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FINAL FINDINGS

EDP dialogue visit to Luxembourg

14 June 2021

Executive summary

Eurostat carried out an EDP dialogue visit to Luxembourg on 14 June 2021 with the aim to discuss with the Luxembourgish statistical authorities methodological issues relating to EDP reporting

The following were the main issues discussed during the meeting:

The reporting issues encountered during the April 2021 EDP notification was the first topic of the meeting. In order to ensure a structured communication as well as a timely flow of information on tax measures relating to the COVID-19 pandemic, Eurostat suggested STATEC to sign a Memorandum of Understanding with the competent office of tax administration.

In the same context, STATEC agreed to send to Eurostat a flow chart of the EDP processes, showing inputs and outputs as well as the main actors involved and tools used.

Reviewing the implementation of the agreed action points of the 2019 EDP dialogue visit, the two parties agreed to extend the deadlines of the pending/ongoing action points 15, 16, 20, and 26.

On the April 2021 EDP reporting, the discussion focused on the closing remarks. It was agreed that the consolidation imbalances observed in central government accounts, should be shown in the EDP table 2A.

The Luxembourgish Statistical Authorities were requested to investigate any cases of amounts placed in escrow accounts as a result of ongoing court cases or disputes involving government. STATEC is expected to review the existing arrangements and assess the possible statistical implications.

In the same context, Eurostat asked the Luxembourgish statistical authorities to closely monitor two ongoing state aid cases and assess the possible impact on government accounts of the relevant final court decisions.

In the discussion about the recording of interest, it was agreed that the relevant part of the 2019 edition of MGDD will be implemented as soon as possible.

On the reporting of information on fiscal measures taken by the government because of the COVID-19 pandemic, STATEC, in cooperation with the tax administration, will make an estimate of the amounts of deferred taxes as well as of the amounts of these taxes that are not likely to be collected. Likewise, STATEC will check with the IGSS if there have been any deferrals of social contributions and clarify the amounts that are not expected to be collected.

In the discussion on taxes, Eurostat was informed about the introduction of a new tax on carbon emissions for companies and household, for the period 2021-2023. STATEC was requested to provide details to Eurostat about the recording of the tax in government accounts.

Likewise, STATEC was asked to provide Eurostat with a report on the accounting treatment of the existing tax credits focusing on their possible transferability/sallability as well as on whether they could be carried forward.

Regarding the transactions with the EU budget, STATEC will investigate whether the financial instruments linked to the European structural and investment funds were used in Luxembourg for both the 2014-2020 and the 2021-2026 programming periods.

In the framework of the discussion on the recording of specific government transactions, the new guarantees (one-off and standardised guarantees) provided by government and non-government entities were extensively discussed and STATEC provided details on the statistical treatment of standardised guarantees.

Regarding the recording of dividends, Eurostat indicated that carrying out the super-dividend test for companies paying sizeable dividends on a regular basis is necessary and STATEC agreed to report the results of these tests to Eurostat.

On PPPs and concessions, STATEC reviewed the currently running PPP projects while they confirmed that no concessions currently exist in Luxembourg. STATEC was requested to investigate the activity of the Spire Global Data Company and assess the nature of the contract signed between the company and the government in 2021.

STATEC agreed to provide a note to Eurostat containing the details of 5G spectrum auctions as well as the amounts and the proposed statistical treatment of the transactions involved.

STATEC made some points regarding (1) the security of information/documents exchanged between the two institutions expressing concerns as to the currently used mode of communication, and (2) reporting details in EDP tables as well as questions on small amounts included in the GFS reports.

Introduction

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 (videoconference) to Luxembourg on 14 June 2021.

Eurostat was represented by Mr Luca Ascoli (Director of Directorate D), Mr Jukka Jalava, Ms Rasa Jurkonienė, Ms Galjinka Dominic, and Mr Stylianos Pantazidis. A representative of the European Central Bank (ECB) participated as observer.

The Luxembourgish authorities were represented by the representatives of STATEC (l'Institut National de la Statistique et des Études Économiques du Grand-Duché du Luxembourg), the Ministry of Finance, the Inspection Générale des Finances (IGF), the Ministry of Interior, the Trésorerie, the Inspection Générale de la Sécurité Sociale (IGSS) and the Central Bank (Banque Central du Luxembourg – BCL).

The overall purpose of this EDP dialogue visit was to ensure that the provisions of the European System of National and Regional Accounts (ESA 2010), of Eurostat's Manual on Government Deficit and Debt (MGDD 2019), as well as Eurostat's decisions, are duly implemented in the production of Luxembourgish EDP and Government Finance Statistics data.

Regarding the procedural arrangements, the provisional findings are hereby sent to STATEC for review. After that, the final findings will be sent to STATEC and the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat very much appreciated the co-operation and transparency demonstrated by the Luxembourgish statistical authorities during the meeting and the quality of documents provided before the visit.

1. Statistical institutional issues

Review of Institutional responsibilities, changes in source data and updating of EDP Inventory.

Introduction

According to the EDP Consolidated Inventory of sources and methods, the responsibilities of the institutions involved in the EDP data compilation and reporting are as follows:

For the compilation of general government accounts, the NSI (STATEC) is responsible for the non-financial and financial accounts (annual and quarterly data). STATEC is also responsible for the compilation of the EDP Table 1 (actual data: Net lending/net borrowing, and other items) while for the planned data the responsible institution is the Ministry of Finance (MoF). STATEC has the responsibility for the compilation of EDP Tables 2, 3, and 4.

The institutions involved in the compilation and reporting of EDP data are the following: the National Statistical Office (STATEC), the Ministry of Finance, the General Finance

Inspectorate (IGF), the General Social Security Inspectorate (IGSS), the Ministry of Interior, and the State Treasury.

STATEC compiles the EDP data based on information received from the Ministry of Finance, IGF, IGSS, the Ministry of Interior, and the Treasury. STATEC transmits the EDP data to Eurostat after having the approval of the IGF.

Discussion

Starting the discussion, Eurostat asked STATEC to briefly describe any changes in the institutional arrangements and source data that took place since the latest EDP dialogue visit. Regarding the institutional arrangements and responsibilities, STATEC stated that there have been no changes.

On source data, STATEC mentioned that there has been a change in the collection of data on financial accounts of local government, whereby the information obtained from Money and Banking Statistics on currency and deposits and loans (AF.2 assets and AF.4 liabilities) was replaced with direct data. However, the compilation of information on local government F.8 is still based on counterpart information from central government and social security funds. According to STATEC, further analysis of data on F.8 (provided by the Ministry of Interior) is required to improve the information on other accounts receivable / payable for local government.

Continuing the discussion, Eurostat referred to the problems encountered during the April 2021 EDP notification in the reporting of information on fiscal measures relating to the COVID-19 pandemic. STATEC explained the reasons for not fully reporting the required information, especially on the amounts of deferred taxes unlikely to be collected. Eurostat indicated that a more structured cooperation between STATEC and the tax administration would help avoiding similar situations in the future. Thus, according to the view of Eurostat, signing a Memorandum of Understanding would ensure the smooth flow of tax data needed for the EDP reporting.

Eurostat underlined the importance of organising the cooperation with the other institutions involved in the EDP reporting in a way that allows for an automated direct access to the relevant databases. Furthermore, Eurostat enquired about the quality measures implemented by STATEC. STATEC explained that the improvement of quality of the produced information is ensured by procedures embedded in their daily business.

Eurostat asked whether more general quality checks including detailed documentation of the relevant statistical works are in place. STATEC commented that the National Accounts Next Generation project covering annual financial and non-financial accounts provides for more automation of the statistical production processes.

Eurostat recommended that compiling a flow chart of EDP processes, including the relevant input/output as well as the main actors involved, would contribute to the better organisation and monitoring of the work.

Finally, Eurostat asked whether the updated EDP inventory provided by STATEC in June 2021, was based on the new template and if so whether STATEC would agree to the updated Inventory being published on Eurostat's website. STATEC confirmed that the new template was used and that Eurostat can publish it on its website.

Findings and conclusions

Eurostat recommends STATEC to sign a Memorandum of Understanding (MoU) with the competent office of tax administration to ensure a structured communication between the two institutions as well as a smooth flow of the data required for EDP reporting.

Action point 1 - *Deadline: as soon as available.*

STATEC will send to Eurostat a flow chart of the EDP process, showing inputs and outputs as well as the main actors and tools.

Action point 2 - *Deadline: by the October 2021 EDP notification.*¹

The updated version of the EDP Inventory (June 2021) provided before the EDP DV will be published on Eurostat's website replacing the 2018 edition.

Action point 3 - *Deadline: Eurostat to publish the Inventory in June 2021.*²

2. Follow-up of the previous EDP dialogue visit

Introduction

The previous EDP dialogue visit took place on 24-25 January 2019. The discussion mainly focused on the recording of taxes (mainly VAT, retained part on electronic services and 'caisse transactionalisée' (see 4.2.1) and social contributions, the statistical discrepancies and the new data collection system for the financial accounts of local government.

Twenty-seven action points were agreed between STATEC and Eurostat. Eight of these action points are pending/ongoing: 12, 15(b), 16, 18, 20, 25, 26(b), and 27.

Before the mission, STATEC provided an updated version of the EDP Inventory (AP.12). This updated version, which is based on the new EDP template, will be published on the website of Eurostat. Therefore, this action point was considered completed.

Discussion

When discussing progress on pending action points STATEC explained that action point 15 (b), was partly completed with the implementation of the new collection of data on AF.2 and AF.4 directly from the local government units concerned. As for the other accounts payable/receivable, STATEC informed Eurostat that they intend '*to analyse further the data provided by the Ministry of Interior and to improve the quality of other accounts receivable / payable of LG*'. STATEC added that '*due to the complexity of the data and the COVID-19 crisis, an implementation of a new F.8 compilation will not be possible before the April 2022 notification*'.

¹ This action point has been completed.

² This action point has been completed.

On action point 16 (recording of emission permits), Eurostat and STATEC agreed to renew this action point and extend the deadline until the issue is dealt with and finalised in the new MGDD.

On action point 18, Eurostat and STATEC briefly revisited the issue of the observed differences in the recording of the charged VAT expenditure with and without the amount of the tax in the accounts of budgetary central government and extra budgetary entities, like the SNCFL. It was agreed that adding a line in EDP Table 2A for the reporting of these as well as other miscellaneous imbalances would better reflect the issue in EDP tables.

On action point 20, Eurostat explained the reasons for the delay in providing the agreed advice and assured that this will be done soon.

Regarding the action point 25, STATEC discussed the reasons/problems in distinguishing in the Questionnaire Table 10.1A capital transfers (related to capital injections) and other capital transfers (related to equity injection mainly to private corporations) and explained the steps taken so far to deal with the issue. Based on the progress of the work and considering that STATEC will continue dealing with the issue, when necessary, this action point was considered completed.

STATEC informed Eurostat about the progress of the work on the pending action point 26(b). It was agreed that the work will continue. The deadline for this action point is extended to end-December 2021.

The discussion about the periodic and relatively elevated statistical discrepancies, focused on the progress of the relevant work done by STATEC with groups of units and sometimes with individual government units to identify possible sources of statistical discrepancies. STATEC reiterated that the main source of the problem is found in some Local Government entities. More specifically, according to STATEC, the issue is linked to source data (mainly on other accounts receivable/payable) because of the incompleteness of the financial accounts of local government entities.

STATEC explained that the new data provided by the Ministry of Interior (ESF data) need to be further analysed. This is a continuous work, part of the regular work of STATEC on the improvement of statistical discrepancies. It was recalled that, according to the planning of the work by STATEC, the new information on F.8 for local government is expected to be used for the first time in the EDP reporting of April 2022. After the clarifications provided by STATEC, this action point was considered completed.

Findings and conclusions

STATEC and Eurostat agreed to extend the deadlines of the pending/ongoing action points 15 (b), 16, 20, and 26 (b) of the 2019 EDP dialogue visit:

-STATEC will implement the new data collection system for local government (accounts receivable/payable) replacing information from Money and Banking Statistics, as soon as coverage is acceptably high and other quality verifications are passed.

Action point 4.1. - *Deadline: April 2022 EDP notification.*

-On the recording of emission permits, STATEC will wait for the finalisation of the MGDD update and then implement the prescribed recording in the accounts.

Action point 4.2 - Deadline: After the finalisation of the MGDD update.

-Eurostat will provide advice on the appropriate treatment for intra-governmental VAT.

Action point 4.3 - Deadline: December 2021.

-STATEC will consider whether related adaptations in the P.11/P.131 split as well as B.2n will become necessary.

Action point 4.4 - Deadline: Continuous.

STATEC will add a line in the EDP table 2A to show consolidation imbalances within central government due to time of recording differences in the accounts of central government and the accounts of extra budgetary units as well as other miscellaneous reasons.

Action point 5 - Deadline: by the October 2021 EDP notification.³

3. Analysis of EDP Tables and related Questionnaires - follow-up of the April 2021 EDP notification

3.1 Closing remarks of the April 2021 EDP notification.

The five first closing remarks have been dealt with elsewhere in this document (closing remarks 2, on statistical discrepancy, and 3, on the new compilation method for F.8 for local government) or fully clarified during the meeting (closing remarks 4 and 5). For the first closing remark, see below under 3.2.

Discussion

On the recording of re-routed standardised guarantees of the Office du Ducroire (OdD), Eurostat reiterated the questions asked during the April 2021 EDP notification regarding the absence of information on possible losses (provisions in the accounts) of the guarantee schemes provided by the OdD.

STATEC and the Ministry of Finance stated that they have reported provisions (3 million EURO) for guarantees provided by central government but they have decided to report no provisions for the scheme of OdD because, given the financial performance of these guarantee schemes, no significant losses are expected. Nevertheless, they expressed their intention to closely monitor the situation and act accordingly if needed.

Moving to the next closing remark on the Recovery and Resilience Facility (RRF) financing of any expenditure incurred in 2020, the Luxembourgish statistical authorities stated that an amount of around 3 million Euro is foreseen to be claimed and asked Eurostat about the relevant recording of this amount in government accounts. Eurostat indicated that the amount spent has to be booked as expenditure in 2020 and as a revenue in 2021, when the Recovery and Resilience Plan (RRP) of Luxembourg is approved by the Council, which is usually a month after the Commission's assessment.

³ This action point has been completed.

Regarding the availability of source data for the recording of the RRF related transactions, STATEC informed Eurostat that the assessment of data needs is currently rather difficult as the RRP of Luxembourg was submitted on the 30 April 2021. However, it was mentioned that the Ministry of Finance would monitor the selected projects and coordinate the data collection process.

STATEC also added some details regarding the RRP of Luxembourg, which is based on three pillars including 20 projects.⁴ The funding requirements of the projects amount to 93 million Euro. It was noted that the projects are to be pre-financed by the national budget.

On the same issue, Eurostat mentioned that the guidance note on the recording of the RRF related transactions is expected to be finalised soon.

The next topic concerned two pending State Aid cases for Luxembourg. Eurostat asked the Luxembourgish statistical authorities to provide information on the progress of the cases and their possible statistical implications.

STATEC mentioned that they monitor the situation in cooperation with the Ministry of Finance. STATEC stated that, for one of these cases, the legal proceedings are still ongoing and that an appeal is possible. Therefore, no flows of cash is foreseen at the moment as there is no indication of a final decision before the end of the legal procedure. In addition, STATEC mentioned that guidance of Eurostat on how to statistically treat these transactions might be needed.

In the same context, Eurostat enquired about the existence of an escrow account linked to the cases and asked whether the government has received any cash in this account. Furthermore, Eurostat pointed out that if such an account exists, it is important for STATEC to identify the economic owner of the funds deposited.

STATEC agreed to investigate the details of the issues involved in cooperation with the Treasury.

The discussion on the closing remarks of the April 2021 EDP notification concluded with the confirmation by STATEC that the section of the MGDD 2019 on the recording of interest will be implemented as soon as possible.

3.2 Recording of government measures relating to COVID-19 pandemic

Introduction

In the April 2021 EDP notification, Eurostat expressed a reservation on the quality of data reported by STATEC due to the lack of information on the statistical treatment of tax measures taken by the government due to the COVID-19 pandemic (postponement of payments for

⁴ Pillar 1: ‘Cohesion and Social Resilience’, Pillar 2: ‘Green Transition’, and Pillar 3: ‘Digitalisation, Innovation, and Governance’.

certain tax categories: personal income tax, corporate income tax, municipal commercial tax and taxes on wealth).⁵

In February 2021, STATEC requested the advice of Eurostat on the recording of these taxes. Specifically, STATEC asked Eurostat to confirm that *‘an ad-hoc correction should be applied instead of an adjustment of the time lag, in order to achieve a neutralization and thus, no effect on government revenue and deficit in the period of deferrals’*.

Eurostat responding to the request of STATEC suggested that an ad-hoc correction should be applied to annual and quarterly data and added that this would satisfy the need to neutralize administrative changes in tax payments. For Eurostat, ad-hoc adjustments would in concept be equivalent to temporary changes in time lag.

According to the calculations of the statistical authorities of Luxembourg, the total amount of cancelled/deferred taxes would be around 200 million Euro of which around 150 million Euro would relate to cancellation of advances. The amount of cancelled advances (first half of 2020) was planned to be collected mostly in 2021, while the collection of the remaining smaller amount likely to extend to years 2022 and 2023.

Discussion

The discussion about the COVID-19 related tax measures was based on the Annex 8.1 (Supplementary table for reporting measures taken in the context of the Covid-19 pandemic) provided with the EDP notification of April 2021.

STATEC briefly explained the reasons for the incomplete reporting that is mainly due to the lack of information on uncollectible amounts of deferred taxes, and wondered whether Luxembourg was the only Member State that has not provided such an estimate.

Eurostat pointed out that this was the first time that the Member States were requested to report such information, however, there were pilot exercises taking place on the reporting of information included in Annex 8.1 and in particular on the reporting of tax deferrals and the amounts of taxes that are likely to be lost.

Eurostat added that all Member States have done estimations of and reported on possible lost amounts of taxes and there have been discussions on these estimations during the April 2021 EDP notification.

Eurostat continued the discussion by briefly explaining the recording of the relevant transactions in Annex 8.1 and asked subsequently STATEC to explain the data contained in Annex 8.1 and in particular, the completeness of the reported government measures and the possibility of future revisions.

⁵ The implemented tax measures are the following: (1) Cancellation of tax advances for the first two quarters of 2020, (2) For taxes due after February 29, 2020, a payment extension of 4 months is granted. On this deferral, no interest on late payment will be due, (3) Postponement of the submission deadline of tax returns from 31/03/2020 to 30/06/2020

Taxes affected (recording method and time lag): (1) Personal income tax (TAC- T+2). –Cancellation of advances (to be collected in 2021) and deferred payment (to be paid in the second half of the year 2020?), (2) Corporate income tax (TAC- T+2). –Cancellation of advances (to be collected in 2021) and deferred payment (to be paid in the second half of 2020?), (3) Municipal business tax (TAC- T+1). –As in 2, (4) Taxes on wealth (C) -As in 2.

STATEC explained that all big measures and the related amounts have been reported. Only the small amounts (no more than 5 million Euro in total) might have been missed. The quality of the reported information will improve in the October EDP notification and therefore revisions to the reported data could be expected. In the same context, STATEC confirmed that the tax administration would be asked to provide by then an estimate of the amount of deferred taxes, including the amount that is deemed to be uncollectable. STATEC indicated that according to preliminary information the total amount of deferred taxes is around 200 million Euro.

In the same context, Eurostat drew the attention of the participants to a press release by the Ministry of Finance on 26 May 2021. The press release referred to the IMF report on the consultations of the Fund with the officers of the Ministry (Article IV) where an amount equal to 18.6% of GDP was mentioned to have been put by the government of Luxembourg to finance measures related to the COVID-19 pandemic. The Luxembourgish statistical authorities were asked to comment on this report.

According to STATEC and the Ministry of Finance, the amounts implied in the press release reflected the total costs of planned measures which the Luxembourgish government was ready to take to fight the pandemic but at the end the required amounts turned out to be much lower (around 1.5 billion Euro) than indicated in the planned figures of the aforementioned report.

Continuing the discussion, ESTAT asked whether, apart from taxes, there have also been deferrals of social contributions and if yes, whether STATEC can provide details of such arrangements.

STATEC pointed out that for social contributions there should be no issue, since they are recorded on an accrual basis. Eurostat commented that government may decide to pay contributions on behalf of third parties this being no issue but if government accepts deferrals of social contributions then there could be an issue regardless of accrual accounting. In such a case, the same method of recording as for deferred taxes should be used for the possible losses of a part of deferred social contributions.

STATEC stated that they are not aware of government paying social contributions on behalf of third parties and agreed to clarify with the IGSS any cases of deferred social contributions.

In the same context, STATEC enquired about the reporting of COVID-19 related revenue from the RRF in Annex 8.1. Eurostat informed the Luxembourgish statistical authorities that a new table will be used for flows from the RRF starting from October.

Findings and conclusions

The Luxembourgish Statistical Authorities will investigate whether there exists cases, where due to ongoing court cases or disputes involving government, certain amounts were placed in escrow accounts. If such cases are identified, STATEC will review the existing arrangements with a view to determining the impact, if any, on government accounts.

Action point 6 - Deadline: December 2021.

STATEC will continue monitoring the developments of two state aid cases: Affaire T-816/17 and Affaire T-318/18 and report to Eurostat any relevant statistical implications of the final decisions with possible impact on government accounts.

Action point 7 - Deadline: continuous.

Eurostat took note that interest accruing under F.41L/F.42L is currently recorded in Luxembourgish national accounts under F.89L. STATEC will implement the section on interest recording of the 2019 edition of MGDD and change the recording of accrued interest as soon as possible.

Action point 8 - Deadline: by the April 2022 EDP notification.

STATEC, in cooperation with the tax administration, will make an estimate of the amounts of taxes deferred due to the COVID-19 pandemic and will also assess the amounts of the deferred taxes that are deemed uncollectable. Likewise, STATEC will check with the IGSS possible deferrals of social contributions and clarify the amounts thereof, which are not expected to be paid.

Action point 9 - Deadline: by the October 2021 notification.⁶

4. Methodological issues and recording of specific government transactions

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

According to the list of units of the subsectors of general government that is annexed to the EDP Inventory (Annex 1), central government consists of the State, 33 special funds, 64 Services de l'État a Gestion Séparée (SEGS), and 51 extra-budgetary units (public establishments).⁷

Local government comprises 102 main units (municipalities) and 87 other units (inter-communal associations and local government companies). The subsector of Social security Funds consists of 12 entities.

The general government includes the institutional units which are non-market producers as well as the non-autonomous units. The nature of the activity (market/non-market) of institutional units is checked on the basis of quantitative (50% test) and qualitative criteria.

'Government controlled units classified outside general government which have total liabilities larger than 0.01% of GDP are annually tested. The remaining government controlled entities classified as public corporations (outside general government) are being continuously monitored'.

The sector classification of institutional units is the responsibility of STATEC carried out by the unit of the business register in cooperation with the division of macroeconomic statistics.

4.1.1 Review of the Questionnaire on public corporations

Discussion

Eurostat, in reviewing the Questionnaire on public corporations, enquired about the reported details contained in the Questionnaire. In particular, questions concerned the availability of

⁶ This action point has been completed.

⁷ EDP Inventory, Annex 1.

information on liabilities of some corporations classified in S.11 as well as the number of employees, which in at least one case was reported to be zero.

STATEC clarified the issues, and in particular, the case of the company with zero employees which is an insurance company. STATEC specified that it is an ancillary unit consolidated with the main company. STATEC will monitor the case for possible future changes.

STATEC, responding to a question of Eurostat on government having holding companies, pointed out that the only such company is the Société Nationale de Crédit et d'Investissement (SNCI) which is classified in S.1311 (as a captive financial institution).

Regarding the classification of the reported units, STATEC confirmed that the information required for the calculation of the market/non-market ratio is continuously monitored and that the test is periodically carried out for all the units with test values exceeding 50%.

4.2. *Implementation of the accrual principle*

4.2.1. *Taxes and social contributions*

Introduction

The time adjusted cash method (with a time lag of one or two months, depending on the tax) is used for the recording of taxes, excluding the revenue from VAT for which the method of 'caisse transactionalisée' is used. The "caisse transactionalisée" method requires attributing the VAT revenue of year t back to the years when the obligation was generated. This is done on a continuous basis thus leading to recurrent revisions to past data on VAT revenue.

Discussion

Eurostat enquired about any changes in taxes and social contributions. STATEC indicated that a new tax on carbon emissions would be introduced in 2021 for companies and households. Eurostat commented that STATEC should decide on the recording of this tax and if needed Eurostat might be consulted on this.

Continuing the discussion on taxes, STATEC recalled that the existing tax credit scheme concerns taxes on wages and salaries and that tax credits are not payable. Eurostat asked whether the tax credits are strictly to be used by the receiving entity or whether they could be transferred. STATEC stated that on the transferability of tax credits the Ministry of Finance would be consulted. It was agreed that STATEC will provide details on the accounting treatment of tax credits and in particular on those that might be moved forward, transferred, and sold.

In the same context, Eurostat informed the participants that guidance on the statistical treatment of tax credits would be included in the MGDD edition.

Findings and conclusions

STATEC informed Eurostat about the introduction of a carbon emission tax on both companies and household. STATEC will inform Eurostat of its recording. **Action point 10 - Deadline: by the April 2022 EDP notification.**

STATEC will investigate the existing cases of tax credits and will provide to Eurostat an overview on their accounting treatment. The analysis will mainly focus on whether the tax credits are transferable/sellable, as well as whether the tax credits can be carried forward, and if yes for how many years.

Action point 11 - Deadline: by the October 2021 notification.

4.2.2. Interest

Introduction

The main source of information on interest (interest revenue/expenditure) is the IGF and the Treasury for central government, the Ministry of Interior for local government, and the IGSS for social security funds. For extra-budgetary entities, information on interest is obtained from their profit and loss accounts and provided to STATEC by the IGF.

The information is on cash/accrual basis for central government (depending on the instrument), accrual for extra-budgetary bodies, cash for the main units of local government and accrual (from 2006) for the main units and the other social security bodies of the SSF (S.1314) subsector.

Discussion

The discussion focused on the review of the Table on recording of interest provided by STATEC before the meeting. Eurostat thanked STATEC for providing this table for the first time and enquired about the coverage of the provided information on interest regarding both entities and instruments. STATEC confirmed that there is full coverage of central government units and of debt securities of central government.

Continuing the discussion, STATEC explained that the reported stock of coupons is calculated by adding the relevant transactions.

Following Eurostat's question on the absence of information on discounts and premium repurchased, STATEC stated that there are no sales and repurchases of coupons and the Treasury confirmed that there are no such transactions.

Finally, Eurostat pointed to the lack of information on accrual adjustment of interest in the EDP table 2C and asked whether STATEC plans to develop interest accrual for local government. STATEC responded that it is not in their plans to do so in the near future and they reiterated that in any case the amounts involved are negligible.

4.2.3. *EU flows*

Introduction

According to the existing institutional arrangements, the EU budget related flows are in most cases not part of the working balance, but are being channelled to the final beneficiaries through government accounts by means of third party operations (F.8).

The European Agricultural Guarantee Fund (EAGF) related payments are recorded on the third party operations budget. The European Agricultural Fund for Rural Development (EAFRD), related expenditure (both national and EU financed) are from 2007 onwards made through the special fund 'Economic and Social Guidance Fund for Agriculture'.

The EAFRD projects are carried out by the private sector and co-financed by the State and the EU with varying co-financing rates depending on the relevant actions.

The European Social Fund (ESF) related payments are all recorded in the third party operations budget. The government part of financing is recorded as expenditure of the social fund for employment.

Regarding the European Regional Development Fund (ERDF) and the Interreg funds the related flows are for both mostly recorded in the third party operations budget. Accrual adjustments are made for the relevant flows mostly for the part of revenue recorded in the State budget (participation of ERDF in the financing of industrial development projects).

Discussion

Starting the discussion, STATEC briefly reviewed the information on EU budget related transactions reported in the Questionnaire Table 6 and the extra Table – Annex II on recording EU flows provided before the meeting. STATEC confirmed that the tables cover the general government, in fact the central government subsector, and that all the relevant transactions are carried out through the third party operations budget.

Commenting on the reported information, Eurostat asked STATEC to consider reporting information on stocks and flows of receivables and the related cash in the tables on EU flows where required.

Continuing the discussion, Eurostat pointed out that in recent years there has been a shift in the Commission's policy/practices from grants to financial instruments on the implementation of its structural and investment funds related policies and asked STATEC whether Luxembourg is making use of these instruments. STATEC was not aware whether general government and private companies having transactions with the EU budget are using the mentioned financial instruments.

Eurostat suggested and STATEC agreed to discuss the issue with the Ministry of Finance for the previous as well as the current programming periods.

Findings and conclusions

In Table 6 of the Questionnaire related to the EDP notification tables and in Table-Annex II on recording EU flows, STATEC will consider reporting stocks and flows of other accounts receivables as well as currency and deposits relating to the EU.

Action point 12 - Deadline: by the October 2021 notification.

STATEC will investigate whether Luxembourg is making use of financial instruments linked to the European structural and investment funds, for the previous (2014-2020) and current (2021-2026) programming periods.

Action point 13 - Deadline: December 2021.

4.2.4. Military expenditure

Introduction

The expenditure on military equipment is financed by a special Fund since 2000. In the EDP Inventory (2021), three projects concerning the acquisition of military equipment are indicated. Recently, in the October 2020 EDP notification, STATEC implemented the agreement on the statistical treatment of joint acquisition of military equipment (Multirole Tanker and Transport aircrafts-MRTT) and recorded the related to the project prepayments as long-term loans (AF.42).

Discussion

Eurostat enquired about the progress on the acquisition of the military equipment listed in the EDP Inventory except that of the MRTT project. STATEC informed the participants that the helicopters were all delivered and recorded in government accounts in 2019 while the delivery of the armoured reconnaissance vehicles is still in progress.

4.3. Recording of specific government transactions

4.3.1. Government guarantees

Discussion

The discussion about government guarantees mainly focused on the standardised guarantees, government loans to students and other standardised guarantee schemes created in the context of the measures for the COVID-19 pandemic.

Eurostat, referring to the amount of 3 million EURO booked as provisions (AF.66) for the new guarantees granted by the Treasury (about 150 million EURO), wondered whether the estimated amount of possible losses was not rather small. In any case, Eurostat pointed out that STATEC should monitor the case and if in the future there is evidence that the estimation of 3

million Euro was not correct, an appropriate solution will have to be found in consultation with Eurostat.

Moving to the information on standardised guarantees, reported in Questionnaire Table 9.4, Eurostat asked STATEC to explain why, given the high reported stocks, zero amounts are reported under AF.66. STATEC stated that the reported stock amounts concern student loans and the government guarantees provided for these loans are considered as having no risk.

Eurostat commented that this assessment by STATEC would imply that all the loans provided to students will be paid back and asked whether in the past there have been any guarantees called. STATEC responded that very small amounts were called (about 200 thousand Euro) but if in the future the situation changes and the amounts under call increase, STATEC, in cooperation with the Ministry of Education, would consider estimating and reporting AF.66 figures.

In the same context, Eurostat asked STATEC whether any government guarantees have been provided to Luxair due to possible financial consequences of the COVID-19 pandemic. STATEC stated that to their knowledge no such guarantees have been granted to the Luxembourgish air carrier. STATEC and Ministry of Finance, both confirmed that until now neither guarantees nor loans have been provided to Luxair by government. STATEC will monitor the issue.

Continuing the discussion, Eurostat enquired about possible government loans to other companies facing financial difficulties due to COVID-19. STATEC confirmed that there has been no such lending by government.

Finally, STATEC responding to Eurostat's question about the one-off guarantee that was provided from FUAPK to a concessionaire of an underground parking included in the one-off Questionnaire Annex III, informed the participants that in the absence of public control, the entity is to be reclassified as S.11002 for the October 2021 EDP notification.

4.3.2 Dividends, super-dividends

Discussion

STATEC reviewed the information contained in the document on dividends paid in the period 2017-2020 provided before the meeting. STATEC pointed out that the amounts of dividends paid to S.13 are moderate with no evidence of super-dividends paid to government over the reported period.

Eurostat asked whether STATEC conducts the super-dividend test regularly. STATEC stated that they check the stability of the time series of dividends paid and if they detect large or irregular payments then they investigate the cases and apply the super-dividend test.

Eurostat commented that, in any case, dividend payments should be regularly checked and compared to the profits of previous year. In addition, Eurostat pointed out that, by checking only the stability of dividend payments over the years, we cannot presume that these are not 'funded from accumulated reserves or sales of assets'. Therefore, STATEC should carry out the test (at least for big companies) regularly. STATEC agreed to do so and report the results to Eurostat.

Findings and conclusions

STATEC will carry out the super-dividend test (comparing the dividends paid in year t with the entrepreneurial income of the year t-1) for companies paying sizeable dividends on a regular basis and report the results to Eurostat.

Action point 14 - Deadline: by the October 2021 notification.⁸

4.3.3 PPPs (and concessions)

Introduction

In the EDP Questionnaire, ten PPP projects are reported, of which seven are recorded on government balance sheet, while the other three are projects relating to European Institution buildings and recorded off-government balance sheet.

PPP contracts are signed with private partners mainly for administrative buildings, schools, and other infrastructure used for the provision of public services. The financing of all PPP projects is determined by the guarantee law.⁹

Discussion

Starting the discussion, STATEC confirmed that (as indicated in a document provided before the meeting), up to now they have not identified any concession contracts signed by the government.

Eurostat enquired about any procedures whereby STATEC becomes aware of a new PPP contract, which subsequently is being assessed by the statisticians. STATEC explained that the competent authority for PPPs is the Ministry of Finance, which informs STATEC about the details of a contract before it is signed.

STATEC, responding to Eurostat's question about any planned PPP projects, informed the participants that no more national PPP projects are foreseen for the near future.

Subsequently, Eurostat referred to press information according to which a concession contract was signed by the government and the Spire Global Data Company and requested STATEC to specify how this contract was assessed by the Luxembourgish statistical authorities.

STATEC explained that the signed contract between the government and the Spire Company is not a concession but a normal contract. According to the view of STATEC the contract does not fall in the definition of a concession contract indicated in the MGDD. Nevertheless, STATEC agreed to investigate the activity of the company as well as the nature of the contract.

⁸ This action point has been completed.

⁹ The Guarantee Law (13 April 1970), defines the conditions under which government can guarantee the rent return and expenses for buildings used for administrative and social purposes. The Law provides for a special fund, which has been created by the State budget law of 1997. The fund finances all the expenditure linked to the lease-purchase contracts (including the rents), and it is financed by the budget.

Findings and conclusions

STATEC will investigate the activity of the Spire Global Company and confirm whether the nature of the contract signed in 2021 between the company and the government is a concession. **Action point 15 - Deadline: by February 2022.**

4.3.4 Financial derivatives

Introduction

Prior the EDP dialogue visit, STATEC provided the requested table on derivatives. The aim of this table is to have an overview on derivative operations undertaken by governments, to verify the adherence to the relevant ESA accounting rules and to cross check the EDP table 3 and 2 as well as ESA table 27. Flows on derivatives only enter the financial accounts (F.7), with no impact on the deficit and, as a result, a misreporting on derivatives is likely to be B.9 neutral and mostly concern the discrepancy. However, the monitoring of derivative flows is important to ensure that they are correctly identified and coded as financial, otherwise an impact on B.9 may occur.

The main types of derivatives used by the Luxembourgish authorities include forward foreign exchange contracts (for hedging against interest rate or exchange rate changes), swap contracts, and to a lesser extent options contracts and other future contracts.

For central government, derivative contracts are used by the Treasury for hedging against exchange rate changes related to equity transactions. For extra-budgetary central government, derivatives are used for hedging the reserves of the sovereign wealth fund Fonds Souverain Intergenerationnel du Luxembourg (FSIL-S.1311). In the social security subsector, derivatives are used by the SICAV-FIS, the investment vehicle of pension insurance fund for hedging its reserves.

Discussion

Eurostat thanked STATEC for providing before the meeting for the first time the Table on the recording of financial derivatives. It was confirmed that Luxembourg is making use only of the types of derivatives indicated in the EDP Inventory and included in the Table. STATEC also confirmed that there have been no cases of off market swaps.

Regarding cash collaterals, STATEC explained that there have been no cash collaterals other than the small amounts reported for 2017 in Block 3 of the Table.

Closing the discussion, Eurostat indicated that Block 4 of the Table should be resubmitted changed to be in line with the reporting on net settlements under swaps contracts in EDP Tables 2.

Findings and conclusions

STATEC will resend to Eurostat the table on derivatives (Bloc 4) with the agreed changes.
Action point 16 - Deadline: by the October 2021 notification.¹⁰

4.3.5 Other

UMTS/ 4G/5G spectrum auctions

Introduction

According to the EDP Inventory (2021, p.86), ‘mobile phone licenses are recorded as rent (D.45) according to the MGDD Box 1 of chapter 6, as the permit/licence is not transferable’.

Discussion

Eurostat asked whether there have been any operations regarding spectrum auctions. STATEC informed that there have been transactions related to 5G licences involving an amount of 41,3 million Euro. STATEC specified that this amount will be spread in the accounts over the next 6 years. The relevant amount will be reported in the October 2021 EDP notification.

Eurostat indicated that a note on the details of the transaction as well as its statistical treatment would be very useful.

Findings and conclusions

STATEC will send Eurostat a note containing the details of 5G spectrum auctions that already took place, identifying the amounts and the proposed statistical treatment of the transactions involved.

Action point 17 - Deadline: by the October 2021 notification.¹¹

5. Other issues

Under this section, the following points made by STATEC were discussed:

1. On the Action point 20 of the previous EDP dialogue visit see under section 2 (p.7) above.
2. STATEC reiterated their security concerns regarding the communication with Eurostat especially in cases of questions of Eurostat sent to STATEC (not only during the notifications) by e-mail. STATEC wondered whether Eurostat could use the EDAMIS to ensure the security especially of restricted/confidential documents. Eurostat replied that the concerns of STATEC are understandable but that, due to the technicalities involved, before deciding about a change in the mode of exchanging sensitive information, the staff that is dealing with these issues would be consulted.

¹⁰ This action point has been completed.

¹¹ This action point has been completed.

Eurostat agreed to investigate the possibility that the documents containing confidential information are sent to STATEC via a secure tool (EDAMIS) in the context of the ESS IT security measures for confidential data.

Action point 18 – Deadline: April 2022 EDP notification.

3 STATEC expressed the opinion that the level of details provided in EDP Table 2A under non-financial transactions not included in the working balance might be reduced for special funds and the SEGS. Eurostat agreed that, instead of reporting information on revenue and expenditure, the reporting of B9 of these entities would suffice. On the Questionnaire Table 3, Eurostat indicated that more details would be useful if available.

4. STATEC finally raised the issue of questions on small amounts, which sometimes are included in the GFS reports and mentioned that avoiding such questions, if possible, would be welcomed. Eurostat responded that before deciding on this, the GFS team would be consulted to consider where the proposed approach could be applied.

Closing the meeting, Eurostat thanked the Luxembourgish statistical authorities for the organisation of the meeting and the cooperation as well as for the information/documents provided before and during the meeting.

EDP-dialogue visit to Luxembourg

14 June 2021

Draft agenda

1. Statistical institutional issues

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

1.1.1 Changes in institutional arrangements (if any)

1.2 Data sources and revision policy, EDP inventory and its annexes

1.2.1 Recent developments regarding source data and updating of the EDP inventory

1.2.2 New reporting (for local government) based on direct data on financial accounts

2. Follow-up of the of the previous EDP dialogue visit

2.1 Implementation of the action points of the EDP dialogue visit of 2019

3. Analysis of EDP Tables and related Questionnaires - follow-up of the April 2021 EDP notification

3.1 Recording of government measures relating to covid-19 pandemic

3.2 Closing remarks of the April 2021 EDP notification.

4 Methodological issues and recording of specific government transactions

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

4.1.1 Review of the Questionnaire on public corporations

4.2 Implementation of the accrual principle

4.2.1. Taxes and social contributions

4.2.2. Interest

4.2.3. EU flows

4.2.4. Military expenditure

4.3 Recording of specific government transactions

4.3.1. Government operations to support financial corporations

4.3.2. Government guarantees

4.3.3. Debt assumptions, debt cancellations and debt write-offs

4.3.4. Capital injections in public corporations

4.3.6. Dividends, super dividends

4.3.7. PPPs (and concessions)

4.3.8. Financial derivatives

4.3.9. Other: emission trading permits, privatisation, sale and lease back operations, UMTS/ 4G/5G spectrum auctions, tax credits, securitisation.

5 Other issues (transmission of GFS data etc.)

5.1 Transmission of GFS tables

5.2 Other GFS issues

List of participants

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