that the NACE code 84 reported in the questionnaire on government-controlled entities classified outside general government should only be allocated to non-market entities and, therefore, if the allocation of the code is deemed correct, such units should be classified inside general government. The code is not always appropriately allocated, at least for some units such as the Green Fund or the Export Credit Bank. There are around 25 entities having the NACE code 84 in the questionnaire. SD explained that the NACE code is allocated by the unit responsible for business statistics. The code attribution is based on the information included in the business register at the creation of the entity and it could be that, after years of activity, the code originally assigned to an entity does not properly correspond to its current activity. In this context, it was agreed that SD will analyse the units having the NACE 84 code and check whether the assigned code corresponds with the main activity of the entity. In addition, Eurostat proposed to SD to include an explanatory note on the NACE code changes for the next transmission of the questionnaire, by end of December 2022.

With regard to action point 26, Eurostat noted during the 2019 EDP dialogue visit that the entities reported in the Questionnaire on government-controlled entities classified outside general government may not be all institutional units and may have rather the character of ancillary or artificial units. Therefore, it was agreed that these entities would be re-analysed and in the case that they are not considered to be institutional units to report them under the relevant 'mother' entity. SD had informed Eurostat that, out of the 694 legal entities reported in the Questionnaire on government-controlled entities classified outside general government, 408 are reported without any employees for 2017. This is due to a construct where the employees are employed by a 'mother' company (sometimes by the municipality sometimes by a public corporation outside S. 13). Most of these units are municipal energy suppliers. Their structure is similar for all the analysed entities; a head office with a managing board exercising control over several subsidiaries; a service company renting out employers and machines to the other subsidiaries that are actually performing services to the households. The subsidiaries are employing workers from public corporations. The municipalities are the final beneficiary of their services provided.

Eurostat concluded that these units, if ancillary or artificial units, should be classified with their parent company, which could be the municipality or the parent public corporation. In any case, the 50% criterion should be applied to the parent. All the financial results included in the accounts of the subsidiaries should be added to the financial accounts of the parent while calculating the market/ non-market test. In case the parent company does not fulfil the market/ non-market test for three years in a row, or even for a single year with the expectation that the test will not be fulfilled in successive years, the unit should be reclassified inside general government.

Additionally, Eurostat proposed for discussion the status of the implementation of action point 27. In the framework of this action point, agreed in 2019, SD was requested to provide a final evaluation on the classification of the units belonging to Ørsted group and HOFOR group.

Ørsted group consists of around 35 active entities. The different corporations of the group are mainly involved in developing, constructing and operating offshore and onshore wind farms, solar farms and energy storage facilities, bioenergy plants and providing energy products to its customers.

SD had analysed the five largest Ørsted subsidiaries and informed Eurostat that all these entities meet the 50 % criterion. The Ørsted's head office is classified in the non-financial corporation sector (S.11).

Eurostat pointed out that, while checking the annual report of Ørsted¹³, it seems that the company recorded a profit of DKK 6 billion for 2019 in the consolidated financial accounts. Nevertheless, in the Questionnaire on government-controlled entities, there are recorded losses of DKK -177 million for Ørsted A/S in 2019. SD agreed to check the figures and inform Eurostat.

SD informed Eurostat that they are analysing some other subsidiaries of Ørsted in the framework of the next benchmark revision in 2024.

With regard to HOFOR, a gas group consisting of around 35 entities, SD analysed the five largest companies of the group. SD informed Eurostat that one of them (HOFOR HOLDING A/S) was not passing the 50 % criterion due to the high interest cost. Eurostat asked whether the unit had been reclassified inside general government. SD explained that they intended to reclassify the unit in the context of the next benchmark revision in 2024 as the impact on government deficit and debt would be marginal. SD informed also Eurostat that the other remaining units being part of the group Ørsted and Høfor will be analysed for the next benchmark revision in 2024.

Findings and conclusions

Action points

15) Eurostat discussed with Statistics Denmark the information included in the annual survey on the annual accounts of public corporations for the compilation of the market/ nonmarket test.

- a) Eurostat wondered if the line 3 “other operating income” of the annual survey should not preferably be excluded from sales (as this is often the case in many Member States). To determine this, it was agreed that Statistics Denmark will analyze the data for 2019 for the 15 biggest companies in order to see exactly what is the typical nature of this “other operating income” and will also verify how this item is in practice allocated in national accounts. In case that the outcome of the analyses provides that the “other operating income” also includes subsidies on production, Eurostat proposes a prudent approach, i.e., to exclude the “other operating income” from the sales when calculating the 50% criterion.
- b) In addition, Statistics Denmark agreed to provide additional information on what is exactly included in line 10 “ordinary write off in respect of debtors” and in line 17 “write-downs of current assets” of the annual survey. Statistics Denmark will explain how (and the reason why) the

¹³ [annual-report-2019.ashx \(azureedge.net\)](https://www.azureedge.net/annual-report-2019.ashx)

items included in the line 10 and 17 are taken into account for the market/ nonmarket test.

- c) With regard to line 4, “costs of sales”, Eurostat understood that this line is split in the annual survey in two separate lines, one including information on intermediate consumption (4a) and another on purchased goods for resale (4b). Eurostat recommended that the amounts included under the line “purchased goods for resale” should be deducted from the sales recognised for the market/ nonmarket test.
- d) Eurostat requested also additional information on the relation between the line 15 on “depreciation and amortization of property” and the line 16 on “impairment of property, plant and equipment”.

Deadline: August 2022.

18) Eurostat noted that several entities in the Questionnaire on government controlled entities are classified in NACE 84 and highlighted that the NACE 84 code is only awarded to non-market entities and therefore the entities having this code are to be classified in the general government sector. Statistics Denmark explained that the NACE code used in the questionnaire is assigned by the staff responsible for the business register at the creation of the entity and therefore it could be that after years of activity the code originally assigned does not properly correspond to the current activity of the entity. Therefore, Statistics Denmark will re-analyse the units having NACE 84 code and check whether the assigned code corresponds with the main activity of the entity. If this is not the case, Statistics Denmark will assign the correct NACE code to the entities corresponding to their main activity. Statistics Denmark will provide an explanatory note on this subject to accompany the next transmission of the Questionnaire. *Deadline: December 2022.*

19) Statistics Denmark will analyze the remaining units belonging to Ørsted group (electricity/ energy company) and HOFOR group (gas company). The five biggest subsidiaries were already analysed by Statistics Denmark. Statistics Denmark will classify inside government those subsidiaries that are deemed to be institutional units but not meeting the 50% criterion. The classification of the ‘mother’ company in the financial corporations sector should be reconsidered if the subsidiaries are predominantly nonmarket according to the 50% criterion or if they are a holding rather than a head office. *Deadline: next benchmark revision 2024.*

5.1.2. Changes in sector classification since the May 2019 EDP visit

SD informed Eurostat that no entities have been removed from the general government sector since the last EDP dialogue visit and that there is only one newly-created entity (Designskolen Kolding). The unit is part of the extra-budgetary funds and is classified in central government.

Eurostat asked whether there were reclassifications of units due to failure of the market/non-market test, since 2019. SD explained that, even if some units failed the 50% criterion, they did not reclassify the units because they wanted to wait until the next benchmark revision in 2024. Eurostat replied that this policy would be acceptable only in case of very marginal impact on government deficit and debt.

5.1.3. Questionnaire on government-controlled entities classified outside the general government sector

Discussion

Eurostat mentioned that there are several units in the questionnaire which did not pass the market/ non-market test during the last three years such as Fynbus, Sydtrafik, Vestbannen, Aarhus Letbane Ejendomme ApS, Midtjyske Jernbaner A/S, Tarup-Davinde I/S, DGC Certification ApS. In this context, Eurostat recalled that the entities need to be classified in the general government sector starting with the first year in which they did not pass the test without further delay. In addition, Eurostat mentioned that, in 2019, it was clarified that, the Danmarks Grønne Investeringsfond should be classified in the financial corporations sector (S.12) and not in the non-financial corporations sector (S.11) as it is still the case.

Eurostat inquired about the results of the market/ non-market test for Trafikselskabet Movia. Before the year 2016, Trafikselskabet Movia did not meet the 50% criterion for three consecutive years. Nevertheless, from 2016 onwards, the outcome of the market/ non-market test was for each year the same. i.e., 100%. Eurostat asked whether SD could re-check the calculation of the market/ non-market test for this unit. Eurostat questioned also whether the company Regionstog A/S had been recently reclassified to the government sector, because the unit is not included anymore in the questionnaire. With regard to the fact that SD compiles also the 50% test for the units classified in S.12, Eurostat mentioned that the 50% criterion is relevant only for the units classified in S.126. For units classified to other subsectors of the financial corporations sector, the market/ non-market test is generally not relevant.

Findings and conclusion

Action points

16) Eurostat noted that some entities reported in the Questionnaire on government-controlled entities classified outside general government do not pass the market/ nonmarket test, such as Fynbus, Vestbanen, SydtrafikMidtjyske Jernbaner A/S, Hofor Holding A/S, Tarup-Davinde I/S and DGC Certification ApS. These entities do not pass the market/ nonmarket test for three or even more years. In this context, Eurostat recalled that the ESA2010/ MGDD rules should be applied, and the entities need to be classified in the general government sector without further delay. *Deadline: September 2022.*

17) In relation to the information included in the Questionnaire on government-controlled entities, Statistics Denmark will check and modify the following for the next transmission of the questionnaire:

- a) The classification of the Danmarks Grønne Investeringsfond in the financial corporations sector (S.12), instead of the nonfinancial corporations sector (S.11).
- b) The market test for Trafikselskabet Movia. Statistics Denmark will provide also a detailed calculation of the market/ nonmarket test of the unit for the last three years.
- c) The classification of the unit Regionstog A/S. The unit is currently not included anymore in the questionnaire

Deadline: December 2022.

5.1.4. Discussion of specific cases

Metroselskabet

Introduction

Metroselskabet was founded in 2007 and is jointly owned by the City of Copenhagen (50%), the Danish Government (41.7%) and the City of Frederiksberg (8.3%). The main activity of Metroselskabet is to undertake the operation and maintenance of the overall metro system in Copenhagen as well as to manage the project design and construction of new metro lines

Discussion

Eurostat proposed to firstly recall the aspects already clarified in the 2019 EDP dialogue visit as well as in the framework of the follow-up of action points 28 and 29 resulting from that meeting.

As Metroselskabet has made significant investments in infrastructure and further investments are planned until 2024, the high investment activity of the unit has a considerable impact on the depreciation and interest expenses. Eurostat noted that, according to Metroselskabet's annual report, their fixed assets are not subject to regular depreciation during the construction. Eurostat recalled that ESA 2010 treats fixed assets under construction as well as the work-in-progress as consumption of fixed capital formation that needs to be amortised. The missing depreciation on work-in-progress leads to a further distortion of the results of the 50% test, which cannot be ignored in the case of Metroselskabet.

SD confirmed that an updated calculation of the market/ non-market test considered, instead of the depreciation as reported in the business accounts, the consumption of fixed capital as calculated in the national accounts. The consumption of fixed capital, or the so-called national accounts write-offs, was calculated based on the investments made by Metroselskabet.

Eurostat mentioned that the current calculation of the consumption of fixed capital (P.51c) seems to be rather low (around DKK 1 billion in 2019) compared to the total amounts of assets of the company (approx. DKK 32 billion). It was agreed that SD will provide to Eurostat the working file used to calculate the consumption of fixed capital based on the Perpetual Inventory Method (PIM) for the assets of Metroselskabet, since the first assets of Metroselskabet were constructed in 1995. Eurostat also asked SD to clarify what was the book value (e.g. historical cost, historical cost after impairment, fair value, etc.) of the transferred assets, when Metroselskabet was created in 2007.

Eurostat also pointed out that Metroselskabet reported a negative equity in its annual reports. Normally, the negative equity is an indication that the company will not be able to repay its debts. SD explained that almost the whole debt of Metroselskabet is towards government. Due to the fact that the debt is already reflected in the Maastricht debt, there is no need to rearrange the debt of Metroselskabet via government. SD explained that the possible reason for the negative equity could be the method used to value the equity but proposed to contact the company to obtain further information.

Findings and conclusion

Action points

20) Regarding Metroselskabet, the company operating the Copenhagen Metro, Eurostat noted that the current calculation of the consumption of fixed capital (P.51c) seems to be rather low (around DKK 1 billion in 2019) compared to the total amounts of assets of the company (approx. 32 billion), which would imply an amortization of around 3 % per year. Statistics Denmark stated that it was likely that a significant part of the assets had already been fully depreciated in previous years. Statistics Denmark agreed to provide to Eurostat the working file used to calculate the consumption of fixed capital based on the Perpetual Inventory Method for the assets of Metroselskabet starting with 1995, that is: since the first assets for Metroselskabet were constructed. *Deadline: September 2022.*

21) Eurostat took note that almost all the debt incurred by Metroselskabet is towards the Danish government. Nevertheless, as reflected in the financial reports of the company, for the last years the equity of the company has been negative. Eurostat proposed to Statistics Denmark to contact the company to obtain further information on how the impairment of assets has affected the valuation of equity and whether and how, if so, this impacts the treatment of the entity in national accounts, including whether the claims of government towards this entity are to be capital injections tested. Statistics Denmark will provide a note to Eurostat on the outcome of the discussions with the company. *Deadline: September 2022.*

Railway companies

Introduction

Before the EDP dialogue visit, Eurostat requested a note from SD on the classification of railway companies in national accounts, including the calculation of the market/ non-market test for these companies for the period 2016-2019. The infrastructure railway company is already classified inside general government. Twelve companies classified in S.11 are active within railway transportation (cargo and passenger) in Denmark, out of which six are public. One transportation company is in liquidation process since 2016.

Discussion

Eurostat pointed out that, for some of the public railway companies, the results of the market/ non-market test were below the 50% threshold, such as for Midtjyske Jernbaner A/S and Vestbanen, and recommended SD to reclassify these entities in the government sector without delay. Furthermore, Eurostat asked SD to explain the reason for the zero value for depreciation for Nordjyske Jernbaner and Midtjyske Jernbaner and the very small amount recognised for Midtjyske Jernbaner Drift. SD explained that the amounts included in the calculation of the test are correct and the amortisation for the latter unit is insignificant. The market/ non-market test for the DSB (passenger transport) was compiled in two versions. One version included subsidies and one excluded the subsidies on production from the total sales (turnover). SD explained that the market test of DSB had been recalculated including, instead of depreciation (as calculated in the business accounts), the consumption of fixed capital as calculated in the national accounts.

During the discussions, Eurostat asked SD more details on how they calculated the gross fixed capital formation (P.51g) and the consumption of fixed capital (P.51c), as well as which data source was used for the amounts provided in the calculation sheet. SD explained that the amounts for “Investments and aggregated investment” were taken from an annual survey. Eurostat further clarified what is behind some codes used in the calculation sheet provided prior to the EDP dialogue visit. SD explained that the codes 1600 and 1650 refer to write-offs/ depreciations and write-downs as recorded in the business accounts. In the latest calculation of the market/ non-market test, the code 1600 has been replaced by the ESA calculated P.51c. The amounts included under the code 1650 are excluded from the calculation of the market/ non-market test as these amounts include a part of the write-offs/ depreciations and write downs as recorded in the business accounts. As a result, the ESA calculated P.51c is much lower than the sum of write-offs/ depreciations and write-downs as recorded in the business accounts.

Furthermore, Eurostat mentioned that, in the 2019 EDP dialogue visit, Eurostat had invited SD to consider whether these PSO payments should not be rerouted to the Public Infrastructure Company (already reclassified into S.13) given the nature of such payments, aiming at reducing the cost of the use of tracks and only indirectly reducing the price per ticket. SD considered that, as the issue of the treatment of PSO payments is on the agenda of EDPSWG, it is advisable to wait with the analysis until there will be an agreement at European level on this issue.

Findings and conclusions

Eurostat agreed that the discussions on the treatment of Public Service Obligation payments are still ongoing at European level and that this aspect will be re-discussed with the Danish Statistical Authorities when an agreement will be achieved at European level on how to treat consistently these payments.

KommuneKredit

Introduction

KommuneKredit is a credit institution founded in 1898. Its main objective is to provide loans to its members, notably to the Danish local governments and semi-municipal institutions. These loans are fully guaranteed by local governments within the framework of the rules laid down by the Minister of the Interior on local and regional authorities' borrowing. The membership is voluntary, nevertheless all municipalities (98) and regions (5) in Denmark are members of KommuneKredit.

The sector classification of KommuneKredit was discussed on several occasions on a bilateral basis but also at European level. At European level, the topic of government-controlled financial entities lending to local government was discussed during the June and December 2018 EDPS WG. There are a number of units in Europe with similar characteristics as KommuneKredit (e.g. in Sweden, Finland and the Netherlands).

SD informed Eurostat that, as the issue of the sector classification of financial institutions lending to local government is still under discussion at European level, SD would prefer to take further steps when the discussion on this item will be finalized. KommuneKredit is currently classified in S.122.

Eurostat pointed out that, indeed, the discussion on the classification of financial institutions lending to local government is still pending at European level. This is mainly due to the fact that, despite the similarities among these institutions, there are also significant differences which do not allow to achieve a straightforward consensus in their classification. Nevertheless, out of all these institutions, KommuneKredit (KK), from Denmark and Kommuninvest from Sweden show more similarities in their structure compared to other such units. In addition, for these two institutions, the government involvement in their autonomy of decision is more obvious. Eurostat recalled that there are strong arguments to reclassify the unit inside general government. Among these aspects, Eurostat pointed out the fact that KK acts as a kind of interface between municipalities/ regions, their corporations and the financial markets. KK provides low-risk and cost-effective financing to municipalities/ regions or public entities guaranteed directly or indirectly by the local governments. Therefore, KK could be considered as a kind of treasury department that would manage the debt of the municipalities/ regions. Eurostat quoted from the 2019 KK annual report: *“KommuneKredit is a special credit institution which is exempt from the EU’s banking directive. There is a good reason for that as we only provide loans to projects considered and decided on at a political level in a municipality or region. The municipality or region assumes the financial risk of the projects, and not KommuneKredit. Thus, municipalities and regions fund their capital expenditure through KommuneKredit’s bond issues, in the same way as the Danish state funds its capital expenditure. KommuneKredit is more a common debt office for municipalities and regions than a credit institution. This is clearly illustrated by our 120-year history, during which we have never recorded a single loss on a loan”*¹⁴.

Eurostat pointed out that, as local government debt office, the entity should normally be classified in local government. In addition, KK acts as a non-profit organisation and only charges fees to cover administrative expenses. Acting as a non-profit organization having the main objective to secure cost-efficient financing for the Danish local governments, regions and related public units while benefiting from a 100% local government guarantee, is also another strong indication that the unit serves public purposes.

With regard to the KK governance structure, Eurostat highlighted that the Board of Directors is in majority constituted by local government representatives. Out of the nine members, six are elected directly by the municipalities, two by the regions and one is independent. Eight members of the Board of Directors are currently mayors themselves. There is also a management board consisting of two people that are managing the day-to-day business of the unit. The Board of Directors has nevertheless a significant influence on the day-to-day management.¹⁵ This is indicated by the fact that, for all the legal transactions in which KK enters into, a signature of the Board of Directors is requested.

SD commented that, indeed, KommuneKredit supervisory board is mainly composed by government officials but this would not be the case for the management board. In addition, SD considers that the composition of the board of directors is primarily a matter of control and does not impact the decision-making autonomy of the unit.

¹⁴ KommuneKredit , Annual Report, 2019, page 5.

¹⁵ Section 25 of KK’s Articles of Association, dated 6 March 2015, provides that “The association should be bound by the joint signatures of the chairman or the vice-chairman of the board of directors and a member of the board of management, or by the joint signatures of the two members of the board of management.”

Furthermore, Eurostat pointed out that KK is also subject to EU state aid rules. According to the annual report from 2018: *“Local government borrowing and guarantees are subject to strict regulation by the Danish government and the Danish Ministry for Economic Affairs and the Interior. In connection with specific loan requests, KommuneKredit assesses both whether the purpose qualifies for a loan on the basis of municipal law and principles and whether the loan complies with the EU state aid rules”*¹⁶. In order to provide some financing, it has to be proved that KK is only acting in areas that are of general economic interest, otherwise the activity could be considered as state aid. Eurostat indicated that this might be another strong indication that KK acts as a public authority having a strong government support.

KommuneKredit is also rated AAA/Aaa – the same rating as the Kingdom of Denmark. The rating reflects the strong guarantee structure of KommuneKredit, where the members of the association are jointly liable for all KommuneKredit’s obligations. So, in case a local government unit fails to pay its obligations, the other local government units are jointly responsible for covering the obligation. Danish local governments are considered to be highly creditworthy due to their right to levy taxes on income and property and to the fact that, so far, local governments have not been allowed to go bankrupt or to default. As a result of this, KommuneKredit has never suffered any losses on its loan portfolio.

With regard to government control, KommuneKredit shall lay down rules regarding the management of financial risks and use of financial instruments, which shall be submitted to the Ministry of the Interior immediately following the approval by the Board of the Institution. Eurostat pointed also out that, in a comparison between KK and Kommuninvest, it was mentioned that: *“Denmark’s Kommunekredit is exempt from publishing its capital ratios as it is not legally recognized as a financial institution. It was set up more than 100 years ago as an association and is supervised by the Ministry of Economic Affairs and the Interior rather than the Danish Financial Supervisory Authority. For the same reason Kommunekredit is also exempt from EU regulation concerning financial institutions such as the Bank Recovery and Resolution Directive (BRRD) and the EU’s transposition of Basel III rules, known as CRR/CRD 4”*¹⁷. So, the fact that KK is not supervised by the Danish Financial Supervisory Authority, which is an independent institution which supervises the financial institutions, but is under the supervision of a Ministry, and therefore under government supervision, further corroborates the view that the unit seems to have a more limited autonomy of decision and is not to be considered as financial institution.

Additionally, Eurostat mentioned that KK has features which are similar with those of ancillary entities such as a limited purpose, a public policy objective, non profit-making requirement and an extensive guarantee structure. These aspects were highlighted in the documents presented in the EDPSWG in March and December 2018.

¹⁶ KommuneKredit, Annual Report, 2018, page 5

¹⁷ [1 \(kommuninvest.se\)](http://1.kommuninvest.se), pag. 6

With regard to the fact that KommuneKredit is the largest lender to local governments in Denmark, Eurostat thanked SD for the table provided prior to the EDP dialogue visit, showing the main beneficiaries of the loans provided by KK.

Eurostat mentioned that the loans provided by KK to local government amount to approx. 54% of the total. The rest of the financing is provided to other clients, notably public corporations. SD confirmed that this is the case and that lots of public corporations (mainly utility corporations active in areas such as heating, water supply, electricity) are borrowing from KK. Nevertheless, these companies could borrow also from other sources. SD stressed that this is also the case for the Danish local governments and semi-municipal institutions. They could also borrow from other sources such as other public or private banks. Nevertheless, due to the favourable interest rate offered by KK, around 60% of the local government debt is towards KK.

Eurostat pointed out that the local government debt towards KK is already reflected as government debt, nevertheless the lending to public corporations controlled by local government is not. Therefore, Eurostat asked SD whether it would be possible to re-route the debt of public corporations towards KK via general government. SD explained that re-routing the debt of public corporations would be very difficult to be implemented from a technical point of view. Therefore, they would not be in favour of this option. SD suggested to contact Statistics Sweden and to discuss the case with the Swedish Authorities due to the similarities between KK and Kommuninvest. Eurostat welcomed this proposal and suggested that a common meeting between the Swedish and the Danish Authorities and Eurostat should be organised in order to reevaluate the sector classification of these similar entities.

Findings and conclusions

Action points

22) Regarding KommuneKredit, Eurostat highlighted again the several elements that are pertinent and susceptible to classify this unit inside general government such as the fact that the entity sees itself "acting as debt office for local authorities" and lends to public companies (and only with the guarantees of their sponsoring local government) in the context of specific 'public promotional tasks' and that all participating local governments are jointly liable to the debts of KommuneKredit. In addition, the board of directors is composed mainly by mayors or other local government representatives and the unit is supervised by the Ministry of Industry and not by the Supervisory Authorities as it is normally the case for typical financial institutions. Taking into account these aspects, as well as the fact that KommuneKredit has similarities in its functioning and activities with Kommuninvest in Sweden, it was agreed that a meeting will be organized between Eurostat and the Danish and Swedish Authorities in order to reassess the sector classification of these entities, both providing financial lending to local governments. *Deadline: Meeting to be organized by end of June 2022.*

38) In a report published by the National Bank ("New financing of social housing strengthens the market for Danish government securities") it is mentioned that "in an EU context, the debt is compiled based on EMU criteria and on a gross basis. In that compilation, only the central government's portfolio of bonds issued by KommuneKredit can be deducted." Eurostat would appreciate if the Danish Statistical Authorities would clarify this statement and explain why the central

government's portfolio of bonds issued by KommuneKredit are to be deducted.
Deadline: February 2022¹⁸.

Vækstfonden (the Danish Growth Fund)

Introduction

Founded in 1992, Vækstfonden is a venture capital investment fund. Its main objective is to invest in early-stage companies operating in different sectors. Vækstfonden is involved in helping start-ups or already established companies by providing capital and competences. In the 2019 EDP dialogue visit, SD was invited to investigate the activities of the Fund, classified in the financial corporations sector (S.12), in order to see whether some of its activities should not be re-routed through government accounts.

Discussion

Eurostat explained that, in the context of the current measures taken by government in relation to COVID-19, some of the activities undertaken by the Fund may have to be re-routed through government accounts. Eurostat stressed that, in the COVID-19 context, new programs were developed by the Fund, notably for companies particularly affected by COVID-19. Statistics Denmark explained that some of the COVID-19 measures and programs undertaken by Vækstfonden are partly financed by government, which has given a general mandate to Vækstfonden in order to mitigate COVID-19 related challenges. Nevertheless, it is Vækstfonden who decides who are the beneficiaries of its financial support. Vækstfonden decides also on its own the conditions in which loans and guaranties are provided to companies. However, the government would cover the expected losses of these COVID-19 measures while Vækstfonden will assume the risks above the expected losses and receive the potential rewards.

With regard to the financial results of the Fund, Eurostat mentioned that, in the annual financial statements of the unit, it seems that Vækstfonden Growth K/S recorded losses, both in 2020 (DKK 28.926 million) and 2019 (8.890 million). In the questionnaire on government-controlled entities, nevertheless, it seems that the Fund recorded only DKK 162 million losses in 2019. SD agreed to check the figures. In addition, Eurostat mentioned that it should be checked also why in the questionnaire on government controlled entities the Fund is indicated as being controlled by the local government sector (S.1313).

Findings and conclusions

Eurostat concluded that the Fund will be further monitored in order to see the impact on the newly created programs on its financial situation, notably the possible losses in relation to the financial support offered to companies in the COVID-19 context. In addition, also the government involvement in the current and future activity of the Fund should be further scrutinized.

¹⁸ Action point implemented.

5.2. Implementation of the accrual principle

5.2.1. Accrual taxes. Income taxes. Questionnaire on taxes.

Introduction

Approximatively ninety different taxes contribute to the revenue of the Danish government. The largest tax revenue results from the personal income tax, which contributes with approximately 40 per cent to the total revenue. The taxes are recorded in Denmark on accrual basis. All reimbursements, refunds and final settlements are recorded in the year in which the taxes accrue. The assessment method is used for the calculation of taxes. The assessed amounts are recorded entirely as revenue, the amount of taxes unlikely to be collected is recorded as capital transfers.

Discussion

Eurostat mentioned that it would be good to stress three particularities of the Danish tax system which are quite unique compared to the tax systems in the other EU Member States.

One aspect is related to the fact that there are differences between the recording of taxes in the Danish government accounts (public accounts/ government own accounts) and in the national accounts. The difference is due to different registration principles between the government own accounts and national accounts. The national accounts taxes are not on a cash basis, rather the principle is that taxes are recorded when they are due or when they are paid voluntarily.

The second aspect relates to the fact that taxes and duties are not final in Denmark until three years after the year of accrual, and there can be relatively large running corrections¹⁹ which also imply significant revisions between the notifications. New statements of taxes and duties accrued for a year are published seven times over a period of five calendar years. The first two statements are based on account data from the Ministry of Finance. The next revisions are based on assessment information from the Tax Authorities, which continuously adjust the statements after the final evaluation of self-assessment has taken place, and the statements of duties and other taxes are finished. The biggest revision of the statements of accrued taxes and duties in the national accounts takes place during the transition– i.e. from the publication in Mar (t) to the publication in Mar (t+1).

The third particularity is the fact that there are no cash based primary accounts from central government or local governments. To comply with the accrual principle, adjustments are made to taxes and interest.

Eurostat mentioned that not having cash data on taxes creates some problems. There is no other Member State in which cash data on taxes are not available. The lack of cash data makes it difficult to make an extensive analysis on the collectability as well as on the amounts of non-paid taxes.

¹⁹ The pattern of revisions is extensively described in the working group paper: "Comparative analysis of the time-adjusted cash method and the capital transfer method for calculating taxes and duties in Denmark", 2010.

Eurostat mentioned that, during the 2019 EDP dialogue visit, it was explained that the actual book-keeping systems for central government, local governments and social security subsectors are to a considerable extent based on incoming invoices when received and approved and outgoing invoices when sent. The taxes are collected by commercial banks on behalf of the government and then transferred to the government account held at the Danish National Bank without any associated movements in the balance sheet. SD added that using time adjusted cash data for taxes would be difficult, as the same bank account is used for several taxes and also for other revenue/expenditure items.

Eurostat pointed out that, as discussed under the agenda point 1.1 on the implementation of the Council Directive 2011/85, in the framework of action point 1 from the 2019 EDP dialogue visit, it was agreed that the Ministry of Finance will examine the possibility to additionally compile/publish monthly cash data. In addition, in the framework of the same action point it was agreed that the Danish Statistical Authorities will reflect on the possibility to adapt its IT software in order to support a systematic reporting of cash information in the long term. The Ministry of Finance explained that, in Denmark, there is a single tax account in which the receipts for all kind of taxes are collected. As all the receipts are aggregated, it is impossible to know the cash for each type of tax. The Danish Statistical Authorities explained that it could be possible to obtain cash data netted for the total amounts of taxes. Eurostat mentioned that providing cash data on an aggregated basis would be already a good first step. With regard to the possibility of adapting the IT software in order to support a systematic reporting of cash information in the long term, the Danish Statistical Authorities explained that no progress was done in this direction.

Furthermore, Eurostat asked whether the taxpayers could have deposits or savings in this government single tax account. In case such deposits exist, this would imply that there is also a government liability. SD agreed to investigate whether such deposits exist and, in such a case, inform Eurostat on whether this is recorded as an F.2 liability with impact on the Maastricht debt or as other accounts payable (F.89) without impact on the Maastricht debt.

With regard to the differences between the recording of taxes in the government own accounts (GA) and in the national accounts (NA), Eurostat mentioned that in some years the differences between what is recorded in the GA and in the NA taxes are significant. SD explained that the main driver for this difference is the tax on yields on certain pension scheme assets. This is due to the fact that the tax on yields of certain pension schemes enter with one-year delay in the government accounts. Nevertheless, SD uses the data for the national accounts in the same year. Taxes on yields of certain pension schemes accrued in year T are recorded in the government accounts one year later (T+1). Eurostat mentioned that one would expect that the tax on yields is recorded in national accounts with a one year delay and not in the government accounts. SD explained that SD could already record this tax in the year in which the tax is accrued because they do not use the government own accounts but, instead, get the information directly from the Tax Authorities. Eurostat proposed to further clarify what is meant with tax on yield on certain pension scheme assets, whether this is a household tax or an income tax. SD explained that this tax is applied on the income gathered by the pension schemes, and it is a tax paid on capital gains. The fact that the figures are so different from year to year is due to the fact that the capital gains are very volatile depending on the situation on the financial markets.

Furthermore, Eurostat proposed to discuss the figures included in the table provided prior to the EDP dialogue visit, which included a 10 years' time series of receivables on taxes, from the government own accounts and national accounts.

Eurostat pointed out that a problematic aspect, which was discussed during the 2019 EDP dialogue visit, relates to the data for the financial accounts which are available only on a net basis and that the data on transactions are available only as net receivable (F.89) relating to total taxes. During the 2019 EDP dialogue visit, several action points were agreed in this respect. One specific action point, AP 8, was related to the possibility to report a detailed split F.81/F.89 (breakdown by group of units), either in the table 4 of the questionnaire related to EDP tables or, preferably, in a F.8 reconciliation table in order to better substantiate the data on the stock of AF.81 liabilities reported in EDP table 4. SD explained that there is no progress achieved on this. As already explained under the agenda point 1.1., SD agreed to try to exploit more the individual items of the chart of accounts of 12-digit codes and change the basis of the recording of the public accounts of the State so that they would be able to exploit all 12 digits in the chart of accounts as compared to the current practice where only the last 4 digits are used. In addition, SD explained that they have started a cooperation with the Danish National Bank on the compilation of the financial accounts for all the sectors. When this compilation system will be fully developed, SD will be able to use counterpart information on instrument F.8 from all the other sectors. Eurostat asked when it was expected that this compilation system will be fully developed and operational. SD explained that this will take place probably in the next two years.

The discussion moved to the review of a table on tax receivables that had been prepared by SD. It was explained that the taxes recorded in the government own accounts are on an estimated accrual basis and not on a cash basis. The government accounts figures are never revised. The amounts of non-paid taxes are since 2019 the same in the national as in the government accounts.

Eurostat proposed that, for the future, the table "Receivables on taxes from the government account and national account" should be amended in order to include two additional lines: "invoiced" taxes as line 1 of the table and non-paid taxes as line 2. In the line 3, the taxes as recorded in the government accounts should be presented, while in the line 4, the taxes as recorded in national accounts should be included. The line 6 "Change in the government claims for taxes" would thus represent the difference between the total receipts (invoiced taxes or cash) and the accrual data. A final line would show the cash received at aggregated level.

With regard to the corporate income taxes (CIT), Eurostat recalled that, starting with the reporting year 2018, a new method for calculating the CIT was implemented. According to the new method, an estimate is used based on the companies' monthly payments to the Danish Tax Agency during the tax-year. The sum of the ongoing payments is then corrected with a weighted average of the model error for the last two years for which assessed data are available.

Eurostat welcomed the new method and mentioned that, according to the assessment provided by SD, there are now less revisions in the data on income taxes since the new method was implemented.

In relation to the Questionnaire on taxes and social contributions, Eurostat mentioned that, at the end of 2020, SD provided an updated version of the Questionnaire, completing the part 5 tax related measures in the context of the COVID-19 pandemic. It

was recalled that there were some postponements of tax payments for VAT and income tax. As SD uses assessment/ declaration method, the postponed payments do not impact the revenue. However, this can potentially affect the coefficient for non-paid taxes. Statistics Denmark explained that DKK 13 billion write-offs on taxes were recorded in the EDP tables for 2020. DKK 8.5 billion were recorded in the government accounts, while SD estimated DKK 4.5 billion as an extraordinary write-offs in order to compensate the postponement of the payment deadline for VAT and the companies' payment of personal income taxes.

Eurostat shortly recalled that, during the 2019 EDP dialogue visit, the distribution and collection of taxes between local and central government was discussed. Action point 11 referred to the fact on why SD records the taxes collected by central government on behalf of local government as a tax revenue of local government rather than as a tax revenue of central government combined with a transfer expenditure to local government. SD explained that the rates are jointly decided by the central and local government. The central government could also impose to local authorities to transfer some of the taxes to other local units. These aspects were indications that the local government is not able to entirely decide on tax issues. SD explained that there is some equalization of the revenue of the municipalities based on the difference between their estimated need of expenses and their estimated tax revenue valued at an average tax²⁰. It is also the case that, if the municipalities raise their taxes, their transfers from the central government can be lowered²¹. However, the law on municipal tax on income²², §6 – stipulates that it is the local councils who have the final decision to set and vary the rate. Eurostat concluded that, according to the information provided by SD in their note, the current recording could be kept.

Finally, SD explained that there were no changes in the tax burden as there are no new taxes introduced since the last EDP dialogue visit.

Findings and conclusions

Action points

23) Eurostat took note that in Denmark a single tax account system seems to exist in relation to taxes, in which the receipts for all kind of taxes are collected. The single tax account appears to operate on the basis that any incoming cash flow typically services first the longest-standing tax receivable of government. Eurostat highlighted the importance of having clearly assignable cash data on taxes additionally to the accrual data. The Danish Statistical Authorities explained that it is not possible to obtain cash data for each type of tax, however, it could be possible to obtain cash data netted for the total amounts of taxes. It was agreed that the Danish Statistical Authorities will provide those cash data to Eurostat.
Deadline: September 2022.

²⁰ [Lov om kommunal udligning \(Municipal Equalization Act\)](#)

²¹ [Lov om nedsættelse af statstilskuddet til kommuner ved forhøjelser af den kommunale skatteudskrivning \(Act on reducing the state subsidy to municipalities...\)](#)

²² [Lov om kommunal indkomstskat \(Law on municipal tax on income\)](#)

24) Statistics Denmark will in the future provide Eurostat with the time series for “Receivables on taxes from the government account and national account”, which was provided in advance of the EDP dialogue visit, including two additional lines: “invoiced” taxes as line 1 of the table and non-paid taxes as line 2. In the line 3, the taxes as recorded in the government accounts will be presented, while in the line 4 the taxes as recorded in national accounts should be included. The line 6 “Change in the government claims for taxes” would thus represent the difference between the total receipts (invoiced taxes or cash) and the accrual data. A final line would show the cash received, presumably consistently with the information to be collected in the previous action point. *Deadline: in the context of each EDP dialogue visit and for notifications if requested.*

25) The Agency for Modernisation and Public Administration will investigate whether the deposits held by households and companies in the government tax accounts are classified as short time debt with impact on the Maastricht debt or not. A note will be provided to Eurostat on the outcome of this investigation. *Deadline: March 2022²³.*

5.2.2. Ordinary and extraordinary write-offs of tax arrears. Valuation of the stocks of arrears for taxes

Ordinary and extraordinary write-offs of tax arrears

Introduction

In Denmark the write-offs of tax arrears are due to:

- 1) a lack of legal enforceability. The tax arrears deemed not to be enforceable are written off to zero. These arrears cease to exist in the public accounts.
- 2) a lack of ability to pay. The remaining stock of tax arrears is written down to the market value using a model developed by PricewaterhouseCoopers (PwC) and the Ministry of Taxation. These write downs are calculated as the nominal value less the market value of tax arrears, estimated as a certain percentage of their nominal value.

Discussion

Discussion

Eurostat recalled that, when the assessment or declaration method is used, the model could work well under normal circumstances. Nevertheless, in case of exceptional situations, such as a financial or economic crisis, the model might show some shortcomings so that some additional adjustments might be necessary in order to reflect the impact of anticipation or postponement of the payment of taxes. SD explained that, in order to address these potential shortcomings, a precautionary approach was applied and additional write-offs were included in 2020. DKK 8.5 billion of write-offs were calculated using the model applied by the Ministry of Taxation and 4.5 billion of

²³ Action point implemented.

additional write-offs were estimated and included in the national accounts by SD in order to compensate the postponement of the payment deadline for VAT and the companies' payment of personal income taxes. Eurostat asked SD whether they expect to make further additional adjustments or corrections in relation to the tax estimates for 2021. SD explained that, taken into account the accumulation of liquidity by the companies and an anticipation in the payment of taxes, a reduction is expected in the amounts of write-offs for 2021. The Ministry of Taxation explained that, due to the fact that the coefficient for around 30 types of taxes is updated monthly, the model is very reliable and able to reflect the changes in the economic situation quite fast. Eurostat noted that the amounts of write-offs calculated by the Ministry of Taxation and included in the government accounts are very much the same in 2020 as in 2019 despite the COVID-19 context. This shows that there is still a delay in the effect of the impact on the figures. The Ministry of Taxation explained that they considered that the impact of COVID-19 on the amounts of write-offs should not be so significant, therefore they don't expect that the figures will be much different in 2020 compared to 2019. Eurostat asked to be informed, for the April 2022 EDP notification, on whether there are new measures undertaken by the Danish government during 2021 that could potentially lead to further corrections and whether the correction for 2020 will be revised.

Finally, Eurostat inquired about any developments in relation to the project of modifying the land tax scheme. SD explained that there have been no developments. It is expected that the new method on the valuation of land should be implemented by 2024. Eurostat recalled that the impact of the new recording should be considered at the moment when an irrevocable commitment to refund will officially take place. It was agreed that SD will monitor the development in relation to potential changes to the land tax in Denmark and report to Eurostat.

Findings and conclusions

Action point

26) Eurostat took note of the corrections made for 2020 in relation to the deferral of taxes, following certain policy measures implemented in response to the COVID-19 pandemic. These corrections reflected the fact that the actual collection of some taxes was postponed until 2022 as part of relief measures. In the context of the April 2022 EDP notification, Statistics Denmark will verify that there are no new measures undertaken by the Danish government during 2021 that could potentially lead to further corrections. *Deadline: March 2022²⁴.*

5.2.3. "Mini One-Stop Shop" (MOSS) scheme

Introduction

Since January 2015, broadcasting, telecommunication and electronic services are taxed in the country in which the customer is located. This leads to cash flows between member states. In order to simplify the settlement mechanism for companies, the so-called Mini One Stop Shop (MOSS) scheme was introduced. The scheme allows domestic producers to declare their sales to other member states (beneficiary member state) and pay all

²⁴ Action point implemented.

related VAT to the MOSS (collecting member state), which will then forward the VAT to the beneficiary member states for a corresponding service fee. In national accounts, the total amount of the VAT enters the accounts of the beneficiary member states. At the beginning, however, there was a four-year transition period (2015 to 2018) during which the collecting member states may have kept a diminishing part of the collected amounts. Those amounts are to be recorded as D.74 expenditure in the accounts of the beneficiary member state and, consequently, as D.74 revenue in the accounts of the MOSS VAT collecting member state.

Discussion

Eurostat pointed out that this item was discussed for the first time during the 2019 EDP dialogue visit and several aspects related to the recording were clarified with SD, such as the implementation of the revisions in the data for 2015-2018 due to an overestimation of revenues due to MOSS. In addition, several aspects on the data sources for MOSS as well as on their recording were discussed with the Danish Authorities. With regard to the recording, it was clarified during the 2019 EDP dialogue visit that SD uses data from the Danish Tax Agency (Skattestyrelsen - hereinafter referred to as 'SKAT') to record national accounts VAT and not data from the government own accounts. Nevertheless, according to SD, both data should in principle be identical. SD explained in 2019 that the SKAT data are of a provisional nature, as the necessary data infrastructure was not fully in place. SD explained during the meeting that the system of collecting such data is in place but not fully operational and therefore the data is still to be considered as provisional. With regard to the recording, it was also clarified that all VAT collected from the Danish MOSS are recorded as a payable and it is therefore only recognized on the government balance sheet (and not in the profit and loss accounts). In contrast, the VAT received from other countries is recorded within the government own accounts (profit and loss accounts). The VAT received is a net inflow, i.e., the MOSS located in the collecting member state transfers the VAT less the amount retained by Denmark. SD explained that the MOSS impact on the government balance sheet is correct. Nevertheless, only the aggregated value is available in relation to the MOSS but not the individual transactions.

SD presented some problematic issues related to the implementation of the scheme such as the missing D.74 transfer and the overestimated revenue reported in the GFS data for the years 2015-2016. On the other side, for the more recent years, the revenues are slightly underestimated. SD raised the attention of Eurostat on the fact that, currently, there is no D.74 transfer from 2019 and onwards since during the interim period of MOSS from 2015 to 2018 the Task Force on GFS agreed to retain a part of the VAT on electronic services. In addition, SD explained that Statistics Denmark does not have any information on VAT collected by the Danish Tax Authorities on behalf of other countries. This implies that the B.9 may potentially be underestimated with an unknown amount. SD explained that the figures related to the MOSS scheme are not significant in general, therefore they don't assume that the impact of the lack of such data would be significant. Nevertheless, it was agreed that SD will investigate whether the related impact on B.9 is correctly reported and/or whether estimates should be included in the calculations.

It was confirmed by SD that the data on MOSS for the year 2015, 2016 and 2018 will be revised only in the framework of the next benchmark revision.

Findings and conclusions

Action point

27) Statistics Denmark informed Eurostat that currently there is no information available on the amounts of VAT on digital services collected by the Danish Tax Authorities on behalf of other countries. In this context, Statistics Denmark will investigate whether the related impact in B9 is correctly reported and whether estimates are included in the calculations. A note will be provided to Eurostat. *Deadline: March 2022*²⁵.

5.2.4. Accrued Interest. Interest on swaps. Consolidation of interest. Financial derivatives.

Introduction

During the 2019 EDP dialogue visit, the tables on the recording of interest accrued and financial derivatives were largely discussed. Several action points on interest (AP. 18, 19) as well as on derivatives (AP 20, 21, 22 and 23) were agreed with the Danish Statistical Authorities.

Accrued interest

Eurostat highlighted that the main purpose of the table on interest is to check the consistency of stocks and flows reported for coupons and premiums/ discounts and to see whether this data is consistent with the data included in EDP Table 3A/Table 3B under the details: "Difference between interest (D.41) accrued (-) and paid (+)" and "Issuances above(-)/below(+) nominal value". Due to the fact that the figures included in the table provided do not match the figures from the EDP tables, it is very important to clarify the figures and ensure that the figures are consistent.

SD explained that the completion of the table requires a very good expertise in the field of interest and therefore the Danish National Central Bank (NCB) was in charge of completing the table. SD suggested that all the questions related to the data provided in the table should be addressed in writing to the NCB. Eurostat agreed to group all questions in a special action point on interest.

Findings and conclusions

Action points

28) Eurostat welcomed the interest table prepared by the Danish Statistical Authorities in advance of the meeting, and further asked to clarify the following matters:

- a) To indicate the scope of the table, in terms of sectors and debt instruments included.
- b) How the table reconciles with the gross debt reported in EDP Table 1.

²⁵ Action point implemented.

c) To recalculate the stocks of accrued coupons/interest (line 1), which cannot be negative. These negative amounts are likely to be explained by an anomalously large item 6 (coupons bought back on repurchases).

d) In relation to the figures shown within line 3 of the table (flow of coupons accrued), the Danish Statistical Authorities will reflect on why the figure shown for 2020 is lower than that of 2019, despite of the fact that:

- i. The stock of debt increased sharply during 2020.
- ii. There were no significant debt redemptions during 2020, with very limited change in the profile of the debt cost.
- iii. The cost of the bonds issued remained stable in 2020 compared to 2019.
- iv. An EMTN program loan and commercial paper were issued during 2020, while no such financing took place during 2019. Short and medium-term issuances typically have higher interest costs.

e) The Danish Statistical Authorities will analyse why the figures reported within line 5 of the table (coupons sold) show an increase of 446% in 2020, compared with 2019, whereas the volume of bonds sold only increased by 65 % during the same period. This analysis should focus on the monthly distribution of bond issuances across the year and include a clarification on whether all coupons are still paid on 15 November (as it was explained in the 2019 EDP dialogue visit).

f) The Danish Statistical Authorities will clarify why the figures reported in line 6 of the table (coupons bought-back) are so large over 2016-2020 (see point c above) and show an increase of 124 % in 2020, compared with 2019 (while the volume of repurchases only increased by 69 % in the same period).

g) Regarding line 7, the Danish Statistical Authorities will verify if the stock of premium(+)/discounts (-) is plausible by comparison to item 12 (see point i below)

h) Regarding line 9 of the table (premiums/discounts at issuance), Eurostat noted that there were no discounts reported. However, based on the information published by the Danish National Bank, there seemed to be an issuance at a discount on April 2020 (ISIN DK0009924029), for a discount value of DKK 42 million. The Danish Statistical Authorities will clarify this issue and report separately premiums and discounts in the table, as well as inform Eurostat whether the 'cut-off' price reported by the Danish National Bank in the published data on bond auction results includes or not coupons sold.

i) The Danish Statistical Authorities will check and, if necessary, re-calculate the amounts reported in the lines 12a (amortisation of premiums) and 12b (amortisation of discounts). For line 12a, the re-calculation would reflect the stock of premiums (e.g. DKK 5.372 million for the end of 2019) and the average maturity of debt (e.g. 11 years in 2020, rendering an amortisation of around DKK 500 million for 2020 - although the exact amount can only be calculated on a bond by bond basis). For line 12b, the re-calculation might result in lower amounts for 2020. See point g above.

j) The Danish Statistical Authorities will complete line 15 (premiums/ discounts repurchased) which is currently empty, despite very active repurchases. This line

should show the reduction in the stock of premiums/ discounts due to their early retirement at time of repurchase. It is equal to the face value of the repurchases minus the associated ESA nominal value, net of coupons. This item is not the same as the item redemptions/repurchase of debt above(+)/below(-) nominal value in EDP table 3.

k) Once a new table is prepared, the Danish Statistical Authorities will ensure that line 17 (changes in coupons and amortisation of discount/ premium) matches EDP Table 3 “difference between interest accrued and paid” (with opposite sign).

l) The Danish Statistical Authorities will reflect on how to report the inflation indexed bonds in stock, showing them if applicable in line 23a of the table.

Deadline: June 2022.

Financial derivatives

Eurostat stressed that one of the main objectives of the table on financial derivatives is to check whether there is consistency between the stocks and flows in connection with financial derivatives, but also, to provide a general overview on the types of derivatives existing in Denmark. SD compiles the table based on the information provided by the Danish National Central Bank.

The debt management tasks such as the sale of securities, buy-backs, swaps, settlements, bookkeeping and accounting are the responsibility of the Danish National Central Bank.

Eurostat pointed out that, for the local government subsector (EDP table 3D) as well as for the social security subsector (EDP table 3E), no transactions in financial derivatives are reported.

It was clarified that the data on stock and flows of interest rate and currency swaps included in the table refer only to extra-budgetary entities, while the item ‘others’ includes all interest rate and currency swaps for the central government core unit. SD suggested that all the questions related to the data provided in the table on derivatives should be addressed in writing to the Danish National Central Bank. Eurostat agreed to group all the questions in a special action point on financial derivatives.

Findings and conclusions

Action points

29) Eurostat welcomed the derivatives table prepared by the Danish Statistical Authorities in advance of the meeting. Eurostat welcomed a reporting that distinguishes assets from liabilities in both stocks and transactions, which is often currently not achieved by many reporters (notably with transactions signs that seem plausible). However, the derivatives table was not aligned with the two derivatives entries in EDP table 3, which is the main purpose of this derivative table. Aside from this, Eurostat also would like the Danish Statistical Authorities to adjust the table or to clarify the following aspects:

a) Clarify the coverage of the table.

- b) Adjust the bloc 1 to align it on bloc 2 with respect to the entries for currency swaps (misplaced in Forex swaps).
- c) Report in bloc 2 the notional value of the instruments on either the asset or the liability sides, depending on whether the derivative is an asset or a liability (currently the notional value is counted twice).
- d) Comment the significant increase in the stock of net liabilities (DKK 6.5 billion) reported for 2020.
- e) Fill the bloc 5 on hedging of debt in foreign currency.
- f) Clarify the nature of cancellation payments, and to what extent these comprise unwinding of hedging swaps.
- g) In this respect, clarify the origin of the DKK 10 billion entry in appreciation/depreciation in 2020 in EDP table 3A/B.
- h) Confirm that all the derivatives reported in the table have central counterparties and verify the reporting of collaterals made in bloc 3, which shows liabilities in 2017-2019.

Deadline: June 2022.

5.3. Recording of specific government transactions

5.3.1. Government operations relating to government intervention to support financial institutions

Eurostat noted that the revenue due to the interest received by government from the financial institutions benefiting from its support decreased significantly since 2015. However, figures reported in the table are almost negligible for the years 2019 and 2020.

5.3.2. Capital injections in public corporations

Introduction

Prior to the EDP dialogue visit, the Danish Statistical Authorities provided an extensive list of all the capital injections recorded in Denmark between 2018 and 2020. The table included information on the largest capital injections by individual companies and by general government sub-sectors.

Discussion

Discussion

Eurostat proposed to clarify some aspects in relation to the capital injection into Evida Holdings A/S (the owner of the gas distribution grid in Denmark). Eurostat recalled that the capital injection into Evida Holdings A/S in 2020 was recorded as a financial transaction without impact on the general government net lending/ net borrowing. SD

explained that this recording is justified by the fact that Evida Holdings A/S recorded profits in 2019 and 2020. Eurostat mentioned that, additionally to this capital injection, the government was also involved in an acquisition of equity of DKK 1.7 billion in the same company in 2020. Eurostat questioned whether this acquisition of equity is not rather a purchase of assets (gross fixed capital formation) given the fact that government has in substance purchased the gas distribution network. SD explained that the Danish state-owned transmission system operator (Energinet) sold the domestic gas distribution grid to a newly created company (Evida) for a price of DKK 4.2 billion. Eurostat pointed out that there are some similarities with cases already noticed in some Member States when government created an entity, which is basically only holding assets (in the case of Evida, the gas distribution grid). Therefore, this acquisition could potentially have the nature of an acquisition of fixed assets and not an acquisition of equity. Eurostat explained that the capital injection into Evida could be seen as a financial support for the entity to acquire a specific fixed asset, in this case the gas distribution network. In this case, the operation should be recorded as an investment grant in the government accounts, because the government supports an entity to acquire a specific fixed asset. In this context, Eurostat asked SD to further analyse the feature of this transaction and see whether the current recording is appropriate or whether it should be rather treated as an investment grant provided by government to the company for the acquisition of assets.

Furthermore, Eurostat discussed the capital injections into the Growth fund (Vaeksfonden). There was a significant acquisition of equity in Vaeksfonden, of DKK 4.9 billion in 2020. SD explained that this was related to new programs run by the Fund in the COVID-19 context. As discussed under the agenda point 5.1.5., the fund received a general mandate from government in order to provide financing and guarantees to different companies in the COVID-19 context.

In relation to data sources, SD recalled that the capital injection test at local level is applied only to quasi corporations and that the capital injection test is done on an aggregate basis. Capital injections made in profit making quasi corporations are recorded as equity in the government accounts and those made in deficit making quasi corporations are treated as capital transfers. At central government level, SD can identify the capital injections treated as transaction in equity, entity by entity, based on the information included in the account data on the central government accounts from the Agency for Public Modernisation. However, SD is not able to perform the capital injection test in the March compilation of EDP/GFS as the data sources of the central government accounts are only used in the October EDP notification. In the June compilation of GFS, SD performs the capital injection test using information from the financial reports of the corporations that have received capital injections from central government, as well as from the data provided by the MoF. Therefore, having analyzed both data sources, SD can re-assess the recording of equity injections at the central government level, if necessary, for the October EDP notification. Statistics Denmark confirmed that they continue to apply a preventive approach with regard to the recording of capital injections. This implies that SD is informed early in the process by the MoF, if there are plans to make a capital injection into a corporation which is facing financial troubles. As SD is informed at an early stage, they are able to apply the appropriate recording as a capital transfer for those transactions from the central government already in the March compilation of GFS and thereby also in the April EDP notification.

Findings and conclusions

Action point

34) The government acquisition of equity of DKK 1,7 billion recorded in 2020 into Evida Holdings should be further analysed in the light of the fact that government may have invested in Evida Holdings in order to acquire the gas distribution grid, i.e., a fixed asset. In this context, Statistics Denmark should further clarify whether this transaction should actually be recorded as an acquisition of equity or whether it should rather be recorded as an investment grant for the acquisition of assets by Evida Holdings. An analysis should be provided to Eurostat. *Deadline: September 2022.*

5.3.3. Financial derivatives

The item was already discussed under point 4.2.4 *Accrued Interest. Interest on swaps. Consolidation of interest. Financial derivatives.* No other relevant aspects were discussed under this agenda point.

5.3.4. Guarantees

Introduction

In Denmark, there are no guarantees on assets but only guarantees on borrowing. Most of the guarantees are provided by the Ministry of Finance to public corporations and some by the Ministry for Industry, Business and Financial Affairs to financial corporations.

Discussion

Eurostat asked some questions on the amounts recorded as guarantees provided to Vækstfonden and wondered why the data for the total amount of guarantees was not available, but only those guaranteed by government. SD explained that the total amount of guarantees is not available for some entities such as Vækstfonden, Export Credit Bank and Kalaallit Airport, but only data on the guarantees provided by government.

Eurostat pointed out that there is no debt assumed by general government in ESA2010 accounts in relation to guarantees. SD confirmed that this is the case.

SD recalled that the guarantee calls are recorded in the same way in the national accounts as in the public accounts. In case a public or private unit is not able to repay its financial obligations (guaranteed by government), the government *de facto* assumes its debt through a guarantee call. In Denmark, a guarantee call results in a cash outflow (expense) in the public accounts and a government expenditure of the same amount in national accounts. There are only very rare cases in which a guarantee call leads to the recognition of a claim, which means that the cash outflow in the public accounts is not matched by a correspondent expenditure in national accounts. In general, the central government records a claim in its own accounts if it is considered possible to recover the receivable. However, this is normally not the case as the guarantee call typically implies that the claim does not have any real market value. SD confirmed that, in practice, the value of the claim is always recorded as expenditure with impact on the B.9.

With regard to the local government guarantees, data is collected via an annual survey (questionnaire). It was confirmed that, since 2019, data received is exhaustive and correctly reported.

With regard to the cash payments related to guarantee calls recorded in the local government's accounts, SD indicated that call of guarantees at local government level is very unusual and always recorded as government expenditure.

Eurostat recalled that SD performed an additional exercise in 2018 and examined the replies provided by the local authorities. As a result, data on local guarantees was significantly revised. Eurostat asked during the meeting whether SD is still performing occasional investigations on the data collected from the local authorities. SD explained that, analyzing the data in such a detail as in 2018 is quite time consuming and therefore, it was done only once. Such an exercise is not planned for the future.

Eurostat highlighted that, despite the progress made in collecting data on guarantees, Denmark is still only partially fulfilling the requirements of the Council Directive 2011/85 on publication of data on contingent liabilities. This is due to the fact, Eurostat recalled, that data for standardised guarantees issued by local government are still not available. SD explained that, if standardized guarantees schemes exist at local government level, the amounts involved would be quite small. Eurostat pointed out also that, in 2019, it was agreed under action point 48 that some newly created guarantees schemes related to social housing and to mortgage bonds would be analysed in order to see whether these should be considered as standardised guarantees schemes. SD provided a note on their analysis. Eurostat recalled that, for the April 2021 EDP notification, Eurostat further investigated the recording of standardised guarantees and notably the amounts of provisions recorded in the government accounts (GFS data). Due to some unclarified aspects in the recording, Eurostat organised a video-conference with SD in June 2021, where several aspects were further clarified. It was concluded that the "Mortgage bond issuance" guarantees do not have the feature of standardised guarantees because the government is directly guaranteeing the bonds issued by the mortgage institutions, which are then purchased by government itself. Therefore, these guarantees were excluded from table 9.4. In addition, the standardised guarantees "Lending to social housing" were further analysed by SD for the October 2021 EDP notification. In their note, SD considered that, these guarantees do not have the nature of standardised guarantees neither.

In the context of the October 2021 EDP notification, it was also clarified that the guarantees provided by Vækstfonden in the COVID-19 context were considered as standardized guarantees, therefore SD included provisions (F.66L) in table EDP related table 9.4. SD confirmed that the amounts recorded in the table will be regularly updated.

Eurostat asked whether the amounts of guarantees granted by the Danish National Bank on behalf of government are included in the EDP related questionnaire table 9.1. SD agreed to investigate whether these kind of guarantees are included in the table and to inform Eurostat on the outcome.

Findings and conclusions

Action point

31) Statistics Denmark will investigate whether the amounts of guarantees granted by the Danish National Bank on behalf of government are included in the EDP related questionnaire table 9.1. *Deadline: April 2022 notification*²⁶.

²⁶ Action point implemented.

5.3.5. Debt assumptions, debt cancellations and debt write-off

Introduction

Prior to the EDP dialogue visit, Eurostat requested a list of debt assumptions, debt cancellations and debt write-offs for the period 2018-2020 as well as a list of government claims, split by stocks and transactions, for the same period.

Discussion

Eurostat pointed out that most of the write-offs relate to student loans and loans for housing. Eurostat asked whether there are also cases of debt cancellation, since SD only reported cases of write-offs²⁷. SD explained that they make no distinction between the data on write-offs and debt cancellation. Both operations are recorded in a general account without the possibility to distinguish whether a transaction is a write-off or a debt cancellation and therefore all the transactions are considered by default as being write-offs. With regard to student loans, Eurostat mentioned that there are some small amounts recorded as debt assumptions and as write-offs and asked whether the write-offs in relation to student loans are recorded as capital transfer in the EDP related questionnaire table 8.1. SD were not sure that the amounts are included in the table and agreed to check.

In relation to government claims, Eurostat mentioned that the claims of municipalities were revised compared to the data provided for the 2019 EDP dialogue visit. SD explained that, after checking the central government data sources, it seemed that a significant loan was paid back by the municipalities in 2016 and claims for the years 2017 and 2018 were revised.

SD also recalled that the significant consolidation adjustment for loans to extra-budgetary units (EBU) is due to the loans granted by government to extra-budgetary units which are part of the general government. Eurostat also advised that the amounts on interest free loans – COVID-19 related included in the table for the year 2020, should be recorded also in the table on the Recording of government measures undertaken in the context of COVID-19.

Eurostat asked about the claim "Danmarks konvertible lånebidrag til udviklingslande", which is included as a foreign loan in the table provided prior to the dialogue visit. SD agreed to investigate what are these convertible loans and why are they considered as foreign loans.

Furthermore, Eurostat asked some questions related to the on-lending operations carried out to the benefit of public corporations. Eurostat inquired whether the amounts of claims included in the EDP related questionnaire table 8.1 on public corporations are entirely or only partially reflected within the amounts recorded in the EDP table 4 in the part "the amount outstanding in the government debt from the financing of public undertakings". SD agreed to investigate and inform Eurostat on the outcome.

²⁷A write-off is a debt cancellation which incurs without any mutual agreement between the parties involved due to the death (in case of debt of a person) or disappearance of a unit which incurred debt. This is why a write-off cannot be considered a transaction but should be recorded as other changes in the volume of assets.

With regard to a new introduced item in the table, “LD Pensions” of DKK 51.415 million, SD explained that the Danish Parliament decided to open up for a voluntary pay out of the frozen holiday fund (LD fund) to stimulate the economy following the COVID-19 pandemic. This fund is classified as Other Financial Intermediaries (S.125). Normally, the wages accrued for holiday allowances that were “frozen” are placed in the LD fund who manage the funds until the person exits from the labor market, mostly due to retirement. Due to the COVID-19 crisis, the government decided to stimulate the economy by suspending the forced saved holiday allowances. Thus, one employee could choose to have the “frozen” holidays allowances paid out, which is taxed upon the payment. This possibility was voluntary, and many people opted for it, which impacted heavily on the liquidities of the companies, as they needed to pay the holiday allowances to the LD fund. As this could potentially bankrupt many companies, the government provided a loan DKK 51.415 million to the LD fund.

Eurostat asked whether the LD fund should be considered as an insurance scheme or as a financial auxiliary. SD explained that the fund does not act as an insurer but as a manager who invest the money from companies. As “Other Financial Intermediaries” (S.125) include companies engaged in financial leasing and consumer and other lending, as well as a range of other companies engaged in financial intermediation, SD considers that classifying the unit in S.125 would be appropriate. It was agreed that SD will provide a note to Eurostat with detailed information on the characteristics and the functioning of the LD Fund as well as on the reason why SD consider that this fund should be classified in the S.125 sector.

Findings and conclusions

Action points:

31) Statistics Denmark will verify whether the write-offs in relation to student loans are recorded as capital transfer in the EDP related questionnaire table 8.1. *Deadline: April 2022 notification*²⁸.

32) Statistics Denmark will investigate to what the foreign claims “Danmarks konvertible lånebidrag til udviklingslande” refer to in the detailed table on central government claims provided prior to the EDP dialogue visit. *Deadline: June 2022.*

12) Statistics Denmark agreed to provide a note to Eurostat with detailed information on the characteristics and functioning of LD Fonde. Statistics Denmark is also invited to explain in the note the reasons why the LD Fonde is currently classified in S.125. *Deadline: August 2022.*

14) Statistics Denmark will amend the presentation in the EDP table 4 of the part “the amount outstanding in the government debt from the financing of public undertakings”.

²⁸ Action point implemented.

- a) It will exclude the central government deposits with the Central Bank.
- b) In contrast, it will report the on-lending operations carried out to the benefit of public corporations. Statistics Denmark will check whether the amounts of claims included in the EDP related questionnaire table 8.1 on public corporations are to be reflected in all or only in part within the amounts recorded in the EDP table 4 in the part “the amount outstanding in the government debt from the financing of public undertakings”. *Deadline: April 2022 notification*²⁹.

5.3.6. Dividends, Superdividend, Privatization.

Introduction

Prior to the EDP dialogue visit, Eurostat requested a note on the dividends paid by individual companies to government for the period 2018-2020 as well as on the superdividend test for 2020.

Discussion

Eurostat thanked SD for the list including all the dividends received by government. It was noticed that only a superdividend was recorded in 2020 and there were no interim dividends paid in 2020. Eurostat pointed out that, in the table on the profit recorded by the different companies for the year 2017, there were significant differences for the figures provided for this indicator between the data provided for the 2019 and the 2021 EDP dialogue visits, affecting two companies (Orsted and Sund og baelt). Eurostat asked why the financial annual results were so different in the two documents and whether this is due to some updates in the data. Eurostat pointed out that the total amount of dividends reported in the EDP related questionnaire table 10.2 and the reported dividends for some companies differ from the amounts reported in the detailed table provided prior to the EDP dialogue visit. SD could not explain the differences and agreed to check again the figures and inform Eurostat about which figures were the correct ones.

Eurostat mentioned that the Danish National Central Bank is not included anymore in the list. SD explained that the NCB did not pay any dividend in the last two years and therefore they did not include it in the table anymore.

Eurostat recalled that, during the 2019 EDP dialogue visit, it was clarified that the superdividend test is not performed for the dividends paid to local government. This is due to the fact that SD does not have information on the units which are paying the dividends. Therefore, only larger distributions, identified as peaks in the time series, are subject to the superdividend test. SD explained that, in Denmark, legal provisions stipulate that companies are not allowed to pay out dividends to government without sufficient profits and therefore superdividend payments are rather exceptional for the government sector. SD considered that the current data availability does not allow superdividends calculations. However, the likelihood of superdividends in local government is very small and therefore, it would not be worth to introduce a coefficient. SD proposed to continue using the current method, notably analysing the income

²⁹ Action point implemented.

accounts of the local government. Eurostat agreed with this approach and considered the action point as closed.

In relation to ongoing litigations regarding possible reimbursements of dividend tax to non-residents, Eurostat recalled that any amounts should be recorded at the moment the settlement will be made or will be established by the Court. SD confirmed that this is the recording followed so far and that if there will be some more court decisions on this, the impact will be recorded in the year in which such decision was established.

Findings and conclusions

Action point

33) Statistics Denmark will check why the total amount of dividends reported in the EDP related questionnaire table 10.2 and the reported dividends for some companies differ from the amounts reported in the detailed table provided prior to the EDP dialogue visit. Statistics Denmark will inform Eurostat about the outcome of the review. *Deadline: April 2022 notification*³⁰.

5.3.7. Public Private Partnerships and concessions

Introduction

Prior to the mission, SD sent to Eurostat an updated list of all the PPP projects in Denmark. There were 12 PPP projects, which all relate to construction of public buildings such as public schools, city courts, police stations or office buildings. The contractual capital value of these projects is rather small, except for Kalvebod Brygge which relates to the construction of office buildings with a capital value of approx. DKK 1.900 million (around 0,1% GDP). All PPPs in Denmark are currently recorded off balance sheet.

Discussion

Eurostat mentioned that the list on the PPP projects is the same as the list provided for the 2019 EDP dialogue visit, including the same projects and the same contractual capital value. According to the figures, there were no new developments in this area. SD stated that there were no new contracts signed other than those already analyzed in the context of the 2016 and 2019 EDP dialogue visits. SD agreed to inform Eurostat in case new PPP projects will be signed. Eurostat recalled that, during the 2019 EDP dialogue visit, the discussion on PPP mainly focussed on the possible existence of PPP at local and regional level. Eurostat mentioned that this is a problematic aspect in most of the Member States because the data collection systems are often not designed to capture information on the existence of such contracts at the level of local authorities. SD explained that there is no systematic data collection on such projects in Denmark and agreed under action point 39 to investigate the possibilities to capture such information. SD informed Eurostat, end of November 2020, that they had a meeting with Ministry of Interior and Housing.

³⁰ Action point implemented.

According to the discussion, it seems that if a local government unit engages in a PPP project, it shall make a deposit equal to the price of the asset. This deposit will, ceteris paribus, increase their liabilities. So, no matter if a local government will make/pay the asset itself or engage in a PPP contract, the liabilities of local government will increase. The financial construction costs will therefore not alter the amount of liabilities. During the discussion, the Danish Statistical Authorities confirmed that, as mentioned in the note provided to Eurostat, in case a company is involved in a PPP project, the company is obliged to make an earmarked deposit including the amount of money which is stipulated in the contract. This deposit is kept in the local government accounts, so the local authorities should be aware of all the deposits and detect those which could be susceptible to be linked to PPP projects. It was agreed that the Ministry of Interior and Housing will monitor deposits susceptible to be related to PPP and inform Statistics Denmark on a continuous basis.

With regard to concessions, SD informed Eurostat prior to the EDP dialogue visit that they are not aware about concession contracts undertaken in the period 2018-2020. In addition, SD informed Eurostat that they contacted the Ministry of Finance regarding EPC Projects and according to these discussions there are no on-going nor planned EPC projects currently in Denmark.

Findings and conclusions

Action point

35) As the Ministry of Interior and Housing receives on a monthly basis information on the newly made deposits of the local governments in connection with PPPs, it was agreed that in the future the Ministry would inform Statistics Denmark on newly contracted PPP projects. *Deadline: continuous.*

5.3.8. Disposals of non-financial assets by general government. Sale and leaseback operations. UMTS.

Regarding the mobile telecommunications licenses, Eurostat clarified with SD that the recording will be revised for the next benchmark revision in 2024 according to the Eurostat 2017 Guidance. Currently, the sale of mobile telecommunications licenses is recorded as a sale of a non-produced asset and therefore the sale proceeds are recorded in full as a one-off revenue in the year in which the license was sold. SD will change this recording and will recognize this sale as a rent income and, as such, the revenue will be spread over the years for which the license was sold. SD explained that this will represent the major correction in the data to be implemented for the 2024 benchmark revision.

5.3.9. Re-routing of transactions, assets and liabilities through government accounts

SD confirmed that there were no re-routing of transactions, assets and liabilities through government accounts.

5.3.10. Carbon trading rights

Introduction

Prior to the EDP dialogue visit, SD sent to Eurostat an update of the ad-hoc table on emission permits for the period 2005-2020. The table provided data on several items such as all permits given for free, those sold, issued and surrendered. The table included also data on the amounts of cash received as well as on the auction price and average price.

Discussion

Eurostat pointed out that, while analyzing the data provided in the context of the mission, it could be noted that cash recording was applied. The fact that the amounts of cash received from ETS platforms auction fully coincide with the amounts recorded as D.29 carbon tax revenue as well as the fact that there are no payables recorded in any year, is a clear indication that the cash recording is used. SD explained that the current recording is justified by the fact that the permits sold in the year t-1 are considered surrendered mostly in year t (following the FIFO method) and that the surrendered permits in the year t are recorded as government revenue in the year of pollution which is t-1. Eurostat recalled that ETS is an advance on a tax and therefore this should not be recorded as revenue. MGDD chapter 6.5.2.7 stipulates that D.29r should be booked only in the year of surrender of ETS permits and neither at time of pollution nor when the allowances are sold to economic agents, which in principle entails some time lag for government revenue compared to cash receipts of at least 1 year (at a minimum). SD reiterated that they tried to follow the approach taking into account the time of pollution. Eurostat mentioned that this is not wrong, nevertheless, respecting the time of pollution does not mean to use the cash recording. In order to reflect the time lag, Eurostat proposed two options; applying the simple FIFO method, equivalent to time adjusted cash of +12 months or the real 'weighted average price method'.

Furthermore, Eurostat asked SD whether they are aware on the Agreement for Statistical Transfer of Energy from renewable energies and if they were aware on how some of the transfers, notably with the Netherlands, are recorded in the Danish National accounts. SD explained that they would investigate and inform Eurostat on the exact recording. Eurostat proposed that SD could potentially contact Statistics Netherlands in order to see how they treated in the Dutch national accounts the respective transactions. It should be investigated whether these transactions were recorded as sale of license or as transferable license. Eurostat highlighted that it is also important to clarify the time of recording and, when exactly the revenue from Netherland should be recorded. SD agreed to check the agreement for Statistical Transfer of Energy between Denmark and the Netherlands and potentially discuss the aspect of the recording with Statistics Netherlands.

Findings and conclusions

Action points

36) Eurostat took note that Statistics Denmark uses pure cash for recording the tax revenue (D.29r) related to emission trading permits. Previously, this cash recording has been wrongly labelled as a 'weighted average price' method. Statistics Denmark explained that the current recording is justified by the fact that the permits sold in t-1 are considered surrendered mostly in t (following the

FIFO method) and that, at the same time, the surrendered permits in the year t are recorded as government revenue in the year of pollution (which is t-1). It is recalled that MGDD 6.5.2.7 stipulates that D.29r should be booked only in the year of surrender of ETS permits and neither at time of pollution nor when the allowances are sold to economic agents, which in principle entails some time lag for government revenue compared to cash receipts of at least 1 year (at a minimum). Although Eurostat understood the strong logic of recording the tax in the year of pollution, Eurostat noted first that this was not aligned with the agreement in Europe on this issue and second that this should anyway not be at the cost of leading to a cash recording of ETS tax revenue. Eurostat pointed out that some AF.8 government liabilities were indeed necessary, so to accommodate cross border flows (that should mostly enter the financial accounts). Eurostat recommends that SD applies a method that creates AF.8 liabilities, either the simple FIFO method (equivalent to time adjusted cash of +12 months), or some longer time lags, or a real 'weighted average price method'. *Deadline: March 2022*³¹.

37) Statistics Denmark will check how the transactions specified in the agreement for Statistical Transfer of Energy between Denmark and the Netherlands are recorded. Statistics Denmark is invited to send a note to Eurostat clarifying the time of recording as well as details on how the payments received from the Netherlands are recorded in the Danish government own accounts and with Danish GFS accounts. *Deadline: September 2022*.

³¹ Action point implemented.

EDP dialogue visit to Denmark 29-30 November 2021

Starting on 29 November 2021, 09:00

Agenda

1. Statistical capacity issues

1.1. Institutional responsibilities in the framework of the compilation and reporting of EDP and government finance statistics

1.2. Data sources and revision policy

1.2.1 Data sources for central (extra-budgetary accounts), local government and social security funds. Data sources based on MFI (monetary financial institutions) and VP securities statistics

1.2.2. Implementation and assessment of the new revision policy

2. Follow-up of the EDP dialogue visit of 7-8 May 2019

3. Follow-up of the October 2021 EDP reporting – analysis of EDP tables

3. 1. EDP tables

3.2. Questionnaire related to the EDP tables

4. Recording of government measures undertaken in the context of COVID-19

4.1. COVID Table

4.2. Table for reporting of expenditure and other costs financed by the RRF

4.3. Other expenditure measures, including support to SAS Airlines

5. Methodological issues and recording of specific government transactions

5.1 Delimitation of general government, application of market/non-market rule in national accounts

5.1.1. Practical implementation of the market/non-market test

5.1.2. Changes in sector classification since the May 2019 EDP visit

5.1.3. Questionnaire on government controlled entities classified outside the general government sector

5.1.4. Sector classification of selected units

- Metroselskabet

- Railways companies
- Kommunekredit
- Vækstfonden

5.2. Implementation of the accrual principle

- 5.2.1. Accrual taxes. Ordinary and extraordinary write-offs of tax arrears
- 5.2.2. Valuation of the stocks of arrears for taxes
- 5.2.3. "Mini One-Stop Shop" (MOSS) scheme
- 5.2.4. Accrued Interest. Interest on swaps. Consolidation of interest.

5.3. Recording of specific government transactions

- 5.3.1. Government transactions supporting financial institutions
- 5.3.2. Capital injections in public corporations. Capital injection test at central and local level.
- 5.3.3. Financial derivatives
- 5.3.4. Guarantees
- 5.3.5. Debt assumptions, debt cancellations and debt write-offs
- 5.3.6. Dividends, Super dividends, Privatization
- 5.3.7. Public Private Partnerships, Concessions and EPC's
- 5.3.8. Disposals of non-financial assets by general government. Sale and leaseback operations as well as the sale of mobile frequencies
- 5.3.9. Re-routing of transactions, assets and liabilities through government accounts
- 5.3.10. Carbon trading rights

List of participants

Participants from the Danish Statistics Denmark:

Mrs. Kirsten Balling

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Participants from the Ministry of Finance:

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Participants from the Danish Agency for Public Finance and Management:

Mr. Erik Hammer

Mr. Lasse Frisgaard Gunnensen

Participants from the Danish Ministry of Taxation:

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