

*Inventory of the methods, procedures and sources used
for the compilation of deficit and debt data and the
underlying government sector accounts according to
ESA2010*

The Czech Republic

2022

March 2023

Background

Compilation and publishing of the Inventory of the methods, procedures and sources used to compile actual deficit and debt data is foreseen by Council Regulation 479/2009, as amended.

According to Article 8.1: “The Commission (Eurostat) shall regularly assess the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to ESA 95... Quality of actual data means compliance with accounting rules, completeness, reliability, timeliness, and consistency of the statistical data. The assessment will focus on areas specified in the inventories of Member States such as the delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording.”

In line with the provisions of the Regulation set up in Article 9, "Member States shall provide the Commission (Eurostat) with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts. The inventories shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of CMFB. The inventories shall be updated following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data".

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States.

This version introduces references to the ESA 2010 and the updates mirroring the changes introduced by the ESA 2010. It also includes changes introduced by the MGDD 2019 version.

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Overview of Acronyms

AAO	Auxiliary Analytical Overview (Pomocný analytický přehled)
BOP	Balance of Payment (Platební balance)
CBO	Central Budgetary Organisation (Ústřední rozpočtové organizace)
CSBO	Central semi-budgetary organisation (Ústřední – státní – příspěvkové organizace)
CSSA	Czech Social Security Administration (Česká správa sociálního zabezpečení)
CEB	Czech Export Bank (Česká exportní banka)
CPSOA	Council for Public Supervisory Over Audit (Rada pro veřejný dohled nad auditem)
CZSO	Czech Statistical Office (Český statistický úřad)
FMGS	Financial Market Guarantee System; (Garanční systém finančního trhu ; former Deposit Insurance Fund - DIF -Fond pojištění vkladů)
EGAP	Export Guarantee and Insurance Corporation (Exportní a garanční pojišťovací společnost)
JSC	Joint Stock Company (akciová společnost)
LBO	Local budgetary organisations (Místní rozpočtové organizace)
LF	Land Fund (until 2012) (Pozemkový fond)
LSBO	Local semi-budgetary organisations (Místní příspěvkové organizace)
Ltd	Limited Company (Společnost s ručením omezeným)
MRA	Market Regulation Agency (Agentura tržní regulace)
MoC	Ministry of Cultural (Ministerstvo kultury)
MoF	Ministry of Finance (Ministerstvo financí)
MoIT	Ministry of Industry and Trade (Ministerstvo průmyslu a obchodu)
MoH	Ministry of Health (Ministerstvo zdravotnictví)
NRB	National Development Bank (former CMZRB Českomoravská záruční a rozvojová banka, CMGDB Czech-Moravian Guarantee and Development Banka
OTE	Electricity Market Operator (Operátor trhu s elektřinou)
PRI	Public Research Institutions (Veřejné výzkumné instituce)
PU	Public Universities (Veřejné vysoké školy)
RIA	Railway Infrastructure Administration; since 2021 as Railway Administration (Správa železniční dopravní cesty; Správa železnic)
SAIF	State Agricultural Intervention Fund (Stání zemědělský intervenční fond)
SF	State funds (Státní fondy)
STGF	Securities Traders Guarantee Fund (Fond obchodníků s cennými papíry)
SGAFF	Support and Guarantee Agricultural and Forestry Fund,
VGF	Vine-grower Fund (Vinařský fond)

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

This chapter provides a summary description on the general government sector components and specifies institutional responsibilities and basic data sources used for EDP tables and for the compilation of general government national accounts. Special attention is given to EDP tables: detailed description of components of the working balance and the transition into B.9 (net lending/net borrowing); compilation of Maastricht debt and of stock-flow adjustments; explanation of the link between EDP table 2 and 3, balancing process and statistical discrepancies.

1. General Government

This section describes the coverage of the General Government sector and its sub-sectors. The general government sector is composed by XX sub-sectors: S.1311, (S.1312) S.1313 and S.1314.

The general government sector in the Czech Republic is composed by 3 sub-sectors:
S.1311 – Central government subsector,
S.1313 – Local government subsector,
S.1314 – Social security funds subsector.

The following overview of units classified in the general government sector describes units which were registered in the Business Register operated by the CZSO at the end of 2022, including units which have been reclassified from the non-financial corporations sector (S.11001), the financial corporations sector (S.12) and from the non-profit institutions serving households (S.15) into the general government sector (S.13). The changes have been carried out in compliance with the ESA 2010 methodology and with the Manual on Government Deficit and Debt (2022 edition) and they have been discussed with the Eurostat. At the end of 2022, the general government sector consists of more than 18 thousand units.

1.1 Central government subsector (S.1311)

Central government subsector included (at the end of 2021) the following units:

1. Central budgetary organisations and state funds

- a) Organizational units of the State (Organizační složky státu) – hereafter as Central **budgetary organisations (CBO)** – rozpočtové organizace, i.e., ministries, central offices and organisations established and managed by the ministries or other central authorities (including the Police Academy – university), whose revenues and expenditures are included in the State budget affecting the working balance (283 units at the end 2022);

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Central BO includes also two universities: the **Police Academy** as a legally separated central budgetary organisation, and the **University of Defence**, which is an integral part of the Ministry of Defence.

Since 2013, the group of central budgetary organisations includes the **State Land Office (Státní pozemkový úřad)** established by the Act No 503/2012 Coll., transformed from the Land Fund, including its assets and liabilities. The Act No. 569/1991 Coll. has established this institutional unit responsible for privatization and restitution of the state property in agriculture (mainly land) as a legal person in 1991.

- b) **State Extra-budgetary Funds (SF)** – (Státní fondy - mimorozpočtové) - units established as legal persons by respective ministries according to the special laws and whose revenues and expenditures are included into the working balance, together with other central BO, indicated in the EDP table 2A. This group of units counts 6 units:
- State Cinematography Fund - SFC (SF kinematografie),
 - State Culture Fund – SCF (SF kultury),
 - State Investment Support Fund (Státní fond podpory investic; until 2019 as the Housing Development Fund- SHDF - SF rozvoje bydlení),
 - State Transport Infrastructure Fund – STIF (SF dopravní infrastruktury)
 - State Agricultural Intervention Fund – SAIF (Státní zemědělský intervenční fond)
 - State Environmental Fund SEF (SF životního prostředí).

2. Other central government organisations (extra-budgetary):

- a) Central (state) semi-budgetary organisations – CSBO- (ústřední – státní příspěvkové organizace), i.e. organisations established by a central budgetary organisation to carry out some of the government functions, especially in the areas of cultural, education or social services. They have features of non-profit institutions and they are linked with the State budget through the balance of their revenues and expenditures. If its expenditures exceed its revenues, then the unit receives a subsidy. Semi-budgetary organisations are not treated as institutional units with the autonomy of decision (as stipulated in the paragraph 2.12 ESA2010). Based on this reasoning, all semi-budgetary organisations (including hospitals) have been classified in the general government sector since 1993. (211 units in 2022)
- b) Non-financial central government units (6 units)
- The Support and Guarantee Agricultural and Forestry Fund – SGAFF - (Podpůrný a garanční rolnický a lesnický fond - PGRLF), established as a joint stock company (ISC) in 1993 and since 1997 included into S.1311. The unit grants subsidies and short-term guarantees to farmers.
 - The Railway Administration (Správa železnic) – former name The Railway Infrastructure Administration – RIA - (Správa železniční dopravní cesty,), has been established (Act No 77/2002 Coll.) as a legal person (state organisation) by division of Czech Railway (State enterprise) and classified in S.1311. The RIA is responsible for operation of national and regional railways owned by the State.
 - Other non-financial corporations considered as non-market units: (i) State enterprises The CPP Transgas and the Balmed - classified in S.1311 from 2010 (based on 50% criterion of ESA2010), (ii) state enterprises in liquidation – the Mototechna and OSAN reclassified from S.11001 to S.1311 in 2017 that had significant impact on the government institutions deficit (OSAN has been cancelled in 2021 and Mototechna in 2022) and (iii) the Electricity Market Operator, ITC. (OTE, ITC.) from 2017, considered as a market regulator

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- c) Financial government units (12 units), whose sector classification is based on qualitative criteria (ESA 2010). These units manage assets but do not carry risk by incurring of liabilities on its own account or control a direct group of subsidiaries, which are simultaneously under the government control:
- The PRSKO, joint stock company - transformation institution - (subsidiary of the former CKA – see below), established in 1992 and charged with management and settlement of assets and liabilities relating to privatised property, engaged in sales and purchases of state bad claims as former other transformation institutions. The unit has been classified in S.1311 in 2002 on basis Eurostat recommendation and qualitative *criterion*;
 - The Czech export bank, JSC (Česká exportní banka, a.s - ČEB), reclassified from S.12201 to S.1311 (since 2003) in compliance with the ESA2010 methodology; the unit is considered as an entity having features of a “captive financial institution” controlled by government, in line with the requests stipulated in the Manual on government *deficit and debt* (2019). *One of the main features of those institution is a lack of independency from government units (resp. high dependence on government units)*;
 - The National Development Bank, JSC (Národní rozvojová banka, a.s.; former name the Czech-Moravian Guarantee and Development Bank, JSC - Českomoravská záruční rozvojová banka, a.s - ČMZRB), reclassified from S.12201 to S.1311 (since 2003) in compliance with ESA2010 methodology. Similarly as in the previous case, ČMZRB is considered as an entity having features of a “captive financial institution” ” controlled by government;
 - The National Development Investment, JSC, (Národní rozvojová investiční, a.s.) subsidiary of the NRB, established to support economic and social development of the Czech Republic through management of the fund of funds and financial instruments based of the return principle. The investor is competent governing authorities of the state administration;
 - The National Development Fund (Národní rozvojový fond – NRF), a subsidiary of NDB, established in 2021 to support social and economy development of the Czech Republic – especially public infrastructure, with the aim of involving private financial resources;
 - The Export Guarantee and Insurance Corporation, JSC - EGAP (Exportní garanční a pojišťovací společnost, a.s.) reclassified from S.12801 to S.1311 (since 2005) in compliance with the ESA2010 methodology because the unit is newly treated as an entity having features of a captive financial institution under the control of government;
 - Others – public financial institutions of smaller economic importance having the nature of units operating under instructions of the government unit i.e.
 - (i) MUFIS, JSC, reclassified from S. 12601- Municipal Financial Company established by the ČMRZB (or NRB) in 1994 with the aim of using borrowed funds from the USA to support the development of municipalities;
 - (ii) IMOB, JSC and GALLEO REAL (limited partnership) reclassified from S.12601 - in liquidation;
 - (iii) BH Capital, (joint-stock company) in liquidation (reclassified from 12601; the unit was cancelled in 2017
 - (iv) Financial Market Guarantee System - FMGS (Garanční systém finančního trhu) – a legal entity established by a special law entered in the Business Register-former Deposit Insurance Fund - DIF (Fond pojištění vkladů), reclassified from S.12601 to S.1311 (since 2003) in compliance with the ESA methodology due to lack of independency (non-profit institution)
 - (v) and Securities Traders Guarantee Fund - STGF (Garanční fond obchodníků s cennými papíry) - non-profit financial institution.

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d) Non-profit non-financial institutions (122 units) *including two institutional units* (STGF and FMGS) *see above e.g.:*

- The Czech TV and Czech Radio (Česká televize a České radio) – the public mass media, which were reclassified from S.11001 to S.1311. The reclassification is based on the consideration of the qualitative criteria, in accordance with the ESA 2010 methodology alongside with classification of fees for TV and radio broadcasting collected by these units as taxes (D.2). Reclassification of these units was made in 2017, in the whole time series (since 1993);
- The Vine-grower Fund – VGF - (Vinařský fond), established in 2004 (§31, Act No. 321/2004 Coll.) as a legal person, which “has a status of a public authority” (non-profit type). The Fund is responsible for collecting of obligatory levies and providing support in the areas of wine growing and viticulture;
- The Council for Public Supervisory over Audit (CPSOA - Rada pro veřejný dohled nad auditem) established in 2009 as a body of public supervisory over the activities of auditors (Act No. 92/2009, Coll. on auditors); the unit has the nature of non-profit institution;
- Public Universities – PU - (Veřejné vysoké školy) – (26 units): by the end of 1997 as semi-budgetary organisations. Their legal form has been changed by Act No. 111/1998 Coll.; they have features of a non-profit institution and their operating costs are covered by more than 50 % from the State budget (about 80 %-90 %);
- University nursery schools (Univerzitní mateřské školky) established by public universities as non-profit institutions since 2012, controlled and funded by the public universities.
- Public Research Institutions – PRI - (Veřejné výzkumné instituce) - (67 units): by the end of 2006 have been operated as semi-budgetary organisations that changed the legal form by Act 341/2005, Coll. These units have the nature of non-profit institutions and their operating costs are covered by more than 50 % from the State budget (about 80 %); they are under the Academy of Sciences of the Czech Republic control (central budgetary organisation) or corresponding ministries.

e) Other units classified in S.1311, e.g.

Extreme Light Infrastructure (ELI ERIC) - Konsorcium evropské výzkumné infrastruktury ELI ERIC: organisation established in April 2021, based on the Council Regulation (EU) No. 1261/2013 on the Community legal framework for a European Research Infrastructure Consortium – ERIC (more details see section 5.2)

The central government subsector included also organisations that were dissolved during the past years, i.e.

- a) The Centrum-F: the unit was established as the PPP Centrum - Joint Stock Company - in 2004, providing a consultancy to government units intending to set up a PPP project. PPP centrum has also assured the implementation of the best practice in the management and the evaluation of PPP project. In 2013, the unit has been renamed to “Centrum – F”, Joint Stock Company. According to statistical survey, the unit was engaged in the Consulting Management (NACE 702), which was insignificant. The Centrum-F was cancelled to December 31, 2015.
- b) The National Property Fund (Fond národního majetku) – the legal person established in 1991 for the purpose of privatisation and restitutions of the state property. The unit was dissolved at the end 2005 and its activities were integrated into the MoF.
- c) Transformation institutions – financial institutions established in the nineties engaged in sales and purchases of bad claims, especially foreign ones:

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- The Czech Consolidation Agency (CKA) (Česká konsolidační agentura): (originally a bank) classified in S.1311 from 2001 to 2006; this year was dissolved and its remaining activities were integrated into the MoF.
 - Two subsidiaries of the CKA – Konpo and Czech Financial (Česká finanční) (limited companies) – classified in S.1311 from 2002, their activities were suspended on 31 August 2006.
 - The Czech Collection Company (Česká inkasní), limited company, classified in S.1311 from 2002; its activities were suspended in 2008.
- d) The Children and Youth Fund (Fond dětí a mládeže) established in 1993 for the purpose of management of the property of former youth organisations. The Fund was cancelled in 2000;
- e) The State Soil Reclamation Fund (Státní fond pro zúrodnění půdy) –extra-budgetary fund responsible for improvement of the land care and its fertility; it was established in 1982 and cancelled in 2005.

1.2 State government subsector (S.1312)

The subsector is not covered in the Czech Republic.

1.3 Local government subsector (S.1313)

Local government subsector has included (at the end 2022) more than 17 thousand units i.e. following units:

1. Local budgetary organisations (LBO) (7 047 units)

- Territorial Self-governing Divisions and Offices (Územní samosprávné celky a úřady), i.e.
 - Regional Offices (Krajské úřady) – 14 units (including Capital City of Prague);
 - Municipalities and Town Councils (Obce, magistráty a městské úřady) – 6314 units;
- Voluntary Associations of Municipalities (Dobrovolné svazky obcí) established under the Act No. 128/2000 Coll. on municipalities, as amended – 716 units;

Regional Councils of Cohesion Regions (Regionální rady regionů soudržnosti), established under the Act No. 248/2000 Coll. on regional development support, as amended – 7 units; these units have been dissolved as of 31 December 2021. The Ministry for Regional Development taken over their activities.

1. Other local organisations (extra-budgetary):

- a) **Local semi-budgetary organisations** – LSBO (Místní příspěvkové organizace) – 10 225 units i.e., organisations established by a local budgetary organisation to carry out some of the government functions. These organisations operate in different branches (NACE) of the national economy (e.g., in property management, technical services, education, cultural or in social services) and that are linked with the local budget. If expenditures are higher than revenues, then the unit may obtain a subsidy. Semi-budgetary organisations are not treated

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as institutional units with the autonomy of decision (as stipulated in the paragraph 2.12 ESA2010). Based on this reasoning, all semi-budgetary organisations (including hospitals) are classified in the general government sector (regardless of the result test on the market/non-market concept, i.e., 50% criterion for reimbursement of production costs from own resources – from production sells).

b) Non-profit institutions, which provide services only to local government units or they are under government control and financed especially from local budgets (78 units), e.g.:

- Associations of municipalities established as interest association of legal persons (zájmové sdružení právnických osob) or as society (spolek), (51 units) they cooperate in improving the economic and living conditions of citizens, support of social life, improvement of the environment, etc. An example is in particular: *The Association of the Czech Republic Regions (Asociace krajů České republiky) –whose main purpose is to protect and to promote the common interests and rights of all 14 regions that are members of it;*
- school legal persons, e.g. Combined primary and pre-primary schools (e.g., Základní a mateřská škola Údolí Desné, Základní a mateřská škola Karlovy Vary Region and Základní a mateřská škola Bez Hranic;
- generally beneficial companies, e.g. Domovina Němčičky,
- research institutions, e.g. Research Institut Balneological, PRI Mšené (Výzkumný ústav balneologický -VVI Mšené)

c) **Public non-financial corporations** (92units):

- Companies recognized as “non-market”, providing technical services managing assets and providing services in the fields of culture and sports These units are classified in S.1313 following 50% criterion (§ 3.33 ESA2010), i.e., their operating costs are covered by more than 50 % from the budget of the local BO, which established the unit or by a qualitative criterion, i.e., they provide services exclusively to government units;
- Public hospitals established by the local BOs as businesses (as limited companies or join stock companies) have been reclassified into S.1313 (45 units) This reclassification is based especially on qualitative criterion (these units do not have full autonomy in decision-making; (see the MGDD 2019, part 1.2.4.6)

d) **Public financial corporations:**

- The Prague Gas Holding, ISC. (Pražská plynárenská Holding, a.s.) has been reclassified from S.12701 to S.1313 (since 2014) due to having the nature of “captive financial institutions” as defined in the Manual on Government Deficit and Debt and
- The Regional Support Resource (Regionální podpůrný zdroj, Zlín) has been reclassified from S.12501 to S.1313 also in compliance with the ESA 2010; the unit was cancelled in 2017.

1.4 Social security funds subsector (S.1314)

Further details relating to practical aspects of sector classification for individual units into general government sector could be found in Chapter B, section 1.

The social security system includes social and health insurance and other social protection financed from budgets of the BO, however out of the social insurance systems of the Czech Republic. Part of the social insurance relating to pensions, sickness and insurance relating to unemployment, is integrated in the State budget and under the Czech Administration of Social

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Security (Česká správa sociálního zabezpečení) - central BO. The corresponding social contributions are revenues of the State budget and social benefits are its expenditures.

The social security funds subsector – in the Czech National Accounts - includes only institutional units administrating the general (compulsory) health insurance and units serving to the health insurance companies and units serving to these health insurance companies.

1. Health insurance companies – HIC – (Zdravotní pojišťovny): these companies are responsible for managing of the general (compulsory) health insurance, i.e. for collecting of health insurance contributions and for financing of health care provision. They have been established under the Act No. 551/1991 Coll., on the General Insurance Company (Všeobecná zdravotní pojišťovna) and under the Act No. 280/1992 Coll., on departmental, professional, company and other health insurance companies, as other regulations (resortní, oborové, podnikové).

In 2021, following health insurance companies operated:

- General Insurance Company (Všeobecná zdravotní pojišťovna)
- Military Insurance Company (Vojenská zdravotní pojišťovna),
- Czech Industry Insurance Company (Česká průmyslová zdravotní pojišťovna),
- Professional Health Insurance Company of employees of banks, insurance companies and building industry (Oborová zdravotní pojišťovna)
- Health Insurance Company – Škoda (Zaměstnanecká zdravotní pojišťovna Škoda),
- Health Insurance Company of the Ministry of Interior CR (Zdravotní pojišťovna Ministerstva vnitra ČR),
- District Fraternal Treasury - Health Insurance Company (Revírní bratrská pokladna - zdravotní pojišťovna),

2. Other organisations classified in S.1314:

- Health Insurance Bureau (Kancelář zdravotního pojištění, z.s.) - formerly Centre for International Reimbursement – CIR – (Centrum mezistátních úhrad) – a unit established in 2001, ensures international financial settlement of receivables and payables relating to provided health care to non-residents in the Czech Republic or to the Czech residents abroad. It provides information on health care in the Czech Republic and in foreign countries and on its financing;
- Associations of Health Insurance Companies – AHIC (Svaz/sdružení zdravotních pojišťoven): three units have been established as non-profit institutions in the middle nineties. One of them is now in liquidation and the other is inactive. Only the Associations of Health Insurance Companies of the Czech Republic, z. s. (SZP ČR), which associates 6 employers' health insurance companies, is active.

Besides, of these units, the subsector S.1314 included also Hedge Fund (Zajišťovací fond) established in 1998 and reclassified from S.12601 (in compliance with the ESA2010 methodology). This Fund was cancelled on December 31, 2015. (See section 5.2)

2. Institutional arrangements

This section provides general information on institutional arrangements relating to the production and dissemination of government deficit and debt statistics:

- *responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA2010 Transmission Programme;*
- *institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;*
- *general overview about bookkeeping system used by public units, internal quality checks and external auditing;*
- *communication between individual national authorities involved in EDP;*
- *publishing of deficit and debt statistics.*

Legal basis for the compilation of GFS and EDP data

Specific national laws and decrees referring to the collection and compilation fiscal data, national government accounts that are the basis for government financial statistics (GFS) and EDP notifications are following:

1. Budgetary reports and financial statements

- Act No. 218/2000 Coll. on budgetary rules and amending related laws, as amended;
- Act No. 250/2000 Coll. on budgetary rules for municipalities (local budgetary organisations), as amended;
- Decree No. 419/2001 Coll. on the scope, framework, deadlines for elaborating of the Final State Account draft, preparation of draft chapters of the State budget, as amended; Decree No. 323/2002 Sb. on budgetary classification, as amended (valid until December 2021);
- Decree No. 5/2014 Coll. on the manner, deadlines and scope of data submitted for assessment of the State budget, budgets of local budgetary organisations, state funds, Voluntary Associations of Municipalities and Regional Councils of Cohesion, as amended;
- Decree No. 323/2002 Coll., on the budget structure, as amended, which classifies revenue and expenditure of central and local budgetary organizations (CBOs, LBOs), valid until 31/12/2021. Newly amended decrees on the structure revenue and expenditure of BOs are published again every year;
- Acts on the State budgets, approved annually by the Parliament of the Czech Republic;
- Act No. 563/1991 Coll. on accounting, as amended;
- Act No 420/2004 Coll., on review of economy municipalities and voluntary associations of municipalities
- Decree No. 410/2009 Coll. implementing certain provisions of the Act No. 563/1991 Coll., on accounting, as amended - for selected accounting units (relating on all budgetary organisations, state fund and semi-budgetary organisations for the “selected accounting units;

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- Decree No. 383/2009 Coll. on the accounting records in a technical form of selected entities, and their transfer into the Central System of Accounting Information of the State, as amended; the Annex to this Decree is the Auxiliary Analytical Overview (AAO), which contains a more detailed splitting of synthetic accounts (determined in the 410/2009 Coll. Decree) in relation to the regulation (EU) on the national accounts system (ESA);
- Act No. 320/2001 Coll., on financial control in public administration, as amended; he act defines financial control between its bodies, between bodies of public administration and requesters and recipients of public support (incl. state enterprises);
- Decree No.220/2013 Coll., on the requirements for the approval of the Final Account;
- Czech accounting standards for selected accounting entities and for health insurance companies;

These laws and decrees have been revised in connection with the new Civil Code No. 89/2012 Coll. (which has an impact on e.g. determining of legal forms, a number of laws and decrees).

2. Statistical data:

- Act No. 89/1995 Coll. on state statistical service, which allows obtaining statistical data used for compiling of sector national accounts including general government accounts and also for GFS. Moreover, the Act also allows to require administrative (budgetary and financial) data from government units;
- Decree on Statistical Program for t+1 year, annually published in the Code of Laws; (Decree No. 404/2021 on the Program of Statistical Surveys for 2022). Annex 1 includes surveys carried out by the CZSO and reporting requirements for corresponding units; Annex 2 includes surveys carried out by the ministries.

2.1 Institutional responsibilities for the compilation of general government deficit and debt data

This section describes institutional responsibilities for compilation of Government Finance Statistics (national accounts for general government and EDP tables). Further related information is described in section 2.3 Communication.

National accounts data for general government are transmitted to Eurostat¹ via the following tables (see the related EU legislation)²:

Table 2 – Main aggregates of general government (annual data)

Table 6 – Financial accounts by sector (annual data)

Table 7 – Balance Sheets for financial assets and liabilities (annual data)

Table 801 – Non-financial accounts by sector (quarterly)

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (annual data)

Table 11 – Expenditure of General Government by function (annual data)

Table 25 - Quarterly Non-financial Accounts of General Government

Table 26 – Balance sheets for non-financial assets (annual data)

Table 27 – Quarterly Financial Accounts of General Government

Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government

¹ <http://ec.europa.eu/eurostat/data/database>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1581327918231&uri=CELEX:32013R0549>

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Table 29 - Accrued-to-date pension entitlements in social insurance

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables³.

Table 1 - Institutional responsibilities for the compilation of general government national accounts and EDP tables

<i>Institutional responsibilities</i> (the appropriate cells are crossed)		<i>NSI</i>	<i>MOF</i>	<i>NCB</i>	<i>Other</i>	
Compilation of national accounts for General Government:						
<i>Nonfinancial accounts</i>	<i>annual</i>	X				
	<i>quarterly</i>	X				
<i>Financial accounts</i>	<i>annual</i>	X				
	<i>quarterly</i>	X				
<i>Maastricht debt</i>	<i>quarterly</i>	X				
Compilation of EDP Tables:						
<i>EDP table 1</i>	<i>actual data</i>	<i>deficit/surplus</i>	X			
		<i>Debt</i>	X			
		<i>other variables</i>	X			
	<i>planned data</i>	<i>deficit/surplus</i>		X		
		<i>Debt</i>		X		
		<i>other variables</i>		X		
<i>EDP table 2 (actual data)</i>	<i>2A central government</i>		X			
	<i>2B state government</i>		NA			
	<i>2C local government</i>		X			
	<i>2D social security funds</i>		X			
<i>EDP table 3 (actual data)</i>	<i>3A general government</i>		X			
	<i>3B central government</i>		X			
	<i>3C state government</i>		NA			
	<i>3D local government</i>		X			
	<i>3E social security funds</i>		X			
<i>EDP table 4</i>		X				

NSI - National statistical institute including units subordinated to the NSI (the latter is to be specified in comments)

MoF – Ministry of Finance/Economy including units subordinated to the MOF (to be specified in comments)

NCB – National Central Bank

Other – other national body, to be specified in comments

³<http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

Institutional responsibilities for general government accounts, EDP tables and other tables (data) relating to S.13

1. From the Table 1 it is evident that **the Czech Statistical Office** (Český statistický úřad) holds primary responsibility for the government accounts and the EDP tables. Within the CZSO, a new Government and Financial Accounts Department has been created (in 2014) encompassing three units. The Government Accounts Unit (10 persons) takes a major responsibility for the compilation of the government financial statistics i.e., for:
- a) the full set of quarterly and annual General Government national accounts split by subsector;
 - b) tables relating to EDP notification of government deficit and debt, i.e., for
 - all EDP notification tables (1-4 split by government subsector, i.e., 9 tables)), as to backward data (for years n-1, n-2, n-3, n-4) - in April EDP notifications, which must be submitted no later than 31 March and in October EDP notifications submitted no later than 30 September in accordance with the Council Regulation No. 479/2009, as amended; these tables cover summary data on general government deficit/surplus and debt and detailed overview of non-financial and financial transactions related to their calculation.
 - the Questionnaire relating to the EDP notification tables (however the responsibility is partly shared with the MoF that compiles a table on guarantees in line with the contract signed between both institutions);
 - EDP historical notification tables 1 and 3A - backward data from 1995;
 - other supplementary tables, which have become part of the EDP notification:
 - Supplementary table for the financial crisis;
 - Supplementary table for reporting measures taken in the context of the Covid-19 pandemic
 - Detailed data for the EDP table 2A, 2C, 2D, i.e., data on
 - Financial transactions,
 - Non-financial transactions not included in the working balance,
 - Other accounts receivable,
 - Other accounts payable,
 - Net borrowing/net lending other government bodies (for individual units),
 - Other adjustments.
 - Detailed data for the EDP table 3B,3B1, 3B2, 3BX, which explain contributions of the deficit/surplus and factors to the variation in the debt level ‘for main and other government units
 - c) Explanatory notes on adjustments (revisions) of data in individual years (t-1 to t-4), tasks from the EDP dialogue mission, information on changes in the units sector classification or information on the impact of government measures under pandemic period COVID-19 on the government accounts, etc.
 - d) Inventory of the methods, procedures and sources used for compilation of deficit and debt data and the underlying government sector accounts compiled according to ESA2010;
 - e) Government financial statistics, i.e., including tables 2, 9, 11, 25, 27, 28 and also for data included into the tables 6 and 7 of the transmission programme (sector annual financial accounts, other volume changes accounts and balance sheets);
 - f) Reporting of expenditure and other costs of the general government (S.13) financed by the Recovery and Resilience Facility (RRF);
 - g) And also, for providing of other data on government activities upon requests of other international and national organisations and also for GFS data published on the websites of the CZSO.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

Published data in the sector national accounts (including tables 6 and 7) can be different, over a certain period, due to clarifications (in the course of the EDP notification) and recommendations of the Eurostat resulting into changes of recording.

General government accounts are compiled in close **cooperation with other units** within

- *the Government and Financial Accounts Department*: staff of the Financial Accounts Unit provides data for selected public financial institutions classified in S.13 and staff of the Non-market Economy Unit provide data for non-profit institutions classified in S.13. Both units participate also in the government accounts compilation;
- *the National Accounts Department i.e. staff of the Sector National Accounts Unit, Input-Output Tables Unit and Quarterly Estimates Unit* and provide data – e.g., on gross fixed capital consumption data (calculating by the perpetual inventory method - PIM), wages in kind, payments for insurance services, etc., and full set accounts e.g., for public hospitals – joint stock companies and limited companies, and other public non-financial corporation classified in S.13. They also provide data on 50% criterion of covering operating costs from own resources, on capital injections, etc.

The National Accounts Department is responsible for compilation of full set of annual sector national accounts (S.11, S.14 and S.2) and the Government and Financial Accounts Department is responsible for accounts of S.13, S.12, S.15 and also for the overall financial account.

2. The Ministry of Finance (MoF) of the Czech Republic (Ministerstvo financí České republiky)

The Economic Policy Department (odbor Hospodářská politika), is responsible for compilation of planned data on deficit and debt (for the current year “n”) within the EDP Table 1 and data on guarantees for the Questionnaire table 9.1 within the April and in the October EDP notification.

Moreover, some of the MoF departments are responsible for provision of specific (more detail) data for government accounts and the EDP notification, e.g., on VAT, Income Tax, State Debt, EU flows, foreign receivables, etc. The cooperation and responsibility for the data areas are defined by a contractual relationship between two institutions.

Data flows and processing

Data flows and processing of data sources differ according to the units classified in S.13, depending on whether administrative or statistical data sources are available. Relevant staff member of the Government Accounts Unit of the CZSO is then responsible for implementation of the data source (including complementary information and methodological adjustments) into government accounts (for a group of units or for an individual unit), i.e. into so called SS tables, sector accounts (SEK tables) including the balancing of certain items among sectors (e.g. taxes, grants, issued government bonds) and for compilation of the EDP and questionnaire tables.

Flows and processing of administrative and complementary data:

All central and local **BO and SBO and SF** (so called selected accounting units by Act No. 563/1991 Coll. on accounting, as amended) provide the budgetary reports and financial statements to the database of the Ministry of Finance (to the Integration Information System of the State Treasury).

The State Reporting Department of the MoF is responsible for the methodology of accounting systems for selected accounting units (budgetary and semi-budgetary organisations and state

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

funds). Accounting Valuation and Related Professions Section Department of the MoF is responsible for accounting system and structure financial statements for other accounting units.

The CZSO staff responsible for GFS data has access to individual information from these administrative data. This enables to bridge (to compile bridge table) the methodological differences between budgetary / financial items and items of the national government accounts in accordance with the ESA methodology.

The first results from the annual budgetary reports and financial statements are in the MoF database 50th day after the reference period and 55th day from financial statements of units, which compile the AAO (Auxiliary analytical overview). However, the final results are available in t+2,5 months.

In addition, the Regional Statistical Office of the Czech Statistical Office in Brno (Krajská statistická správa ČSÚ v Brně) takes over administrative data for the BO, the SBO and the SF into the CZSO database. The working group of the Regional Office Brno verifies accuracy of PAP data (over framework of technical controls set in the MoF database).

Simultaneously the CZSO developed “data market” (datové tržiště), where (along with statistical data) are included also individual accounting data from the Integrated Information System of the State Treasury (IISSP) and necessary outputs for national accounts, including government accounts.

Other “**extra-budgetary**” **organisations** classified in S.1311, e.g., SGAFF or RIA, banks (through the Czech National Bank) or public universities (through the Ministry of Education, Youth and Sports) provide accounting data directly to the Government Accounts Unit of the CZSO. For the first notification, data are of the preliminary nature; for the second notification, audited data are incorporated into the accounts.

However, data for public universities are based first on data from the quarterly statistical questionnaires. Accounting data provided by the Ministry of Education, Youth and Sports are available only for the October EDP notification.

Some **complementary data** (e.g., monthly data on social contributions, information on foreign claims, guarantees etc.) are taken over **directly** from the MoF, the Ministry of Labour and Social Affairs, the Ministry of Health, from the Ministry of Defence or the CNB.

Flows and processing of statistical data sources and complementary data:

The CZSO and Regional Offices of the CZSO in Brno, Ústí nad Labem and Plzeň collect and process quarterly and annual statistical data for government units, whose accounting data are not available or if data are not satisfactory for the compilation of the government accounts. These are data for non-profit institutions (VPI 3-04 and NI 1-01), public non-market corporations (P 6-04 and P 5-01) and health insurance companies (Zdp 3-04 and Zdp 1-01) and in compliance with the schedule transmit the data to the CZSO Government Account Unit. These units are not part of the State Treasury system.

Moreover, the Regional Office of the CZSO in Brno collects and processes annual statistical questionnaire VI 1-01 from local BO and SBO, except units providing the AAO. VI 1-01 provides additional data in compliance with the ESA2010 methodology and which are not available from the corresponding financial statements directly. For small municipalities (up to 1000 citizen) and small local SBOs within NACE 85 (up to 50 employees), the sampling survey

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is carried out (and data from financial statements represent a basic framework for total local BO and SBO population).

Data from quarterly statistical questionnaires for the previous year (t-1) are transmitted, for the needs of government accounts' compilation and the April EDP notification, in February (t+55 days) of the current year. Data from annual statistical questionnaires for the previous year (t-1) are transmitted for the October EDP notification, in August (t+8 months) of the current year.

The compilation process of the EDP tables

The nature of primary data, which are different for the first and the second EDP notification, affects the compilation process of the EDP tables. Moreover, the compilation process also reflects a type of version - whether preliminary or final versions of the sector national accounts compiles.

Deadline for compilation and presentation of the sector accounts and the EDP notification (even though, the government accounts are integrated part of sector accounts) is and will be different. Since 2016 annual sector national accounts are published at the end June of the current year. They contain the government accounts data stated within the April EDP notification. The data contained in the October EDP notification of the current year are published as part of the annual sector NA at the end June of the next year.

The first step of the government accounts compilation consists in the compilation of full set accounts for individual government subsectors, because these accounts constitute methodological base for the EDP notifications. The government accounts for t-1 year are compiled as a “preliminary” version within the April EDP notification.

The main data sources for the BO and the SBO are taken over from the MoF. By the end 2009, the CZSO took over only data for groups of units (BO and SBO) split by institutional subsector, NACE and information on BOs expenditures according to “COFOG” classification (classification of the MoF). Since 2010, the CZSO gains individual data from the budgetary reports and the financial statements from the database of the MoF to which selected staff has the access. This system also allows splitting data by subsector, NACE, by type of units and “COFOG” (classification of the MoF).

For the first notification, data for other government units are based on quarterly statistical survey or preliminary financial statements from extrabudgetary units. Data from quarterly statistical questionnaires use for the compilation of annual accounts for selected non-profit institutions (especially for public universities and public research institutions), for corporations classified in S.13 and for health insurance companies; other government units (e.g., RIA, SGAFF) provide their preliminary financial statements.

Full set of accounts – non-financial and financial accounts, balance sheets etc. (so called SS tables) are compiled for each group of government units (BO, SF, SBO, PU, PRI, other non-profit institutions, public corporations and HIC) separately: Accounts for other government units, including financial corporations classified in S.13 (see the part 1) are compiled on the individual basis (for each unit). Accounts of all units and groups of units are then integrated into the accounts of the sector S.13 (so called SEK table) split by subsector – as already in the “zero” (initial) version of government national accounts before the adjustments.

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In the next step, the following (regular and exceptional) **methodological adjustments** are carried out e.g.:

- payment for non-life insurance services (P.2 and D.71 divided for direct insurance, i.e., D.711 and reinsurance D.712): calculation is carried out in compliance with ESA2010 methodology;
- acquisition of combat aircraft – Gripen - has been included under P.51g in 2005 and also in 2015 (as a reflection of the prolongation of the contract) consumption of fixed capital under P.51c and repayments for combat aircraft – Gripen, under D.41- interest, F.42 - loans; leasing of these combat aircrafts is treated as financial leasing and is included in government debt;
- deliveries of other military equipment are classified under P.51g or P.52;
- accrualisation of data of inventories changes for budgetary organisation under P.1, P.2, P.52 items;
- adjustments of data on output due to increasing in of standing timber (P.1);
- financial leasing (P.2 (-), (D.41, F.42));
- splitting of travel expenses between wages in kind and intermediate consumption (P.2, D.11): 95 % of the travel expenses is included to P.2 and 5 % to D.11 (as catering allowance);
- wages in kind (D.1);
- consolidation of all subsidies and grants for semi-budgetary organisations under D.73 item and D.92– transfers within government units (in the whole time series), i.e., no subsidies and grant are recorded as expenditure to S.11001 (due to classification of all semi-budgetary organisations into S.13);
- payments relating to renewable sources are rerouted as taxes (D.214) and in the same amount as subsidies on products (under D.319);
- imputed interest (D.41), to resources of the corresponding sectors: this imputation to resources is in the same amount, which is included under wages in kind;
- imputed social contributions and benefits sickness paid by employers direct to employees (due to the sickness legislation) are recorded under D.1222 and D.6122 and D.6222, and that, during the first 14 days sick leave from 2008 to 2010, 21 days from 2011 to 2013; employers cover these contributions again during the first 14 days since 2014;
- imputed subsidies to employers: i.e., reimbursement of sickness contributions in the amount 50 % (D.39) from 2008 by the end 2011, that the burden of employers was not so sudden and great;
- FISIM (D.41, P.2);
- fixed capital formation (P.51g):
 - Information on fixed capital formation is not available from the financial statements (used in the Czech accounting system). Therefore, the calculation of P.51g - for T-1 - was based on (i) data from the budgetary reports for BO (in cash basis) and (ii) on non-financial assets stocks data obtained from balance sheet for T-1 used for quarterly accounts compilation, for estimate of GDP and for the April EDP notification. For the October EDP notification the data were based on the annual statistical questionnaires which include more detailed data e.g., on individual types of fixed assets acquired;
 - Since 2013, fixed capital formation is based especially on data from the AAO statements –for all central BO, SF and SBO and for selected (but important) local BO and SBO. The AAO provides detail information on individual types of tangible

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and intangible fixed assets and inventories and on forms of acquisition – on purchases and sales and on acquisition free of charge and simultaneously information on counterpart sectors.

- Information on fixed capital formation for other government units is used from the statistical questionnaires (VI 1-01, NI 1-01 or Zdp 5-01; P 5-01, Pen 5-01 and Poj 5-01);
- calculation of fixed capital consumption (P.51c) based on PIM method (method of perpetual inventory method), because data on accounting or tax depreciations are not used in the national accounts;
- neutralization of impact of the EU grants on B.9 – elimination of transfers to final users classified in other sectors from government revenue and their recording under corresponding national accounts items (D.73, D.74, D.75, D.9);
- Compulsory payments of banks, building societies and credit unions and security traders to "insure" deposits and investments in securities (in accordance with ESA 2010) were transferred (rearranged) as a tax from the financial corporations' sector to the general government sector. Since 2015, respectively in the time series since 2003 are recorded directly in D.29, in S.1311. Similarly, payments of households and other economic entities for Czech Television and Czech Radio services are recorded as taxes directly under D.29 and D.59. Methodological adjustments (rerouting of payments) do not have to be made because corresponding companies - Financial Market Guarantee System, Securities Traders Guarantee Fund, Czech Television and Czech Radio have been classified in S.13.
- Rerouting so called of liability insurance from S. 12802 within the D.29(-) and D.759(-) into the same items (with the opposite sign) in S.1311: Insurance companies are obliged to pay into Damages Inhibition Fund at least 3 % from insurance of responsibility for damages caused by motor vehicle operation (determined by the Act No. 168/1999 Coll., as amended). Insurer's Bureau (non-profit institution classified in S. 12802) manages the Fund and the payments have features of taxes. Therefore, methodological adjustment is carried out by rerouting of these transactions.

Important adjustments are made under accrualisation of cash data for the BOs, i.e., adjustments of output and intermediate consumption, taxes, interest, social and health insurance contributions and of penalties within health insurance companies – by using the time adjustment method (connected with receivables / payables F.8).

Methodological adjustments are made also within balance sheets items (in stocks) and financial or revaluation accounts etc. (e.g., imputation of shares of government, adjustment of government debt due to forgiveness or assumption of debt from non-government units, reclassification of long-term business advances from liabilities to the debt incl. data on changes to the creditor (claims entity) of the government unit (factoring) or in bank accounts, when funds of extra-budgetary organisations are used (so-called cash-pooling), i.e. on data that are not included in administrative sources.

Within accounts of the State Agricultural Intervention Fund is eliminated any effect of the EU subsidies on products; amount of inventories of the SAIF is excluded and as a fictive unit is classified to S.11001 - public non-financial corporations (under P.52, AN.12 items) and as well as the liability of this unit (under AF.5, F.5 items). The same amount is recorded as other equity (AF.5, F.5) of central government sector (see section 6.2.4 - MRA).

“Final” approval of the EDP data

The EDP data (all tables) are firstly submitted to the management of the Government and Financial Accounts Department and to the Section Director. Then they are submitted to the president of the Czech Statistical Office, to the Ministry of Finance, the Czech National Bank and to the Supreme Audit Office. Management of these institutions take note of the data.

Creation a complete set of the EDP notification documents and their transmission to Eurostat

The CZSO is responsible for the compilation of complete set of the corresponding documents (the EDP tables, the Questionnaire relating to the EDP tables, which is however partly shared with the MoF, other required data) and for their transmission to the Eurostat (no later than March 31 and September 30) (see above e.g., Table 1).

Complete set of documents includes also comments on significant transactions and changes of reported indicators (“Explanatory notes”), an overview of the number of government institutions split by subsectors S. 13 and industries from 2011 (“Annex: List of General Government Units by subsectors and NACE”) and a report (“Clarification”), i.e., detail comments on the reported data elaborated according to Eurostat questions. These explanatory notes reflect dialogue on data with the Eurostat during two weeks, (after sending notification documents) requirements and decisions on changes in recording of some transactions.

All these documents are transmitted in particular via electronic form and EDP notification tables are officially sent also by mail. Any affidavit is not attached to the EDP data (Eurostat does not longer require this attachment).

2.1.1 Existence of an EDP unit/department

A single EDP unit has been established neither under the CZSO, nor under the MoF. The Government Accounts Unit holds primary responsibility for EDP data.

2.1.2 Availability of resources for the compilation of GFS data

Institutional responsibilities and process of compilation of the national government accounts and the EDP tables are described above (part 2.1).

2.2 Institutional arrangements relating to public accounts

Generally, “public accounts” are basic source data for GFS compilation, i.e., EDP tables as well as annual and quarterly accounts for general government. Public accounts are used by government units and refer to accounting records and relating accounting outputs (e.g., financial statements) based on the accounting framework defined by a national legislation. This section provides a general overview on institutional responsibilities relating to public accounts. Further details on public accounts for individual government subsectors are described under relevant sections on data sources and EDP tables.

2.2.1 Legal / institutional framework

Government units and their accounting system - public accounts

General bookkeeping system is defined by the Act No. 563/1991 Coll. on accounting, as amended and by implementing decrees, approved by Parliament. The Act specifies the scope and methods of accounting and the requirements on its conclusive evidence. On its basis, implementing decrees determine a chart of accounts, accounting procedures and outputs for individual type's entities, i.e., for entrepreneurs, banks and other financial institutions, insurance companies, non-profit institutions, selected accounting units (BO, SBO and SF) and for health insurance companies. Moreover, the National Property Fund and the Land Fund kept special accounting framework (in the 90s).

In total, general government units use in fact all accounting systems and compile annual financial statements (especially the Profit and Loss Statement, the Balance Sheet and the Annex, which explains some of the facts from the previous statements); most of them compile also quarterly financial statements, which provide to the Czech Statistical Office.

- Budgetary organisations (central and local BO) and state funds (SF) used budgetary system based on the cash basis and they compiled the budgetary reports containing revenues and expenditures; only balance sheet was based on the accrual basis. Since 2010, these organisations compile financial statements (see above) in compliance with the new bookkeeping system - named "Central System of Accounting Information of the State" - CSAIS (in accordance with the national laws and decrees – see section 2-Institutional arrangements – Legal basis). In 2012, the Auxiliary Analytical Overview (AAO) statements supplemented the system for some BOs and for all SFs;
- Semi-budgetary organisations (central and local) used accounting system based on the accrual basis and compiled the Profit and Loss Statement, the Balance Sheet and the Annex,. Since 2010, SBO compile these statements (also on the accrual basis) in compliance with the new bookkeeping system (CSAIS) including the AAO statements (since 2012) and with the national laws and decrees (see above);
- Public corporations: also compile Profit and Loss Statement, Balance sheet and Annex, i.e., they use accounting systems based on accrual base (e.g.):
 - the Support and Guarantee Agricultural and the Forestry Fund, the Railway Administration, and other non-financial enterprises (e.g., the CPP Transgas or public hospitals), the PRSKO, the MUFIS, or the Prague Gas Holding, use the accounting system for entrepreneurs (the Decree No. 500/2002 Coll., as amended);
 - the Czech Export Bank and the National Development Bank (former the Czech-Moravian Guarantee and Development Bank use the accounting system for banks and other financial institutions (the Decree No. 501/2002 Coll. as amended)
 - the Export and Guarantee Insurance Company uses the accounting system for insurance companies (the Decree No. 502/2002 Coll. as amended)
- The National Property Fund (NPF) and the Land Fund (LF) used a special bookkeeping system. At present, data for the NPF are part of financial statements of the MoF and the State Land Office (formerly LF) compiles the financial and budgetary reports in compliance with the same bookkeeping system as CBO;
- Non-profit institutions compile Profit and Loss Statement and Balance sheet, i.e., they use accounting system based on accrual base, (by the Decree No. 504/2002 Coll., as amended); they are e.g.,

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- Public Universities, Public Research Institutions, the Vine-grower Fund, the Council for Public Supervision over Audit, Securities Traders Guarantee Fund or the Financial Market Guarantee System etc. (S.1311),
- the Association of Regions of the Czech Republic, the Association of Towns and Municipalities of the CR and schools' legal persons (S.1313),
- health insurance associations, the Health Insurance Bureau (former Centre for Interstate Settlements).

Non-profit institutions compile only annual financial statements, which are not available for the CZSO. However, some of them provide quarterly and annual financial statements, (e.g., VGF or financial non-profit institutions-on basis of individual agreement) to the Government Accounts Unit or they compile annual and quarterly statistical questionnaires.

- Health insurance companies, administrating the general health insurance, use a special accounting system (Decree No. 503/2002 Coll., on the accounting for health insurance companies) based on “funded” system. These companies compile the Formation and Use of Funds Statement (especially on a cash basis) and Balance sheet (on accrual basis), which is consistent with the balance sheet of commercial insurance companies. However, this system is not satisfactory for national accounts compilation. Moreover, the units compile some supplement tables, e.g., data on health care expenditure split by function (which is very close to COFOG international standard). This information is obtained from the MoF.

Responsibilities for bookkeeping system formation, designing for budgetary and financial statements

The Ministry of Finance and within its organisational structure are responsible for bookkeeping system formation, designing for budgetary and financial statements

- The State Reporting Department is responsible for accounting and accounting entries in the MoF books and at the same time for the creating of accounting legislation, i.e. accounting systems methodology for selected accounting units (BOs, SFs and SBOs).
- The Accounting, Valuation and Related Professions Department is responsible for bookkeeping system entrepreneurs, financial and non-profit institutions, for the creating accounting standards for these entities and also for the financial statements patterns;
- Public Budgets Section is the responsible for the budgeting methodology (budget structure, budget statements and on revenues and expenditures items of BOs and SFs, the state debt management, state financial assets, and for EU flows.

Data collection and processing

Data collection and processing of data sources is different by type of government units.

BO, SF and SBO:

By the end 2009, the Ministry of Finance has ensured the collection and the processing of both budgetary and financial statements for all budgetary organisations, the state funds and the semi-budgetary organisations through a special unit, which consequently provided aggregated data to the CZSO. Data from the budgetary reports for the BO and the SF were split by subsector, by budgetary classification item and their expenditure – by government functions (“MoF COFOG” classification). Data from financial statements for the SBO were split by subsector, by NACE on three-digit level and also by government functions; in this case, each of the SBO was classified (according to the suggestion of the CZSO) into one international COFOG standard.

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Since 2010, several workers of the CZSO are in the position to use individual data for the BO, the SF and the SBO from the MoF database (the State Treasury) and to use them according to ESA2010 and MGDD requirements and at the same time to discover sources of discrepancies.

Within the AAO, (on suggest of the CZSO) number of controlling relationships were introduced (e.g., as to the negative value of items in the balance sheet); homogeneity in accounting treatment of the same cases is verified.

BO and SBO that compile the AAO do not submit the statistical questionnaire VI 1-01.

Other government units

- Statistical data for public universities, public research institutions, other non-profit institutions (including public financial institutions), public non-financial corporations, and for health insurance companies classified in S.13, are collected and processed by the CZSO. All these statements contain data on the accrual basis.
- Other government units (e.g., RIA, SGAFF and VGF including public financial institutions classified in S.13) provide financial statements on the accrual basis to the CZSO – to the Government and Financial Accounts Department, directly or through the CNB or MoEYS.

Supplement data sources

The CZSO collects also supplementary data in compliance with the agreement between the MoF and the CZSO, e.g., data from tax declarations and selected indicators from financial statements of corporations (which are part of the tax declarations) and other data (e.g., on foreign claims or guarantees), which are implemented to the government accounts and the EDP notification.

Changes in accounting framework used by public units

a) Information from the **new bookkeeping systems for the BO including the State Land Office the SF and the SBO**, which has been introduced since 2010, has been to some extent improved.

In 2012, Auxiliary Analytical Overview (AAO) containing selected analytical accounting information from the Profit and the Loss Statement and the Balance sheet. Criteria defining accounting units, which are obliged to submit the AAO are determined by the Decree (No. 383/2009 Coll.) determined accounting units (so called technical decree) according to weight of transactions and the impact on the government deficit and liabilities) that should compile the AAO; since 2012, their number has slightly increased.

Since the year 2012, all central BO, SF and municipalities that have more than 3000 inhabitants, SBO with more than CZK 100 million assets compile the AAO; since 2013 all central SBO compile the AAO (regardless of the amount of assets). However, the MoF suggested, during 2012, using the same criteria for other years.

Data obtained from the AAO statements for the local BO and SBO cover more than 70 % of total value assets and as to liabilities – it is about 80 %.

The MoF enables to units that are no longer obliged to compile and submit the AAO (in their interest and built software) send (on the voluntary basis) continue these statements to the Treasury system.

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Corresponding decrees No. 410/2009 and No. 383/2009 and some Czech Accounting Standards for BO and SBO, which came to force from 2013, incl. PAP statements, were revised only slightly.

b) Information on changes relating to **financial institutions and entrepreneurs** (financial and nonfinancial corporations including public corporations), **non-profit institutions and health insurance companies** was not generally available, but cooperation with the MoF, in this field, has been improved. In 2014 new decrees reflecting changes in the revised the Act No.563/1991 Coll., on accounting (due to the new Civil Code).

Public non-financial and financial corporations use the same accounting system as private corporations, i.e., public non-financial corporations use the accounting system for corporations (Decree No.500/2002 Coll. as amended) and public financial corporations use the accounting system for banks and other financial institutions (Decree No. 501/2002 Coll. as amended). These decrees reflect EU legislation and determine scope and methods of annual accounts compilation, definitions of assets, liabilities or content of costs and revenues, accounting classification, arrangement and denominating of items in the statements.

c) In 2013, the revised the Act No. 563/1991 Coll., on accounting in connection with the new Civil Code No. 89/2012 Coll. was published. The act has brought many changes, e.g., in the area of the property, contractual and lease relations, in the area so called the right of construction (právo stavby) or easement (věcné břemeno), which reflected in bookkeeping system and in corresponding statements.

2.2.2 Auditing of public accounts

2.2.2.1 General government units

Auditing process of general government units is carried out in compliance with the Act No. 563/1991 Coll. on accounting, with the Commercial Code and with the special legislation (especially as to BO and SBO).

Internal validation of public accounts

The Ministry of Finance issued (under the § 7 point 1 of **Act No. 320/2001 Coll., on financial control in public administration**, as amended a “Manual on the procedure for assessing the quality of audit provided by internal audit”. The Manual determines procedures of the quality assessment and verification carried out by the specific financial control unit (or by external auditors). This obligation of internal audit relates to the BO, the SBO, the SF, and also to other units established under special legislation managing public funds.

22 July 2013 the Ministry of Finance issued the **Decree No. 220/2013 on approval of the annual account** (účetní závěrky) within central and local BO and SBO and SF. In accordance with the decree, authorised persons responsible for approving of the final account were (within the accounting unit) appointed. Protocol on the approval or disapproval of the final account is transmitted to the State Treasury system (published on the MoF websites).

Other government units – RIA, public universities, health insurance companies etc. classified in S.13 established usually special internal audit services. In March 1995 was established Czech institute of internal auditors that provides information about the development of internal audit in the Czech Republic, consultations as professional help in individual areas of internal audit.

External validation of public accounts

S.1311

For **central budgetary organisations**, a special auditing process is used. These units submitted and submit the Annual Report (výroční zpráva), i.e. budgetary reports and financial statements to their founders, i.e. corresponding ministries or central offices. These “supervisory” bodies then elaborate summary Annual Report for the “chapter” of the State budget. Since 2010, the CBO send the statements to the State Treasury database, where technical controls are set up – controls within the statement and between these statements.

Based on the corresponding statements, the MoF elaborates the Annual Report - the Final State Account (= Státní závěrečný účet = summary “Annual Budget Reporting”) – describing revenues and expenditures (on a cash basis) split by chapter, i.e. by ministry, central office or state debt, etc. This Final State Account is then submitted to the Government and Parliament for approval (approximately at the end of April or later). The difference between revenues and expenditures of the CBO represents the balance of the State budget, i.e. working balance (including state funds), which is reported in the notification tables EDP T2A.

State extra-budgetary funds submit their financial statements for approval to the official accounting auditors, and also to the corresponding ministry and the Government of the Czech Republic and Parliament. Their Annual Report has been the separate part of the Final State Account (by the end of 2012 and the Government CR and Parliament took into account this part of the State budget. Since 2012, state funds are not obliged to elaborate the Annual Report and the Final State Account contents brief information on their budgets.

Central (state) semi-budgetary organisations do not have statutory duty to submit annual reports to official auditors. They presented financial statements to corresponding founders (ministries or central offices) and the MoF for processing of the State budget (by the end 2009). Starting in 2010, their financial statements are part of the State Treasury and checked using technical controls introduced in the system. At present, these CSBO also submit data for its “budget” (main planned and actual revenues and expenditures) to the MoF database the data are used as a basis of the evaluation of the State budget fulfilment.

The Land Fund submitted its Annual Report to the Ministry of Agricultural, the Government CR and to Parliament (in conformity with the Act No. 396/2000 Coll.) for approval and also to official auditors. Since 2010 the Fund had not this obligation because became use the system of central accounting of state and submit its financial statements into the State Treasury. Nevertheless, the Fund submitted its Annual Account to an official auditor for 2010 and also for 2011. At present, validation of the SLO is integral part of CBO validation. **Since 2013 as the State Land Office- BO**, uses the specific audit process).

Other units:

- a) Public non-financial corporations: the Support and Guarantee Agricultural and Forestry Fund, the Railway Administration or the CPP Transgas and the Balmed and public hospitals (joint stock companies and limited companies) submit their financial statements for approval to an official accounting auditor (in conformity with the legislation);
- b) Public financial corporations, which have been reclassified into S.1311 carry out an interim audit and submit their annual reports for approval to an official accounting auditor (in conformity with the Act on accounting and the Commercial Code);

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- c) on-profit institutions: public universities, public research institutions or the Vine-grower Fund submit their annual reports for approval to an official accounting auditor (in conformity with the Act on accounting and the Commercial Code) and also their founders (e.g., the Ministry of Education, Youth and Sports, which maintains a register of PU and PRI).

Most of the central government units should publish and also publish its Annual Report, for instance, central budgetary, semi-budgetary organisation and state funds publish the statements on web sites of the MoF (including the Protocol on approval of the Final Account); the SGAFF, the RIA or PU publish the reports as printed reports or on their web sites. Moreover, these units publish their Annual Reports (in accordance with the Civil Code No. 89/2021, as amended) in the Public Register (excluding BOs, SFs and SBOs).

S.1313

Auditing process within a local budgetary organisation is carried out using so called “review” (přezkum). The review of final accounts of **local budgetary organisations** (which is governed by the Act No 420/2004 Coll., on review of economy municipalities and voluntary associations of municipalities) is carried out as partial in the course of the calendar year and at the end of the year for remainder part of the calendar year. The last auditing process is done the following year by the end of June.

Municipalities and Voluntary Associations of Municipalities are obliged to ask for the review of its Final Account the Regional Office. The City Hall of Prague and Regional Offices submit these documents to the group of appointed experts (“controllers”) from the MoF. Some local budgetary organisations can ask for the review official auditors instead of the Regional Office or the MoF.

The Final Account including results of the review must be published (e.g., on an official hanger or web sites of the authority). Brief summary information for all LBOs (elaborated by the MoF) is a part of the State Final Account (within the report on public budgets), of which the Government and the Parliament take cognisance.

Local semi-budgetary organisations do not have a statutory duty to submit annual reports to an auditing process. They present the final financial statements to their founders - to the corresponding local budgetary organisation, which is obliged to check the report. They can submit them also to official accounting auditors. Their annual accounts are published on the web sites of the MoF (within the State Treasury).

Other local government units: Non-financial public corporations (including public hospitals), public financial corporation (holding company), and non-profit institutions carry out auditing process in compliance with the Act on accounting and the Commercial Code.

S.1314

The Auditing process is within health insurance companies carried out according to the acts on health insurance companies (No 551/1991 and No 280/1992 Coll., as amended). Every health insurance company submits the “Annual Report and a Project of economic activity in the next year” to the Government and Parliament for approval.

Moreover, the health insurance companies are obliged to submit their Final Account and Annual Report to official accounting auditors and to the state supervisory authorities, i.e. to the special

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departments of the Ministry of Health and the Ministry Finance. Overall, Final Report, elaborated by the MoF, is a part of the Final State Account and the Government and Parliament take knowledge of the report.

Other units classified in S. 1314, i.e. associations of health insurance companies, Health Insurance Bureau and Hedge Fund (cancelled in 2015) submit their financial statements for approval to the official accounting auditors.

2.2.2.2 Public units, not part of general government

1. Auditing process within public corporations

Institutional units (regardless whether they are / are not classified in S.13 and with the exception BO, SF and SBO), state enterprises and cooperatives, are obliged to submit (by the accounting Act) its Final Account (účetní závěrka) to an official auditor or an auditor company – if they are:

- Public interest entity, i.e. a commercial company that emits investment securities admitted to dealings on European regulated market, as well as banks, savings banks, credit unions, insurance and reinsurance companies and pension companies managing pension savings and also health insurance companies;
- Defined as large, medium, small and micro entity, i.e., depending on the amount of total assets, net turnover and average number of employees in the accounting period;
- Defined as a group of consolidated units, i.e. depending on the amount of total assets, net turnover and average number of employees (FTE) in the accounting period;

Such unit submits its Final Account, which include the Profit and Loss Statement, the Balance sheet and Annex (e.g., with explanatory notes on changes relating to own funds, on some expenditures, information on future activities, etc.), to an official accounting auditor for approval or other “auditors” (e.g., its founder) in compliance with special regulations. Such unit is also obliged to elaborate an Annual Report (výroční zpráva), which includes the Final Accounts and results of the audit.

However, the scope and content of these reports are different (as well as reports of central budgetary organisations). Therefore, for instance a detail analysis of the potential risk, which relate to liabilities of the unit, would require individual inquiries in the unit.

The auditing process is carried out usually at the end of the second quarter of the current year “n” according to determined rules relating to tax income declarations (Act No 586/1992 Coll., on tax income), that the rules of the Act No. 563/1991 Coll., on accounting, in principle specify.

2. Publishing of accounting data

Accounting units are obliged to publish its Annual Report and Final Account if its elaboration is required by the Act on accounting and if they are registered in the Public Register (kept by the Commercial Court) by placing of these documents to the collection of the Public Register or by a special legal regulation.

It means that published Final Account, accounting data from numerous units, could be used for the compilation of national accounts and government financial statistics (for n-1 year) starting

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with July of the current year. However, not all units meet the obligation and therefore, the information from Final Reports can be used only exceptionally and as supplement information on the individual corporation.

2.3 Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 Agreement on co-operation

1. Co-operation between the Czech Statistical Office and the Ministry of Finance

Co-operation between the CZSO and the MoF is based on the General agreement between the CZSO and the MoF signed in 2007 by the Ministry of Finance and the president of the Czech Statistical Office. The sub-contract relating especially to cooperation in the field of GFS data and data transmission has been signed in November 2014.

Within the EDP notification, the MoF provides and is responsible for administrative data for BO, SF and SBO and complementary data relating to EU grants, settlement of claims and shares in abroad, issued debt securities or received foreign loans, PPP projects etc. The cooperation is realised through several MoF departments and number of individual persons.

The Economy Policy Department is also responsible for the planned data reported in the EDP notification tables and for the data reported in the questionnaire table 9.1- Guarantees in public accounts, for the data for the table 11 – PPP projects and for the table related to the financial crisis.

The Ministry of Finance has a very important role in the creation of budgetary classification (used by BO) and for accounting systems as well as designs of budgetary and financial statements for units classified to the general government. Reconciliation of these statements with the ESA methodology affects the quality of government accounts and the EDP notification.

Based on this reason, the CZSO hands over some suggestions and requirements e.g., to improve of the budgetary classification, classification of expenditures of BO (COFOG) and the accounting system for government units. The CZSO elaborated a bridge table between the international COFOG standard and the MoF classification of expenditures, which is used for the compilation of government accounts. Experts of the CZSO participated in the preparation of the Central System of Accounting Information of the State. Since 2008, have been closely involved in the elaboration of more detail splitting of synthetic accounts reflecting national accounts methodology – the “Auxiliary Analytical Overview” (AAO). The first report from this data source was available in summer months 2012. (See also part 2.1.2 Availability of sources for GFS data compilation).

After 2010 it was established a working group of executives and experts of the Ministry of Finance and the CZSO. The negotiations of the group are held once a year and the agenda is focused on the common working problems of both institutions relating to EDP notification, and methods of solving them. Moreover, there was established a working group of representatives of the MoF, CZSO, CNB and the supplier company of technical administration of the State

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Treasury and the Central System of Accounting Information of the State to ensure adequate functions of the State Treasury. Its meetings are held regularly once a month.

As to creating the conditions, provision of data sources and responsibility for national government accounts and the EDP notification, no changes are planned in the position and role of the MoF and the CZSO.

2. Co-operation between the Czech Statistical Office and the Czech National Bank

Cooperation is based on the General Agreement signed by the CNB Governor and the CZSO President – in 2007 and on more detailed Agreement relating to government financial statistics signed in 2012.

Based on this agreement, the CZSO provides data from the quarterly financial government accounts to the CNB – for completion of sector financial accounts, EDP notification data and some data of government financial statistics (GFS Table 1b EU flows) sent by the CNB to the ECB.

On the contrary, the CNB provides data on banking interest, banking loans or on revaluation of government equity (AF.5) etc. split by sector/subsector.

For instance, the CZSO implemented data on government deposits (based on the banking statistics) from 2007 to 2009, because the information from balance sheets of government institutions (BO and SBO) was not satisfied and showed important differences. Moreover, they are also discussed some selected questions, e.g., recording of government revenue or expenditure in the Balance of Payments or debt forgiveness and called guarantees; some important questions are discussed operatively during the compilation of the quarterly government accounts.

An important part of the cooperation between the CNB and the CZSO became the transmission of individual data for financial institutions classified in S.13 (banks, the insurance company or the Securities Traders Guarantee Fund) - on annual and quarterly basis (including backward data).

3. Co-operation between the Czech Statistical Office and the Supreme Audit Office

Cooperation between the SAO and the CZSO started to develop based on the findings of Up-stream dialogue visit in May 2012 (data quality for EDP notification). In January 2013, an agreement on cooperation (Memorandum of understanding) between the CZSO and the SAO was signed. Within the competencies of both offices, cooperation will concentrate on the accounting system improvement (especially as to government institutions), exchange of experiences and solutions of current problems in the area. For this purpose, regular annual meetings are organized and mutual participation in meetings with other institutions is also ensured, including the SAO participation in the EDP Dialogue mission. The CZSO provides to the SAO information on data from the national government accounts, EDP notification and questionnaire tables and GFS.

4. Co-operation between the Czech Statistical Office and the other government units

General, there is very close cooperation between the CZSO and government units (especially as to central government units, e.g., NDB, EGAP, RIA, SGAFF etc.), which provide individual

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financial statements – for needs of government accounts and the EDP notification. The cooperation is based on the Act No. 89/1995 Coll. on the state statistics service allowing the CZSO to obtain individual administrative source data of institutional units classified in S.13. In 2014, the intensive cooperation with the financial units classified in S.13 has set off (formalized also by the relevant agreements).

Important cooperation is also maintained with the Ministry of Defence (as to information on military equipment deliveries), with the Ministry of Labour and Social Affairs as to information on social contributions and benefits or with the Ministry of Health etc. and also with the other government units as to some special transactions.

2.3.1.2 Access to data sources based on public accounts

Access to accounting data on activities of government units is different. Since 2010, the Ministry of Finance provides main sources data for individual budgetary organisations, SF and semi-budgetary organisations electronically – from the MoF database. Moreover, starting in 2010, the several workers of the CZSO have direct access to the MoF database of the new information system of the State Treasury, where individual budgetary and financial statements for all BOs, SFs and SBOs are available. Selected data for health insurance companies (that use different accounting system) are also available in the MoF database. Several workers of the CZSO also obtained direct access to operational records for central BO.

Administrative data sources (Profit and Loss Statement and Balance sheet) for other government bodies are obtained on the individual (informal) agreements based on the Act on State statistical service (No. 86/1995 Coll.) and they were supplemented by data from annual statistical questionnaires and by individual questioning.

The CZSO obtains administrative sources data for compilation of national the government accounts and the EDP notification **in electronic format** (xls,xlsx, doc, docx, pdf or EDAMIS4 production environment) or print form. The State Final Account and individual Final Accounts of central budgetary organisations are also in electronic format or in print form (pdf or word).

Names of **responsible persons** for the submitted statements are available, as to statistical questionnaires and individual financial, SGAFF, VGF, HIC etc.). Names of **responsible persons** for the submitted financial statements of BO and SBO are (since 2016) also stated direct on the statement (statements (e.g., including telephone number and e-mail address).

(See also part 2.1.2 – Availability of resources for GFS data compilation. *Publication of deficit and debt statistics*

2.3.2 Publication of deficit and debt statistics

2.3.2.1 Publication of EDP data

The EDP data on government deficit and debt are published on **the CZSO websites** – regularly in April and October as preliminary data (1.4. and 1.10.) in form of the News Release. Final data (approximately over three weeks) are published after the validation by the European authorities. The preliminary version of the EDP data can be changed as a result of the intensive dialogue and recommendations of the Eurostat experts during the clarification process.

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The publication includes a complete set of the EDP notification tables (T-1 - T-4, resp. 9 tables) for the last 4 years and press releases with main indicators of government (Maastricht) deficit and debt with the short information on reasons of their changes (in English and Czech language). The “Inventory of the methods, procedures and sources” in compliance with the uniform chart for all EU Member states is also published (generally in English and Czech language) on the web sites of the CZSO.

These tables, explanatory notes and the Inventory are published on the CZSO websites:
https://www.czso.cz/csu/czso/notification_of_government_deficit_and_debt_ggs
https://www.czso.cz/csu/czso/notifikace_vladniho_deficitu_a_dluhu_svi

The Ministry of Finance publishes information on planned government deficit and debt – i.e. for the current year, which is also part of the EDP tables (also two times annually) separately.

2.3.2.2 Publication of underlying government ESA2010 accounts

The CZSO publishes also other data on National Government accounts, in compliance with the Transmission program ESA2010, i.e.

Table 2 – Main aggregates of general government (annual data)

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector including the list of taxes and social contributions according to national classification (annual data)

Table 11 – Expenditure by Government function (COFOG),(annual data)

Table 25 - Quarterly Non-financial Accounts of General Government

Table 26 – Balance sheets for non-financial assets (annual data)

Table 27 – Quarterly Financial Accounts of General Government

Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government

Table 29 - Accrued-to-date pension entitlements in social insurance

These tables and explanatory notes of reported items are published on the CZSO websites:
http://apl.czso.cz/pll/rocenka/rocenka.indexnu_gov
http://apl.czso.cz/pll/rocenka/rocenka.indexnu_gov?mylang=EN

Government accounts are also published as part of the sector national accounts and transmitted to Eurostat in compliance with the ESA2010 Transmission Programme – within following tables

Table 08 - Annual Sector Accounts (ASA),

Table 06 - Financial Accounts by Sector,

Table 07- Balance Sheet by Sector.

These data are also published on the CZSO websites in the form of macroeconomic tables, supply and use tables, tables on non-financial assets and others tables that they are supplemented by explanatory notes e.g., on calculating method of GDP (including metadata).

https://www.czso.cz/csu/czso/gdp_national_accounts_ekon
https://www.czso.cz/csu/czso/hdp_narodni_ucty

In certain circumstances, data in the tables 06, 07, 08 for the general government sector reported can be different from the data in the table 2, table 27 and 28. The reason is timing of revisions resulting from the Eurostat recommendations and other methodological changes. While data

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linked to the EDP notification (chiefly tables 2, 9, 25, 27 and 28) are revised immediately, revisions of tables 06, 07, 08 are made with a certain delay.

3. EDP tables and data sources

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA2010 based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

3.1 EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation⁴: net borrowing (-)/net lending (+) (B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41).

This section focuses on Maastricht debt only. A detailed description of B.9 calculation and data sources for individual subsectors is covered under section 3.2-Compilation of Maastricht debt.

3.1.1 Compilation of Maastricht debt

3.1.1.1 Specification of debt instruments

The Maastricht debt is calculated as sum of deposits (AF.2), debt securities (AF.3) and loans (AF.4)

AF.22 and AF.29- Deposits

Before the transitions to ESA2010, deposits as a part of the government debt have been recorded only in the central government subsector at first in the period from 2001 to 2006. At that time, the Czech Consolidation Agency (former the Czech Consolidation Bank), which as transforming institution purchased and sold bad claims from banks and later from other corporations, was reclassified from S.12201 to S.1311 (in 2001). The Agency held deposits of selected corporations and of the National Property Fund (government unit). The total amount of these deposits has been gradually decreasing, because the Agency was not allowed to accept new deposits and the National Property Fund was dissolved at the end of 2006. Its remaining activities were transferred to the Ministry of Finance (including deposits). At the end of 2006, the deposits in the former Czech Consolidation Agency were already of null amount.

However, during the transition to ESA2010, two public banks having deposits on the liability side of their balance sheet have been reclassified into S.1311 (since 2003). Consequently, deposits in the general government debt have reappeared. Concerning the consistency of time series, the general government aggregates cover data under AF.2, F.2 items also data for both banks since 2003.

⁴ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.069.01.0101.01.ENG

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Besides the abovementioned reclassifications, the amount of deposits is further affected by the way of recording of the liquidity management system (so-called “**cash-pooling**”) operated by the Ministry of Finance (the State Treasury System). This reflects the fact that a large majority of units classified in the general government sector and some non-government units are legally obliged (by Law No 218/2000 as amended) to keep their deposits in the CNB. As the extent of obliged entities had gone far beyond the central government institutions, the shared means recording reflects the fact that the central government subsector is an economic owner of these financial resources held in the central bank, as stipulated in the relevant paragraphs of ESA2010 (addressing the issue of economic ownership). The rationale of this treatment is the distribution of risk and rewards. The financial resources in the System are used at the request of the MoF, to cover risks, and benefits from their investing and the MoF also guarantees the liquidity of the system. Mainly due to these facts, the deposits are re-routed through government accounts and they take the form of liability of the S1311 under AF.2 item (initially recorded under AF.41). On the asset side, relevant part of deposits invested in the financial markets is treated as deposits of the MoF (AF.2) as they are invested especially in the form of repo operations with banks. Remaining part of deposits is used to finance the state budget deficit of the current year or repayments of the state debt raised in the previous years. Due to the consolidation process within the units classified in S.13, the impact on the government debt has been so far quite negligible.

Before the April notification 2018, the economic relationship between legal depositors and the MoF was initially (in the period 2014-2017) recorded under the item AF.4 (as MoF borrowing). Following the consultation with Eurostat and for the sake of international harmonisation, the recording changed in the period 2014-2017, as described above (AF.2). Prior to this period (2013), the relevant revision has been carried out in the major revision in 2020.

AF.31 and AF.32 – Debt securities

S.1311: Debt securities are issued predominantly by the MoF and by the CEB (or EGAP). The MoF issues Treasury Bills (short-term debt securities with the original maturity less than 1 year) and long-term state debentures (with the maturity more than 1 year). The RIA reported issued long-term debentures from 2004 to 2010. In the past, debt securities were issued also by the CKA and its subsidiaries and by the NPF. These units issued mainly long-term securities; the NPF issued restitution (short-term) bills.

Central (state) semi-budgetary organisations have not issued any debt securities, the same applies for other central government institutions.

S.1313: Local budgetary organisations (municipalities), especially the City of Prague and some towns, issue short-term and long-term debt securities (in CZK and foreign currency). Information on called guarantees includes especially the guarantee of the Prague City Hall for debentures issued by the “Congress Centre” (Kongresové centrum), Prague included under the item AF.3. The semi-budgetary organisations are not legally permitted to issue any debt securities.

S.1314: Health insurance companies, administrating compulsory health insurance, cannot issue any debt securities (according to special laws).

AF.41 and AF 42 – Short term and long-term loans

S.1311: These items include amounts of received **loans, called guarantees and financial leasing**. Received loans cover banking loans (including loans from the European Investment Bank) which are generally long-term (whose original maturity is more than one year) and “returnable financial assistances” (short-term and long-term). The MoF, state funds or government banks can be mentioned and RIA as main debtors in the S1311. Called guarantees relate mainly to railway infrastructure construction (granted to the Czech Railway).

Liabilities arising from financial leasing are linked with the acquisition of combat airplanes (Gripen) in 2005 and the introduction of electronic toll (construction of toll gates). The original contract on the lease of Gripens, which ended in 2015, has been extended for another 10 years (from 2015 to 2025 with two-year option to another contract extension until 2027). The contract has been in force from 1 October 2015. The acquired fixed capital (combat aircrafts) has been recorded in the fourth quarter of 2015. The value of GFCF has been calculated using the current exchange rate CZK/SEK and the interest rate represented by 10-year maturity Treasury bond yield (Maastricht criterion). Because, the contractual amount has been newly stipulated in the Swedish Krona, the government debt is subject to revaluation effects from the movement of the nominal exchange rate CZK/SEK. The term of individual repayments is set at the end of March each year.

Trade loans (trade credits) which were sold by the original creditor to a factoring company without so called recursion are further, in compliance with the Eurostat decision, included into the government debt. These trade loans have been reclassified from other liabilities item to received loans (according to ESA2010). Data on the liabilities were provided by the CNB based on a special survey for banks and factoring companies; impact on the government debt is negligible. According to Eurostat decision, the government debt also covers so called **EPC projects** (Energy Savings Performance Contract) implemented by the government. The impact of EPC’s on the debt is negligible. The inclusion of the EPC contracts in the debt is assured by the adjustment of the trade loans (describing above) as the sale of the receivable to financial institutions is common practice (see part 7.20).

S.1313: Concerning loans of the local government institutions, this item includes mainly bank loans and returnable financial assistances; loans from the State budget have also been reported. Local semi-budgetary organisations may take loans only to bridge a temporary lack of funds and with its founder agreement. The local government debt includes also called guarantees (e.g., the case of the Prague City Hall).

S.1314: Health insurance companies have received banking loans and alternatively returnable financial assistances from the State budget.

Valuation of foreign currency debt is in whole time series in compliance with the MGGD. The valuation is based on the contractual exchange rate as requested for debt instruments denominated in foreign currencies.

3.1.1.2 Data sources used for the compilation of Maastricht debt

Basic data sources:

- Administrative data: direct data from the MoF on the State debt (debt securities issued and received loans) and data from the accounting balance sheets of government units.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

Since 2010, the balance sheets are already available for individual BO and SBO, including Auxiliary Analytical Overview (since 2012). Other government units provide its balance sheets individually (e.g., SF, RIA, or VGF) directly to the CZSO.

- Statistical data:
 - Quarterly statistical questionnaire (for the April EDP notification) e.g., for Public research institutions etc., whose financial statements are not available, for some public non-financial corporations and public financial institutions (VPI 3-04 and P 6-04) and Quarterly statistical questionnaire for Health insurance companies (Zdp 3-04), which use the special accounting system.
 - Annual statistical questionnaires especially for public research institutions, public universities, other non-profit institutions (e.g., Association of Regional Offices of the Czech Republic), public corporations (P 5-01, Pen 5-01) and for Health insurance companies (the part of the questionnaire including information on balance sheet items).

See also part 2.1

3.1.1.3 Amendments to basic data sources

Complementary data are following:

- “Final State Budget” – (“Budget Reporting”, especially the Report in the chapter “State Debt Management”), which is submitted for approval to the Government and Parliament of the Czech Republic at the end of April (or later) of the current year “n”– after the April EDP notification. The information source (for year n-1) can be used only in the October EDP notification;
- Information on the state debt (on state securities issued and received loans) split also by creditor (holders of state bonds and lenders); at present, the MoF provides data on the state debt at market value;
- Information on the use of funds of other government and non-government units to cover the state budget deficit, state debt and on investments, within the cash-pooling system, provided by the CNB;
- Information based on questioning of individual respondents obtained on a voluntary basis, which is (due to given current accounting system of government units despite the introduction of central state accounting system), very important.
- Information on called guarantees and financial leasing.

Called guarantees are recorded primarily within central government debt - state guarantees (the MoF). Relevant adjustments of these guarantees then relate mainly to revaluation – if the guarantees are denominated in foreign currency.

Information on called guarantees for local government units is now available from the AAO statements.

Financial leasing requires special methodological adjustments because these operations are recorded in the Czech enterprise accounting system as payments for services (as operational leasing); at the same time, the value of the leased property is recorded in the balance sheet of the lessor (leasing company). Besides, companies engaged in this business are recognized (unlike national accounts) as non-financial corporations by the law. Adjustments are made (in compliance with ESA2010) in case of output, intermediate consumption, interest and stock of received loans. Basic information for these calculations is obtained from the AAO statements

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

and the annual statistical questionnaires – data on the acquisition of non-financial assets and on its instalments (which is however available for the October EDP notification).

Special information relates to the acquisition of combat aircrafts (Gripens) and information on the acquisition of tollgates (determined for electronic toll collection)

Complementary information on the counterpart sector includes information on debt securities and on received loans (split by sector) obtained from the AAO statements and also from the annual statistical questionnaires.

3.1.1.4 Consolidation of Maastricht debt

Consolidation on the subsector level:

Consolidation on S.1311 level is carried out for all instruments of Maastricht debt.

AF.2: – consolidation relates to deposits of the BO's and other government bodies held by the NRB and to deposits of other government bodies held by the CEB also.

In the years, 2001 to 2006 there was carried out the consolidation of deposits of the National Property Fund with the Czech Consolidation Agency (which was classified in 2001 into S.1311 and cancelled in 2006).

AF.31 and AF.32: – they are consolidated short-term and long-term debt securities (State Treasury Bills and Long-term securities), which are held on the “Nuclear Account” and the “Pension Account” of the MoF. Among other units holding state debt securities, there are other government bodies, e.g., financial institutions classified inside S.1311, SAIF, SGAFF and also the transformation institution PRISKO. The consolidation concerns also bonds issued by the CEB held by other government bodies.

AF.4: the consolidation includes for instance the consolidation of loans among the MoF, the NRB, Public universities and the CPP Transgas. In previous years, the consolidation has been recorded also between SAIF and SGAFF and between the state returnable financial assistance to the Vine-Grower Fund.

Since 2013 the MoF uses also funds of the institutional units included under “funds of the State Treasury”– The management of the State Treasury deposits takes the form of “cash-pooling” system. These funds are within units classified in S.13 consolidated and therefore impact on the government debt has been so far quite negligible.

Consolidation on S. 1313 level, involves also consolidation of debt securities (AF.3, F.3) and received loans (AF.4, F.4)). It relates to securities issued by local budgetary organisations (municipalities), which are held by other local BOs, and to loans provided between the local BOs. No institution receiving deposits is currently classified in S.13, i.e. no consolidation AF.2 is carried out.

Consolidation on S.1314 level is not relevant. Health insurance companies cannot issue debt securities and provide loans. Consolidation of received loans related to loans from the State budget. Non-profit institutions do not report debt instruments.

Consolidation between subsectors

Between **S.1311 and S.1313** – it includes consolidation of:

- Deposits of the local BOs with the NRB;
- State Treasury Bills and Long-term securities (AF.31 and AF.32) issued by the Ministry of Finance and held by local BOs;
- Long term debt securities (AF.32) issued by the local BOs held by the SGAFF, the NRB etc.; and
- Loans provided by the state funds (the State Investment Support Fund and the State Environmental Fund) and the NRB to the local BOs (municipalities) and also from the State budget (returnable financial assistances) to municipalities.

Between **S.1311 and S.1314** includes:

- Consolidation of short-term and long-term debt securities issued by the MoF (AF.3, F.3), which are held by health insurance companies and returnable financial assistance from the State budget (AF.4, F.4).

The MoF provides basic data sources for consolidation of the government debt within S.1311, i.e., information on all holders of the state debt securities issued by the MoF (at nominal value). As to the items AF.3 and AF.4, the information for consolidation is obtained from the administrative data and by individual questioning at government units.

Concerning the consolidation within S.1311 and S.1313 for the April EDP notification, the AAO is used. For the October EDP notification, the results of the Annual Reports and annual statistical survey are also used. This survey provides data on stocks of financial instruments (financial assets and liabilities) split by category and by the counterpart subsector for government units, which do not submit the AAO.

The information on flows and stocks of debt instruments consolidated at the level of general government sector (i.e., between subsectors) is obtained also from the MoF (the State Treasury including the AAO statements).

There is an inconsistency of AF.3 between data reported within accounting data of the MoF and supplement data on the state debt securities. The difference lay in the revaluation method and therefore data from financial statements is adjusted to market value in the government accounts. However, according to EDP rules, the state debt securities data is recorded at nominal value.

For consolidated data for financial and non-financial accounts is used the same source from the MoF and the amendments related to interest are made at the same time. The Auxiliary Analytical Overview introduced in 2012 is an important data sources for Maastricht debt consolidation

3.2 Central Government sub-sector, EDP table 2A and 3B

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA2010.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

3.2.1 Data sources for main Central Government units: “The State”

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Central Government unit:

- *Basic data sources*
- *Complementary data sources used for the purpose of special ESA2010 adjustments (e.g., accrual adjustments, recording of specific government transactions, etc.).*

1. Central government units reporting (“The State”) in the working balance

Table 2 – Availability and use of basic data source for the main central government units

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T + months		cross appropriate cells		
Budget Reporting							
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q/A	T+50	T+2,5	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
Financial Statements *)							
A	Q/A	T+50 and T+55	T+2,5	(5) Profit and loss accounts			partially
A	Q/A	T+50 and T+55	T+2,5	(6) Balance sheets			x
				(7) Cash flow statement			
Other Reporting							
A	A	T+210	T+8	(8) Statistical surveys		x	x
C/A	Q/A	T+50	T+2,5	(9) Other: Complementary information, e.g., on subsidies, loans or EU grants; foreign claims, time adjusted taxes etc.		x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2): M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period. Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively. Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

**) Financial Statements = Accounting statements based on accrual principle; Budgetary reports include only information on current and capital revenues and expenditures and financial transactions on a cash basis (under point 3 in table above)*

3.2.1.1 Details of the basic data sources:

Data sources used for compilation of national accounts

The “working balance” (line 1, the EDP table 2A) includes data for central budgetary organisations and state funds.

Basic data sources available for compilation of national accounts – more precisely, for the national government accounts and EDP notifications – are following:

1. Budgetary reports on budgetary revenues and expenditures on a cash basis:
 - a) Statement for the assessment of fulfilling of the state budget from the input data in the Budgetary System for central budgetary organisations (FIN 1-12 OSS), which includes the data for compilation of the Final State Account (working balance - deficit/surplus of the State budget). Data had been available only for the group of CBOs by the end of 2009 in splitting by budgetary classification items (by type of revenue and expenditure) and data on expenditure according to the government function. Since 2010 the individual data are available from the State Treasury system;
 - b) Statement for the assessment of fulfilling of the state fund budget (FIN 1 - 12 SF) from the Central System of Accounting Information of the State. The information is split by the budgetary classification item – by type of revenue and expenditure and by government function (i.e., a paragraph wording of the budgetary classification).

However, expenditures of CBO (including LBO) and SF are split by “branch classification of expenditures” used by the MoF (national classification of functions); therefore, the CZSO transfers the data into COFOG standard classification (through bridge table).

2. The Final State Account (i.e., Budget Reporting), is submitted for approval to the Government and Parliament of the Czech Republic at the end of April of the current year “n” (or later) – i.e., after the April EDP notifications. Therefore, it can be used as an information source (for year n-1) only for the October EDP notifications.

For the “State”, the following information is obtained:

- a) Aggregated data on revenues and expenditures of central budgetary organisations, on results of the state budget (tables and comments);
- b) Report on the state and development of the state financial assets and guarantees
- c) Report on the state Debt management
- d) Supplementary report on the results of other public budgets, i.e., state funds, local BO and health insurance companies.

The Final State Account allows especially the comparison of the aggregated data with data from individual budgetary reports of central BO and SF.

Budgetary reports (*FIN 1-12 OSS a FIN 1-12 SF*), i.e., individual items of revenues and expenditures according to the budgetary classification, are coded (by CZSO workers) to the ESA2010 codes. It allows correct using of the information – distinguishing of non-financial and financial flows and rearrange the corresponding transactions.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

As to non-financial transactions: the information on subsidies, other current transfers, investment grants and other capital transfers by counterpart sector is based on the budgetary classification and used as a basis for the consolidation process in case of items D.7- other current transfers and D.9 - other capital transfers. Sector counterpart information (including consolidation) on D.41 - interest - is based (since 2012) especially on the statements of AAO;

The information on **financial transactions** is obtained (since 2012) especially from the AAO (for the central BO, SBO and SF). Moreover, the MoF provides information on the stock of Treasury bills and state debenture holders by institutional sector/subsector and information on shares and other equities of the MoF in the international banks or other selected corporations. Supplement information is obtained from the annual statistical questionnaire for government units or from statistical surveys organised within other institutional sectors.

Previous balance sheets for budgetary organisations, state funds and semi-budgetary organisations and also their balance sheets reported to the Central System of Accounting Information of the State, the level of detail is not sufficient for the sake of national accounts compilation. Due to this reason, the AAO has been introduced in 2012 to deliver more details on the structure of assets and liabilities, revenues and expenditures of government units. The Auxiliary Analytical Overview covers for approximately 1622 of the CBO, the SF and the CSBO including local government units (in 2017). The AAO provides (among other data) information on units of the counterpart sector/subsector. Quality of the information has been continually increasing.

Annual statistical questionnaire (VI 1-01) is still used for units that do not submit AAO and units that are not part of the Treasury, provide annual statistical questionnaire (e.g., P5 1-01) or financial statements. Results from the sources are used especially for the October EDP notification.

Concerning the amount of deposits held by government units, final aggregates were based on data from the CNB (2007 – 2009), because the information was not satisfactory from BO and SBO balance sheets. Since 2010, the information is based on the administrative data sources (from the Treasury) in compliance with Eurostat recommendation given within the framework of the EDP mission in May 2011. The recommendation reflected an immaterial discrepancy between banking statistics and data directly provided by government units. These differences persist, even if their extent has been decreasing. The CNB (since 1 April 2013) administers deposit accounts of all central and local BO allowing investigation of potential differences and their elimination.

Very important data source (which can be included under basic data sources) is obtained from the MoF, which provides to the CZSO (since 2010) a “Main ledger” containing detail accounting entries on the MoF transactions. This information clarifies transaction influencing the working balance.

Other needed information (for instance on transfers to/from public corporations) is also obtained by the questioning of individual respondents and on a voluntary basis.

Working balance (WB)

As described above, items of the budgetary reports – revenue and expenditure - are classified by ESA codes as non-financial or financial flows. However, some revenue and expenditure items of the budgetary reports show according to groups of units classified within or outside the government sector as e.g., subsidies determined to non-financial entrepreneurs, financial institutions or non-profit institutions. However, some aggregated data on revenues and expenditures is not possible to split among counterpart sectors (e.g., interest), other include different transactions (e.g., payments for “financial services” that include also payments for non-life insurance).

For the reasons, some detail information was used from the statistical questionnaires in past and at present especially from AAO.

3.2.1.2 *Statistical surveys used as a basic data source*

Statistical survey and individual questioning have been used as complementary information in particular. Individual questioning remains an important supplement instrument.

3.2.1.3 *Supplementary data sources and analytical information*

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for e.g., for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

Complementary sources data and their uses result from:

- Different accounting systems, used by the government units (e.g., for SBO, entrepreneurs, financial institutions or non-profit institutions), which differ with one another, but especially they differ from ESA2010 methodology;
- Aggregated items in budgetary and also in financial statements - e.g., debentures and shares are integrated into the item “other stocks and bonds, total”; similarly financial derivatives, EU grants and non-banking loans;
- The possibility to record the same accounted cases on different accounts (e.g., interest) within the accounting system for BO and SBO (since 2010);
- Different methods used in the “company” accounting systems e.g., as to financial leasing, rent on land or wages and salaries (differs from ESA2010);
- That some information is not available from the administrative data, mainly information on gross capital formation and financial transactions split by financial instruments.

3.2.1.3.1 *Supplementary data sources used for the compilation of non-financial accounts*

Main supplementary information (obtained regularly every year from the MoF or the other authorities) is especially following:

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

- a) The Final State Account used as an important source for checking and also for other information and clarification some important events, which is not included in the budgetary reports;
- b) Final Accounts of individual CBO;
- c) Non-financial transactions of former “NPF” e.g., on dividends, (from the MoF);
- d) Information especially on time adjusted taxes, data on accrual interest, etc. from the MoF;
- e) Military equipment (from the MoD);
- f) EU grants from individual ministries;
- g) Data o guarantees called, foreign claims from the MoF
- h) Monthly data on health and social insurance contributions and data on social benefits obtained from the Ministry of Health and the Ministry of Labour and Social Affairs (more precisely the Czech Social Security Administration);
- i) Annual statistical questionnaires:
 - VI 1-01 for CBO and also for SF (data on accrual basis, e.g., data on interest used for consolidation, payments for non-life insurance or information on gross capital formation and financial transactions) - until the end of 2011, from 2012 especially the AAO is used for these units;
 - Labour Cost survey, i.e., information on types of wages and salaries in kind. Mass media – as indirect information;
- j) Individual questioning.

From this overview is evident that any change in revenue or expenditure obtained from the budgetary reports can lead to a change in the item B.9. Such information is especially related to the acquisition of gross capital formation or to dividends (resp. super-dividends, which can be classified as revenue or as a financial transaction – decrease in shares).

3.2.1.3.2 *Supplementary data sources used for the compilation of financial accounts*

Reasons for using of the supplementary information – see 3.2.1.3

Main supplementary information on financial transactions is especially following:

- on “state financial assets and liabilities” – some shares, provided and received loans,
- on foreign claims,
- on called (and also provided) guarantees,
- on consolidation of the state debt.
- on special transactions for former “CKA”, carried out by the MoF (since 2006);
- on banking deposits and loans or interest split by sector and data
- on the state and revaluation of equity (obtained from the CNB).

Supplementary data sources used for financial accounts compilation were also obtained from the annual statistical questionnaire VI 1-01 (until the end of 2012), which provided information on

- financial transactions, other volume changes and on stocks of financial instruments in compliance with ESA2010;
- counterpart sectors;

If the total amount of assets reported in the statistical questionnaire was different in comparison with the amount reported in the balance sheet of the BO, the CZSO examined the reason for this difference.

3.2.1.4 *Extra-budgetary accounts (EBA)*

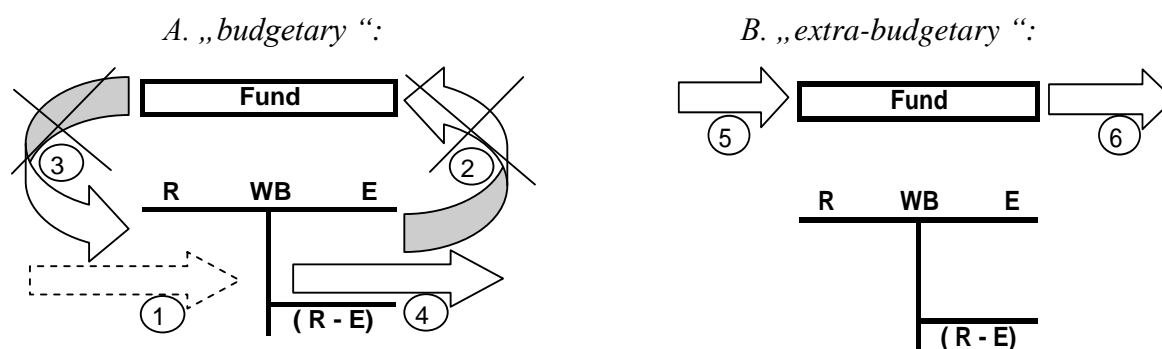
Usually, not all flows of a non-financial nature are recorded in the so-called budgetary accounts, which enter the WB, as reported in the first line of EDP table 2. Some funds could be put aside as reserves, special purpose funds and are booked in so-called “extra-budgetary accounts” - EBA. In some cases, according to national legislation, transactions, which are not scrutinized by budgetary rules, can be booked in EBA and not in ordinary budgetary accounts. It is very important that all non-financial flows of the main entity, including those entering EBA, are appropriately incorporated into calculations of deficit.

The notions „budgetary,, and „extra-budgetary“, are using in this meaning:

A. „Budgetary“(Fund / part of Fund) = situation where the creation of Fund is made exclusively by transfer to the Fund (2) (included in working balance) and simultaneously utilizing of the Fund is made exclusively by transfers from the Fund (3) (included in the working balance). In the case the respective expenditure (4) covered from the Fund is included in the working balance. Transfer to the Fund is covered by realized revenue (1). Transfers to / from the Fund are excluded from the working balance as „internal transfers “.

B. „Extra-budgetary“(Fund / part of Fund) = situation, where creation (5) and utilization (6) of the Fund is not realized by revenue and expenditures within working balance. This rule applies also to a number of other entities classified in S.13.

Scheme 1: Notions „budgetary“, and „extra-budgetary“ conception (R = revenue; E = expenditure)



In case of A the Fund change equals to difference in flows [(2) – (3)] (possibly [(4) – (1)]. The Fund change is consistent with balance (R – E) adjusted for transfers to / from the Fund.

In case B the Fund change equals to difference in flows [(5) – (6)] and the change is not consistent with balance (R – E) adjusted for transfers to/from Funds.

It is possible in reality for one Fund to trace the combination of both variants of creation and utilization.

Non-financial flows recorded in EBA

Reserve funds (RF)

(Budgetary organisation)

Creation of reserve funds matches predominantly situation B and utilizing situation A.

Data on revenue and expenditure of the RF are available and split by individual item of the budgetary classification, relationships with other government units are not significant. Revenue from abroad represents important part of extra-budgetary revenues. Transactions within the formation and use of the RF include only **non-financial transactions**.

(Since the beginning of 2008, the budgetary rules were changed. As a result, it is no longer possible to carry out cash transfers into reserve funds. Saved expenditures are recorded only as so-called claims to potential expenditures realized during next years.)

Social and Cultural Needs Fund (SCNF)

(Part of the budgetary organisation, the state fund etc.)

SCNF is created within 2 % of the annual volume of wages and refund of wages and remunerations for the period of being called. The funds are used for expenditures relating to social and cultural affairs. Creation of SCNF matches exclusively situation A as well as utilization of capital resources. Utilization of non-capital financial resources matches situation B: these are usually non-financial transactions like compensations of employees in kind.

Data for consolidation with the WB are available.

Financial flows recorded in EBA

a) Transaction in financial assets are booked in EBA and not in the WB

Within EBA – based on the accrual principle, all transaction in financial assets are recorded in the balance sheet and reflected in the amount of the relevant assets (F.2/AF.2-F.8/AF.8), i.e. also transaction in deposit (F.2), insurance reserves (F.6) and derivatives (F.7), which are not recorded in WB. Moreover, only some financial flows (stated under concrete budgetary structure item) are recorded within WB, e.g. revenue from repayments of borrowed funds (under F.4) from repayments of called guarantee (F.4 or F.3), sales of bonds or shares (F.3, or F.51), revenue from unused funds from the National Fund (so-called “returns”) and revenue from financial settlements of the state budget with municipalities (F.89). Granted loan and realised guarantee are financial flow expenditure.

b) Transaction in financial liabilities booked in EBA and not in the WB

Within EBA, based on accrual principle, all realized transaction in liabilities are recorded in the balance sheet and reflected in the state of the relevant liabilities, i.e. F.2/AF.2 – F.8/AF.8. Transaction in liabilities do not occur in WB.

c) Flows relating to interest booked in EBA and in the government deficit calculation

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In all EBA, flows relating to interest (revenue and expenditure) are recorded in compliance with the accounting rules and they are implemented to the government accounts. It means that they impact to government deficit.

d) Data sources of extra-budgetary accounts and their use for financial accounts compilation, incl. data sources for consolidation

In general, financial transaction are derived from data on the state of financial assets and liabilities (recorded in the balance sheets) for all units classified in S.13. Changes in the state of these financial assets and liabilities are further examined and adjusted so as not to distort the financial transactions.

An important source for the adjustments in the area of revaluation and other volume changes is the information from the AAO, e.g., on transactions with securities, with receivables, liabilities, or data on transactions with interest and super-dividends, data on counterparties or data needed for consolidation, etc. These data have the greatest weight within financial transactions.

Annual accounting repots, statistical questionnaires and individual questioning of units are also important source for these adjustments including of cooperation with the CNB, which has access to securities databases.

Overview of data sources used to financial accounts compilation for extra-budgetary organizations and EDP table 3, incl. resources for consolidation are also listed e.g. in section 3.2.1, 3.2.2.3.2.2

Data sources for other Central Government units

This section describes data sources available and used for compilation of national accounts and EDP tables for other Central Government units (those not reported in the working balance in EDP T2A).

Other central government units include

- Central (state) semi-budgetary organisations,
- Public financial institutions – banks, an insurance company etc.
- Public universities,
- Public research institutions,
- VGF and other non-profit institutions
- LF (since 2013 already as CBO – the State Land Office), SGAFF, RIA, and other public non-financial,
- Transformation institutions (from 2001 to 2008); at present. only PRISKO;

See point 1.1 Central government institutions.

Table 3 – Availability and use of basic source data for other central government units:

<i>Available source data</i>				<i>Source Data Accounting</i>	<i>Source data used for compilation of</i>	
<i>Accounting basis (C/A/M)</i>	<i>Periodicity (M/Q/A/O)</i>	<i>Time of availability of annual results for T-1</i>			<i>B.9 (NFA)</i>	<i>B.9f (FA)</i>
1	2	<i>First results</i>	<i>Final data</i>	5	7	8
		T + days	T+Months			
				Budget Reporting		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				Financial Statements		
A	A	T+50 and T+55	T+7	(5) Profit and loss accounts	x	partially
A	A	T+50 and T+55	T+7	(6) Balance sheets		x
				(7) Cash flow statement		
				Other Reporting		
A	Q/A	$\sum 4Q=T+45$ $A=T+240$	T+8	(8) Statistical surveys	x	x
				(9) Other:		
C/A	Q/A	T+50	T+2,5	Supplementary information on revenues and expenditures related to semi-budgetary organisations and other central government organisations, e.g., subsidies, EU grants	x	x

See notes to the EDP table 2, on the used abbreviations.

All data sources (financial statements and statistical questionnaires and other, incl. individual questioning) are used for other central government institutions classified in S.1311.

The first and also final results for all central (state) semi-budgetary organisations (for T-1) from the financial statements are available in the spring of the current year (the beginning of March). They are obtained from the Integral Information System of the State Treasury – the Central System of Accounting Information of the State (since 2010 for individual units).

Accounting data for the Land Fund based on special accounting system for the Land Fund and more detailed data, (e.g., on restitutions) were obtained directly from the unit. After its conversion to the State Land Office, accounting data and data on revenue and expenditure are a part of the system of the State Treasury and of the working balance (of the State budget).

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Data for the RIA, SGAFF, PRSKO, CEB, NRB, EGAP etc. and VGF are obtained as preliminary from their financial statements (in T+50) and as final data (in time T+7 months) after the audit. *Financial institutions* reclassified into S.1311 (e.g., CEB or EGAP), provided its quarterly and annual financial statements (not only for 2014 but also for previous years) and in compliance with the signed agreement they provide accounting also quarterly and annual (preliminary and after the audit) data. Final reports are basis data sources e.g., for MUFIS, GALILEO REAL or IMOB etc.

The first results from sources data for non-profit institutions (public universities and research institutions, etc.) and for other government units (non-financial corporations) are obtained from the quarterly statistical questionnaire (VPI 3-04; P 6-04). Financial statements for T-1 year are not available (with exception of financial statements of Vine-grower fund, which are provided directly to the CZSO in March for year T-1). Content of the statistical questionnaire corresponds to requirements of ESA2010 methodology.

Final annual data for the VGF are obtained from its annual reports (in time T+7). Final data for public research institutions and public universities are obtained only from the annual statistical questionnaire (NI 1-01; in T+7 months).

Data for small non-profit institutions (e.g., University nursery schools) are obtained only from the annual statistical questionnaire (NI 1-01) in time T+7 months.

3.2.2.1 *Details of the basic data sources*

Generally, administrative sources data, i.e., Profit and Loss Statement, Balance sheets and Annual Reports, are used for other government units classified in S.1311 excluding e.g., public research institutions, public universities or university nursery school. The Profit and Loss Statement is the basis for non-financial transactions and Balance sheet for financial transactions; all individual items of these statements are classified by the ESA2010 codes.

In the case of other central government units, **counterpart information** is not available from the financial statements. The CZSO uses information on

- non-financial transactions, which is available only partially (e.g., the total of subsidies to SBO, PU, to entrepreneurs or non-profit institutions etc.; similarly, the total of other current transfers, investment grants and other capital transfers) via information on the revenues and expenditures of the budgetary organisations;
- financial transactions obtained from the AAO statements and annual statistical questionnaires.

The CZSO surveys data on financial assets for other units in the same way as for the main units, i.e. split by financial instruments in compliance with the ESA2010 using AAO data and via a special part of the questionnaire it obtains information on counterpart sectors relating to financial assets. The information is provided not only from government units, but also from non-financial and financial corporations. Results from the statistical survey are used for the October EDP notification.

As to central SBO, information on sector counterpart (within non-financial and financial transactions) is available for all CSBO. The AAO also provides more reliable information on the F.8, AF.8 – other receivables/other payables, item; the information from the financial

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statements is not satisfied (due to different and more detailed the requirements on their structure).

Additional information is based on questioning individual respondents on a voluntary basis.

3.2.2.2 *Statistical surveys used as a basic data source*

Statistical questionnaires used as a basic data source for other government units are quarterly and annual statistical questionnaires and the survey is exhaustiveness.

Quarterly statistical questionnaire (VPI 3-04) is used for public universities and public research institutions, the Czech Television and Radio and other; the statistical survey is exhaustive and the level of response is 100%.

Quarterly statistical questionnaire P 6-04 (b) is used for public non-financial corporations classified in S.13 of which financial statements are not available. The information from the quarterly statistical questionnaire is used for the April EDP notification as sum of four quarters of previous year (T-1)

This statistical questionnaire includes all items necessary for compilation of the government accounts, i.e. on resources and uses (revenues and expenditures) and on balance sheet items. More precisely, sales, wages, rent on land, dividends, interest, intermediate consumptions or financial leasing (which is in the accounting system treated as operational leasing) and gross fixed capital formations are surveyed in the questionnaire. Items of the balance sheet are split according to financial instruments in compliance with the ESA2010 methodology.

Annual statistical questionnaire (NI 1-01) as the basic data source is used for non-profit institutions and annual statistical questionnaire P 5-01 is a basic data source for public non-financial corporations whose financial statements are not available). Surveyed data are more detailed than quarterly data. For instance, the statistical information includes also information on counterparts in financial assets area. These data are used for the October EDP notification.

3.2.2.3 *Supplementary data sources and analytical information*

This section describes supplementary data sources, which are used to amend basic data sources while compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

Reasons for using of supplementary data sources are described under 3.2.1.3.1. It is for instance due to different accounting systems, aggregated items in financial statements, different methods used in the accounting systems e.g., as to financial leasing etc.

3.2.2.3.1 *Supplementary data sources used for the compilation of non-financial accounts*

Reasons for using of supplementary data sources are described under 3.2.1.3.

Supplementary information is used from the

- a) The Final State Account, is used as the important source for checking and also for other information, e.g., some comments on dividends, subsidies or counterpart sector etc.;

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- b) Budgetary reports (FIN 1-12 OSS a FIN 1-12 SF), e.g., information on current transfers used for consolidation or subsidies provided to different groups of units etc.;
- c) Final Accounts of the individual other government units;
- d) Annual statistical questionnaires (VI 1-01 and NI 1-01) e.g., on dividends, rents on land, on gross fixed capital formation, on capital transfers free of charge etc.;
- e) Money and banking statistics, e.g., on interest on banking loans and BOP statistics or capital transfers etc. (for comparison with administrative data);
- f) Mass media – as indirect information;
- g) Questioning with individual units if it is needed.

3.2.2.3.2 *Supplementary data sources used for the compilation of financial accounts*

Reasons for using of supplementary data sources are described under 3.2.1.3.

Supplementary information is used from the

- a) The Final State Account, is used as important source for checking and also for other information, which is not included in the budgetary or financial statements, e.g., on purchases of shares;
- b) Ministry of Finance, e.g., information on state financial assets, issued debt securities, foreign loans or on special transactions in shares (privatizations);
- c) (FIN 1-12 OSS a FIN 1-12 SF), e.g., information on financial transactions, which is checked with the information from the balance sheet or from the Final State Account;
- d) Final Accounts of the individual other government units;
- e) Annual statistical questionnaires (VI 1-01 and NI 1-01), e.g., on financial assets split by ESA2010 methodology;
- f) Money and banking statistics, e.g., on government deposits or loans and BOP statistics – (for comparison with administrative data) or information on revaluation of shares (AF.511, AF.512);
- g) Mass media – as indirect information;
- h) Questioning with individual units if it is needed.

3.2.3 *EDP table 2A*

This section provides detailed information on individual lines reported in EDP T2A.

3.2.3.1 *Working balance - use for the compilation of national accounts*

The “Working balance” used for the national accounts compilation is based on data from the (above-mentioned) budgetary reports on a cash basis.

Central budgetary organisations and state funds transfer the data into the State Treasury system; thus, the CZSO uses the same data source as the MoF (since 2010 the CZSO has direct access to MF database).

As the first step in the process, the same data as for the WB (for the state budget and state funds) calculation are used also in the national accounts. The next step is the adjustment of the data - some data are replaced by accrual data obtained from the financial statements or statistical

questionnaires or completed by the data from other supplementary sources. All these adjustments are described in the T2A.

3.2.3.2 *Legal basis of the working balance*

Legal status of the WB is covered especially by:

- Decree of the MoF No.419/2001 Coll., on the manner, deadlines and scope of for compiling for the elaboration of the Final state budget and on the manner, deadlines and scope for the compilation of the final accounts of the state budget chapters, as amended;
- Decree No 5/2014 Coll., on the manner, deadlines and scope of the data submitted for the assessment of the performance of the state budget, state funds and local budgets, budgets of voluntary associations of municipalities, and the budgets of the Regional Councils of cohesion, as amended
- Act No. 218/2000 Coll. on budgetary rules and amending related laws, as amended;
- Acts on the State budgets, annually approved for the current year t+1;
- Decree No. 323/2002 Coll. on budgetary classification, as amended (valid until December 2021);.
- Decree No. 412/2021 Coll. on budgetary classification, as amended.

Central budgetary organisations updated information on revenue and expenditure in the budgetary system continuously; the chapter administrator approves the data and the MoF carries out the final closing of the previous month 15th day of the next calendar month (for the period January-December the February 2 of the next year).

State Funds submit the budgetary report to the system monthly-no later than the last day before 14th day of the next month and for the January-December period no later than the last working day before January 25 of the next year

3.2.3.3 *Coverage of units in the working balance*

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units, which do not belong to the government sector (or to the particular subsector) according to ESA2010 definition. The second adjustment refers to B.9 of other units, which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

3.2.3.3.1 *Units to be classified outside the subsector, but reported in the WB*

Working balance (line 1, EDP notification Table 2A) reflects the financial results of activities of the central budgetary organisations, i.e., ministries and central offices and the state funds. See point 1.1 Central government subsector (S.1311).

No government institutional units classified outside the central government subsector are reported in the WB.

Since 2004 when the Czech Republic became a member state of EU, the reclassification of the “Market Regulation Agency” inventories (i.e., SAIF) is made from S.1311 to S.11001 as the notional unit. This adjustment records on the line “Working balance (+/-) of entities not part of central government” and it is calculated and recorded in compliance with ESA2010 on MRA and with the Eurostat recommendation.

3.2.3.3.2 Units to be classified inside the subsector, but not reported in the WB

I. Other government units” included within the central government subsector, but not reported in the working balance, are following institutional units:

- Central (state) semi-budgetary organisations
- National Property Fund (by the end 2005), Railway Administration, Support and Guarantee Agricultural and Forestry Fund, and other public non-financial corporations (CPP Transgas and Balmed – state enterprises, or OTE, joint stock company, etc. classified into S.1311);
- Land Fund has been included under “other government units” until 2012; since January 01, 2013 is part of central budgetary organisations, i.e., within the working balance;
- Transformation institutions, i.e. Czech Consolidation Agency has been classified in S.1311 from 2001 to 2006 and its subsidiaries Konpo and Czech Financial from 2002 to 2006 and Czech Collection Company by the end of 2008;
- Transformation institution PRISKO; classified in S.1311 from 2002 onwards;
- Public Universities – PU - (Veřejné vysoké školy);
- Public Research Institutions – PRI - (Veřejné výzkumné instituce);
- Vine-grower Fund (Vinařský fond), Council for Public Supervisory Over Audit (Rada pro veřejný dohled nad auditem) and other non-profit institutions;
- PPP Centrum, resp. Centrum F (cancelled in 2015);
- Public financial institutions – CEB, NRB, NDF, NDI, EGAP, MUFIS, FMGS (former DIF) STCF, GALILEO REAL and IMOB

The National Property Fund discontinued its activities on December 31, 2005 when it was integrated into the MoF. However, some its activities are accounted separately and they are not reflected in the Budget Reporting (working balance). Its activities not included into WB are reported separately in “Other adjustments”. The CKA, which discontinued its activities on December 31, 2006 was also integrated into the MoF and consequently also into the working balance.

Net borrowing/net lending (B.9) reported in the Table 2A for other central government units is calculated and reported on the accrual basis; all these units use a bookkeeping system based on the accrual basis.

2. Methodology imputations/reclassification of institutional units reflected in B.9

All methodological imputations/reclassification of institutional units have an impact on B.9 in S.1311, because non-financial transactions have changed. These changes and records resulted from

- reclassification of transformation institutions from S.12 to S.1311 (in 2001 and 2002),
- classification of the Railway Transport Administration (in 2003) into S.1311,
- reclassification of semi-budgetary organisations between S.11001 and S.13 in 1995, 2004 and in 2010 (based on 50% criterion), resp. from classification of all semi-budgetary organisations into S.13 (in compliance with ESA2010 methodology and in time series since 1992),
- reclassification of public nonfinancial corporations and semi-budgetary organisations between S.11001 and S.13, or in classifying them back into S.11001 (based on 50% and qualitative criterion)

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- reclassification of financial corporations into S.13 in compliance with ESA2010 methodology (see above)

3. Government accounts compiled for other central government units

Full set of non-financial and financial accounts (including balance sheets and other volume changes accounts) are regularly compiled

- a) according to groups of units for
 - Central (state) semi-budgetary organisations
 - Public universities
 - Public research institutions
 - Other non-profit institutions
 - Public non-financial corporations;
- b) for individual institutional units
 - LF (until 2012), RIA, SGAFF, VGF, Council for Public Supervisory Over Audit, PRISKO, CEB, NRB, GSoFM (former DIF), EGAP, MUFIS, GFoST, GALILEO REAL, IMOB and OTE.

This full set of accounts is recorded in so-called “SS-table” and it is based on basic data sources. Within the tables (accounts) are non-financial transactions of central RO, PO, PU or PRI are recorded in splitting to their main and secondary activities. These data are transferred into so-called “SEK-table” (sector table – account), where methodological and conception adjustments are recorded. Some methodological adjustments (e.g., debt consolidation) are calculated and recorded according to groups or individual units; some methodological adjustments (FISIM or wages in kind, etc.) are calculated for sub-sector as whole.

3.2.3.4 Accounting basis of the working balance

Accounting basis of the working balance (in the T2A) is in cash – based on the budgetary reports (*FIN 1-12 OSS, FIN 1-12 SF*), which include an only main activity of CBO and SF

However, some revenues/expenditures of the central budgetary organisations are not included in the WB, especially

- revenue from issued state debt securities,
- revenues and expenditures of the former National Property Fund, e.g., dividends, revenue from privatizations etc.,
- revenues and expenditures from the secondary activities (e.g., from rents, expenditures relating to intermediate consumption or wages etc.).
- revenues of ”extra-budgetary” funds (see 3.2.1.4)

On the contrary, those budgetary reports include some expenditure that must be from the WB excluded (e.g., repayments of loans).

Data from balance sheet relate to main and secondary activities – it means that not all transactions recorded under F.2 can correspond with the current transactions included under WB.

3.2.3.4.1 Accrual adjustment relating to interest D.41, as reported in EDP T2

In the working balance, interest expenditures and revenues of CBOs and SF are recorded on a cash basis, which is the case of all central budgetary organisations. Above that, the working balance includes all interest repayable by the state funds. The same holds for premiums and discounts.

The MoF calculates accrual interests received and paid. The difference between cash and accrual interest is recorded under the line “Difference between interests paid and accrued” in the EDP table. The adjustment recorded under this item refers only to the MoF (the main entity). Adjustment for accrual revenues is reported under “other adjustments”.

3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2

Adjustments on accrual basis reported within EDP T2 are carried out under other receivables and under other payables included or include:

1. Other accounts receivable F8

- Difference between taxes received in cash and accrual: The same amount is recorded in NFA and in F.8 and relating to using of time adjusted cash method for recording of accrual taxes;
- Difference between social contributions received in cash and accrued during the period: The same amount is recorded in NFA and in F.8 and relating to using of time adjusted cash method for recording of accrual social contributions;
- Other social insurance (obligatory) - adjustment to accrual relates to compulsory Occupational accident or disease insurance paid by the employer on behalf of his employees;
- Difference between social benefits in cash and accrual (advance payment to the Post Office) (+/-): i.e., difference between paid out pensions to households and the total amount of funds including advances transferred to the Czech Post corporation for the payments of pensions to households.;
- Member state's share on custom duty, highway fees and toll (the difference between cash and accrual) reflect adjustments of financial and non-financial transactions by using of time adjusted cash method for calculation of accrual data.
- Receivables of State extra-budgetary funds against the “National Property Fund” due to a time delay of these transfers and due to the difference between accounting systems (cash/accrual) in 2007 and 2008;
- Advances on EU flows granted (+), repaid (-): relate to the adjustment of advances granted by and repaid to the State Transport Infrastructure Fund;
- Receivables the State Transport Infrastructure Fund against EU budget: i.e., receivables the STIF resulting from pre-financing of the “Operating Transport Project”;
- Other receivables against EU budget whose calculation is based on revenues and expenditures data determined on projects granted from EU budget, i.e., total revenues (R) from EU minus total expenditures (U) made on behalf of EU ($R-U < 0$; if $R-U > 0$ = payables);
- EU corrections reflect expenditures not accepted by the European Commission. These expenditures have to increase the deficit in the year, when was decided by the EC on disallowing of expenditures.

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- UMTS licences reflect repayments of receivables excluded from the WB. The total selling price has been recorded into NA in the year when UMTS licence was sold. In the WB are recorded repayments during several years after the sale;
- Excluding of prepayments from expenditure: Some advance payments on deliveries of products are included in the WB (for armoured cars Pandur or aircraft Cassa) but the delivery of the property did not occur in the same year due to this fact prepayments were excluded from expenditures;
- Transactions in receivables under F.81 item: the adjustment relates to the conversion of data on output for BO and State Funds from cash to accrual. Basic data on output are obtained on a cash basis;
- Repayment of the Arcelor Mittal receivables: repayments of receivable from the sale of the shares of the Arcelor Mittal corporation (repaid in 2015);
- Repayment of receivables against mediators' repayments of receivables (former foreign claims) sold to mediators.
- Receivables of the Ministry of Agricultural;
- Reducing of contributions from EU – claims toward EU

2. Other accounts payable F.8

- Unpaid restructuring aid (sugar) relating to the scheme of sugar industry organized by the EU.
- Payables from refunds of sick benefits (adjustment from cash to accrual). Since 2009 to 2011, the new adjustment of sick social benefits was implemented. See section 6.1.2 – Social contributions.
- Payables from unpaid subsidies to non-government units.
- Churches restitutions: the payable in the amount CZK 59 billion in 2012; instalments are allocated into 30 years; more detailed 7.5 part.
- Transactions in payables – accrualised into NFA - under F.81: the adjustment relates to conversion of data on intermediate consumption (P.2) for central BO and State Funds from cash to accrual, because basic data on P2 are obtained on cash basis.

All adjustments reported in the table 2A under “Other accounts receivable / Other accounts payable are reported also in the T3.

3.2.3.4.3 Other accrual adjustments in EDP T2

Difference between data on P.5 and NP in cash and accrual is reported under item “Non-financial transactions not included in the working balance”. Accrual data for P.5 and NP are calculated especially from the AAO and before 2012 from the annual statistical questionnaire. Under this line, only accrualisation of the items P.5, NP for the central BO and the state extra-budgetary funds is recorded. For other government units, accrual data for the items P.5 and NP are recorded within the group of similar units or in the account of a particular unit (as part of their B9).

3.2.3.5 Completeness of non-financial flows covered in the working balance

Under the part “Non-financial transactions not included in the working balance”, following adjustments are recorded:

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- Difference between data on P.5 and NP in cash and accrual except for P.52 (see 3.2.3.4.3 part);
- Adjustment in P.52;
- Bad foreign claims: the item records debt cancellation - foreign claims (expenditure side of the State budget);
- Accrual interests from foreign claims (revenue side of the State budget). These interest are not recorded in the WB; In 2018, in compliance with the Eurostat statement, (i) capitalized interest of the debtor countries where there was no agreement on the debt amount and the method interest calculation, was not include (ii) the accrualised interest resulting on agreed debt amount have been revaluated (in corresponding currency); The adjustment has been first made in 2015-2018 and subsequently in the backward time series during the revision of the national accounts (2020)
- Accrual interest on foreign claims toward foreign mediators (Extra-budgetary revenue see 3.2.1.4 part): This revenue is not included in the State budget revenue side (WB) but it is included in the government accounts and also in the T2A (including the creation of the reserve fund).
- The National Fund: there are recorded revenue and expenditure of the National Fund (NF) – a special department of the MoF created for the administration of EU funds. Revenue and expenditure of the NF mean in this context predominantly revenue from interests and payments for banking services. In addition, pre-accession funds were recorded under this item because these funds were not recorded in the WB and the last recording of revenue from these funds was in 2007.

3.2.3.6 Financial transactions included in the working balance

Calculation of the WB is based on the decree on budgetary classification (updated annually), which defines the structure of revenue and expenditure of budgetary organisations and state funds. Financial transactions included in the WB are following:

- a) Income from sales of shares and other equities and repayment of provided loans.
- b) Expenditure on acquisition of shares, acquisition of other equity, acquisition of other property claims payments for call guarantees and on provided loans to different types of units.
- c) Net settlement of swaps
- d) Repayments of international companies' equity
- e) Repayments of receivables former CKA, state funds

All types of these financial transactions, included in the WB of the T2A, are excluded in the section “Financial transactions included in the working balance”.

3.2.3.7 Other adjustments reported in EDP T2

Under the “Other adjustments” item were or are recorded following adjustments:

- **Combat aircrafts Gripen (financial leasing, imputed interest and payment for the lease) (+/-):** the adjustment eliminates difference between recording of the combatant aircrafts acquisition in the accounting system of the CBO and just as in the budgetary reports (in the working balance) - as operating leasing and as financial leasing (following the Eurostat decision) in the government accounts. Therefore, the acquisition of Gripens (combat aircrafts) in 2005 and in 2015 and annual interest expenditure on

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the leasing debt were recorded with negative sign and a payment for lease of Gripens is recorded with a positive sign (impact on B9). Interests from financial leasing are recorded in each year and are included in the national accounts with a negative impact on deficit and payments for operating lease is excluded from expenditures each year (with a positive impact on B9) – see also 3.1.1.1, AF.41 and AF.42.

- **Internal transfers:** the internal transfer corresponds to the amounts of unspent funds transferred from the State budget to extra-budgetary accounts (e.g., to the reserve fund) they are recorded, according to budgetary rules, as expenditure within the WB. In fact, it is only a transfer of funds from one banking account to another.
- **Former National Property Fund (-):** there are recorded transaction of the “NPF”, which are not included in the working balance, e.g., transaction in shares, income from dividends, support construction and reconstruction of roads, highways and railways or payments for liquidation of ecological damages. Data are recorded on accrual basis.
- **Other adjustments** include adjustments relating to transactions that occur regularly and irregularly e.g.:
 - Debt cancellation (-) – it covers a specially adjustment due to debt cancellation of loan provided to the Security Fund Cooperative (Zajišťovací fond družstevních záložen) by the MoF confirmed as risk (in 2007);
 - Forgiveness of receivables against mediators (sale of former foreign claims) reflects adjustment resulting from sales of these receivables to non-government units at lower price;
 - Repayment of state guarantees by original debtors (-) to a bank, which reflects decreasing of assumed debt in the central government;
 - Capital transfers from the MoF to the RIA (-) relating to debt cancellation within the Central Government;
 - Holding gains / losses (exchange rate movements) (+/-) relating to adjustments of revenue and expenditure of the State budget (WB);
 - Adjustment related to accrualisation of interest revenue and adjustment due to changes in interest recording on foreign claims (2015-2018);
 - Super-dividends – the amount of revenue which is part of the state budget (WB) but is excluded from the non-financial account due to fact that dividend excesses of operating profit of previous year (it represents withdrawing of accumulated profits of previous years);
 - Some methodological adjustments resulting from the calculation of financial leasing or payments for insurance services;
 - Adjustment relating to callable capital (i.e., not paid-in) in multilateral development banks: the callable capital is considered to be contingent transaction and the adjustment (in 2014-2017) was made in compliance with the MGDD and on the basis of discussion with CNB. It means that amounts under AF.519 and AF.89 items have been reduced. The new approach is reflected in the backward time series in 2020 accounts revision.

3.2.3.8 Net lending/net borrowing of central government

The last line in the EDP T2 is derived from WB, but it is influenced by all adjustments described above; this item is also affected by the B.9 of other central government units (based on accrual accounting) – see section 3.2.1, 3.2.2 and 3.2.3.3.2.

3.2.4 EDP table 3B

3.2.4.1 Transactions in financial assets and liabilities

The national financial accounts for central government units are used for compilation of EDP T3B.

Table 4 - Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets						Liabilities					
	F.2	F.3	F.4	F.5	F.6	F.8	F.2	F.3	F.4	F.5	F.6	F.8
Calculation of transactions												
Transaction data (Integrated in public accounts)												
Other transaction data	x	x	x	x	x	x	x	x	x	x	x	x
Stock data	x	x	x	x	x	x	x	x	x	x	x	x
Calculation of stocks												
Transaction data												
Stock data	x	x	x	x	x	x	x	x	x	x	x	x

For the compilation of the EDP table 3B and just as for the compilation of the financial accounts for S.1311 units, the accounting balance sheets are used as **the basic data source**. However, for the public research institutions and for some other units classified in S.1311 (e.g., public non-financial corporations), the accounting balance sheets are not available; thus the results of the statistical survey are used instead. All the data is **exhaustive** concerning the coverage of the units and it is on accrual bases. The rate of return is 100%, and the accounting balance sheets and the results of the statistical survey represent a direct data source.

As a **supplementary data source** use mainly:

- Data obtained by direct questioning at the units, which is often necessary for proper classification of the financial instruments and also for the appropriate recording of the flow in the national accounts, e.g., as a financial transaction, or possibly as a revaluation or other change in the volume;
- Other direct data obtained from government units on regular bases – namely data necessary for:
 - Recording of time-adjusted cash of taxes and social insurance contributions, which serve also for calculation of the related F.8 (AF.8) (obtained from the MoF);
 - Recording of revaluation of foreign debt, interest on swaps and FRAs operations, calculation of the difference between interest D.41 accrued and paid, issuances and redemptions above/below nominal value etc. (data obtained from the MoF);
 - Recording of receivables related to EU grants (provided from the MoF)
- Data on quoted shares provided from the Czech National Bank on AF.511/ F.511;
- Data on AF.519 recorded on the asset side of S.1311 and S.1313 relating to e.g., state enterprises or similar corporations classified in S.11001 (the data is obtained from the statistical questionnaire reported by these units).

In general, the **financial transactions are derived** from the information on stocks of the financial assets and liabilities, taking into account the available information about other changes in the volume and the revaluation.

Depending on the availability of the information, the basic **data is compared with the counterpart data and other available information**. Such comparison is a condition for a appropriate consolidation and balancing process. Concerning the **amending** of the data using counterpart information and amending due to consolidation, it is rather a matter of correction in the classification of the financial instruments, i.e., after examination of the issue and possible questioning at the units, the classification of the instrument is harmonised on both sides without impact on B.9.

Concerning **amendments due to the specific transactions**, the flows are examined to ensure proper classification of possible super-dividends (or capital injections) according to the ESA2010 and the Manual on Government Deficit and Debt (MGDD). Concerning the information on debt assumption and debt cancellation, the appropriate classification is ensured by close cooperation with the MoF, which provides data in the case of such events.

The financial accounts are on **accrual basis** and **the same coverage of units** is ensured for all transactions. The time of recording is in specific cases examined and amended to be in accordance with the ESA2010 and the MGDD. However, because the basic data sources are on accrual bases, the examination relates to specific borderline cases (e.g., court decisions etc.), when the treatment in business accounting and the recording in national accounts might be different.

The accounting balance sheets (i.e., changes in the stock of the financial assets/liabilities) serve as the basic sources for calculation of the financial transaction; however, **the change in the stock is examined** and corrected it to omit the distortion of transactions recorded on the financial account. Depending on results of the examination, we record other changes in the volume, revaluation or in proper classification of the instrument etc.

Compilation of financial accounts and the EDP table 3B are based on direct data reported by the units.

3.2.4.2 Other stock-flow adjustments

"Issuance above/below nominal value": Under this item, we report premiums and discounts related to issuances of state bonds and Treasury bills. The data is obtained regularly from the MoF.

The item **"Difference between interests accrued and paid"** includes adjustment due to the interest newly accrued to the state debt, which is in the EDP table 3B reported in nominal value. This interest is reflected in the B.9 and it must be deducted under the adjustments because it has no impact on the change in the nominal value of the debt as classified for the EDP purposes. **Interest flows from swaps and FRAs** are included in the above-mentioned adjustment i.e., "Difference between paid and accrual interest". Swaps and FRA relate mainly to government bonds issued; the MoF provides the data regularly. In addition, the SGAFF reports minor amount.

"Redemptions of debt above/below nominal value" - under this item we report redemptions of debt above/below nominal value related to the state debt. The data is obtained on regular bases from the MoF.

"Appreciation/depreciation of foreign currency debt" covers changes in the nominal value of the foreign currency debt (according to classification for the EDP purposes) due to appreciation/depreciation of exchange rates. The source data is obtained from the MoF and it serves also for the appropriate records on the revaluation account for the S.1311. The data is provided with a split by the corresponding financial instrument.

"Changes in sector classifications" – are recorded within the time series 2011 (in the EDP tables). It relates to reclassified financial corporations (NRB, EGAP etc.). Changes in sector classification (in longer time series) - in the government accounts and historical notification tables, will be carried out in 2017.

"Other volume changes in financial liabilities" - there are not any adjustments to be recorded under this item.

3.2.4.3 *Balancing of non-financial and financial accounts, transactions in F.8*

This section aims at describing of techniques and methods for balancing non-financial and financial accounts applied generally for the whole general government sector.

Allocation of discrepancy B.9 vs. B.9f

For the purposes of compilation of EDP notifications, the observed differences in B.9f and B.9 have not been allocated into any item of non-financial or financial accounts. The observed difference in B.9f and B.9 is in the EDP notification tables reported under the item “Statistical discrepancies - difference between capital and financial accounts (B.9-B.9f)”. This approach is applied since the April EDP notifications 2010 – the discrepancy is explicitly reported for the EDP purposes.

Changes to intermediate data

The basic source data used for compilation of NA for S.13 and the EDP reporting is direct (besides a few cases mentioned above in the paragraph 3.2.1.2) administrative data. Therefore, it is treated as the most relevant and reliable data source used for compilation of the national accounts. If there is observed any difference with the counterpart data, the issue is examined by individual questioning at the unit.

In the case of compilation of the financial accounts, the counterpart data is also used e.g., for quantification of AF.519 on the asset side of S.13 is based on information on equities of state enterprises classified in S.11001. The counterpart data does not have any impact on B.9f reported for S.13 units.

The final discrepancy is not for the purposes of EDP notification tables allocated into any item of NA, i.e., neither to non-financial nor to balance sheet items. **The discrepancy is for the EDP purposes explicitly reported** under item “Statistical discrepancies - Difference between capital and financial accounts (B.9-B.9f)”.⁵

Complementary elements on stocks

⁵ However, the approach applied for the purposes of the annual sector accounts is different – the annual sector accounts are compiled and transmitted to Eurostat as fully balanced and the final discrepancy is at the final stage of the balancing process allocated into F.8 – the side assets and liabilities depending on the results of the balancing.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

The final discrepancy is not for the purposes of EDP notification tables allocated into any financial instrument in the balance sheet items.

Accruals

A significant part of the discrepancy might result from time of recording problem.

Ex-post monitoring

The national accounts for S.13 units are compiled at the first stage on the level of individual units and for groupings of units and the statistical discrepancy the discrepancy can thus be quantified at this stage. If there is an evident inconsistency, this case is further examined and if necessary check also by individual questioning at the unit. The effort is to eliminate possible inconsistencies and sources of the discrepancy already at the stage of compilation of so called “zero” version of national accounts for the unit (grouping of units).

No specific thresholds of the discrepancy have been determined and used.

3.3 State government sub-sector, EDP table 2B and 3C

The subsector is not covered in the Czech Republic.

3.4 Local government sub-sector, EDP table 2C and 3D

3.4.1 Data sources for Local Government main unit: Local budgetary main units

Table 5 – Availability and use of basic source data for main local government units: BO

<i>Available source data</i>				<i>Source Data Accounting</i>	<i>Source data used for compilation of</i>		
<i>Accounting basis (C/A/M)</i>	<i>Periodicity (M/Q/A/O)</i>	<i>Time of availability of annual results for T-1</i>			<i>WB</i>	<i>B.9 (NFA)</i>	<i>B.9f (FA)</i>
		<i>First results</i>	<i>Final data</i>				
1	2	3	4	5	6	7	8
		T + days	T+ months		cross appropriate cells		
				<i>Budget Reporting</i>			
				<i>(1) Current revenue and expenditure</i>			
				<i>(2) Current and capital revenue and expenditure</i>			
C	Q/A	T+50	T+2,5	<i>(3) Current and capital revenue and expenditure and financial transactions</i>	x	x	x
				<i>(4) Balance sheets</i>			
				<i>Financial Statements</i>			
A	Q/A	T+50 and T+55	T+2,5	<i>(5) Profit and loss accounts</i>			<i>partially</i>

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+ months		cross appropriate cells		
A	Q/A	T+50 and T+55	T+2,5	(6) Balance sheets			x
				(7) Cash flow statement			
				Other Reporting			
A	A	T+210	T+8	(8) Statistical surveys		x	x
				(9) Other:			
C/A	Q/A	T+50	T+2,5	Complementary information, e.g., on subsidies, loans or EU grants; time adjusted taxes etc.		x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M – monthly; Q - quarterly, A – accrual; O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

3.4.1.1 Details of the basic data sources

Basic data sources available for compilation of national accounts for main local government unit, i.e., for LBO, are obtained mainly from the budgetary and financial statements (administrative data) and some from statistical questionnaires and also from individual questioning. They are these following sources:

1. Budgetary statements (FIN 2-12 M) providing information on revenues and expenditures on the cash basis. The statements are obtained from the MoF in aggregated form for the group (by the end 2009); each type of revenues and expenditures was broken down by government function and by the budgetary classification item; as individual data are obtained from the State Treasury (database of the MoF) since 2010.
2. Financial statements cover data:
 - from Profit and Loss Statement - compiled on the accrual basis for the secondary activities of LBO only – obtained quarterly and annual for the group of LBOs - by the end of 2009; and from Balance sheet of LBO (on accrual basis) - which includes data for main and secondary activity.

Since 2010, LBOs compile Profit and Loss Statement (on accrual basis) splitting by main and secondary activities and Balance sheets for both the activities (as total). Moreover, the AAO (since 2012) – includes analytical data and counterpart information (for compilation non-financial and financial accounts and consolidation).

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

The first annual results from the annual financial statements for previous year (T-1) are delivered in period of T + 50d and for units compiling the AAO at the period T +55d.

3. Summary Budget Reporting, i.e., the Final State Account, which is submitted for approval to the Government and Parliament of the Czech Republic at the end of April of the current year “n” (or later) – i.e., after the April EDP notifications. Therefore, it can be used as information source (for year n-1) only in the October EDP notifications. However, the Report includes much aggregated data on economics results of LBO and therefore these data are used as a general framework.

3.4.1.2 *Statistical surveys used as a basic data source*

No statistical survey is used as a basic data for the main local government units – LBO.

3.4.1.3 *Supplementary data sources and analytical information*

Using of supplementary data sources has the reasons as for S.1311 (see section 3.2.1.3)

3.4.1.3.1 *Supplementary data sources used for the compilation of non-financial accounts*

Using of supplementary data sources and analytical information has the same reasons as in the case S.1311 (see section 3.2.1.3 and 3.2.1.2.1).

Supplementary information is used from the

- a) The Final State Account is used as an important source for checking and also for other information, which is not included in the budgetary reports, e.g., information on “subsidies” or investment grants;
- b) Profit and Loss Statement according to individual LBO for the secondary activities; since 2010, the information for main and secondary activity is obtained from the State Treasury system (database of the MoF).
- c) Annual statistical questionnaires:
 - VI 1-01 (for units, which do not compile the AAO) - on current transactions e.g., revenues and expenditures related to land lease or financial leasing payments; the content of the statement was adjusted to reduce the administrative burden on respondents;
 - Labour cost survey, i.e., information on types of wages and salaries in kind;
- d) MoF data on some special transactions, e.g., relating to EU grants, or loans to municipalities from the State budget, or on forgiveness of some loans;
- e) CNB – banking statistics – e.g., on government deposits and provided banking loans or interest to split by subsector; information on revaluation of quoted shares;
- f) Mass media – as indirect information;
- g) Individual questioning.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

Supplementary sources data described above (part 3.4.1.3.1 and 3.2.1.3.1) are used also for financial transactions.

3.4.2 Data sources for other Local Government units

Table 6 – Availability and use of basic source data for other local government units

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T + months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q/A	T+50	T+2,5	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
				Financial Statements			
A	Q/A	T+50 and T+55	T+2,5	(5) Profit and loss accounts			partially
A	Q/A	T+50 and T+55	T+2,5	(6) Balance sheets			x
				(7) Cash flow statement			
				Other Reporting			
A	A	T+210	T+8	(8) Statistical surveys		x	x
C/A	Q/A	T+50	T+2,5	(9) Other: Complementary information, e.g., on subsidies, loans or EU grants, etc.		x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2): M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

3.4.2.1 *Details of the basic data sources*

Basic data are the following:

- a) administrative accounting data on the accrual basis for local SBO (the same as for central semi-budgetary organisations) and the public financial institution (captive);
- b) annual statistical questionnaires based on the accrual basis for non-profit institution classified in S.1313;
- c) quarterly and annual statistical questionnaires based on the accrual basis for public non-financial corporations classified in S.1313;
- d) quarterly and annual financial statements for the Prague Gas, JSC (Pražská plynárenská, a.s.) and Final Reports for the Regional Support Source, Zlín until 2017 when the unit was dissolved (Regionální podpůrný zdroj, Zlín).

See also part - 3.2.1.1

3.4.2.2 *Statistical surveys used as a basic data source*

The local government subsector also includes units, whose financial statements are not available and besides they are not satisfactory. Due to this situation, the following statistical surveys are used as a basic data for full set of accounts:

- Quarterly statistical questionnaires for non-profit institutions (VPI 3-04) and for public corporations (P 6-04) classified in S.1313 - for the April EDP notification
The questionnaires provide more detail data and reflect ESA2010 methodology and include information on non-financial transactions (sales, intermediate consumption, wages and salaries, social contributions, interest, gross fixed capital formation, etc.), and also on assets and liabilities split by financial instruments; the information is based on an accrual basis.
- Annual statistical questionnaires used for the compilation of government accounts within the October EDP notification and containing data (on an accrual basis) for the public non-financial corporations (P 5-01) and non-profit institutions (NI 1-01) classified into S.13.

This statistical survey within the general government sector is **exhaustiveness** and non-response is not significant. Information is asked urgently.

3.4.2.3 *Supplementary data sources and analytical information*

Supplementary information is used from the

- Budget Reporting, i.e., the Final State Account, is used as an important source for checking and also for other information – comments
- Mass-media – as indirect information
- Individual questioning.

3.4.3 *EDP table 2C*

3.4.3.1 *Working balance - use for the compilation of national accounts*

The “Working balance” used for the national account’s compilation is based on data from the budgetary reports (FIN 2-12 M) – cash data on revenues and expenditures.

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Local budgetary organisations transmit the data into the State Treasury system and the CZSO uses the same data sources as the MoF.

The same data as for WB are used at the first step of the NFA compilation. However, the data are adjusted - some of them are replaced by accrual data from the annual financial statements (including AAO statements) or completed by the data from other supplementary sources. All these adjustments are described in the Table T2C.

3.4.3.2 *Legal basis of the working balance*

Legal status of the WB is covered especially by:

- Decree of the MoF No.419/2001 Coll., on the manner, deadlines and scope of for compiling for the elaboration of the Final state budget and on the manner, deadlines and scope for the compilation of the final accounts of the state budget chapters, as amended;
- Decree No. 5/2014 Coll. on the manner, deadlines and scope of data submitted for assessment of the State budget, budgets of local budgetary organisations, state funds, Voluntary Associations of Municipalities and Regional Councils of Cohesion, as amended;
- Acts on the State budgets, annually approved for the current year T+1;
- Act No. 250/2000 Coll. on budgetary rules of local budgets, as amended;
- Decree No. 323/2002 Coll. on budgetary classification, as amended (valid until December 31 2021);
- Decree No. 412/2021 Coll. on budgetary classification, as amended.

Local budgetary organisations shall submit data of the budgetary reports (FIN 1-12 M) into the Treasury system monthly the last working day before 20th day and annual data before 10th February of the following year. Annual final data are available about the 50th day after end of reference period.

3.4.3.3 *Coverage of units in the working balance*

Only local budgetary organisations, i.e., Regional Offices, Town Councils, Municipalities, Voluntary Associations of Municipalities and Regional Councils of Cohesion Regions ⁶ are included within WB.

3.4.3.3.1 *Units to be classified outside the subsector, but reported in the WB*

Any units classified outside the local government subsector has not been reported in the WB.

3.4.3.3.2 *Units to be classified inside the subsector, but not reported in the WB*

Within WB are not included units, which have non-profit institution features, and public corporations (joint stock companies and limited companies), i.e.:

- Local semi-budgetary organisations,
- Non-profit institutions

⁶ Regional Councils of Cohesion Regions have been dissolved on December 2021

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- Public non-financial corporations – e.g., Technical Services, Bystřice (Technické služby, Bystřice p/H, Inc.), from 2010 to 2013; Theatre Kladno, Inc., etc.
(See section 1.3, point 2)
- Public financial institutions, e.g., Prague Gas Holding, Regional Support Resource (dissolved in 2017); (see section 1.3)

Net borrowing/net lending (B.9) reported in the Table 2C for other local government units is on an accrual basis, because all these units use bookkeeping system based on accrual basis.

Methodology imputations/reclassification of institutional units reflected in B.9

All methodological imputations/reclassification of institutional units have had an impact on B.9, because non-financial transactions are changed. The records related to the reclassification of local semi-budgetary organisations (between S.11001 and S.1313 in 1995, 2004 and 2010) and reclassification of public corporations (in 2010) between S.11001 and S.1313 based on 50% or qualitative criterion.

The impact of methodological imputations/reclassifications relating to these units was reflected in their B.9; however, it was not significant.

The relatively greater effect on B.9 item had the classification of all local semi-budgetary organisations and public hospitals (corporations) into S.1313. Adjustments in historical time series since 2003 have been carried in 2017.

Government accounts compiled for other local government units

Full set of non-financial and financial accounts (including balance sheet and other volume changes accounts) are compiled according to groups for

- a) local semi-budgetary organisations,
- b) non-profit institutions,
- c) public non-financial corporations,
- d) public hospitals
- e) and for the public financial institutions.

3.4.3.4 Accounting basis of the working balance

The working balance is based only on the cash principle following the nature of the budgetary report for the local budgetary organisations (FIN 2-12) i.e., Municipalities (obce a kraje), Voluntary Associations of Municipalities (Dobrovolné svazky obcí) and Regional Councils of Cohesion Regions (Regionální rady regionů soudržnosti) dissolved at the end 2021.

However, some revenues/expenditures of local budgetary organisations are not included in the WB, especially:

- revenues from municipal bond issue;
- revenues and expenditures from the secondary activities of the LBO (e.g., revenue from rents, expenditures relating to intermediate consumption or wages etc.), because data on cash revenues and expenditure relate only to the main activities of the LBO.

Data from the balance sheet relates to the main and the secondary activities. Therefore, summary transactions in F.2 for the LBO does not correspond with the current transactions in F.2 included under WB (from revenues and expenditures showed in FIN 2-12)

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3.4.3.4.1 *Accrual adjustments relating to interest D.41, as reported in EDP T2C*

Accrual adjustments relating to interest D.41 are described in detail under 3.6.3.

3.4.3.4.2 *Accrual adjustments reported under other accounts receivable/payable F.8 in the EDP T2C*

Other accounts receivables (+):

- **Difference between taxes received in cash and accrual (+/-)** relates to the adjustment of financial transactions in receivables reflects of time adjustments method of taxes in non-financial accounts;
- **Receivables related to EU flows** reflect adjustment of transactions in receivables related to the EU flows - to financing of different projects and programmes of behalf on EU. Calculation of the receivables is based on revenues and expenditures data determined on projects and programmes cofinanced from the EU budget, i.e., total revenues from EU (R) minus total expenditures (U) made on behalf of EU ($R-U < =$ receivables).
- **Transactions in receivables** (under F.81): the adjustment relates to data on output for the LBO i.e., from cash to accrual because basic data on output are obtained on cash basis.

Other accounts payable (-)

- **Payable related to EU flows** – the item includes accrual of adjustment transactions in payables linked with EU flows (due to financing of different projects of behalf on EU), i.e., total revenues from EU (R) minus total expenditures (U) made on behalf of EU ($R-U > 0 =$ payables); The calculation of the liabilities and the method have been used since 2007.
- **Transactions from payables** (under F.81): the adjustment relates to data on intermediate consumption (P2) for LBO, i.e., transfer from cash to an accrual, because basic data on P2 are obtained on cash basis.

3.4.3.4.3 *Other accrual adjustments in the EDP T2C*

The EDP table records the item:

- **Difference between cash and accrual, for P.5 and NP.2 (+/-)** captures the difference between data on acquisition of non-financial assets reported in cash in the working balance (of local budgetary units) and accrual data.

3.4.3.5 *Completeness of non-financial flows covered in the working balance*

Under “**Non-financial transactions not included in the working balance**” are made the following adjustments:

- The difference between P.5 and NP.2 in cash and accrual described under item 3.4.3.4.3;

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

- Capital transfer (payable) representing the difference between market prices and bookkeeping prices relating to sales of flats to households.

3.4.3.6 Financial transactions included in the working balance

Financial transactions included in the WB are as follows:

- a) Income from sales of shares, income from sales of equities and repayment of provided loans.
- b) Expenditure on acquisition of shares and other equities, acquisition of other claims, payments for call guarantees and on provided loans to different types of units.

All types of these financial transactions (recorded under the item “Financial transactions”), are excluded.

3.4.3.7 Other adjustments reported in the EDP T2C

Other adjustments include:

- Internal transfers (+/-): The internal transfer corresponds to the amounts of unspent funds transferred from a local budget to extra-budgetary accounts (especially into reserve fund or transfers to own funds economic (business) activity); according to the budgetary rules, they are recorded as expenditure within the WB. In fact, it is only a transfer of funds from one banking account to another. Data are split by budgetary classification item, i.e.:
 - Expenditure: advances provided to advance-financed budgetary organisations, advances provided to own cash office, transfers to own economic activity funds, transfers to other own funds and accounts that are not considered public budgets and other expenditure from previous years financial settlement; capital transfers to reserve funds of state organisational units
 - Revenue: transfers from own economic activity funds, transfers from other own funds and accounts not general government nature; transfers from reserve funds of state organisational units
- Holding gains / losses (exchange rate movements) (+/-) adjustments relating to revenue and expenditure of the local budgets (WB);
 - Super-dividends: revenue from dividends excluded from the non-financial transactions and recorded as reducing of equities of government institutions;
 - Financial leasing (+/-): adjustment relates to exclusion repayments from the working balance (+) and recording of accrual interest expenditure (-);
 - Others (+/-) include e.g., adjustments resulting from the calculation of payments for insurance services and some exclusive (but unimportant and nonrecurring) transactions.
 - Accrual interest receivable

3.4.3.8 Net lending/net borrowing of local government

The “Net lending/net borrowing of local government” item includes:

- **Local budgetary organisations – profit from secondary activity (+):** the item includes adjustment relating to transactions that are not included in the WB.
- **Local semi-budgetary organisations (+/-):** it reflects adjustment relating to transactions of all SBO under control of a local government unit because these units are not included in the WB;

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- **Public corporations (+/-):** it reflects adjustment relating to transactions of these units that are not included in the WB;
- **Public hospitals, joint-stock companies and limited companies (+/-):** since 2014, reflects adjustments relating to transactions of these units that are not included in the WB;
- **Prague Gas Holding, (+/-):** it reflects adjustment relating to transactions of the unit that are not included in the WB (since 2014);
- **Regional Support Resource, Zlín, LC** reflects adjustment relating to transactions of the unit that are not included in the WB (since 2011 to 2017, when the unit was cancelled);
- **Non-profit institutions (+/-):** it reflects adjustment relating to transactions of NPIs classified in S.1313 – but not included in the WB of S.1313.

3.4.4 EDP table 3D

3.4.4.1 Transactions in financial assets and liabilities

The financial accounts for local government units are used for compilation of EDP T3D.

Table 7 - Data used for compilation of transactions and of stocks of financial assets and liabilities

	<i>Assets</i>						<i>Liabilities</i>					
<i>Source Data</i>	<i>F.2</i>	<i>F.3</i>	<i>F.4</i>	<i>F.5</i>	<i>F.6</i>	<i>F.8</i>	<i>F.2</i>	<i>F.3</i>	<i>F.4</i>	<i>F.5</i>	<i>F.6</i>	<i>F.8</i>
<i>Calculation of transactions</i>												
<i>Transaction data (integrated in public accounts)</i>												
<i>Other transaction data</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>
<i>Stock data</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>
<i>Calculation of stocks</i>												
<i>Transaction data</i>												
<i>Stock data</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>

The balance sheets are used as the main source data not only for a compilation of the EDP table 3D, but also a compilation of the financial accounts for S.1313 units. However, the balance sheets are not available for the public non-financial enterprises, which have been classified into S.1313 since 2010 time series, public hospitals classified in S.1313 since 2011 (established as commercial companies) and non-profit institutions. Therefore, the results of the statistical survey are used instead. All the data is exhaustive concerning the coverage of the units and it is on accrual bases. The return rate is 100%, i.e., both the accounting balance sheets and the results of the statistical survey.

As **supplementary data sources** are used mainly:

- Direct questioning with the units, which is often necessary for proper classification of the financial instruments and also for an appropriate recording of the flow in the national accounts, e.g., as a financial transaction, or possibly as a revaluation or other change in the volume;

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- Other direct data obtained on regular bases – namely data necessary for the recording of receivables related to EU subsidies (provided from the MoF);
- Data on quoted shares provided from the Czech National Bank on AF.511/ F.511;
- Data on AF. 519 recorded on the asset side of S.1313 from public corporations classified in S.11001 (the data is obtained from the statistical questionnaire reported by these units).

In general, the **financial transactions are derived** from the information on stocks of the financial assets and liabilities, taking into account the available information about other changes in the volume and the revaluation.

Depending on the availability of the information, the basic **data is compared with the counterpart data and other available information**. Such comparison is a condition for an appropriate consolidation and balancing process. Concerning the **amending** of the data using counterpart information and amending due to consolidation, it is rather a matter of correction in the classification of the instruments, i.e., after examination of the issue and possible questioning at the units, the classification of the instrument is harmonised on both sides without impact on B.9.

The financial accounts are compiled on **accrual bases** and **the same coverage of units** exists for all financial and non- financial transactions. The time of recording is in specific cases examined and amended in order to be in accordance with the ESA2010 and the MGDD. Because, however, the basic data source is on accrual bases, the examination relates to specific borderline cases (e.g., court decisions etc.), when the treatment in business accounting and the recording in national accounts might be different.

The accounting balance sheets (i.e., changes in the stock of the financial assets/liabilities) serve as the basic sources for calculation of the financial transaction. However, to omit the distortion of financial transactions **the changes in stock are examined**. Depending on results of the examination, other changes in the volume and revaluation are recorded; ensure proper classification of the instrument etc.

There are **no estimations due to unavailability of data sources**, the data used for the compilation of financial accounts and the compilation of EDP table 3D are for 100 % based on direct data reported by the units.

3.4.4.2 Other stock-flow adjustments

Concerning the other stock flow adjustments in the EDP table 3D are following:

“Difference between interest (D.41) accrued (-) and paid (+) “: The amount only relates to LBOs. Other institutions classified in S.1313 record interest on accrual principle and due to no adjustments are made.

"Appreciation/depreciation of foreign currency debt" – indicated amounts relate to foreign currency bonds issued e.g., by the cities Prague and Ostrava. Financial statements are source of this information.

"Changes in sector classifications" – the changes cover classification of all local semi-budgetary organisations in S.1313 and the Regional Support Resource (since 2011) or the Prague Gas Holding (2014). It relates also to the consolidated debt.

"Other volume changes in financial liabilities" – such adjustments have been recorded only in relation to the data for 2010 - due to recording of liabilities of the local BOs based on new accounting balance sheets used by the units since 2010, (more detailed data on the liabilities in a structure more suitable for purposes of NA).

3.5 Social security funds sub-sector, EDP table 2D and 3E

Social Security Funds - the sub-sector S.1314 includes

a) **Health insurance companies** managing compulsory (general) health insurance (7 units). They collect health insurance contributions and purchase health services provided to households; they reimburse the health care from the health insurance and also its costs;

b) **Other units:** non-profit institutions providing services to health insurance companies classified in S.1314, i.e.

- Health Insurance Bureau (former Centre for International Reimbursements)
- Association of Health Insurance Companies (inactive and in liquidation)
- Association of Health Insurance Companies of the Czech Republic
- Open Union of Health Insurance Companies (inactive)
- Hedge Fund (dissolved in 2015)

3.5.1 Data sources for Social Security Funds main unit: Health insurance companies

Table 8 – Availability and use of basic source data for social security funds – Health insurance companies

<i>Available source data</i>				<i>Source Data Accounting</i>	<i>Source data used for compilation of</i>		
<i>Accounting basis (C/A/M)</i>	<i>Periodicity (M/Q/A/O)</i>	<i>Time of availability of annual results for T-1</i>			<i>WB</i>	<i>B.9 (NFA)</i>	<i>B.9f (FA)</i>
		<i>First results</i>	<i>Final data</i>				
1	2	3	4	5	6	7	8
		T + days	T + months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
C	A	T+65	T+7	(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			

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<i>Available source data</i>				<i>Source Data Accounting</i>	<i>Source data used for compilation of</i>		
<i>Accounting basis (C/A/M)</i>	<i>Periodicity (M/Q/A/O)</i>	<i>Time of availability of annual results for T-1</i>			<i>WB</i>	<i>B.9 (NFA)</i>	<i>B.9f (FA)</i>
		<i>First results</i>	<i>Final data</i>				
1	2	3	4	5	6	7	8
		T + days	T + months		cross appropriate cells		
				<i>Financial Statements</i>			
				<i>(5) Profit and loss accounts</i>			
A	Q	T+60	T+7	<i>(6) Balance sheets</i>			x
				<i>(7) Cash flow statement</i>			
				<i>Other Reporting</i>			
A	A	T+210	T+8	<i>(8) Annual statistical survey ZDP 5-01</i>	x	x	x
A	Q	T+45	T+8	<i>(9) Quarterly statistical survey ZDP 3-04</i>	x	x	x
C	M	T+45	T+2	<i>(10) Other: Monthly data on health insurance contributions</i>		x	x
M	Q/A	T+65	T+7	<i>(11) Data on selected revenues and expenditures of health insurance companies from the Supervisory authorities etc.</i>		x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2): M – monthly; Q – quarterly; A – annual; O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

3.5.1.1 Details of the basic data sources

All available data sources are used. The statistical surveys serve as the basic data source - quarterly for the April EDP notification and annual for the October EDP notification. The working balance in the EDP notification table 2D is based on the information obtained from these statistical surveys and it is on an accrual basis.

The information provided in the administrative data is insufficient as a basic source for the compilation of national government accounts including the EDP notification tables. The information is mixed - cash and accrual and aggregated. The structure of the administrative data is not suitable for purposes of the compilation of national accounts and EDP notification tables for these units.

3.5.1.2 Statistical surveys used as a basic data source

The structure of the statistical surveys is established to meet the requirements of the national accounts and EDP notification tables. The data is collected and processed by the CZSO (in

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compliance with the act on statistics) and with 100 % response rate it represents a direct individual data source obtained from the units involved. The data is on accrual bases.

Besides the statistical surveys for health insurance companies also provide complementary sector counterpart information for:

- Non-financial transactions, which is available especially from the annual statistical questionnaire and partially also from the budgetary report (FIN) on revenues and expenditures of budgetary organisations (information on health insurance contributions paid from the State budget to insurance companies on behalf especially of children and old persons – state insured persons). Information from the annual statistical survey is also used as bases for consolidation of interest (D.4), other current transfers (D.7) and capital transfers (D.9);

- Financial transactions - available from the annual statistical questionnaire and also from the MoF, i.e., information on Treasury bills and state debentures held by the S.1314 or loans provided from the State budget.

3.5.1.3 *Supplementary data sources and analytical information*

Administrative data is used as the supplement source. The health insurance companies keep adjusted, a specific accounting system used by commercial insurance companies and they follow rules of a “funded” system. They compile “Statement on Economical Results”, Balance Sheet and Budget Reporting (with an insurance plan).

“*Statement on Economical Results*” contains only several selected indicators on economic activities (e.g., health insurance contributions, wages and salaries, interest, penalties and payments for health services provided to households) and recorded in several “funds” (e.g., of Basic fund of health insurance, Operating fund, Investment fund, Reserve fund etc.) – in compliance with the rules for allocation of the resources. The information is mixed - cash and accrual.

Balance Sheet statement is the same as for commercial insurance companies.

“*Budget reporting*” (as a part of the “public budgets” within the Final State Account) for health insurance companies; the report contains only a summary overview, i.e. aggregated data (tables) and some comments.

The information constitutes basic framework, which allow improve some indicators and for general verification; the sources data are compared with the statistical information (see 3.5.1.2). Surveyed differences between selected items are consulted with the MOF and individually with the units.

3.5.1.3.1 *Supplementary data sources used for the compilation of non-financial accounts*

The Ministry of Health provides information on collected health insurance contributions on a monthly base. This information serves as the data source to calculate of the time- adjusted cash of health care insurance contributions (when the contributions were due, i.e., by one month). Via the MoF, the CZSO also obtains data (of the MoH) on health care expenditures in such a structure, which enables a split by government function (“COFOG”). Complementary information is obtained via individual questioning of the respondents.

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3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

Information on collected health insurance contributions (on monthly bases) serves as a source data for calculation of receivables (F.8 / AF.8) resulting from the time- adjustment of health care insurance contributions.

The balance sheets are used as a supplementary data source for verification and comparison with the statistical information.

3.5.2 Data sources for other Social Security units

Table 9 – Availability and use of basic source data for other social security units classified in S.1314

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T + months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
C	A	T+65	T+7	(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
A	A	T+150	T+7	(5) Profit and loss accounts			
A	A	T+150	T+7	(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
A	A	T+210	T+8	(8) Annual statistical survey NI 1-01		x	x
A	A	T+210	T+8	(9) Other: Individual questioning	x	x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2): M – monthly; Q – quarterly; A – accrual; O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

3.5.2.1 *Details of the basic data sources*

This group of units involves non-profit institutions providing services to health insurance companies classified in S.1314. They are: Health Insurance Bureau (former Centre of Interstate Settlements) , Association of Health Insurance Companies, Open Union of Health Insurance Companies, Union of Health Insurance Companies established as non-profit institutions serving to health insurance companies and classified into S.1314 since 2004. The Hedge Fund (classified in S.1314 since 2011) was cancelled on December 31 2015. Their impact on activities of the subsector is negligible.

3.5.2.2 *Statistical surveys used as a basic data source*

The annual statistical questionnaire (NI 1-01) is used as a basic source for compilation of national non-financial and financial accounts for these units. The data is on accrual bases. This annual statistical questionnaire provides also partial sector counterpart information on non-financial and financial transactions including assets and liabilities.

Consolidation of items D.4, D.7, D.9 and financial transactions are based on the information from the statistical questionnaire (NI 1-01) and or individual questioning of the government units. These units are not included into Final State Account and their financial statements are not available.

The CZSO collects and processes the annual statistical questionnaire for non-profit institutions

3.5.2.3 *Supplementary data sources and analytical information*

Complementary information is obtained via individual questioning of the units.

3.5.2.4 *Extra-budgetary accounts*

This section provides information on the so-called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts, which enter the WB, as reported in the first line of EDP table 2.

In the case of the Czech Republic, the issue of so-called “extra budgetary accounts” is not relevant in relation to the sub-sector of Social security funds (S.1314) and EDP tables 2D and 3E. No extra-budgetary account enter to the WB EDP table 2.

Non-financial flows recorded in EBA

It is not relevant

Financial flows recorded in EBA

It is not relevant

3.5.3 EDP table 2D

3.5.3.1 Working balance - use for national accounts compilation

The working balance of EDP table 2D is on accrual bases and it is based on information from the statistical questionnaire (balance of accrual revenues and expenses from direct source data reported in the statistical survey – see above 3.5.1.2).

3.5.3.2 Legal basis of the working balance

Legal basis of the working balance includes:

- Act No. 89/1995 on state statistical service, as amended
- Act No. 563/1991 Coll., on accounting, as amended,
- Decree No. 503/2002 Coll., implementing certain provisions of the Act No. 563/1991 Coll., on accounting as amended for health insurance companies, as amended.
- Decree of the Ministry of Health, on the determination of point values, the amount of reimbursement for paid services and regulatory restrictions (approved annually).

The CZSO (in compliance with the act on statistics) collects and processes the quarterly and annual statistical questionnaires, which serve as the basic data sources for EDP table 2D incl. the working balance, EDP table 3E and also for the compilation of the national accounts for the units. This survey covers all health insurance companies classified in S.1314.

The health insurance companies submit their annual statements to official auditors and final reports to the state supervisory authorities, i.e., to the special departments of the MoF and the MoH). A summary of information, elaborated by the MOF, is a part of the Final State Account and the Government takes cognisance of the report. Moreover, the health insurance companies submit their “Annual Report and a Project of economic activity in the next year” to the Government and Parliament for approval. The information is insufficient as a basic source for the compilation of national government accounts including the EDP notification tables. However, the information constitutes a basic framework to improve some indicators and to carry out general verification; these sources data are compared with the statistical information.

3.5.3.3 Coverage of units in the working balance

In the working balance for S.1314 are included all health insurance companies managing of general (compulsory) health insurance (7 units - December 31 2022).

3.5.3.3.1 Units to be classified outside the subsector, but reported in the WB

The issue is not relevant in this case. There are no such units.

3.5.3.3.2 Units to be classified inside the subsector, but not reported in the WB

There are other social security units - non-profit institutions providing services to health insurance companies classified in S.1314. (See 3.5.2.1)

3.5.3.4 *Accounting basis of the working balance*

The working balance of EDP table 2D is on the accrual bases.

3.5.3.4.1 *Accrual adjustments relating to interest D.41, as reported in EP T2D*

The source data on interest is on accrual bases. Therefore, no adjustment is made.

3.5.3.4.2 *Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2D*

In this case, the adjustment carries out only for the assets side – for receivables and it results from the application of the time shift method of revenue from health insurance contributions and fees and penalties instead of the prescribed accrual data included in the working balance. It includes:

- Deduction of prescribed and Inclusion of **health insurance contributions** adjusted by the time adjustment method;
- Deduction of prescribed and Inclusion of **fees and penalties** (so cold “accessories” of health insurance contributions) adjusted by the time adjustment method

3.5.3.4.3 *Other accrual adjustments in EDP T2D*

There are no such adjustments.

3.5.3.5 *Completeness of non-financial flows covered in the working balance*

Since the working balance corresponds to the balance of accrual revenues and expenses, some adjustments must be done due to transactions in non-financial assets not included in the working balance, which must be reflected in the B.9, or, on the contrary, due to transactions, which enter the working balance, however do not affect the B.9.

In this context, there are two adjustments:

- Adjustment related to gross capital formation not considered in the working balance (-);
- Adjustment relating to book depreciation (+). The book depreciation included in expenses in the working balance, must be excluded in order to eliminate its impact on B.9.

3.5.3.6 *Financial transactions included in the working balance*

The working balance includes also accrual revenues and expenses related to transactions with shares and other equities and debt securities. Profits/losses related to this are treated according to the ESA2010. They are recorded on revaluation account and have no impact on B.9. Non-zero values for this adjustment have been reported in the time series (only due to transactions in debt securities under the sub-item “Other financial transactions (+/-)”).

3.5.3.7 *Other adjustments reported in EDP T2D*

- Write-off of receivables (+) capture exclusion of write-offs relating to bankrupts of debtors. The write-off of receivables is recorded as expenditure in the working balance of health

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insurance companies (based on accrual accounting rules). However, it does not enter into the B.9 calculation. Considering the application of time-adjusted cash method on insurance contributions, fees and penalties; this write-off of receivables is not recorded in the national accounts for health insurance companies in the time series since 2004;

- Wages in kind (-): the adjustment corresponds to the imputation of flows relating to expenditures on wages in kind not included in the working balance. These expenditures are financed from the social and culture funds and information is based on the labour force survey;
- Financial leasing consists of the exclusion of the financial leasing payments from the working balance (+) and the inclusion of imputed interest expenditure (-);
- Reserve creation (+), withdrawal (-) covers the elimination of inflows (-) and outflows (+) relating to creation/withdrawal of reserves, since the accrual based working balance is influenced by these flows that relate to the change of the structure of net worth components;
- Other: Includes possible rounding errors.

3.5.3.8 *Net lending/net borrowing of social security funds*

The net lending/net borrowing of social security funds reported in the last line in EDP T2D is derived from the same source data used when calculating the WB. Only specific adjustments as mentioned above use supplementary data sources (e.g., calculation of the time-adjusted cash of health insurance contributions – see above § 3.5.3.4.2, or the net lending/net borrowing of social security bodies – see above in 3.5.2).

3.5.4 *EDP table 3E*

3.5.4.1 *Transactions in financial assets and liabilities*

The financial accounts are used for compilation of EDP T3E.

Table10 - Data used for compilation of transactions and of stocks of financial assets and liabilities

	<i>Assets</i>						<i>Liabilities</i>					
<i>Source Data</i>	<i>F.2</i>	<i>F.3</i>	<i>F.4</i>	<i>F.5</i>	<i>F.6</i>	<i>F.8</i>	<i>F.2</i>	<i>F.3</i>	<i>F.4</i>	<i>F.5</i>	<i>F.6</i>	<i>F.8</i>
<i>Calculation of transactions</i>												
<i>Transaction data (integrated in public accounts)</i>												
<i>Other transaction data</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>
<i>Stock data</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>
<i>Calculation of stocks</i>												
<i>Transaction data</i>												
<i>Stock data</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>	<i>x</i>

As for the health insurance companies, the quarterly and annual statistical questionnaires serve as the main data sources. Consistency of the data is verified and checked with the accounting balance sheets data. The statement serves as a supplementary data source. The data are exhaustive; the structure of the statistical questionnaire is constructed to meet the needs of the national accounts' compilation and it is on accrual bases. The return rate is 100 %.

Concerning the data for other bodies of social security funds, i.e., the non-profit institutions providing services to health insurance companies, the basic data source for the compilation of

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national accounts and EDP T3E is the statistical survey NI 1-01 (see above in 3.5.2.1 and 3.5.2.2).

As for the supplementary data sources: besides the above-mentioned accounting balance sheets for the health insurance companies, the data on collected health insurance contributions (on monthly bases) serves as a source data for calculation of receivables (F.8 and AF.8) resulting from the time-adjustment of health care insurance contributions.

In general, the financial transactions are derived from the information on stocks of the financial assets and liabilities, taking into account the available information about other changes in the volume and the revaluation. As mentioned above the basic data sources are verified by consistency checks with the balance sheets. Furthermore, e.g., the data on state bonds and debentures as reported in the statistical survey is compared with the data available from the MoF on the Treasury bills and state debentures held by the S.1314. A similar comparison of the data with the information from the counterpart is done concerning the loans provided from the State budget.

3.5.4.2 Other stock-flow adjustments

Concerning the issue of other stock-flow adjustments – only zero values are reported in the case of EDP table 3E. Units classified within the social security funds, i.e., health insurance companies and other units do not issue any bonds or securities, they do not use swaps or FRAs and they do not have any received foreign currency debt. Within the time series reported in the EDP notification tables, there are not any cases, which should be reported among the “Other stock flow adjustments”.

3.6 Link between EDP T2 and related EDP T3

The monitoring of the link between the individual adjustments in EDP T2 and the related transactions reported in EDP T3 is important for the assessment of GFS data quality.

It is not expected that the adjustments from EDP T2 can be clearly identified in EDT3 from following reasons:

- *First, due to different coverage of units; the adjustments in EDP T2 should refer only to the main entity reported in the WB, while transactions in EDP T3 reflect the whole subsector.*
- *Second, due to the accounting basis and coverage of transactions reported in the WB; for the former. If the WB is on accrual basis, theoretically there is no need for adjustments in other accounts receivable/payable F.8 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.8 reported in the EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in the EDP T2 typically does not cover all financial flows, since some are booked in the so called extra-budgetary accounts of the main entity.*
- *Third, adjustments/transactions reported in the EDP T2A are non-consolidated, since they refer to the main entity only, as recorded in the working balance (e.g., loans, other accounts receivable/payable, etc.), while financial transactions recorded in EDP T3 refer to the whole subsector and are consolidated.*

As far as specific imputations are concerned, such as debt cancellation, debt assumption etc., which are reported in EDP T2, these should be reflected also in financial accounts and EDP T3 under the related financial instrument.

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Therefore, in order to ensure consistency between non-financial and financial accounts and quality of GFS data, statisticians are to be able to explain and to quantify a link between flows reported in EDP T2 and EDP T3.

3.6.1 Coverage of units

The population of government institutions covered by all EDP tables is unique as derived from the Business Register managed by the CZSO. There are data on non-financial transactions and data from the balance sheet for each of government units. Non-financial and financial accounts are compiled simultaneously for checking of the consistency across accounts.

3.6.2 Financial transactions

In the EDP T3, financial transactions cover all government units classified in the corresponding subsector. In the EDP T2, the point of departure is the working balance (line 1 in the table 2A and 2C) which embraces only budgetary institutions at the central level (2A) and local level respectively (2C). The source line 1 is the budgetary classification. Below the line 1, the tables include methodological adjustments as well as balances of other government institutions not covered by the working balance.

In the case of the EDP T3, the financial statements serve as the main data source (while budgetary statements are used for EDPT2). Theoretically, the final balance of non-financial and financial transactions shall be identical already at the level of data sources. However, small differences normally occur due to insufficient details.

For subsector S.1311 it is not possible to use financial transactions reported in the WB for the EDP T3 due to the coverage difference in these tables (see point 3.6.1). Data on budgetary revenues and expenditures under the budgetary classification is basic data source for the T2 transactions, while financial statements and additional questioning of units are basic sources for financial transactions of the T3 (F.3, F.4 asset and liability side, F.5 asset side). Flows and stocks of equity (F.5, AF.5) are based on the combination of financial statements output and calculation of the Czech National Bank for all subsectors.

For subsector S.1313 basic data sources are budgetary reports and individual questioning of selected budgetary organisations. Data on financial transactions reported in the WB (from the budgetary classification) are used for the EDP T3 (F.4, F.5). Difference between data from financial statement and budgetary reports (budgetary classification) is recorded in the revaluation account.

Introduction of the Auxiliary Analytical Overview represent a significant improvement for needed information.

For subsector S.1314, the statistical survey (Zdp 3-04, Zdp 5-01) and the additional questioning are basic sources for financial transactions (F.3, F.4, and F.5) for the EDP T3 and financial account compilation.

The statistical survey is exhaustiveness and non-respond does not exist.

3.6.3 Adjustments for accrued interest D.41

Adjustments for accrued interest D.41 – concerning the EDP tables 2A and 3B

Reasons for differences in the adjustment for the accrued interest:

- The flows associated with premiums and discounts enter the cashed based working balance of the EDP T2A. The values reported under the adjustment for accrued interest in the EDP T2A includes also the impact of accrualisation of these flows. The approach applied in the EDP table 3B in relation to the premiums and discounts is different – the impact of premiums and discounts (and redemptions above (-)/below (+) nominal value) is recorded separately under the items “Issuances above (-)/below (+) nominal value” and “Redemptions of debt above (-)/below (+) nominal value”.

- Adjustment in the EDP T2A related to interest revenues: Since October 2014 EDP, the adjustment due to the interest revenue is recorded under “Other adjustments”. Therefore the approach used for quantification of the “Adjustments for accrued interest D.41” in the EDP tables 2A and 3B is consistent. The difference in the values reported for the item in the EDP T2A and T3B results from different coverage of the units; the value in the EDP T3B is influenced by the accrued unpaid interest reported for OGBs.

Adjustments for accrued interest D.41 – concerning the EDP tables 2C and 3D

Since 2010, adjustments for accrued interest D.41 are based on data from the national accounting system for “selected accounting units” – BO, SF, and SBO - (the Decree No. 410/2009 Coll., as amended). The approach is consistent with the approach of EDP T2A as described above and also with the EDP T3B. Under adjustment “Difference between interest paid (+) and accrued (D.41) (-)” there is recorded only the difference between cash and accrual interests from the side of uses (debt related interest). The difference between cash and accrual interests from resources side is recorded separately under “Other adjustments”.

The basic source data used for quantification of the difference between cash and accrual value is the amount of accrual interest (after the exemption of interest from swaps and FRAs) from the profit and loss account and the corresponding item from the budgetary revenue.

Adjustments for accrued interest D.41 – concerning the EDP tables 2D and 3E

The departing working balance of EDP table 2D is on accrual bases, and therefore no adjustment is needed due to accrued interest D.41 – not in the case of EDP table 2D and not even in the case of EDP table 3E.

3.6.4 Other accounts receivable/payable F.8

Other accounts receivable/payable F.8 - concerning the EDP tables 2A and 3B

All transactions reported in “Other accounts receivable/payable - F.8” in the EDP T2A are recorded in the financial account compiled for the central government S.1311, which serves as a source for the compilation of the EDP T3B. However, there are several reasons for the differences between the figures reported under these items in the EDP T2A and in the EDP T3B. In general, these reasons can be summarized into four groups:

- a) Coverage of units – while the EDP T2A reports other accounts receivable/payable only for the budgetary organisations, the F.8 reported in EDP T3B covers all the units classified in the subsector.

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- b) Consolidation – The EDP T2A reports unconsolidated financial transactions; on the contrary, the financial transactions reported in the EDP T3B are consolidated on the level of the subsector S.1311.
- c) Not all of the financial transactions recorded in the financial account have to be reported and taken into account to calculate the B.9 from the departing working balance.
- d) In some cases, the financial transaction recorded on the financial account is reported in EDP T2A under another item – e.g., as a non-financial transaction not included in the working balance.

The item “Other accounts receivable” reported in the EDP T2A in general represents an accrualisation of revenues and expenditures, which is reflected in non-financial transactions for the budgetary organisations with a counterpart in non-consolidated value of the financial transaction with other accounts receivable. All of the items recorded in EDP T2A under other accounts receivable are recorded also in the EDP T3B, besides those, which are subject to consolidation within the subsector S.1311. In addition to transactions reflected explicitly in the EDP T2A under the item other accounts receivable, in the EDP T3B there are recorded also financial transactions for other central government bodies and transactions recorded in F.8 with a counterpart in another financial transaction, which is not reflected in the working balance. A typical example of the latter case can be e.g., a sale of shares or other financial instruments, which is not paid in the current year, it does not enter the working balance and it has no impact on B.9. It means, that the other accounts receivable (and also payable) recorded in the EDP T2A reflect concerning the financial transactions only such adjustments, which must be taken into account to calculate B.9 from the departing working balance. Therefore, the creation of a receivable related to the unpaid sale of shares is not recorded in the EDP T2A, however, if in the future years, the repayment is reflected in the cash working balance, it has to be eliminated under the adjustments in EDP T2A, because it has no impact on the EDP B.9.

With the purpose to reconcile the other accounts receivable as reported in the EDP table 2A and T3B, all of the mentioned issues as summarised above into the four groups must be taken into account. The other accounts receivable reported on the EDP T2A on regular bases include namely: other accounts receivable resulting from the accrualisation of taxes, social contributions, other (obligatory) social insurance, advance payments, UMTS licences, member state's share on custom duty, highway fees and toll (difference between cash and accrual), operating advance payments accrualised into NFA, etc.

The item “Other accounts payable” reported in the EDP T2A represents an accrualisation of revenues and expenditures, which is reflected in non-financial transactions for the budgetary organisations with a counterpart in non-consolidated value of the financial transaction with other accounts payable. Namely, it includes transactions in payables due to unpaid restructuring aid (sugar), payables from refunds of sick benefits (adjustment from cash to accrual) and transactions from payables accrualised into NFA (P.1 and P.2). All these figures are included also in the corresponding item in the EDP T3B. Differences between the figures reported in the EDP T2A and the EDP T3B result from the issues mentioned above as described under points a) to d).

Other accounts receivable/payable F.8 - concerning the EDP tables 2C and 3D

All transactions reported in “Other accounts receivable/payable F.8” in EDP T2C are recorded in the financial account compiled for the local government S.1313, which serves as a source for the compilation of the EDP T3D. However, there are several reasons for the differences between

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the figures reported under these items in the EDP T2C and the EDP T3D. In general, these reasons can be summarized into three groups:

- a) The issue of coverage of the units – While the EDP T2C reports other accounts receivable/payable only for the budgetary organisations, the F.8 reported in EDP T3D covers all the units classified in the subsector.
- b) Not all of the financial transactions recorded in the financial account have to be reported and taken into account to calculate the EDP B.9 from the departing working balance.
- c) In some cases, the financial transaction recorded on the financial account is reported in the EDP T2C under another item – e.g., as a non-financial transaction not included in the working balance.

The item “Other accounts receivable” reported in the EDP T2C, in general, represents an accrualisation of revenues and expenditures, which is reflected in non-financial transactions for the local budgetary organisations with a counterpart in non-consolidated value of the financial transaction with other accounts receivable. The other accounts receivable reported on the EDP T2C on regular bases include namely: other accounts receivable resulting from accrualisation of taxes and transactions in operating advance payments accrualised into NFA (mainly P.1 and P.2).

All of the items recorded in the EDP T2C under other accounts receivable are recorded also in the EDP T3D. The issue of consolidation is not relevant in the case of the EDP T2C, because none of the items reported in EDP T2C includes figures, which are subject to consolidation on the S.1313 level. In addition to transactions reflected explicitly in the EDP T2C under the item other accounts receivable, in the EDP T3D there are recorded also financial transactions for other local government bodies and transactions recorded in F.8 with a counterpart in another financial transaction, which is not reflected in the working balance. A typical example of the latter case can be e.g., a sale of shares or other financial instruments, which is not paid in the current year, it does not enter the working balance and it has no impact on the B.9. It means, that the other accounts receivable (and also payable) recorded in the EDP T2C reflect in relation to the financial transactions only such adjustments, which must be taken into account to calculate the EDP B.9 from the departing working balance. Therefore, creation of a receivable related to unpaid sale of shares is not recorded in the EDP T2C, however if, in the future years, the repayment is reflected in the cash working balance, it has to be eliminated under the adjustments in the EDP T2C, because it has no impact on the EDP B.9.

With the purpose to reconcile the other accounts receivable as reported in the EDP table 2C and 3D, all of the mentioned issues as summarised above into the three groups must be taken into account.

The item “Other accounts payable” reported in the EDP T2C represents an accrualisation of revenues and expenditures, which is reflected in non-financial transactions for the budgetary organisations with a counterpart in non-consolidated value of the financial transaction with other accounts payable. Namely, it includes transactions in payables related to EU flows and transactions from payables accrualised into NFA (P.1 and P.2). All these figures are included also into the corresponding item in the EDP T3D. Differences between the figures reported in the EDP T2C and the EDP T3D result from the issues mentioned above as described under items a) to c).

Other accounts receivable/payable F.8 - concerning the EDP tables 2D and 3E

It must be noted, that the departing working balance of the EDP T2D is on accrual bases, and therefore the figures reported under “Other accounts receivable/payable” F.8 in the EDP T2D are only due to a different treatment of accrual adjustment applied in the case of the health insurance contributions and fees and penalties.

Under the items, other accounts receivable/payable (F.8) in the EDP table 2D are reported only other accounts receivable resulting from application of time adjusted cash on health insurance contributions and fees and penalties instead of the prescribed accrual data included in the working balance. It includes:

- Deduction of prescribed and Inclusion of time-adjusted cash of **health insurance contributions** reflect adjustment resulting from using of time adjustment method;
- Deduction of prescribed and Inclusion of time-adjusted cash of **fees and penalties** reflect adjustment resulting from using of time adjustment method on so cold “accessories” of health insurance contributions.

On the other hand, the corresponding items in the EDP T3E include all financial transactions under F.8 realized during the year together with the financial transaction resulting from the application of time-adjusted cash of the health insurance contributions, fees and penalties.

3.6.5 Other adjustments/imputations

Other adjustments/imputations - concerning the EDP tables 2A and 3B

The amounts recorded under the adjustment were or are following:

- **Gripens** – the transaction related to the acquisition of Gripen fighters is recorded in FA under F.2 (repayment of interests and principal) and F.4 as reduction of debt from Gripens imputed under F4 (more detailed under 3.1.1.1; 3.2.3.7).
- **Internal transfers** are reflected under F2. The internal transfer corresponds to the amounts of unspent funds transferred from the State budget to extra-budgetary accounts (e.g., to the reserve fund); see 3.2.3.7
- **Former National Property Fund** (now the special department of the MoF): there is recorded the impact of the corresponding operations on B9. These operations are not recorded under the WB but are recorded in the balance sheet of the MoF. Based on the data source these operations are recorded in the financial accounts (balance sheet of central BO). Recording of these operations to non-financial accounts and table the EDP 2A eliminates inconsistency between data sources.
- **Other adjustments** (described under 3.2.3.7):
 - Debt cancellation is reflected under F4
 - Forgiveness of receivables against mediators is reflected under F8
 - Repayment of state guarantees by the original debtor is reflected under F4
 - Capital transfer from the MoF to the RIA is reflected under F4
 - Holding gains / losses is reflected under F2
 - Wages in kind is reflected under F2.
 - Callable capital in multilateral development banks is recorded as contingent transaction (out of the national accounts)

Other adjustments/imputations - concerning the EDP tables 2C and 3D

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These adjustments are especially the following:

- **Internal transfers** are reflected under F.2. The internal transfer corresponds to the amounts of unspent funds transferred from the local budget to extra-budgetary accounts (e.g., to the reserve fund) – see 3.4.3.7.
- Holding gains / losses is reflected under F.2
- Financial leasing is reflected under F.4

Other adjustments/imputations - concerning the EDP tables 2D and 3E

Under the “Other adjustments” reported in the EDP table 2D there are included on regular bases three types of items:

- Write-off of receivables from contributions, fines and penalties, which are not recorded in the NA due to application of time-adjusted cash (i. e. expenses included on the starting line, which do not affect B.9). The health insurance contributions, fines and penalties are in the non-financial accounts recorded in the value of time-adjusted cash. Therefore, also the receivables related to these distributive transactions are only those based on the application of the method of time-adjustment. However, the units keep in their accounting records also receivables from prescribed contributions (and fines and penalties) and under certain conditions (e.g., bankruptcy of the payer), they record a write-off these receivables into their expenses. The write-off is reflected in the departing working balance and the corresponding “other adjustment” is the elimination of its impact on the EDP B.9. This part of the “other adjustments” in the EDP T2D is not reflected in EDP T3E, because it does not enter the EDP B.9, it has no impact on the financial transactions and not even on the change of the debt. It does not enter the national accounts for S.1314.
- Reserve creation (+), withdrawal (-) – this item also represents an elimination of accrual accounting expenses and revenues, which are reflected in the departing working balance and they should not impact the B.9. These flows relate only the change of the structure of net worth components. This part of the “other adjustments” in the EDP T2D is not reflected in the EDP T3E, because it does not enter the B.9, it has no impact on the financial transactions and not even on the change of the debt. It does not enter the national accounts for S.1314.
- Financial leasing - consists of the exclusion of the financial leasing payments from the working balance (+) and the inclusion of imputed interest expenditure (-). The corresponding values are reflected in the EDP T3E in the values of B.9, in the change of the consolidated debt and F.2.

3.7 General comments on data sources

- Structure of financial statements (outputs) for all government units distinguishes from the concept applied by the ESA2010 and also from the Eurostat requirements as far as detailedness is concerned. All accounting data sources provide aggregated data containing more ESA items under one heading. Data from the “Central accounting system of the State” for selected accounting units (BO, SF, and SBO) also deviate from the concept of the manual ESA2010. Therefore, the CZSO made effort to introduce the AAO providing the level of detail more suitable for the national accounts.
- Within the Central accounting system – identical accounting cases can be recorded in different ways, i.e., different synthetic accounts can be used, because the content of some synthetic accounts is not defined precisely. Thus, comparability among BO, SF and SBO is problematic.

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- Data from “accounting system” of health insurance companies (units classified in S.1314) is not satisfactory for the government accounts (due to the statistical survey is used as basic source).
- The Budget Reporting uses different classification of government units. The working balance includes only central budgetary organisations and under “public budgets” (public accounts) are included only the central and the local BO, the state funds and data for the health insurance companies. The Final State Account includes brief commentary on activities of these units. Comments on SBO and other government units are not included.
- Existing “accounting system” of health insurance companies (as mentioned above) is not satisfied for national account compilation. Therefore, information from the statistical questionnaires remains as the main data source.

3.8 EDP table 4

Table 4 – The statements on the provision of additional data contained in the Council minutes of 23/11/1993 request the submission of trade credits and advances, amounts outstanding in the government debt from the financing of public undertakings, differences between the face value and the present value of government debt and GNI at market prices.

3.8.1 Trade credits and advances

The value of the stock of liabilities in trade credits and advances (AF.81L) as reported in the EDP table T4 is based on the consolidated financial accounts compiled for the general government sector – the closing balance sheet. The basic source data for calculation of this item is the same as for compilation of financial accounts and it is already described in 3.2.4, 3.4.4 and 3.5.4 in relation to compilation of the EDP T3.

The consistency between the value of the stock of liabilities in trade credits and advances (AF.81L as reported in the EDP table 4) and reported in the EDP T 3 is ensured by the method of compilation of the financial accounts. The source data (in general accounting balance sheets) and the method of calculation is the same for the EDP T3 and also for the EDP T4.

However, the item “net incurrence of other payable in the EDP T3, includes *financial transactions* on the liability side recorded under F.8 as a whole, i.e., the net incurrence of liabilities in trade credits and advances is a part of the item reported in the EDP T3. In the EDP table 4 there are reported *stocks* of liabilities in trade credits and advances (AF.81L). Moreover, in the EDP T3 there are reported net incurrence in financial derivatives (F.71) and net incurrence of other liabilities (F.1, F.5, F.6 and F.72).

3.8.2 Amount outstanding in the government debt from the financing of public undertakings

Information on borrowings of government relating to support of public enterprises is not available.

Therefore, in the EDP Table 4 no records are reported under data on “Amount outstanding in the government debt from the financing of public undertakings”.

4. Revision policy used for annual GFS

This section relates to the revision policy concerning annual non-financial and financial government accounts. It describes the country policy for revisions with and without impact on the deficit (non-financial accounts for general government) and debt (financial accounts for general government).

4.1 Existence of a revision policy in the Czech Republic

Revision policy related to EDP data and the underlying ESA2010 government accounts is the following:

a) Current revisions

- This kind of revisions relates mainly to data for t-1 year as well as to previous years (t-2, t-3), if necessary. The revision stems from the gradual availability of more precisely the data obtained for the October EDP notification compared to that available for the April EDP notification; this is especially the case of income tax (D.51). Another source of revision is newly available information from annual financial statements of other government units (RIA, SGAFF, PU etc.). Moreover, there are also cases when a government unit corrects previously provided data.
- Current revisions also reflect Eurostat recommendations and decisions, e.g., classification highway vignettes super-dividends, capital injections or time adjustment method used for taxes, revision of the sale of frequency bands, etc. The revisions are recorded immediately (if it is possible e.g., during the EDP dialog) and therefore data for these government accounts (and in the Table 2 – Main aggregates of general government) are different in comparison with the government accounts that are part of published sector national accounts.

b) “Main” revision, which harmonises some methodological changes in all sectors and in longer time series (e.g., change in the treatment of highway vignettes as payment for services)

- Revisions resulting from the new ESA standard (ESA2010 in 2014). Became a significant change in national accounts (the Czech Republic did not request derogation for the implementation of ESA 2010). In this revision, all semi-budgetary organisations, public hospitals, the Czech Television and the Czech Radio and selected financial institutions (CEB, EGAB, NRB etc.) were classified into S.13 (since 2011); the recording of destructive equipment or capitalization of expenditures on science and research etc.

– The revision of the sector accounts published in June 2020 (and also carried out in all EU Member States) reflected some changes in consumption of fixed capital and several conceptual adjustments, which results from the GNI Inventory. At the same were also corrected some technical errors that was identified in previously published data. .

c) Exceptional (major) revisions: the revision was carried out in 2011 and related to the full set of national accounts from 1995. Adjustments have been implemented within the generation and use of GDP, government deficit a debt, assets and liabilities and foreign relations (export and import).

- The revision in 2017 concerned adjustments in the years 2014-2017 (e.g., two non-financial corporation in liquidation were reclassified into S.13) and was related to the completion of the ESA 2010 methodology implementation. All semi-budgetary organisations, the Czech television and the Czech Radio were classified in S: 13 since 1993, public hospitals and

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selected financial corporations (see above) since 2003. In addition, it was implemented new rules for the recording of UMTS and LTE licences, the cash-pooling system (from AF.4 under AF.29), data relating to tax credits, ETS permits, foreign claims or in or callable capital in multilateral development banks have been clarified, etc.

4.1.1 Relating to deficit and non-financial accounts

Corrections having an impact on the government balance (B.9) relate mainly to:

- gross fixed capital formation;
- income tax;
- classification dividends and super-dividends;
- changes in sector classification of transformation institutions and RIA;
- change in sector classification of the semi-budgetary organisations (classification all SBO into S.13), hospitals and financial institutions;
- correction relating to EU grants;
- changes related to the transition to the internal standard ESA2010 (revision 2014, e.g., reclassification of financial institutions – CEB or EGAP)

Moreover, some corrections do not affect the final balance (B.9):

- transfers free of charges in kind (non-financial assets);
- revaluation of transfers free of charges (e.g., flats, or carbon rights);
- change in the classification of payments for the use of highways,
- change in the recording of expenditure on the acquisition of military equipment.

4.1.2 Relating to debt and financial accounts

Debt revisions have been made especially due to reclassification of

- a) transformation institutions (from S.12 to S.1311) engaged in purchases and sales of bad receivables (primarily state) –the CKA that kept also deposits and its subsidiaries in 2001 and 2002 and classification of the Railway Administration (former RIA) in to S.1311 (due to separating of the Czech Railways) that took over debts of former the Czech Railway, state enterprise (in 2003);
- b) financial institutions (the CEB, the NRB, or the DIF etc.) based on ESA2010 methodology, including debt revaluation. Influence of the reclassification of all these financial institutions on government debt in corresponding time series (from 2003).

4.2 Reasons for other than ordinary revisions

Revisions carried out as exceptional mainly concerned changes in the methodology, e.g., changes in

- classification of payments for the use of highways (vignette and toll as payment for services),
- classification of payments relating to trade emission permits
- settlement of foreign claims (as a capital transfer and claim repayments),
- treatment of capital injections and super-dividends (as a capital transfer and transaction in equities),

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- recording in inventories of Agricultural Market Regulatory Agencies (as a notional unit classified in S.11001 and transactions in equities of the State Agricultural Intervention Fund),
- recording of conditional liabilities of the central government against the Czechoslovak Commercial Bank / Investment Post Bank (CSOB/IPB),
- recording of the sale of frequency bands in line with the Eurostat guideline published in 2017

4.3 Timetable for finalising and revising the accounts

Timetable for finalising and revising the government non-financial accounts and financial accounts is the same, because these accounts are compiled at the same time. However, the schedule for the compilation of sector national accounts and government accounts are different.

Annual government non-financial and financial accounts split by subsector are compiled in compliance with the EDP notifications schedule (based on the EU Regulation No 479/2009) as a ground for EDP notification

- in spring – at the latest 31 March of the current year (within so-called the April EDP notification) for t-1 year - as a preliminary version (and furthermore for the years t-2, t-3 and t-4),
- in autumn - at the latest 30 September of the current year, when a version for t-1 year, can be for the government accounts treated as half-finalized; the version is part of the sector national accounts (accounts for years t-2, t-3 and t-4 are also part of the October EDP notification).

As mentioned above, the EDP notifications are compiled for previous four years (as well as for the current year as a projection). It means that finalising and revising of the government accounts can be also carried out.

Because, the EDP notifications cover data for four previous years (t-1, t-2, t-3, t-4), it is possible to revise some data in the government accounts (e.g., on Eurostat decision) within these four years. However, these corrections can be implemented in the annual sector national accounts, e.g., only for t-2 and t-3, because previous data were finalised.

B. Methodological issues

5. Sector delimitation – practical aspects

5.1 Sector classification of units

General government is defined by ESA 2010 § 2.111 as "... institutional units which are non-market producers whose output is intended for individual and collective consumption, and are mainly financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth". Moreover, §20.05 specifies that the general government sector "consists of all government units and all non-market non-profits institutions (NPIs) that are controlled by government units. It also comprises other non-market as identified in paragraphs 20.18 to 20.39"

It is necessary to determine:

- a. if it is an institutional unit (ESA2010 § 2.12 describes the rules according to which an entity can be considered as an institutional unit)*
- b. if it is a public institutional unit (ESA2010 §20.18 and MGDD 1.2.3 – define the notion of control by the government over that entity as "ability to determine the general policy or programme of that entity".... according to the list of criteria listed in ESA2010 §20.309)*
- c. if it is a non-market public institutional unit - reference to "Market-non-market distinction" (ESA2010 §20.19 to §20.28 and MGDD 1.2.4)".*

Except that the sector classification criteria are described in more detail in ESA 2010 (compared ESA95) they are also explained in more detail in the revised MGDD. The MGDD clarifies the concept of public unit (government-controlled entities), 50% criterion; pays attention to sector classification of financial institutions, public hospitals, public television and radio or public corporation in liquidation. Edition MGDD 2019 also describes more detailed government-controlled entities (under direct and indirect control) that are recognized or not-recognized as institutional entities.

The CZSO permanently pays attention to the sector classification, to public and government delimitation. Rules stated in the ESA 2010 and in the MGDD 2019 have been implemented.

The general government sector (S.13) is split, in the National Accounts of the Czech Republic, into three sub-sectors: S.1311, S.1313 and S.1314. Sector classification is based on the ESA2010 qualitative and quantitative rules - §§. 2.33, 2.34, 2.111, 2.117, 20.08.-.20.55. Government units are treated as **institutional units**, which are entitled to own goods and assets in its own right and to enter into contracts, which are responsible for its liabilities and which keep a complete set of accounts and they are legal entities, which have legislative, judicial or executive authority over other units within a given area. Some of the public institutions do not have the character of an institutional unit; they do not have sufficient autonomy in decision-making and therefore they are classified into the government sector together with the units, which control them.

The general government sector consists of the following units:

- a) units, whose their revenue and expenses are directly connected to the state or local budget; mainly **financed by compulsory payments** made by units belonging to other institutional sectors, units which are engaged in the redistribution of national income and wealth and units whose output is intended for individual and collective consumptions (so called “**budgetary organisations**” central and local); These units as whole (notably central government units), are treated as primary government unit regulated through the state budget by a Ministry of Finance or a similar unit;
- b) units, established by a budgetary organisation (central or local) to carry out some of the government functions, and under its control (100% ownership), so called **semi-budgetary organisations**; their funding is directly linked to the state or local budget through the balance revenue and expenditure (resp. proceeds and costs), moreover the decision-making on their economic policy requires an approval of the founder, e.g., on investment policy or borrowing;
- c) units established to **carry out specific government functions** (in redistribution of national income, or in the areas of transport, agricultural, housing, environment etc. known as “extra-budgetary state funds”, controlled by government;
- d) units whose main function is **financial intermediation**, carried out in accordance with the economic policy of the government; risks associated with incurring of liabilities are not on its own account (especially the MoF bears the risk);
- e) units whose main function is **to control and direct a group of subsidiaries under control** of a government unit (so called head office or holding company)
- f) units whose main function is **to provide services to government units** (especially non-profit institutions)
- g) units known **as social security funds**, engaged to the operation of social security schemes (imposed and controlled by government and covering all or large part of the community as whole)
- h) other units **under the control of a government unit**; controlled entities do not enjoy a sufficient level of autonomy of decision as defined in the ESA2010 par. 2.12 to be recognized as independent institutional units. S.13 also includes units that are in liquidation or they are financed by compulsory payments from entities other institutional sectors (e.g., public televisions) or they are financed by more than 50 % of the state or local budgets.

All government units and other public non-financial and financial corporations have been established according to the special laws. Their functions, rights and obligations, etc. are included in the founding documents and all the units are registered by the CZSO. Each founder has (in most cases) an opportunity (in compliance with the founder’s deed) to determine the general policy or programme of the institutional unit, for example by appointing to appoint the director or managers.

Market/ non-market distinction - 50% criterion

Most of the **public institutional units** have been tested on 50% criterion, i.e. if their operating costs are covered by more than 50 % by sales.

In the years, 1995 to 2014 the market/non-market test was based especially on the ESA95 methodology and since 2010 is based on the ESA2010 formula.

The criterion ESA95 was applied to all semi-budgetary organisations (on an average 10 000 units), public universities, public research institutions in compliance with §3.32 ESA95 according to the following formula (and ESA95 codes):

$$\text{Sales}_t$$

$$\text{P.21}_t + \text{D.1}_t + \text{K.1}_t + \text{D.29}_t$$

Public universities (PU) and public research institutions (PRI): these units were tested by the 50% criterion as semi-budgetary organisations (by the MoF) and they have been classified to S.1311 from 1995. Their new testes were carried out by the CZSO, when they changed legal form (PU in 1997 and PRI in 2006) from SBO to non-profit institutions. Since 2010 the test is carried out exceptionally. Based on this test and mainly based on the qualitative criteria, these units continue to classify in S.1311.

Although, **health insurance companies** administrating of compulsory health insurance (and they have features of tax authorities), were tested also on the 50% criterion in 2012 (by Eurostat requirement); their functions and classification to S.1314 have not been changed.

In 2010, the CZSO carried out the test on 50% criterion also for the **public non-financial corporations** (classified in S.11001) on data for 2008 and 2009 in compliance with the formula defined in §3.33 ESA95 (and ESA95 codes):

$$\text{P.11}_t$$

$$\text{P.21}_t + \text{D.1}_t + \text{K.1}_t + \text{D.29}_t, \quad \text{where}$$

P.11_tMarket output,
P.21_tIntermediate consumption,
D.1_tCompensation of employees,
K.1_tConsumption of fixed capital,
D.29_tOther taxes on production

Based on the formula, only several non-financial corporations were reclassified from S.11001 to S.1311 (two units) and S.1313 (five units), since 2010.

Since 2010, the test on 50% criterion is carried out each year for public non-financial corporations classified in S.11 and for non-profit institutions classified in S.15, under government control primarily for interest associations of legal persons (zájmové sdružení právnických osob), associations (spolky), institutions (ústavy) etc. established especially by government units. Based on the processed data from the annual statistical questionnaires for public non-financial corporations, the CZSO carried out reclassification some these units **between S.11001 and S.13 and between S.15 and S.13..**

However, the test for all non-profit institutions in S.15 is difficult because the number of these units is more than 100,000 and the annual statistical survey is carried out for units that have more than 10 employees. Therefore, the survey is organized only as a sample.

Applying the quantitative criterion to public corporations involved in financial intermediation (S.12) or in managing assets is generally not relevant, because their earnings arise from both property income and holding gains.

The calculation of 50% criterion is based on ESA95 and ESA 2010 methodology and the time series of the data from 2010 to 2014. Since 2015, the test is carried out only on pursuant ESA 2010 methodology.

The test according to quantitative criterion is also still carried out for the previously reclassified market units. Units that cover cost more than 50 % of their revenue (for three years) are again classified as market units into the corresponding sector/subsector.

Calculation of 50% criterion - according to a new formula ESA2010 (including ESA2010 codes) - includes sales, i.e. payments for market and non-market output (P.11, P.131) and expenditures include net interest (where D.41net_t is equal interest expenditure less interest revenue) and output for own use (P.12) is deducted. If data on net interest become negative, they are replaced by zero in the calculation (see paragraph 53, section 1.2.4.3 of the Manual on Government Deficit and Debt, 2019). The definition of sales remains unchanged in ESA 2010, i.e., it includes normal sales excluding taxes on products and including all subsidies on products. Data on consumption of fixed capital corresponds to the depreciation as for the business accounting purposes. Application of the PIM method for individual units is not feasible due to capacity reasons.

The formula included within ESA2010 is following:

$$\frac{P.11_t + P.131_t}{P.2_t + D.1_t + P.51c_t + D.29_t + D.41\ net_t - P.12_t},$$

where

P.11_t

P.131_t payments for non-market production

P.2_t intermediate consumption,

P.51c_t consumption of fixed capital

D.41 net_t ... interest payable minus interest receivable

As stated in the revised MGDD (2019, para 66, Chapter I) "...depending on the results of the quantitative market/non-market test (50% criterion), in normal cases - the unit should be classified outside the government sector.....". If the resulting test is for 3 years under 50 %, or already in the year is assumed the same or worse result in subsequent years; such units should reclassify into the general government sector.⁷).

The EDP mission in the Czech Republic (in May 2019), noted that the method does not comply with ESA and MGDD methodology. It has been suggested to reclassify such units for the entire period T-1 to T-4 and beyond (i.e., from the beginning when the 50% criterion was not met) or for the T-1 and T-2 (depending on a certain threshold set by the CZSO proposal).

The Czech Statistical Office proposed the threshold and a **clarified rule for the sector reclassification** units where the resulting test was below 50 % (with effective from November 2019):

⁷ However, it should be noted that the qualitative criteria are preferred according to ESA2010.

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- Small units, whose impact on B.9 are CZK 50 mill. and on debt is CZK 100 mill., to reclassify for the periods T-1 and T-2;
- Other units, whose impact on B.9 and debt is higher than specified threshold, reclassify in T-1 to T-4, and consider as large units.

The calculation 50% criterion is applied also to the **units in liquidation** because these corporations own especially non-financial assets and can still carry out different kinds of transactions affecting net lending / net borrowing (B.9). However, data sources on activities of these corporations pose a basic problem. Units in liquidation are not surveyed by statistical questionnaires (for many reasons).

However, these units are obliged (in compliance with the Act on accounting and on taxes) to submitted tax declarations and corresponding financial statements for the calendar year no later than March 31 (or June 30 respectively) of the following year. The CZSO has at disposal these administrative sources (from 2017), which make possible to acquire necessary data and to assess the correct classification of these corporations. It should be noted that their weight is not economically significant.

Classification some public units have been also/ or exclusively based on **qualitative criteria**; this is mainly the case as to public units whose economic nature shall be assessed on the base of special rules:

- Units **financed predominantly by compulsory payments** from units belonging to other sectors and whose output is intended for individual and collective consumption, i.e., **budgetary organisations** and state funds; which have been automatically classified only to S.13;
- **Semi-budgetary organisations** (central and local) under control of the budgetary organisation (founder) and linked through the balance revenue and expenditure with the founder budget;
- Units, which are engaged in the **redistribution of national wealth**, e.g., former the National Property Fund and the Land Fund (engaged in privatization process), the Support and Guarantee Forest and Agricultural Fund providing guarantees and subsidies to farmers, the Vine-grower Fund, which collects compulsory contributions and provide subsidies to wine-growers or the Electricity Market Operator (OTE), etc.;
- **The Railway Administration (former RIA)**, which took over most of non-financial assets and all debts former the Czech Railways, granted by the State budget, it was tested on 50% criterion and classified into S.1311 as non-market unit;
- Units that **provide services only to other government units** e.g., Association of the Czech Republic Regions or Association of towns and municipalities, etc.
- **Public universities and public research institutions** assessed not only according to the quantitative criterion, but also in qualitative terms.
 - o Public university is a legal person (institutional unit) which takes liabilities on its own account; the government does not guarantee its liabilities; government assesses study programs, publication and research activities and grants them accreditations. Based on the assessment, the government provides subsidies from state budget (that achieve about 80-90 % of total revenue) for educational and research activities. President of the Czech Republic appoints rectors of PU.
 - o Public research institution is a legal person established a central or a local government unit. The founder appoints and recalls of the director and members of the Supervisory board and decide on cancellation of the unit. Subsidies from the budget of the founder are usually the main financial source.

- **Czech TV and Czech Radio**, which have the character of a non-profit institution and the basis for their financing is the compulsory payments from other sectors. The reasoning for the treatment concession fees as tax is the fact that it is impossible to consume services of private broadcasting media without paying to public media at the same time, irrespective of an actual use of public media services. The payments are thus treated as taxes (not as payment for services), i.e. under D.59 (paid by households) and under D.29 paid by other sectors. Therefore, these units are classified into S.13 (see section 1.2.4.7 MGDD 2019)

A special sector classification has been implemented (since 2004) for the **State Agricultural Intervention Fund-SAIF** (see 6.2.4 Market Regulatory Agency) in the national accounts (not in the CZSO Register). The reason is a specific treatment of a Market Regulatory Agency in ESA95 and ESA2010 methodology – The adjustment is only partial (in more detail section 5.2).

Financial institutions:

- **Transformation institutions** (CKA, Prisko etc.) engaged in financial activities, whose classification to S.1311 were based on the Eurostat decision (units that took over, purchased and sold bad debts on behalf of the government and whose activities affected government deficit and debt) (from 2001 and 2002).

According to ESA95 methodology, it was a special case because financial institutions were not included into S.13.

In contrast, according to ESA 2010 methodology (e.g., §§ 2.21-2.23, 20.35-20.37) – financial institutions can classify into S.13 and some of them have been classified in S.13, i.e.:

- **The Czech export bank, JSC.** - CEB (Česká exportní banka, a.s.): the unit established (in 1995) to support the export is owned by the government (the MoF 80%); risk operations is borne by the government and therefore the bank has been reclassified from S.12201 into S.1311 (§20.33, ESA2010);
- **The National Development Bank, JSC.** – NRB (former ČMZRB, a.s.); in more detailed section 5.2;
- **The National Development Fund - SICAV** (Národní rozvojový fond – NRF), a subsidiary of NDB established 2020;
- **The National Development Investment** (Národní rozvojová investiční – NRI), a subsidiary of NDB;
- **The Export and Guarantee Insurance Company, JSC.** -(Exportní a garanční pojišťovací společnost – EGAP (100% owned by the MoF); in more detailed section 5.2;
- **The Financial Market Guarantee System**, formerly Deposit Insurance Fund (DIF) (*Fond pojištění vkladů*), which provides compensation to owners of deposits with banks and building societies, which cannot meet its obligations. It was created by Act no. 156/1994 Coll. dated 24 July 1994; governed by the Banking Act no. 21/1992 Coll., as amended;
- **The Securities Traders Guarantee Fund**– (Garanční fond obchodníků s cennými papíry) manages the guarantee system in the securities business; in more detailed section 5.2; **MUFIS, Inc.**, was established in order to support development of financing municipal sphere; in 2014 it has been reclassified from S.12 into S.1311 (in more detailed section 5.2);
- **The Prague Gas Holding, JSC.** - PGH (Pražská plynárenská Holding, a.s.) was established in 2001, and in 2014 has been reclassified to S.1313 (the Prague City is 100% owner) in compliance with the ESA2010, §§ 20.35-20.37); in more detailed section 5.2;

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- **The GALILEO REAL**, limited partnership company **established** in 2000 and reclassified into S.1311 in 2015; the company is managed by a financial corporation IMOB, Inc. (in more detailed section 5.2) – in liquidation;
- **The IMOB, JSC.**, established in 1994 and reclassified into S.1311 in 2015; the company is the statutory body of the GALILEO REAL (see section 5.2) – in liquidation;
- **The Regional Support Resource, Zlín**, limited company (RSR, Zlín) established in 2004 and reclassified from S. 12501 (dissolved in 2017).

Stated the public financial corporations have been reclassified from S.12 into S.13 in compliance with the ESA2010 methodology in time series since 2003 excluding newly established.

5.1.1 Criteria used for sector classification of new units

Organizational securing and resources used for sector classification of new units

The CZSO is responsible for the classification of the unit into an institutional sector/subsector, NACE or for COFOG classifications and, until 2012, the CZSO used to be accountable also for the allocation of the identification number.

Special regional units (7 units in the Czech Republic) of the Processing Department (odbor statistického zpracování) of the CZSO also assigned the identification codes (IC) to each new legal and natural person (in compliance with the Law on State Statistical Service No 89/1995 Coll.). These units then had been recorded into a register of institutional units, which is managed by the CZSO.

Each of new unit submitted an Economic Entity Declaration to the CZSO, which included information on its name, address, data on birth and death, legal form, business activity, foreign capital (if any), legal status (bankruptcy), data on founders etc. This information was then included in a comprehensive register of economic entities (Registr ekonomických subjektů - RES). The regional units of the CZSO classified the institutional unit, (on basis of this information) also into institutional sector/subsector, NACE and COFOG (if there was a government unit) etc. All attributes defined at the same time, when the IC was assigned.

Since 2012, the “**Central Register of Persons**” (co-called ROS) has been put into practise with data on legal persons, business individuals and public authorities (in compliance with the Act No. 111/2009 Coll., on basic registers) and “**Public Registers of Legal and Natural Persons**” (in line with the Act No. 304/2014 Coll.), i.e. foundation, commercial or association register, etc. managed by the court. They contain name and address, subject of activity, identification number etc. Since the year 2012, a number of entities (editing centres) have been responsible for the allocation of the identification number and for granting of the legal form (e.g., some ministries, the CNB or the locally competent registration court etc.). However, the CZSO remains responsible for the classification units to sector, NACE and assigning other attributes.

Regional statistical processing units use basic methodological rules of the units’ classification, elaborated within the CZSO. However, information on planned production costs, relevant subsidies or information from financial plans is not available. Therefore, sector classification adjustments are made latter, when more detail information is surveyed and analysed.

Criteria used for sector classification of new units

The newly established unit, which obtained the IC and registered legal form (from editors), is entered into the CZSO register and it is classified into some of institutional subsectors according to its legal form and its owners. A unit established as *an entrepreneurial entity (corporation)* according to the Commercial Code and incorporated in the Commercial register, is classified into some of institutional S.11 or S.12 subsectors. In this case, it assumes that the company will be competitive and profitable, that its output will be sold at economically significant prices, and to different customers. When classifying a non-profit organisation into sectors, it is necessary to take into account information about the founders and about the services provided by these units.

The final sector classification can be made only on the basis of the annual statistical survey, which is organized only as a sample survey, or on the basis of administrative sources, financial statements (if available)..

Budgetary organisations are automatically classified into the general government sector, because they are (their revenue and expenditure) fully linked with the State budget or local budgets. They are recognized as non-market units.

Semi-budgetary organisations (established by budgetary organisations only) are recognized as non-profit institutions linked to the State or local budgets through their balance of revenues and expenditures. Semi-budgetary organisations were classified (based on 50% criterion) as market in S.11001 and as non-market in S.13 (until 2014). Since 2015, all semi-budgetary organisations consider for units of general government sector due to lack of autonomy of decision. As a result, national accounts data have been adjusted also in the backward time series. A newly established SBO is classified into the government subsector in the sub-sector of a controlling unit.

Some institutional units are established according to other special laws – without a legal form (e.g., only as the Land Fund, the National Property Fund, public universities, public research institutions, health insurance companies etc.) or the Council for Public Supervisory Over Audit or with a special legal form, e.g., as “state organisation” (RIA).

The special laws on establishing of such units are approved by the Government and Parliament of the Czech Republic and basic information about it is obtained from mass media or direct from a founder (because some central authorities enquire of the CZSO for sector classification of a new special unit in advance). This special information and information from the Economic Entity Declaration is the basis for classification such units.

The classification of such units is examined with close cooperation with the Register Department in the CZSO, with the founder of the unit and a financial plan of the unit and other detail information is asked from the unit. Examples such institutional units were for instant health insurance companies, SGAFF, VF or RIA.

As the description mentioned above indicates, final sector classification depends on detailed information. The following (qualitative and quantitative) criteria are used:

- whether the unit distributes national worth, carries out the privatisation process (e.g., NPF, LF), purchases and sells bad claims on behalf of the government (e.g., transformation institutions) or
- manages government property etc.,
- provides services only to the government or also to other non-government units,
- is really under government control (central or local government)

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- what are the main financial sources, i.e., if the financial resources are based on revenues obtained from sells of goods and services or if subsidies are assumed (or not) or are assumed voluntary contributions or donations. For instance – establishing of a SBO indicates that it will be *controlled and also (if necessary)* financed from the central or local government budget;
- on 50% criterion – market/non-market distinction - is applied. If it is available and calculation of the test on 50% criterion;

5.1.2 Updating of the register

The Business Register (Registr ekonomických subjektů – RES) operated by the CZSO is regularly updated especially on the base of newly gained information and from the Persons Register information.

Basic information on newly established units or changes in the Public Register of Legal and Natural Persons (according to the Act No 304/2013 Coll., as amended) and in the Persons Register (according to the Act No 111/2009 Coll., on basic registers, as amended), is obtained daily. The Person's Register is basic (non-public) register used only by the state administration (state organizational units and territorial self-governing units).

Important **additional information** is obtained, Commercial Register of Legal and Natural persons, from other public registers of legal and natural persons. They are e.g., registers of the public research institutions, school legal entities (managed by the Ministry of Education, Youth and Sports), churches and religious societies (managed by the Ministry of Culture), hunting communities (managed by the Ministry of Agriculture) or political parties and political movements register (managed by the Ministry of Interior). The Trade Register (managed by the Ministry of Industry and Trade) has important position in this respect.

In previous years, important **additional information** was obtained from different central authorities and from a private corporation. For instance, data from the Ministry of Industry and Trade (MoIT) was available daily, from the Ministry of Culture (MoC) twice a monthly; the Ministry of Education, Youth and Sports (MoEYS) provided data on school monthly. The CZSO uses information also from the CNB – on financial corporations. Moreover, the CZSO cooperates with specialized private company (Čekia Company), from which receives additional information on establishing or liquidation of joint stock companies

Classification of units into government subsectors or reclassification of public units between corporation and government sectors is made in time, when:

- a new unit is established; backward revision in sector classification is made in the case if the information on a new unit is obtained later;
- a public corporation changed its functions, when occurred organisation changes etc., e.g., as to transformation institutions or the Czech Railways (state enterprise), which were divided into two institutional units (with different functions – Czech Railways and Railway Infrastructure Administration); no backward adjustments were made;
- a new test is elaborated on 50% criterion; no backward adjustments of reclassification of the units were made; However, effective from November 2019, corresponding adjustments are

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made to the periods T-1 and T-2 or T-1 to T-4 depending on the size of the unit, impact on B.9 and debt (see above);

- when the nature of the entity has been changed qualitative criteria have been applied;
- Eurostat decision or recommendation to change methodological treatment or sector classification is given, e.g., relating to transformation institutions in 2001.

However, if a specific individual unit should be reclassified then such adjustment was made – firstly only for t-1, t-2, or t-3 years (at the most); revision in longer time series can be made only during a major revision of the sector national accounts. An example is the transition to ESA 2010 (in 2014), and special revisions in 2017 and 2020 e.g., reclassification of semi-budgetary organisations, financial institutions or public hospitals.

5.1.3 Consistency between different data sources concerning classification of units

First, it is worth recalling that government accounts are based on administrative data – financial and financial statements for most of the government units. This implies that the same (sector or NACE) classification of the unit is used for non-financial and also for financial accounts. Other data sources are used as additional sources.

Consistency between different data sources in terms of sector and NACE classification is ensured primarily by the CZSO. The CZSO publishes monthly updated Business Register on its websites. Moreover, the CZSO provides the Register monthly to the Ministry of Finance and to the Czech National Bank.

The Ministry of Finance provides administrative data for BO, SF and SBO in compliance with this CZSO classification (but it also uses own classification of institutional units classified into so-called “public budgets” within the Final State Account, where only central and local BO, state funds and the Land Fund (State Land Office) and health insurance companies.

The Czech Statistical Office regularly checks a list of budgetary and semi-budgetary organisations (sector and NACE classification) that transmit quarterly and annual financial and financial statements to the State Treasury.

The Czech National Bank issued a special provision for all banks on reporting of statements by banks including a code list of units based on the CZSO Register, which means that data on deposits, loans, interests etc. split by sector /subsector should comply with the CZSO classification.

5.2 Existence and classification of specific units

Within ESA2010 (Chapter No. 20) and MGDD (Chapter No. 1) are also described units under the government control, which have particular area of activity, which is not relevant for market/non-market criterion. They are for instance universities, public hospitals, market regulatory agencies, restructuring and privatisations agencies, captive financial institutions and so-called “special purpose entities” also named as “special purpose vehicle” (SPE/SPV) (ESA2010 §2.17 and §§20.47 and 20.48) (MGDD section 1.6.2)

No SPE/SPV under the government organisation control is established and classified in S.13.

S.1311 includes (in compliance with ESA2010) non-financial, financial and non-profit institutional units (regardless of their legal form) and recognized as non-market units.

Non-profit institutions:

Public universities – PU (founded by the Act No. 111/1998 Coll.) and **public research institutions** – PRI (founded by the Act No. 341/2005 Coll.) changed the legal form from semi-budgetary organisations to „public” institutions with rules for non-profit institutions. These units have been and remain classified in S.1311. They are under government units’ control and financed from the State budget (about 80-90 %). Supplement financial resources results from gifts, sales of property or from supplement activities (e.g., rental of non-financial assets). Moreover, e.g.:

- PU are established and abolished only by the law, the president of the Czech Republic appoints chancellors of universities, the Ministry of Education, Youth and Sport assess the internal regulations, economy and quality of their activities (accreditation of study source-program), etc.
- PRI as legal persons (established by a government unit) ensure research supported especially by public resources; the founder decides on the liquidation of the unit, appoints or recalls of the director and members of the Supervisory Board.

University nursery schools– school legal entities (type of non-profit institution), established by the public universities (classified in S.1311) in 2011 and latter. These units are under universities control and financed especially from their budget and household’s contributions – employees and university teachers

The Vine-grow Fund was established in 2002 (by the Act No 50/2002 Coll., on viticulture and winemaking) as a legal person, which “has status as a public authority”. It is recognized as a non-profit institution collecting compulsory levies and providing financial assistances in the form of subsidies or as loans. The levies are imposed on producers or importers e.g., on each unit of wine (litre) when enters the market for the first time. Subsidies or loans are designed to planting or renewal of vineyards, on production promotion or operating costs in compliance with the rules. Classification into S.1311 was carried out on qualitative criterion – on the nature of services provided.

The Council for Public Audit Supervision (established by the Act No 93/2009 on auditors) is a legal person engaged in public supervisory of the auditing activities. The unit checks an application of the international auditor’s standards; it organizes training of auditors, cooperates with the MoF and with international supervisory entities etc. The Minister of finance, in cooperation with CNB, appoints and dismisses of a statutory auditor. Activities of the Council are financed from the State budget and also from penalties. Classification into S.1311 has been made on these qualitative criteria: its revenue from the State budget covers more than 80 % its expenditure; economical results are insignificant. Impact of the unit on the government deficit and debt is negligible.

Units engaged in privatisation process and transformation institutions:

The National Property Fund established by the Act No. 171/1991 Coll., as amended, carried out privatisation decisions of the Government and in compliance with acts on the privatisation process. Sales of state property were organized as direct sales, auction or as public tenders, as sales of shares (of state enterprises transformed into joint stock companies) or also through the transfers free of charge – voucher privatisations and restitutions. The voucher privatisation was an important part of the privatisation process. Shares of joint stock companies founded from state enterprises were transferred to citizens in 1992 and 1995. The National Property Fund was liquidated (the Act No. 178/2005 Coll.) and the rest of activities were

integrated into The MoF (however e.g., some the revenues and expenditures are not included in the State budget (working balance)).

The Land Fund was established as legal person by the Act No.569/1991 Coll. subsequently amended and charged with privatisation of the state property in agricultural area, i.e., the sale of the property e.g., through the, shares of transformed state agricultural enterprises into joint stock companies or land and ensuring restitutions and other transfers free of charges e.g., to municipalities. In 2013, the legal form and the name of the Fund changed (on January 1st 2013). Its assets and liabilities have been transferred into the **State Land Office (SLO)** – central budgetary organisation (by the Act No.503/2012); its revenues and expenditures are included in the State budget (and also in the WB).

At present, the SLO secures churches restitutions (by the Act No. 428/2012 Coll., on property settlement with churches and religious societies).

Transformation institutions - the Czech Consolidation Bank (state bank) and its subsidiaries companies Prisko, Konpo, Czech Financial Company) and the Czech Collection Company (established in 90th years past century) were classified in financial corporation sectors (S.12) because they were principally engaged in financial intermediation. They took over or purchased and sold bad claims of banks (the State) and latter bad claims of private corporations. Financial sources of these institutions were raised especially from their activities and from issued debt securities or taken loans. They received also financial sources (subsidies) from the State budget or from the National Property Fund and these sources gradually prevailed. Activities of the units affected government deficit. Therefore, Eurostat recommended reclassifying of these units into the central government subsector.

The Czech Consolidation Bank (CCB) turned to “agency” (lost it license as bank) by the Act No. 239/2001 Coll. and took over some activities former the CCB. The Czech Consolidation Agency was classified into S.1311 from 2001 to 2006, when its activities were discontinued (31 December 2006); after that, it was integrated into the MoF as a special department on 1 January 2007. It means, the government debt included (from 2001 to 2006) not only issued and took over debt securities and loans taken, but also deposits (which the CKA kept).

Two subsidiaries of the CKA – Konpo and Czech Financial – concluded their activities on 31 August 2006. The Czech Collection Company concluded its activities in 2008. At present is active only PRISKO - joint stock company; its activities are insignificant.

Other specific institutions:

The State Agricultural Intervention Fund-SAIF (extra-budgetary fund, which has features of budgetary organisations and the balance of its revenues and expenditures is included in “working balance” within the EDP notification tables. The unit has been split into two parts– since 2004 - but the dividing is carried out only partially, because business and distributive activities cannot be separated. Therefore, one “unit” keeps only inventories of the SAIF, which are excluded and allocated as notional unit into public non-financial corporation subsector (S.11001) and this equity (recorded also as “registered capital”) is imputed (in the same amount) within the SAIF (S.1311) under AF.519, F.519 items. The subsidized inventories from EU funds are determined and allocated to non-government units.

The Railway Administration, state organisation (former as the Railway Infrastructure Administration (RIA), state organisation: has been established as a legal person by the division of the Czech Railway (state enterprise) and it has been classified into S.1311 in 2003. In this year, the unit took over most of railway transport infrastructure (state property) and the payables from this former state enterprise. Other parts of the railway transport

infrastructure were purchased from the Czech Railways (established as Joint Stock Company) e.g., in 2008. To the RIA were also transferred about more than 10 000 employees, who ensure operation of railway transport – repair works and maintain.

The Head Office of Roads and Highways (Ředitelství silnic a dálnic), central (state) SBO is an organisation established by the Ministry of Transport, responsible for administration, maintenance and repairs of highways and securing their construction and modernization. These communications are also recorded within assets of the unit; its activities are financed through the state budget - from highway vignettes and toll revenue. For the reasons, its transactions, assets and liabilities recorded separately from others central SBO.

The Supported and Guarantee Agricultural and Forestry Fund, JSC, was established on basis of the government resolution No. 337/1993 Coll. and it operates according to the Act No. 252/1997 Coll. o agricultural. According to the law - the Fund grants subsidies on interest on loans, insurance, and short-term guarantees on loans to entrepreneurs in agricultural, forestry, water economy or to municipalities. The classification has been made based especially on the qualitative criterion.

The ČPP Transgas, state enterprise (s. e.), whose task is to import, purchase and sale of natural gas for the needs of customers in the Czech Republic; the unit is also responsible for natural gas transit to a foreign partner and also for other activities in the field of trade and services. This corporation has been classified into S.1311 in 2010 on basis 50% criterion.

The BALMED, s. e. manages assets that remained after the privatized state enterprises and spa largely associated with the use of natural medicinal resources; they are especially buildings and land. Revenue from lease and sales of these assets only are the financial resource of the unit. This corporation has been classified into S.1311 in 2010 on basis 50% criterion.

The Mototechna, s. e. in liquidation – engage in the purchase, sale and repair of motor vehicles and the spare parts; it manages the assets that remained after the privatized parts of the enterprise in the 1990s last century. The enterprise has been dissolved in 2022.

The OSAN, s. e. in liquidation, a business enterprise (including foreign business) engaged in the purchase and sale of tools, gauges, engineering and metallurgical products; it manages the assets that remained after the privatized parts of the enterprise in the 1990s last century. The enterprise has been dissolved in 2020.

The Electricity Market Operator, JSC. (Operátor trhu s elektřinou, a.s.; OTE, a.s.) established by the Ministry of Industry and Trade in accordance with the Act No. 458/2000 Coll., on Business Conditions and the Exercise of State Administration in the Energy Industries, as amended. It performs the settlement of differences between negotiated and actual supplies and consumption of electricity or gas, it organizes the short-term electricity and gas markets; the unit manages of a subsidy system for supported sources of energy and manages the Register of greenhouse gas emission permit trading, establishes and keeps accounts for trading greenhouse gas emission permits.

The Czech export bank, JSC (Česká exportní banka, a.s.): According to the Law (No. 21/1991 Coll., on banks), the financial loss of the bank is regularly covered by a transfer from the State Budget. The bank “does not place itself at risk by incurring liabilities on its own account”; the bank provides about 98% loans with the state support and the risk of these CEB’s

financial operations is borne by the government. Therefore, the bank “is not treated as a financial intermediary and the unit has been reclassified from S.12601 (auxiliary financial units) into the central government sector since 2003. This unit is still registered as a bank – with banking license; however, its classification into the government sector means that the calculation of the bank’s production is based on cost method and the institution is not producer of financial intermediation (FISIM).

The National Development Bank, JSC (Národní rozvojová banka, a.s; former as Czech-Moravian Guarantee and Development Bank – CMZRB -Českomoravská záruční a rozvojová banka, a.s - ČMZRB), was established in 1992 to support the government programs - small and medium entrepreneurs by providing soft loans and guarantees for loans. Its activities gradually expanded into further areas of housing support (*subsidies to cover the interest on loans for residential buildings*) and financing of selected regional projects, e.g., water projects (sewage, drinking water treatment) and providing of soft loans to municipalities. The government (Ministry of Industry and Trade, Ministry of Finance and the Ministry for Regional Development) is the sole shareholder. Majority of liabilities is in the form of deposits of government institutions (about 71 % in 2013); moreover, the CMGDB receive loans from the EIB. Therefore, financial transactions made on behalf of the government (related mainly to providing construction loans at low interest rate - through Loans Fund - and provision of guarantees - Guarantees Fund, were re-routing into S.1311 and affected government deficit and debt.

On basis of discussion with Eurostat (EDP visit 2014) and new ESA2010 methodology on financial institutions, the bank has been reclassified into S.13 (although the bank reports no losses). The reclassification was carried out at first from 2011 to 2014 (within the April EDP notification 2015) and backward data (from 2003) revised in 2017. For the banking statistics purpose, the regulation and supervision of the unit continue to remain considered having a banking licence. For the statistical purpose, the CMZRB is part of the government sector (as well as the CEB) and it is not a producer of financial intermediation services (FISIM)

The National Development Fund, JCS – NDF (Národní rozvojový fond,a.s., NRF), founded by the NRB, to support long-term investment, especially in the area of public infrastructure with the participation of private financial sources. NRB owns the founding shares (in the amount of CZK 2 mil) and the Czech Savings Bank (Česká spořitelna), the Czechoslovak Trade Bank (Československá obchodní banka) and the UnitCredit Bank will invest CZK 7 billion in the Fund. Investments will be realized through sub-funds (investment shares). The NRB will finance the risk part of the project costs and makes the main investment decisions, e.g., on the establishment of s sub-fund etc.

The Czech Republic has already received for support the first payment (in 2021) from the Recovery and Resilience Fund, extraordinary and temporary fund of the European Commission intended to support planned projects of the Member States in the area – Six pillars of the Recovery and Resilience Facility”. The Fund is intended e.g. to digital transformation, economic, health or social resilience and development.

The National Development Investment, JCS – NDI (Národní rozvojová investiční, a.s., NRI), founded by the NRB, to support the development of the Czech Republic – public and private investments; manages a fund of funds and financial instruments that are based on the return principle of funds. The relevant government units are the investor. The investor is the relevant state administration authorities.

From 2020, NRI has implemented two financial instruments – a financial instruments for capital investments of small and medium-sized corporations (IPO Fund) and financial instrument aimed at on the regeneration of brownfields in the Ostrava agglomeration (BF Fund) – both for the Ministry of Industry and Trade.

The **Export Guarantee and Insurance Corporation**, JSC (Exportní garanční a pojišťovací společnost, a.s.) has been established as a credit insurance company in February 1992 fully owned by the state to support Czech export with the state support for export risk insurance. Insurance of the export credit risk is an essential tool for minimalizing of credit risks of the CEB. EGAP provided commercial insurance together with insurance with state support until the year 2005. However, the membership of the Czech Republic in the European Union and stricter EU rules led to a decision on transparent separation of both activities. It led to establishing of a company - Commercial Credit Insurance Company EGAP, which is owned by the Belgian credit insurance company Credimundi – 66 % of the shares (before Ducreire | Delcredere SA.NV); EGAP remains a minority shareholder (34 % of the share).

EGAP is acting in compliance with the Act No.58/1995 Coll., on insuring and financing state support export as unit fully owned by the state (40 % Ministry of Finance, 36 % Ministry of Industry and Trade, 12 % Ministry of Foreign Affairs and 12 % Ministry of Agriculture). The state provides funds from the state budget to the EGAP to ensure conditions for its further operation and Development, grants its losses.

The Financial Market Guarantee System (FSGS) – formerly the **Deposit Insurance Fund (DIF)**, which was created by the Act No. 156/1994 Coll., and is governed by the Act No. 21/1992 Coll., on banks, as amended and in compliance with the Act provides compensation to owners of deposits holds by banks, building societies and credit unions, which cannot meet its liabilities. All these financial institutions pay compulsory contributions (determined by the Act) and if some of these units are unable to meet its liabilities, the Fund (on basis CNB information) must pay to the natural and legal persons up to an amount corresponding to the equivalent of € 100,000 (including interest) per depositor and per bank.

Compulsory contributions (specified by percentage of the average volume of insured deposits) have been defined (within ESA methodology and MGDD) as tax and as tax revenue.

The Fund was reclassified into the government sector in 2015 based on the conclusions of the Eurostat dialogue visit to the Czech Republic. The reclassification reflects a Europe-wide change in the concept of deposit insurance within national accounts. The decisive factor relating to the sector classification is a measure of autonomy in the decision. Revenue from contributions and paid compensations has a direct impact on the government deficit; and received contributions treat as taxes.

In 2015, the Deposit Insurance Fund has been converted (according to § 198, point 1 and § 252 of the Act No 374/2015 Coll., on remedial procedures and solutions to the financial market crisis into the Financial Market Guarantee System. The unit manages two funds, which do not have legal status:

- *The Deposit Insurance Fund*,
- *The Fund for Solution to Crisis*; this Fund as part of the GSoFM ensures funding mechanism for solving of the crisis through
 - o “Contributory Fund”, which manages especially regular contributions (determined by the CNB) and the exceptional contributions and
 - o “Operating Fund”, which manages revenue from invested funds, from fines, exceptional operating contributions etc.

The Securities Traders Guarantee Fund (GFoST) has been established in 2001 based on the Act No 591/1992 Coll., on securities and the Act No 256/2004 Coll., on capital market business. The Fund, in compliance with the Act, receives compulsory contributions from securities traders (incl. fines) and provides compensations to clients of securities traders, who are unable to meet its obligation to their clients. The compensation is determined at 90 % of the client's property, up to a maximum of € 20 000.

A security trader, as a legal person (Joint Stock Company or Limited Company), provides capital services based on the CNB licence and compulsory contribution paid to the Fund is specified by the percentage rate of the client investment amount. Each security trader is obliged to pay to the Guarantee Fund 2 % of its revenue from investment services provided during the last calendar year, but at least CZK 10 000.

Since, the STCF secures guarantee scheme, similarly as DIF, and contributions are treated as taxes, the Fund has been reclassified to S.13 from S.12601.

The MUFIS, Ltd. – financial corporation established in 1994 by the NRB; at present is owned by the NRB (49 %), the MoF (49 %) and the Association of Towns and Municipalities (2 %) – government units. Within the framework of the Housing Guarantee Program (HGP) accepted a loan from the USA (CZK 1,43 billion); from the funds provide loans to 112 municipalities.

In 2009, under an agreement with the NRB, a Common Loan Fund (CLF) has been created, which is used for loans determined to municipal infrastructure development. The CLF is managed by the NRB.

The **GALILEO REAL**, limited partnership - established in 2000, is active in the field of factoring services; it is responsible for the management of receivables related to the former IPB bank. IMOB, JSC. is general partnership in this limited partnership company and the Ministry of Finance is a limited partner in this corporation. The unit is in liquidation.

The IMOB, JSC., corporation established in 1994 is active in the field “other financial intermediation”. The company is the statutory body of the GALILEO REAL – it is responsible for the management assets of the company, recovery of receivables and sale of the residual portfolio of receivables owned by the GALILEO REAL. The unit is in liquidation.

The Extreme Light Infrastructure (ELI ERIC) - Konsorcium evropské výzkumné infrastruktury ELI ERIC, established in April 2021 (based on Council Regulation (EU) No. 1261/2013 on the Community legal framework for a European Research Infrastructure Consortium - ERIC), which will manage the operation of the ELI Research Infrastructure. The Czech Republic became the host state of the statutory seat of ELI ERIC institution. Once built, it will allow the worldwide the use of modern laser systems for scientific research and industrial applications. The members of the consortium (e.g., Czech Republic, Hungary and Italy, Lithuania, Germany, Bulgaria) contribute scientifically and financially to the activities of the consortium.

S.1313

Non-profit institutions

- **Voluntary associations of municipalities established by the Act No. 128/2000 Coll, on municipalities, as amended e.g.,**

The Association of towns and municipalities is a voluntary interest group of municipalities. Its classification has been based on the qualitative criteria. It participates in the

preparation and creation of different legislative drafts and provisions relating to municipalities (e.g., budgetary classification or methodology of the Central Accounting Information System of the State). The Associations that are part of the Central Accounting Information System of the State, have about 2,5 thousand towns and villages.

The Association of the Czech Republic Regions is an interest group of regions founded in 2001; at present includes all 13 regions and the Prague. The Association defends and promotes the common interest of the members; it supports the education of representative persons of the regions or provides services in their foreign activities. Its classification has been based on qualitative criteria.

- **Other voluntary associations of municipalities:** established as Interest associations (sdružení) of legal entities under the former Civil Code of 1964. They continue to operate, but since 2014 new associations (sdružení) of legal entities can no longer be established. Some of them have a new legal form – association (spolek). They are e.g., Association of Municipalities-shareholders of the Sewer and Water, Old Plzenec (established 1997), Association of Municipalities in the catchment basin of the stream Hradiště, Chanovice (which unites 4 municipalities) and Association of Towns and Municipalities of the Pilsen Region (established 1999; it unites 174 towns and municipalities) and JERIMALITUS, Tuřany. They are interest voluntary grouping of institutional units that provide help and support to their members, e.g., within the state subsidy policy or with different development projects etc. They are considered non-profit institutions and their classification in S. 1313 is based on qualitative criteria (they provide services to cities and municipalities that are members of the association).

- **Schools:** For instance, Pre-primary and primary school, Údolí Desné, established by the municipality (in 2006) and Pre-primary and primary school, Karlovy Vary Region, founded by the municipality (in 2008). They have a special legal form (“school legal entity”) as non-profit institutions. Their classification has been based on qualitative criteria and as well as on the 50% criterion of reimbursement of operating costs from own resources.

- **The Research Institute Balneological, Mšené (PRI)** established in 2011 by the municipality Mšené-Spa as a public research institution. It carries out a basic and applied regional research in the fields of balneal therapy, balneology, etc.; it further upgrades the knowledge and education in the spa etc. Its activity has been insignificant and the assessment of its sector classification will be determined on data for 2011 and 2012 (i.e., during the 2013).

Public corporations recognized as non-market:

- The first five public units were reclassified into S.1313 from S.11001 on 50% criterion test in 2010. There were: South Centre, Ltd., Brno and Prague 10-Property, Ltd. (engaged in leasing of residential and non-residential real estate) and Technical services, Inc., Bystřice pod Hostýnem (ensuring municipal waste collection and maintenance of green); Municipal Enterprise of Heat Management, Ltd., Svitavy, and Culture for Kladno, Inc.(providing cultural services). Another example is Strakonice TV, Kladno Theatres or Industry Service, etc.

Companies that cover again production costs from more than 50 % of their own sources (for at least three years) are classified back to S.11001. For instance, the Municipal enterprise of heat economy, Inc. Svitavy changed its name and activity in 2011; at present, it is engaged in social services as the Seniorcentrum JSC., Svitavy and Technical Services, Ltd., Bystřice pod Hostýnem or Prague 10 - Property.

- **Public hospitals** (established as market business entities) reclassified to S.13 (in the time series since 2003) based on qualitative criterion, in compliance with ESA 2010 and MGDD.

- **The Prague Gas Holding**, JSC (Pražská plynárenská Holding, a. s.) was established in 2001, and classified as unit under foreign control. In 2012, the unit was classified as a public financial institution and in 2014 has been reclassified from S.12501 to S.1313 (the Prague City is 100% owner). This reclassification is in accordance with ESA2010, §§ 20.35-20.37), i.e. “Public head offices” (known also as holding companies)”, whose main function is to control and direct a group of subsidiaries under the control of a government unit” should be classified in S.13 (Manual on Government Deficit and Debt).

- **The Regional Support Resource**, Ltd. established and owned by the Zlín Region Office in 2004. The company supported the development of business activities and implementation of development projects, e.g., relating to small and medium corporations, municipalities or legal persons established by the Zlín Region. The company was dissolved at December 31, 2017.

S.1314

Non-profit institutions:

Along ninetieth years, three associations of health insurance companies were established. At present is acting only the **Association of Health Insurance Companies of the Czech Republic** (established in 1993; modified name since 1997), which includes health insurance companies administrating compulsory health insurance excluding the General Health Insurance Company. The Association provide services to the health insurance companies, cooperates in preparing a new health legislative regarding health insurance or it supports upgrading knowledge of employees of HIC etc.

Their classification has been based on qualitative criteria.

The Health Insurance Bureau (former Centre for Interstate Settlements), recognized as a non-profit institution, is acting on behalf of health insurance companies classified in S.1314 and in general health care system in relation to a number of liaison points abroad. The unit also provides information on international agreements relating to health care, on rights of insured persons and it is engaged in preparing new internal agreements.

The Hedge Fund established in 1998 (as a non-profit institution), was reclassified from S. 12601 into S.1314 (since 2011) in compliance with ESA2010 methodology. The Fund was responsible for the management of funds raised from health insurance companies. The fund was intended to cover healthcare expenditure to insured persons if a health insurance company become insolvent and it was liquidated. This Fund was cancelled at December 31 2015.

6. Time of recording

This section describes the time of recording for taxes and social contributions, EU flows, military expenditure, interest and other transactions (subsidies, current and capital transfers and financial transactions).

The time of recording is defined in ESA2010 §§ 1.101-1.105. It is the accrual basis, meaning “when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.” (§1.101)

6.1 Taxes and social contributions

As stated ESA 2010, taxes and social contributions are derived from two sources amounts evidenced by assessments and declarations or cash receipts.

If assessments and declarations are used, amounts should be adjusted by a coefficient reflecting assessed and declared amounts never collected. An alternative treatment foresees recording tax/social contribution revenue on a gross basis and adjusting this amount by a capital transfer to the relevant sectors equal to the amounts unlikely to be collected.

If cash receipts are used, the amounts should be time adjusted so that the cash is attributed to the time when the underlying activities, transactions or other events took place to generate the tax/social contribution liability, or when the amount of tax was determined, in the case of some income taxes.

6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording of taxes is defined in ESA §4.56 and §4.82 as the time “...when the activities, transactions or other events occur which create the liabilities to pay taxes”.

As to the CZ general government accounts basic **data sources** on the cash basis (“net data”) are available from the budgetary reports (on revenue of the State budget split by items of the budgetary classification) and time adjusted data are provided by the Ministry of Finance.

Time adjusted cash method is used for the **calculation of accrual taxes**; thus, cash data are used in this case. Cash data is time adjusted for as many months as tax maturity. This method is used for the main taxes described below. In all other cases, cash revenue is treated as accrual revenue.

The Ministry of Finance through the tax administrations collects the data. The MoF calculates accrual data for the main taxes (described below) that the CZSO incorporates in the national accounts and in the related questionnaires, i.e. EDP tables and all tables included under Questionnaire relating to the EDP notification tables. Final settlement, interest on late payments, fines and penalties, amnesties are recorded together with the taxes. It is not possible

from available data recognise the type of payment, it means the concrete type of tax is recorded together with fines, penalties, interest on late payments etc.

Value Added Tax

VAT revenue is divided into three parts:

- 1) Payments collected by the tax administration,
- 2) Tax refunds paid by the tax administration,
- 3) Payments collected by the customs administration (since 2005 particularly non-business imports).

Ad 1) The law implies that tax accrued to taxation period (a month or a calendar quarter) is due on 25th day after the end of the taxation period. It means that tax accrued in December and 4th quarter of the previous year is collected in the current year on 25th January; in practice approximately up to the end of the month, (there are technical periods of payment transactions, delayed payments etc.). Thus, there is a time shift of one month

Ad 2) Tax administration refunds the tax credit arising from VAT return until 25th day of the second month after the taxation period. Because of possible delays and easier computations, the refunds made in January and February of the current year are subtracted and refunds made in January and February in the next year are added. There is a time shift of two months.

Ad 3) The law and experience imply that VAT on non-business imports is due on 10th day after the import of goods. It means that collections of the current year are to be adjusted for collections accrued in the last two weeks in December. Since 2005 nearly all imports are included in one tax return due on 25th day after the end of the taxation period. Consequently, this method is just used for non-business imports.

Excise duties

All excises but tobacco and energy taxes fall under the same provisions considerably modified in 2004. The tax becomes chargeable when products are released into tax circulation in the Czech Republic, i.e., in general, when dispatched from a tax warehouse (a producer or a licensed independent warehouse). Tax period for intra-community transactions corresponds to one month and the tax is self-assessed on the 25th day following the end of month and paid up to the 40th day following the end of month. As such, there is two months' time shift.

Excises duty on imported goods from third countries is due within 10th days after the reception of customs declaration if no special arrangement made. The annual amount of excises duties is increased by the collection by the 10th day in January.

Concerning tobacco products, the essential part of revenues is represented by the tax on cigarettes and other tobacco products paid to the Customs Office in Kolín via purchasing stamps. The revenue from not stamped tobacco products remains negligible. Stamps are due 60 days after their purchase. The total collection of tobacco tax is adjusted for collections in January and February.

The energy taxes are part of excise duties. They were introduced in 2008. The tax must be self-assessed and paid on the 25th day following the end of the month. Therefore, in this case we assume one-month shift.

The implemented **temporary mandatory cap on market revenues** of producers obtained from the generation of electricity from the selected sources (applied from 1st December 2022

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until 31st December 2023), which result from the European Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices, consists of payments of advances and tax settlements. The first tax period was the calendar month of December 2022, no advance payments were paid and the tax settlement was due on 28th February 2023, however, there were some technical delays and therefore the accrued revenue should be known by the end of March 2023. The second tax period is the calendar year 2023, tax advances are due on the 25th day following the end of the calendar month and tax settlement is due on 31th March 2024, thus the accrued revenue will be known with at least three-month time shift.

Corporate Income Tax

Corporate income tax (CIT) revenue consists of the tax self-assessed by taxpayers (companies,) and withheld tax. The self-assessed tax is paid with prepayments in the current year “N” and settlement related to this year “N” but paid in the following year “N-1” . The annual amount of prepayments is thus adjusted by the settlement arising out of tax returns filed usually in July next year. The period for calculation of cumulative amount of tax settlement is set from 1st of January to 31st of August next year (added to income of the year “N” and deducted from income/prepayment of the year “N+1”). The amount arisen out of tax settlement in the remaining four months is included (in the income of the year “N+1”).

In the April EDP notification, accrued CIT revenue is estimated as the sum of the value of advance payments actually paid in the current year “N” and the estimated value of the tax settlement related to the current year “N” which will actually be paid in the following year “N+1”. The estimated value of the tax settlement is based on estimated macroeconomic developments of the current year, represented by macroeconomic aggregates of gross domestic product and operating surplus, which are considered to be a suitable proxy of the CIT base and should represent estimated economic developments and its impact on the tax liability of entities. The currently valid macroeconomic forecast is published on the website of the Ministry of Finance. Forecasting models are at least twice a year evaluated by the Committee on Budgetary Forecasts, which is tasked with assessing macroeconomic and budgetary forecasts prepared by the Ministry of Finance, particularly in terms of their likelihood of fulfilment. The current Committee consists of leading Czech economists from the private, public, and academic sectors. The official conclusions of the Committee can be found on the website of the Ministry of Finance.

Withholding corporate income tax on interest is due by the end of the month following the month when interest or dividends were accrued. There is a lag of one month. The cash revenue is adjusted by the January collection.

The implemented **temporary windfall tax** (for fiscal years 2023 – 2025 only), which is a national measure equivalent to temporary solidarity contribution according to the European Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices, has been incorporated into the Income Tax Act, thus, will be accrued in the same way as the corporate income tax assessed by taxpayers or the personal income tax paid by taxpayers filing tax returns.

Personal Income Tax

Personal income tax (PIT) on wages and salaries of the current year "N" is adjusted by the January collections (one month lag) and the settlement related to the current year "N" paid in the following year "N+1". Withholding personal income tax on interest and dividends is calculated in the same way as withholding corporate income tax. Personal income tax paid by taxpayers filing tax returns comprises prepayments and annual settlement related to year "N" but paid in the following year N+1 at least by 1st of April next year. The period for the calculation of the cumulative amount of tax settlement is set from 1st of January to 31st of August next year (added to the income of the year "N" and deducted from income/prepayments of the year "N+1"). The amount arisen out of tax settlement in the remaining four months is included in income of the year "N+1"

In the case of **tax credit (transfer component)**, the amount of payable as tax credit is added to tax incomes (gross method of calculation of tax credit). Transfer component of the tax credit relates to persons whose tax liability is less than the overall tax credit for children; (it includes transfer and expenditure components); it is calculated as the difference between total tax credit for children and tax on income. The tax credit (transfer component) can be paid out only when annual income (only from employment and self-employment) of the person does not reach 6 times the minimum wage. The tax credit (transfer component) is paid out during the same year when the entitlement has occurred.

If a child that applies the tax credit is born during the year, child credit is calculated based on the number of months of child's life. The amount of tax credit differs depending on the number of children.

Illustrative example – general example

	<i>Taxpayer A</i>	<i>Taxpayer B2</i>	<i>Taxpayer C</i>
<i>Total income per year</i>	200 000 CZK	200 000 CZK	50 000 CZK
<i>Tax liability</i>	15 000 CZK	15 000 CZK	0 CZK
<i>Entitlement to tax credit</i>	13 000 CZK	20 000 CZK	20 000 CZK
<i>+tax paid by taxpayer / -credit paid out to taxpayer</i>	+ 2 000 CZK	- 5 000 CZK	0 CZK

Child credit is paid out only to "Taxpayer B", because the taxpayer C is likely failed to meet minimum income

Illustrative example – tax credit for an employee

	<i>Taxpayer A</i>	<i>Taxpayer B</i>
<i>Monthly salary</i>	16 000 CZK	16 000 CZK
<i>Tax liability (monthly)</i>	1 150 CZK	1 150 CZK
<i>Entitlement to tax credit (monthly)</i>	1 117 CZK	2 234 CZK
<i>+tax paid by taxpayer / -credit paid out to taxpayer</i>	33 CZK	- 1 084 CZK

Illustrative example - tax credit for a self-employed person

	<i>Taxpayer A</i>	<i>Taxpayer B</i>
<i>Yearly tax base (tax period X)</i>	200 000 CZK	200 000 CZK
<i>Tax liability</i>	15 000 CZK	15 000 CZK
<i>Entitlement to tax credit</i>	13 404 CZK	26 808 CZK
<i>+tax paid by taxpayer in X+1 / -credit paid out to taxpayer in X+1</i>	1 596 CZK	- 11 808 CZK

Taxpayer B is entitlement to a child tax credit of about 12 000 CZK per year. Even if the tax credit is connected to income from the year X, it is paid out in the year X+1.

Tax credit and accrual principle:

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As the tax credit is paid (monthly) in the same year to the employee – as the entitlement has occurred, the paid tax credit on the cash basis is the same as on the accrual basis (entitlement).

The tax credit is paid to the self-employed person in the year $t+1$, i.e. in the same year, in which the entitlement has occurred.

Road Tax

According to Act No. 16/1993 Coll, on road tax, as amended, the subject of road tax is so-called “taxable vehicle”. Until to 2021, the tax was paid in four instalments. These four tax advances were settled by the end of January of the next year, the first one was payable in April. Due to the current year revenue was adjusted for the January and February collections.

Since 2022 tax period, based on the legislative change, the tax advances have been cancelled and tax is self-assessed and paid on the 31st January following the end of tax period, which is calendar year. Due to the existence of the so-called protective period, during which the tax administrator does not impose any sanctions and which, in the case of tax payment, is 3 days after the deadline, the current year revenue is adjusted for the January and February collection and there is a two month time shift.

The subject of the tax is only freight vehicles of a certain category incl. their trailers.

Highway fee

Highway fee – annual, monthly, weekly, applies to vehicle of a determinate weight. Whereas stamps were usually bought during the current year or in December of the previous year, tax income of a current year was adjusted for December collections.

The 1st December 2020 the electronic highway tolls were introduced and replaced physical stamps. The annual toll is valid for 365 days and the time does not cover with the calendar year; since then the cash income is treated as accrual revenue. (see also part 7.8)

Real Estate Tax

Real Estate Tax included tax on land, building and units. The tax was paid in four instalments within the year; therefore, revenue on accrual basis is equal to the revenue on a cash basis.

At present the tax is paid at once or in two instalments within the calendar year and revenue on cash basis is also equal to the income on accrual basis.

Buildings and units owned by the Czech Republic and the municipality are exempt from the tax.

Property Taxes

Since 19th December 2020 there is no property tax in the tax system of the Czech Republic.

Previous property taxes were: Tax on acquisition of real estate (abolished since 19th December 2020), Inheritance tax, Gift tax; and Real estate transfer tax (all of them abolished since 1st January 2014).

Currently, only overdue payments of these abolished taxes are being monitored:

- The **Tax on Acquisition of Immovable Property** is not accrued anymore and revenue on accrual basis is equal to the income on a cash basis. The tax was recorded under D.214 item and three month shift was used for accrualisation due to the fact that the

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payer (the purchase of the property was obliged to submit a tax return within 3 months after the transition took place).

- The accrualisation of the **Heritage Tax** and the **Gift Tax** is still based on practice (some judicial time lags) and one-year time shift is used for recording in the national accounts. The Heritage tax Gift has been completely cancelled in 2013 but revenue from the Gift Tax became part of income tax.

In 2010, the revised the Act No. 357/1992 Coll. on inheritance tax, gift tax and real estate transfer tax introduced the **gift tax on emission permits** allocated free of charge in 2011 and 2012 (32% of the emission permits value).

The amount of gift tax on free emissions allowances (collected in 2011 and 2012) was estimated as a difference between the overall incomes of gift tax (including the amount of tax on emissions allowances) and „pure” gift tax (which is relatively stable over time). The prices of emissions allowances are set at the auction, which takes place periodically at the end of February. Thus, the tax on free allowances might be calculated and payable since March. Therefore, the revenues collected in January and February of the current year are subtracted from tax collections of the current year and revenues collected in the January and February of the next year are added to the collections of the current year.

However, several large companies asked for a refund the tax and failed a complaint to the court. According to the decision of the Court of Justice of the European Union; the tax was not in line with the EU law. Based on this decision and the relevant decisions of the Supreme Court, the MoF has already returned funds amounting to CZK 4 455 million in 2015.

Levy on electricity from solar radiation

According to the law, the tax must be self-assessed and paid on the 25th day following the end of the month. Thus, there is one month time lag.

Gambling Tax/Levy on lotteries and other similar games /

Since 1st January 2017, the **gambling tax** has replaced the levy on lotteries and other similar games. The tax period for the gambling tax is the calendar quarter. The taxpayer is obliged to file a tax return within 25 days following the end of the tax period. Therefore, the monthly shift of the levy is used here.

Overdue payments of the previous **levy on lotteries and other similar games** is reported in the accrued revenue of the gambling tax.

All other taxes, fees and levies

In all other cases, the cash revenue is equal to the accrual revenue.

Custom duties

Since accession to the European Union (2004), the Czech Republic has been involved in the creation of the EU budget's own resources and custom duties are one of the important sources of this budget. The Member State is entitled to retain a certain part of the assessed amount (25 %; from 2017 20 %) imposed on imports from non-Member States to cover the costs of their collection.

The custom duty is payable within 10 days of the date on which the customs debt was incurred (generally the import of goods) and this time lag is also used to determine the accrual revenue.

Given the amounts not collected, the state's share is less than 25 %, or 20 %. The settlement of the custom duty for the current year takes place in March of the following year.

6.1.2 Social contributions

The time of recording of social contributions is defined in ESA2010 § 1.101 (see above).

Social contributions, recorded under D.121 (and D.61) items, include

- compulsory social insurance contributions (according to the Act No 589/1992 Coll., on social premiums and contributions to the state employment policy (as subsequently amended)
- and health insurance contributions (according to the Act No. 592/1992 Coll., on general health insurance (as subsequently amended) and accident insurance contributions (according to the Act No. 266/2006 Coll., on accident insurance for employees).

1. The social contributions include (in principal compulsory) contributions **on pensions and sickness insurance and contributions on behalf of state employment policy**. Employers, employees and self-employed persons pay these social contributions to the Czech Social Security Administration, (CSSA; Česká správa sociálního zabezpečení) and into budgets managed by the Ministry of Defence, the Ministry of Interior and the Ministry of Justice – central budgetary organisations, which administrates them (and also pays social benefits). All these payments are revenue and expenditure of the State budget.

Basic information on these revenues is in cash and split by month. Corresponding month amount is shifted (**time adjusted**) into a month, i.e. to the month when the work took place; the delay is one month. It means that contributions paid in February are recorded as accrued in January (i.e., the amount of these contributions for 1. quarter = sum contributions for February + March + April). This calculation is based on the time-adjusted method - in compliance with EU regulation⁸.

This calculation implies that accounting receivables of the government unit are also adjusted. An annual change between the cash and the time adjusted amount of these contributions is recorded as increases/decreases the claims.

Besides, the Ministry of Defence, the Ministry of Justice, the Ministry of Internal Affairs administrate social contributions (including social benefits) for their employees and the MoF for customs officers, within its budgets (which are part of the State budget). Basic information is on the cash basis and obtained from the quarterly budgetary reports of these ministries; no adjustment is made.

Since 2009, the social insurance system has been changed. Compulsory employer's **sickness contributions** (paid to the social security system) were decreased, but the employer is obliged to pay a wage compensation (comply with a special law) sickness benefits directly to its employees in the event of incapacity to work - from 4th to 14th day. The wage compensation is recorded under D.122 and 612 – imputed social contributions/benefits, in the national

⁸ Regulation (EU) No 549/2013 of the European Parliament and of the Council, of 21 May 2013 on the European system of national and regional accounts in the European Union), ESA 2010 (e.g., § 20.174)

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accounts for the Czech Republic. If the incapacity to work continues, sickness benefits are paid from the social insurance.

However, the employer received as a reimbursement 50% of paid sickness benefits as subsidies (compensation) from the State budget. The amount has been recorded under D.73 within the government sector, under other subsidies on production (D.39) as payment to employers classified in corporation and households' sector, and under D.75 as payment to non-profit institution serving household (S.15).

From 2011 to 2013, the employers have been obliged to pay wage compensation (sickness benefits) to their employees - from 4th to 21st day, but they do not have any compensation from the State budget. Since 2014, this obligation applies again for 14 days, i.e. from 4th to 14th day. If the incapacity to work of the employee continues, sickness benefits are paid from the social insurance – from the state budget.

From 1 July 2019, the 3-day waiting period (karenční doba) is cancelled and the employer pays the wage compensation from the first day of illness at 60% of the average hourly earnings.

Information on revenue from penalties (on a cash basis) is obtained (regularly quarterly) from the budgetary reports on revenues and expenditures (FIN 1-12 OSS) and no adjustments on accrual are made. Their amounts are recorded only as other current transfer's revenue (D.75); no penalties have been recorded the within general government sector.

2. **Health insurance contributions** include compulsory contributions paid by employers, employees and self-employed persons and contributions paid by other persons who are not obliged to pay the insurance (e.g., foreign persons).

The Ministry of Health provides regularly monthly data on a cash basis and corresponding monthly amount is shifted into a month when the work took place; the delay is one month. For instance – contributions collected in February are recorded as paid in January (1. quarter = February + March + April).

Self-employed persons pay health insurance (in the current year T) in amount derived from their revenue, which was achieved in the previous year (T-1). In the next year (T+1), the persons must pay a debt amount resulting from the real revenue (in accordance with the tax declaration for the previous year). Information on this amount is not available and therefore no accrual adjustment of health insurance contributions of self-employ persons is made.

Using the time adjustment method for health insurance contribution requires adjusting also **accounting receivables** of the government units from unpaid contributions. The approach is the same as for social contributions. An annual difference between the cash and the time adjusted amount of these contributions is recorded as increases/decreases the claims.

The approach of time-adjustment method is applied also to **the fees and penalties** related to the collection of health insurance contributions. These sanction payments are recorded as other current transfers (D.75) and calculated on the bases of time-adjusted cash with a time sheet of 3 months. The annual difference between the cash and the time-adjusted amount of these payments is recorded as increases/decreases of the claims.

3. Accident insurance contributions for employees are compulsory contributions paid by employers, which are relating to the event of the health damage by a work injury or an occupational disease.

Two commercial insurance corporations (Kooperativa and Česká pojišťovna) administrate the insurance i.e. collect the contributions and pay corresponding benefits.

These accident contributions are recorded as revenue of the central government (D.6111-employers actual social contributions), which correspond to flow D.121. Accidents benefits are recorded under D.621 – social security benefits in cash (e.g., injury benefit, accident survivor benefit or benefit on difficult social application etc.). In addition, the central government pays service charges to insurance corporations (under P.21) by a contract (about 13% of received the contributions).

Any receivables relating to unpaid accident insurance contributions are recorded within balance sheets of the insurance corporations and relevant penalties.

6.2 EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts.

ESA2010 paragraphs 20.294-20.300 foresee that when non-government units are beneficiaries from EU grants, all the flows to and from government should be recorded as financial transactions, without any impact on government net lending/borrowing (B.9).

When final beneficiary is a government unit, the neutrality of EU flows is ensured by matching the time of recording of government revenue from the EU and the time of recording of the government expenditure covered by the EU grant.

The ESA 2010 Manual on government deficit and debt Chapter 2.6 “Grants from and contributions to the EU budget” provide further details concerning the recording of these flows.

6.2.1 General questions

The government has established the National Fund as a special department of MoF and entrusted with the governance flows of financial resources from so called pre-accession (PHARE, SAPARD and ISPA) and after-accession funds EU (Structural Funds, Solidarity Fund, under instruments – Transition Facility, financial mechanism – *Norway 2009 - 2014 etc.*) and transfer them either direct to final beneficiaries or through the ministries. There were different systems for recording pre-accession funds and for after-accession funds in the bookkeeping system of the central budgetary units.

Pre-accession funds were recorded as extra-budgetary means and so they have not been a part of the working balance - starting line of the EDP Table 2A. Data for the National Fund is recorded on the extra line under the item “Non-financial transaction not included in the working balance”.

Recording of **after-accession funds (from 2004 year)** is based on a different system. These funds are recorded as a part of the State budget revenue and expenditure (on cash basis) and are included within working balance on the starting line of Table 2A. The amount pointed for non-government sectors is excluded from revenue and expenditure of government units.

The basic principles of **recording EU flows** are as follows:

1. step: all EU means (funds) are excluded from revenues of government units
2. step: from expenditures of government units are excluded all expenditures (made on behalf of the EU) not intended for government units
3. step: those EU funds, which are intended for own use of ministries, semi-budgetary organisations or other government units, are returned to revenues of these units and they are classified as direct flow from EU in item D.74/D.92. It means that EU funds used by the ministries for their own activities are in national accounts recorded already through the data source under corresponding items (e.g., P.2). The same amount is recorded on the resources side for government units under D.74.

EU funds, which have been used for acquisition of non-financial assets of BOs and State Funds, are recorded under item D.92 (transactions on the level subsector, on the resources side of relevant units).

4. Step: Other receivables/payables whose calculating is based on revenues and expenditures data determined on projects granted from EU budget, i.e., total revenues (R) from EU minus total expenditures (U) made on behalf EU ($R-U < 0 =$ receivables; if $R-U > =$ payables).

Source data: Since 2007, the **Ministry of Finance** has introduced new parts of budgetary reports (part XI-revenues from EU budget and part XII – expenditures paid from EU funds of FIN 1-12 OSS and FIN 1-12 SF for central government and Fin 2-12M_ for local government). Budgetary organisations and state funds fill in relevant parts of statements, where the items of budgetary classifications are signed by the code sources (national or EU flows or pre-financing on behalf of EU). Based on this information, it is possible to exclude the EU funds from the revenues and expenditures of the government units and to record these flows subsequently to final users. In addition, the State Agricultural Intervention Fund submits detailed data, which enable deduct an EU part. Since 2010, the Czech Statistical Office has direct access to the database of MoF and can check individual data from budgetary and budgetary statements for all budgetary units (central and local) and all individual data for semi-budgetary organisations.

The budget reports can be used to distinguish the group of final beneficiaries through budget classification items. It can be observed flows of EU means from NF to the ministries, from ministries to the state funds, local government and semi-budgetary organisations or to the non-government units and the end from local government to the semi-budgetary organisations or to the non-government units.

The third and fourth EU own resource are recorded in the NA in accordance with ESA2010 on the line D.76 (VAT – based third resource under D.761 and GNI – based fourth resource under D.762).

The Ministry of Agriculture and the State Agricultural Intervention Fund receive subsidies (with the exception of Operational Programme Rural Development and Multifunctional Agriculture, which goes through the NF) directly from the EU. Subsequently the MA transfers these EU flows to the State Agricultural Intervention Fund, which pays these means to their final recipients. Therefore, the EU flows only pass through the Ministry of Agriculture. To prevent the impact on the government deficit, these EU flows are excluded on both sides – the income and expenditure of MA.

On the resource side – the flows are excluded at the amount observed from the budgetary classification. EU flows received by the State Agricultural Intervention Fund from the Ministry of Agriculture are also excluded on the resource side. EU flows paid out by the SAIF are in the source data for the unit reported aggregated (i.e. national finances plus EU finances). The SAIF submits detailed data, which enable exclusion of the EU part. On the bases of this data, it is possible to exclude the EU finances from the expenditures of the SAIF and subsequently record these flows to resources of the recipients.

The MoF provides information:

- a) on excluded (cancelled) projects from Operation programmes. The information is basis for correction of the previous records relating to government revenue and receivables to EU
- b) on blanket correction (plošná korekce); this amount is recorded in NA as decreasing of receivables against EU and also as capital transfer (payables) to the EU budget.

Besides of ministries and state funds, there is also another unit engaged in the distribution of subsidies and grants from the EU budget is **The Centre for International Cooperation**, central semi-budgetary organisation. It has been established by the Ministry of Education, Youth and Sport and it distributes EU flows received not only through the MoEYS, but also received directly from the EU budget and destined especially for financing of the ERASMUS project (2014-2020). The project is aimed to support (short-term and long-term) of study and professional training - for students, teachers or educational facilities of corporations, government and non-government institutions. Recording of these EU funds in national accounts is the same as for other flows from the EU budget (see above).

In the new programming period (2014-2020), the so-called “simplified reporting” of flows from EU funds have been used (on basis of the EU decision) for some projects. In the source data (available to the CZSO) to exclude EU means from government accounts (see above), the expenditure reported within “simplified reporting” cannot be identified. EU funds under the simplified reporting are reported as national means (CZK). Therefore, the corresponding amount of EU funds is not allocated to the government revenue. As a result, there is a some misrepresentation in recording EU flows on the revenue side of the state budget (there is a worsening of the working balance of the budget organisations - there is no part of EU revenue being recorded).

6.2.2 Cash and Schengen facility

The time of recording of payments received by the beneficiary Member States through Schengen and Transitional Facilities would be accounted according to the Eurostat decision

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on EU flows, while the time of recording of Cash-flow Facility is when the transfers are to be made by the Commission. In practice, in this particular case, the amounts would be recorded as revenue in the years in which they were received by the beneficiary countries.

In line with Article 30 of the Act of Accession, the Czech Republic has received EU means from the cash-flow facility only in the year 2004, 2005 and 2006 and these funds have been in the NA in accordance with ESA 95. In the line with Article 35 of the Act of Accession, the Czech Republic has not been entitled to any payments from the Schengen facility.

6.2.3 EU financial instruments

The EU has been providing measures of financial support from EU structural and investment funds “financial instruments” (FI) These instruments may be “equity or quasi equity investments, loans or guarantees” and they are intended to support activities that will generate income, or result in saving on future expenditure. Unlike grants, they do not constitute a gift to the final recipient, which will typically be a small or medium-sized enterprise (SME) since, under normal circumstances, the funds are expected to be repaid to the creditor and produce a return on the investment (such as interest on the loan, or profit on subsequent sale of equity). EU legislation allows for a choice on how the financial instruments are implemented nationally: the Implementing Authorities can choose whether to assign the implementing task to a newly created entity or contract out the management to the EIF/EIB or to existing financial institutions.

The European Commission, the European Investment Bank Group, and other International Financial Institutions on financial engineering in cohesion policy, the European Commission drew up new initiatives for improving access to finance of European corporations. These initiatives require the involvement of EU governments (as in the case for other cohesion and structural policy instruments). EU Member States implement the JEREMIE and JESSICA (or JASPERS and JASMINE) initiatives by establishing a Holding Fund funded through their Structural Fund receipts from the European Commission and national contributions. The Holding Fund (HF) can be managed either by the EIF or by other financial institutions, according to the EU Structural Funds legislation applicable. In this context, the "Managing Authorities" can award management either directly to the EIF or any national institution, which benefits from public procurement exemption under national law through a grant agreement, or indirectly by way of tender to a financial institution through a service contract. Holding Funds can be set up either as “ring-fenced blocks of finance” or as bank accounts managed by the Holding Fund manager on behalf of and in the name of the Managing Authority, or as an independent legal entity (Special Purpose Vehicle – SPV).

JESSICA

The Jessica Program (Joint European Support for Sustainable Investment in City Areas) is part of the concept of Joint European Support for Sustainable Investment in City Districts for period 2013 -2015. A form of returnable financing, it created an opportunity for regions to get money back and use it again in future to support other investments in towns development.

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In the Czech Republic, the Jessica program was implemented in the Regional Operational Programme Moravia-Silesia (ROP MS) through a Holding Fund and in Integrated Operational Programme (IOP) through the Holding fund of the State Housing Development Fund (at present the State Investment Support Fond - Státní fond podpory investic). In the ROP MS were 2 Urban Development Funds (UDFs) selected in open tender undertaken by EIB; in the IOP 1 UDF was elected in the open public tender.

Activities of the Holding Fund of the SHDF (including corresponding deposit account), were managed by a special department of the State Fund (classified in S.1311). Means of these Holding Funds consisted of national public resources 15 % and of the European Regional Development Fund (ERDF) 85 %, i.e. Jessica ROP MS: EUR 17 million from ERDF, 3 million EUR from national public resources and Jessica IOP: EUR 20,7 million from ERDF, 3,7 million EUR from national public resources.

In the case of the Jessica ROP MS the deposit was held on HF account (in the Czech Republic) managed by EIB until 2013 pursuant funding agreement between ROP MS and EIB. The functions of HF EIB were fully transferred to the Regional Council MS in 2013. In total 5 projects from urban development fund were supported in the 2007 – 2013 programming period. Unused resources in amount of € 1 mil., not paid to final recipients, were deducted from the statement of expenditure in 2015.

Payments to final recipients were finished by 31. 12. 2015. As of 1.1.2016 the account balance was 0 EUR in case of CMZRB and 4 810 EUR in case of CONTERA, that is supposed to cover management fees. FI JESSICA ROP MS 's terms of exit policy reflected the fact that Regional Council shall cease to exist, therefore the resources returned shall be managed under Moravian-Silesian Region until 2032. Within the second cycle, re-use of resources returned is planned to be in a form of loans or equity investment in areas as energy efficiency, remediation or urban development. It is expected to revenue 1.22 million EUR every year till 2030 (total approximately 20 million EUR).

In the case of Jessica, IOP the means were held on the SHDF account and are continuously provided to the UDF managed by Komerční banka, a.s. At the end of 2015 the whole allocated amount was disbursed as loans to the final recipients (including +3.8 % of resources returned). Last resources returned are announced to the end of 2036 (it is expected + 1,125 million EUR of interest generated).

In terms of exit policy, re-use of resources returned (second cycle) shall be distributed in the form of grant-**credit** assistance within the Housing Policy managed by Ministry of regional development. Net amount of 21.2 million EUR shall be available for beneficiaries.

In 2019, the Moravian-Silesian Region announced the Jessica II financial instrument and invited municipalities and associations of municipalities to apply for an advantaged loan. The amount of the advantaged loan ranges from CZK 5 to 50 million, the PRIBOR 3M interest rate (50%, min. 0%) and the maturity of 25 years. Discounted loans are provided for housing, sports facilities, tourism infrastructure, urban industrial zones or EPC, etc.

JEREMIE

As a part of Jeremie instruments, there was a plan to implement Seed fund in Operational programme Enterprise and Innovation (OPEI). The open public tender to select an

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administrator of the Seed fund was terminated unsuccessfully in 2013, therefore the managing authority of OPEI decided to stop the preparation of the Seed fund in the 2007-2013 period

With respect to the fact that the afore-mentioned Operational Programmes were from the financial point of view settled up with the European Commission and the management of the remaining funds is under sole responsibility of the Czech Republic, the reporting on these initiatives in this document will be terminated.

The new programming period started in the Czech Republic in 2017. The first operations connected with financial instruments were reported in the same year when the Ministry of Industry and Trade (MoIT) sent funds to the Czech-Moravian Guarantee and Development Bank (CMGDB) for distribution in form of loans and guarantees to final recipients. In frame of financial instruments, the MoIT also paid the certain amount to the European Investment Fund in 2017.

In 2018, a new program was launched under the State Environmental Fund where financial instruments will also be applied (CZK 120 mill). The MoIT sent next payment of CZK 1 200 mill to the NRB. The Capital city of Prague has been involved in this type of funding since 2018 sent the amount of CZK 50 mill from EU funds to the NRB (former CMRZB).

These amounts are recorded within the General Government accounts under F.89 and AF.89 - other accounts receivable and payable. There were no losses incurred in the reference years.

From these resources, the NRB provides loans and guarantees to final recipients recorded in the NRB balance sheet as assets under AF.4/F.4 item.

Transactions to the settlement of called guarantees, written-off guarantees or written-off loans are recorded as expenditure capital transfer (- D.993), and as a reduction (-) in loans and liabilities, i.e., under AF.4/F.4 (on assets side) and AF.89/F.89; revenue from EU as revenue capital transfer (+ D.993)

6.2.4 EU recovery and Resilience Facility (RRF)

The RRF (within the Czech Republic) entered into force on 19 February 2021. It finances reforms and investments in Member States from the start of the pandemic in February 2020 until 31 December 2026. To receive RRF funds, member states must present plans for major investments and reforms that promote economic recovery and strengthen social resilience. The funds provided via the RRF consist of grants and loans, and their disbursement is linked to the fulfilment of a number of milestones and targets.

Statistically, the RRF grants are to be treated similarly to the conventional EU grants, i.e., without impact on the net lending (+) /net borrowing (-) (B.9) of general government (see MGDD section 2.6.1). An exception to the neutrality rule exists for the year 2020 (due to the retroactive application of the RRF. Expenditure incurred in 2020 is not neutralised in 2020, the corresponding revenue is to be recorded when the plan is endorsed by the Council. In addition, in the case of the RRF, by convention, government is to be seen as the final beneficiary of all funds. Advance payments by the EU on RRF grants are to be recorded either in F.8 payables or a reduction in F.8 receivables to the extent that receivables exist. The expenditure financed by the RRF loans should accrue following ESA 2010 rules, and no expenditure neutralisation should take place. The recording of the FIs financed from the RRF grants should follow the same rules as for the FIs financed from the regular EU flows (see MGDD section 2.6.3), that is, be B.9 neutral for general government (as the beneficiary).

The government of the Czech Republic submitted the National Recovery Plan to the European Commission in June 2021 and thus requested a financial contribution from the RRF in the amount EUR 7,035.7 million (CZK 179,1 billion) in the form of grants. The plan contains priorities – 6 pillars: digital and ecological transformation, physical infrastructure, education and the labour market, research, development and innovation, public administration and healthcare. It respects the recommendation of the Council for the Czech Republic and European legislation and e.g., it assumes that approximately 45 % will be allocated to infrastructure and so-called green transformation, 2 % to the area of education and the labour market, or 7 % to the area of health and resilience of the population.

The Government of the Czech Republic did not request any reimbursement of expenses realized in 2020 from the RRF.

In 2021 the Ministry of Industry and Trade (as the main body responsible for the Czech recovery and resilience plan, received CZK 23,2 mill. as prepayments from RRF. RRF flows have been neutralized in the same way as other EU flows (see above).

It means that the prepayments have been recorded only as financial transactions on the balance sheets of the central budgetary units (AF.2/AF.89) and do not enter the WB. All expenditures are de facto pre-financed from the state budget and after that when milestones/ targets will be agreed by the EC, the funds will be released from prepayment and transferred to the state budget via the WB. At the time/period these funds will be excluded from the revenue side in the NA and decrease of the receivable will be recorded. Neutralization of 2021 expenditure financed by the RRF was implemented at central budget level.

The RRF amounts are recorded in the EDP Questionnaire table (4.2.1) and also as integral part of the supplement tables, i.e. “Reporting of expenditure and other costs of the general government (S.13) financed by the Recovery and Resilience Facility (RRF)”. Funds of the RRF are recorded in the Questionnaire, table 4.2.1 and also as integral part of supplement tables, i.e. Report on expenditure and other costs of government units (S.13), financed by the RRF.

6.2.5 Market Regulatory Agencies;

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in

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national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

Within the Czech Republic, the Market regulatory agency was established as the State Market Regulation Fund in Agricultural (Státní zemědělský fond tržní regulace) was established in 1992, by a special law. It was principally charged with purchasing, holding and selling agricultural products and its activities were financed especially from the market revenues or from bank loans. Subsidies from the state budget covered only (approximately) 16% of its operating costs. Therefore, the Fund was classified in S.11001 (according to methodology ESA).

In 2000, activities of the Fund were amended and the Fund changed its name to the State Agricultural Intervention Fund – SAIF (Státní zemědělský intervenční fond) -by law No 256/2000 Coll.; it started to provide more supports than before and intervention activity was reduced. Therefore, the Fund has been reclassified into S.1311 in 2001. After the joining (in 2004) of the Czech Republic to the European Union, the Fund acting also on behalf of the EU, i.e. it redistributes also EU grants.

Eurostat recommended splitting such unit, which carries out mixed activities into two units, because EU transfers should have no impact on government deficit/surplus⁹. Because the splitting was not possible by technical point of view (for lack of data), the Fund continues to be classified inside S.1311.

However, subsidies and investment grants from the EU funds are determined to non-government units (not to the Fund) and the Fund is not treated as the economic owner of the inventories subsidised from EU. From these reasons

a) Subsidies and investment grants from EU are excluded from the revenue of the SAIF and recorded as a non-financial transaction between the EU (S.2) and final beneficiaries (S.11, S.14) – under D.3-subsidies and D.92-investment grants items;

b) Part of the SAIF has been classified in S.11001 as a public notional unit (quasi-corporation), which only owns all the inventories and its “registered capital” is recorded in the same amount on liabilities side in its balance sheet (under AF.5, F.5). In the SAIF’s balance sheet (on the assets side) is then recorded only stock and transactions in equity (under AF.5, F.5) in the amount of these inventories and their corresponding changes. The re-classification of this new unit from S.1311 to S.11001 has been recorded since 2004 (from access of the Czech Republic into EU).

In 2013 and 2014, the Fund reported no activities relating to purchases and sales in inventories and therefore, no rerouting of the items has been recorded. The main activity of the unit related to redistribution of subsidies (especially EU grants) to farmers.

⁹ §§ 20.53 and 20.54 ESA 2010, and the Manual on government deficit and debt.

6.3 Military expenditure

The ESA2010 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered.

ESA2010 paragraphs 20.190-20.192 define the rules for the statistical recording of military equipment. Chapter 2.5 in Part 2 of the ESA 2010 MGDD details the rules concerning the recording of military expenditure.

6.3.1 Types of contracts

Primary (and rough) information on important military contracts is usually obtained from the mass media, e.g., on contracts relating to the acquisition of combat aircrafts Gripens or on purchases military vehicles etc. Other information is then obtained from the Ministry of Defence.

The MoD provides to the CZSO data on the acquisition of fixed assets of which military equipment (regularly on quarterly basis) are provided separately. According to this information, there is usually no delay between the delivery of military equipment and the payment for this equipment.

In several cases, some untypical operations were recorded, i.e., acquisition of combat aircrafts Gripens or purchases of armoured vehicles Pandur.

Suppliers of military equipment are from abroad or from national institutional units classified in non-financial corporation sector. No manufacturing unit, which would produce military equipment or durable goods, is classified in the General Government sector.

The MoD (by the Act No. 38/1994 Coll., on trade in military equipment, as amended) purchases the military equipment (including ammunition etc.) via special units, which are entitled to do a trade with the equipment. Purchases from abroad are carried out through the foreign intermediaries (also according to the special Act No. 332/2009 Coll., on foreign trade in military equipment, as amended).

Some military equipment (fighter helicopters) has been delivered as repayments of receivables of the Czech Republic abroad (in compliance with corresponding contracts).

Specific information on **signed contracts** with suppliers, either on military deliveries or on contract expenditure relating to the delivery etc., are secret and may not be published. Therefore, CZSO does not have more detail information on the specific military contracts.

The long-term contract (2005 – 2015) on acquisition of 14 fighter aircrafts (Gripens) has been recorded and reflected in the State budget as operating leasing. However, acquisition of these fighter aircrafts is treated in the government national accounts as financial leasing - in compliance with ESA2010 methodology and the Manual on government deficit and debt. The original contract has been prolonged by 10 years (from 2015-2025) – for more detailed information see 3.1.1.1 and 3.2.3.7.

In 2019/2020, the Czech Republic (Ministry of Defence) and five other EU member states reached **an intergovernmental agreement** on the acquisition of eight A-330MRTT aircraft modified as tankers for fighters and other military machines for flying hospitals, the transport

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of almost 300 people or for aerial refuelling, etc. (to 2024). NATO is the owner of these airbuses. The Czech Republic already used this aircraft for transport soldiers and material to the Baltics, already in 2021.

In addition, in 2022, intergovernmental agreements were made within EU (including the Czech Republic) on military equipment deliveries (e.g. armoured combat vehicle) to help defend Ukraine.

Due to the contract on delivery of wheel-armoured transporters (Pandur), the MoD paid **advances** in 2009 and in 2010, which were included in expenditures of the State budget on military equipment and also in the WB. However, these advances (paid, possibly in subsequent years) are financial transaction and therefore they are excluded from the expenditures in compilation of the EDP table 2A – in the transition to the EDP B.9.

Besides **receivables** (e.g., result from these advances), they are recorded within the balance sheet standard liabilities (payables) of the MoF relating to the acquisition of military equipment. MoD reports that there are no liabilities longer than is ordinary pay-off period of bill (usually no more than 14 days).

6.3.2 *Borderline cases*

The MoD reported that as borderline cases could be treated for instance software systems, equipment for training or for simulation of a fighting situation. However, the durables goods are not included into military equipment and the CZSO does not have more detailed information.

6.3.3 *Recording in national accounts*

The available information (from the MoD) on the payments relating to military equipment is recorded in the national accounts in compliance with the ESA2010 methodology (see §§ 3.90, 3.129, b; 20.190-20.192; Annex 7.1) and the Manual on government deficit a debt i.e.

- deliveries of military equipment are recorded under fixed assets acquisition (P.51g; P.51c) and P.52 – changes in inventories according to ESA2010 (and not as P.2-intermediate consumption and final consumption P3/P.4) as was the case ESA95 methodology;
- corresponding deliveries of services are recorded as intermediate consumption (under P.2);
- at the time, when the economic ownership of the military good occurs, or when the military equipment should be delivered (on accrual principle). Acquisitions of military equipment is s paid after delivery, immediately, with the exception financial leasing (the Gripens purchased in 2015);
- Long term advances on military equipment are recorded (armoured vehicle, helicopters or weapons) on assets side of the balance sheet under AF.42/F.42 item – long-term loans (and within the notification table 2A).

In compliance with the manual ESA2010, recording of the aircraft delivery (Gripen) has been recorded at purchase prices under the item P.51g. Payments for service has been recorded as intermediate consumption (P.2) each year, as well as interest related to financial leasing (the

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item D.41). The same approach is used also in the implementation of the extended lease contract of the combat aircrafts for another 10 years (2015-2025) – see 3.1.1.1

The government operating leasing contract on the aircrafts is treated as financial leasing in the national accounts and due to the same amount (the purchase price of the aircrafts) is imputed into the government debt (AF.42; F.42); the amount was reduced by the first repayment at the end 2005. Other instalments of the debt are recorded according to the contract signed (a schedule of payments) – by the MoD information.

The change in the concept of military equipment required the **calculation of fixed capital consumption** (P.51c). The calculation of fixed capital consumption is generally based on the PIM method and using the lognormal elimination function. Therefore, the relevant military equipment was divided (with cooperation of the MoD) into several groups (e.g., tanks, armoured vehicles, missile systems, combat helicopters, combat aircraft, and handguns etc.) and the corresponding average lifetime was determined for each of these groups; for some of these groups, historical prices were also available. However, fixed capital consumption for aircrafts Gripen is calculated using so called simultaneous exit function, i.e. the aircraft are 100% discarded after 10 years (in compliance with the leasing contract).

The Czech Republic extended operating leasing of aircrafts Gripen from 2015 to October 1, 2027. Contractual price amounting to Swedish crown 5,375 million includes value of aircrafts, payment for services relating to lessee and payments of interest. In line with the MGDD II.5.2.2, the acquisition of the military equipment has been recorded at the time of its delivery, i.e. fourth quarter 2015 and as government capital expenditure (P.51g) with the corresponding counterparty in import of goods and services (P.7).

The contract price in Swedish crown (SEK) has been converted into CZK at the actual exchange rate CZK/SEK published by the Czech National Bank (www.cnb.cz). For the purpose of interest rate estimation, the Maastricht criterion (long-term interest for 10Y government bond) is used.

6.4 Interest

This part aims at describing accrual adjustment for interest.

ESA2010, § 4.50 reads: "Interest is recorded on an accrual basis: that is, interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding. The interest accruing in each accounting period must be recorded whether or not it is actually paid or added to the principal outstanding. When it is not actually paid, the increase in the principal is recorded in the financial account as an acquisition of a financial asset by the creditor and an equal acquisition of a liability by the debtor."

MGDD part II, chapter II.4 is dealing with some practical aspects of the recording of interest.

6.4.1 Interest expenditure

Table 11 Availability and basis of data on interest

<i>Instrument</i>	<i>S.1311</i>		<i>S.1312</i>		<i>S.1313</i>		<i>S.1314</i>	
	<i>State</i>	<i>OCGB</i>	<i>Main unit</i>	<i>OSGB</i>	<i>Main unit</i>	<i>OLGB</i>	<i>Main unit</i>	<i>OSSB</i>
<i>Deposits (AF.2)</i>	C/A	A	M	M	C/A	A	A	A
<i>Securities other than shares (AF.3)</i>	C/A	A	M	M	C/A	A	A	A
<i>Loans (AF.4)</i>	C/A	A	M	M	C/A	A	A	A
<i>Other accounts receivable (AF.8F.8)</i>	C/A	A	M	M	C/A	A	A	A

Cash/accrual, M (not applicable) or L (not available); OCGB, OLGB, OSSB=other central, other local government bodies and other units in S.1314

Data on **interest expenditure** is obtained from budgetary and financial statements, i.e. according to budgetary classification items (on a cash basis) and from synthetic accounts (on an accrual basis) showed within the Profit and Loss Statement and (for BO and SBO), and from the AAO split by financial instruments.

Interest expenditure on a cash basis, obtained from budgetary classification items (5141, 5143, 5149), for BO, is adjusted on accrual base. The adjustment for CBO relates especially to interest on the state government debt. The Ministry of Finance provides regularly (quarterly and annual) information on accrual interest on the state debt, i.e., on the state debt securities and loans.

Moreover, interest expenditures are adjusted by interest on financial leasing (especially interest relating to combat aircraft Gripens in S.1311) and by FISIM. Since 2014 - interest expenditures (S.1311) are adjusted for interest related to churches restitutions and their amount results from the inflation impact on the government liability (see section 6.5 Time of recording of other transactions – Restitutions).

Information on interest expenditure for other government units classified in all government subsectors is on an accrual basis - from the Profit and Loss Statements including information on interest connected with the secondary activities of central and local BO. Since the budgetary and financial statements or statistical questionnaires are available for all government units split by government subsector, the information on interest expenditure is exhausting. Carried out adjustments of interest on accrual are included in the government accounts and within the EDP table 2A and 3B in the same amount.

6.4.2 Interest Revenue

Sources data on interest revenue are the same as for interest expenditure. The information is obtained from budgetary statements (cash), i.e. from the budgetary classification items (2141-interest on banking deposits, on bills, debentures and loans; 2144-interest on state debt securities, 2145-interest on municipal debt securities) and from synthetic accounts (accrual) showed within the Profit and Loss Statement and also from the AAO split by financial instruments. Interest revenue on a cash basis for CBO is adjusted especially for interest on a loan or debt securities recorded in the special part of the MoF. Information from the Profit and

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Loss Statement or from the statistical questionnaires for other government units classified in all government subsectors is on accrual basis including information on interest connected with the secondary activities of central and local BO.

Interest revenue is adjusted regularly by FISIM.

Since the budgetary and financial statements and statistical questionnaires are available for all government units split by government subsector, the information on interest revenue is, in principal, exhausting.

The conclusions of the EDP Dialogue Visit in the Czech Republic in 2016 and the revision of the MGDD, however, required more detail information on interest on foreign claims and claims against intermediaries - on interest, which seem unlikely to be repaid. Therefore, the CZSO, in cooperation with the MoF (that provided more detail data) investigated the claims, in particular the accumulated of accrued interest revenue on claims, which are considered non-performing.

Interest revenue (D.41) on intergovernmental claims that unlikely to be repaid, should repaid as a capital transfer (similarly as debt forgiveness), i.e., through the capital transfer (D.99) – from the creditor to the debtor.

Because some debtor countries do not recognize interest payable, therefore the interest is not recorded in the public accounts. Consequently, interest is not (as the revenue) recorded in the national government accounts; only principal and revaluation enter in the accounts

6.4.3 Consolidation

Consolidation of interest revenue and expenditure (D.41) is recorded in the time series of the Government accounts since 1995 and it is applied for all government subsectors (S.1311, S.1313 and S.1314). This consolidation is carried out both on the subsector level and on the sector level.

From 2012 information on interest consolidation has been based especially on accounting information from the Auxiliary Analytical Overview (within the State Treasury), which includes information on counterparts. Other data is obtained from individual central government units especially from SDF, SEF, PRISKO, SGAFF, MoF interests from bonds. Complementary data is obtained from the annual statistical questionnaire (VI 1-01) for government units, where is obtained information on counterpart sectors – payers and receivers of interest.

For the sake of consolidation, special codes (D.411, D.412 and D.413) were introduced in the sequence of government accounts (CZ). Interest revenue from other institutional sectors follow especially interest on banking deposits and interest paid to others institutional sectors represent interest on issued government debt securities and on received (foreign or banking) loans. Within the paid interest are included also calculated interests on financial leasing (relating to mainly leased of Gripens) and interest linked with the churches restitutions.

Due to the reclassification of some corporations, which is already mentioned above (mainly the CEB and CMZRB, EGAP and DIF since 2011), the scope of consolidation has increased.

6.4.4 Recording of discounts and premiums on government securities

Premiums and discounts related to the issue of securities enter the Working balance of EDP table 2. They are recorded in the WB on the cash basis and neutralised in the line Difference between interests paid (+) and accrued (D.41)(-) in EDP Table 2, where cash flows of discounts/premiums are replaced by accrued flows.

Only the MoF may issue securities above or below par. Information on the debt issued with a discount or premium of other government bodies is not available. Premiums and discounts are spread over the life of the instrument on an accrual basis. Premiums are treated as negative expenditure in national accounts. Information on new discounts and premiums is obtained from MoF. Detailed information on the repayment of discount is not available.

6.4.5 Recording interest accrued on intergovernmental loans in dispute and interest accrued on intergovernmental loans unlikely to be repaid

Accrued interest from intergovernmental loans in dispute and interest accrued on in intergovernmental loans unlikely to be repaid, is monitored and investigated by the Ministry of Finance as part of foreign receivables. The Czech Statistical Offices, in cooperation with the MoF, checked all foreign claims. In a number of cases, this involved non-performing loans including interest not recognized by the borrower (primarily by third world countries). As a result of this cooperation, most of these interests were excluded from the D.41 item – from the resources side of the government account, and within of the work of the revision of national accounts, in the entire time series – they do not have an impact on the deficit of government institutions (B.9).

6.4.6 Recording of interest on on-lending's from supranational entities

Supranational entities may borrow on the markets at more favourable rates than many Member State governments can achieve and on-lend the amounts to national governments in the form of loans. An example is the SURE instruments, established by the European Commission in 2020. Under SURE instrument, the European Commission uses the capital markets to raise funds and then on-lends them to national government in the form of loans.

Interest revenue and expenditure related to the external debt of the Czech Republic relate mainly to long-term loans e.g. from the European Commission (EC).

The corresponding interests are recorded under D.41 item and have impact on net loans/borrowings (B.9) in S.13. The loans are intended e.g. for the highways construction, the prevention of flood protection or for support the solution to the wave of refugees from Ukraine.

In 2021, the net interest revenue of the state was affected by the net interest revenue from financial assistance within European SURE instrument.

6.5 Time of recording of other transactions

Central and local BO and extra-budgetary state funds recorded its revenues and expenditures for main activities only **on the cash basis** (in budgetary reports FIN) and its assets and liabilities in the balance sheet – by the year 2009. As to these financial statements, no official audit was carried out (in principle-see section 2.2.2) and authorities took notice of this fact. Therefore, it was necessary to carry out some adjustments in compliance with the ESA2010 methodology. For instance, receivables relating to taxes or EU grants did not record in accounting balance sheets. Therefore, the CZSO calculated these receivables and recorded them in the government accounts.

All other units classified in S.13 use the accrual accounting system. In the case of these institutions, there are thus only few adjustments, which are necessary to be recorded in the national accounts according to ESA2010. Fixed capital consumption, gross fixed capital formation, financial leasing, social and health insurance contributions fall within the adjustments.

In the case of central and local BO and state extra-budgetary funds, the situation is different. Although budgetary organisations started to run the accrual accounting system in 2010, data from the Profit and Loss Statement are still not fully satisfactory. For instance, methods applied in the system are not harmonized across the units (the same accounting case may be recorded in different accounts), or revenue from interest can be accounted in the balance sheet or in the P/L statement. Therefore, reported cash data on expenditures and revenues are still used and it is necessary to make more adjustments:

- **Subsidies** (for operating activity) - cash data have been treated as accrual data; the MoF reports that subsidies are paid according to the possibilities of the Budget. Since 2010, subsidies are recognized also from the P/L Statement.

- Recording of the **capital transfers** depends on the kind of these transfers. Data on investment grants is obtained especially from the budget report (budgetary structure items) and from the Auxiliary Analytical Overview. Investments grants are recorded also in the balance sheet of BO, SF and SBO as a separated part of the “registered capital”). Moreover, information from the statistical questionnaire is also used. Other capital transfers are as one-off transfers (e.g., restitution in money, debt forgiveness etc.) on an accrual basis or on a cash basis (when cash equal accrual) e.g., humanitarian assistance.

- **Gross capital formation:** Calculation of GCF is for April EDP notification) linked with the GDP estimate and based on budgetary reports data of BO and on data from the annual statistical questionnaires (VI 1-01 and NI 1-01) of other government units. Currently, the information is based especially on data from the AAO.

- **Dividends** reported by BO are mostly on the cash basis and no adjustment was made (by the year 2009). Since 2010, data on dividends (on accrual basis) are included within “revenue from long-term financial property” item in the Profit and Loss Statement and in the AAO. Claims from dividends should be recognized (within accrual accounting) in the balance sheet, under “other accounting receivables” item. Data on dividends for other government units are based on information from the annual statistical questionnaires (on accrual basis) because the data are not included in the financial statements. Detailed information on the corresponding claims is not available.

- **Social benefits** – the transition from cash to accrual is based on the of January’s pension prepayment. The Czech Social Security Administration pays prepayment on pensions to the Czech Post in December. These pensions are then paid at the beginning of January next year to pensioners. The prepayment is included in the cash data of the current year but belong under expenses of the next year. Due to the fact, prepayments are excluded from cash data expenditure of the current year and they are included under expenditure of following year, i.e. in the year to which they relate.

- **Taxes and social contributions** are calculated on an accrual basis by the time-adjustment method. More detail description is in other parts of the Inventory.

- **Receivables/payables**: the main obstacle relates to the structure of the accounting system of the budgetary organisations. The cash system covers the main activities of the government units while balance sheets are built on the accrual principle. However, not all receivables and payables were recorded in their balance sheet (until 2009 – in the previous accounting system). Examples are the taxes receivables (unpaid taxes) or liabilities from promised subsidies and investment grants. These units (including the MoF) also did not record receivables and liabilities connected with EU grants. Therefore, the CZSO approaches data on subsidies and investment grant as accrual, i.e. no adjustments were made. As to taxes, the information on taxes revenues is obtained (from the MoF) in the form of time-adjusted taxes. Receivables calculated by the CZSO are imputed into the accounts. A similar method was used for EU flows area.

Since 2010, data on receivable/payable are available for all government units due to introducing accrual accounting system also for budgetary organisations. Of course, tax and social contributions receivable / payable are calculated in compliance with the time adjustment method used for these items.

- **Restitutions** – return of property to original owners – were executed (since the beginning 90th years) in kind and in cash; they are recorded depending on the restituted property. Restitutions represented transfers between S.13 and S.14 and S.15

- **Restitutions in kind:**

- Restitutions of non-financial assets have been recorded as transactions – negative capital formation (-) P.5 in the government account and as “other capital transfers” in capital accounts of general government under item D.99 (-), which has no impact on government net lending/net borrowing;
- Restitutions through by shares are recorded as transactions in shares and other equity (- F.512, AF.512) in the central government financial account and restitutions through the issued debt securities (bills exchange) (+ F.32, AF.32). These transactions influenced government deficit.

- **Restitutions in cash** are recorded as negative transactions in deposits (- F.2, AF.2). These transactions influenced government deficit.

- **Churches restitutions**

On 8 November 2012 was approved the Act No. 428/2012 **on property settlement with churches and religious societies** (in principle in compliance with the previous draft in 2008), which determines

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- churches and religious organisations (persons) whose property relations will be settled and entities, that will be obliged to give the property (the Land Fund, respectively State Land Office, the Forestry of the CR, s.e., i.e., central budgetary organisations, state funds, state semi-budgetary organisations and other state enterprises);
- what property will be supposedly a subject of restitution; the property is defined only in general terms as original property determined for spiritual, charitable, social, administrative and similar purposes and farms – i.e. lands (agricultural and forest land) residential and farm buildings. However, in compliance with the legislation, property *owned by private persons* or St. Vitus Cathedral cannot be returned.
- financial compensation in the CZK 59 billion (for 17 churches and religious societies) and after payment of the first instalment, the amount of outstanding the financial compensation shall be increased annually by the inflation rate published by the CZSO.

According to the Act (§ 16), the State (the MoF) concluded **a contract on settlement** with the churches and to submitted the agreement to the Government for approval. Within the contract, the state agrees to pay the financial compensation in 30 instalments. After the first instalment – the outstanding amount increases annually by the rate of inflation. In the contract is stated that the state (the MoF) and a church may agree that the annual instalment may be settled through the transfer of government bonds. These agreements were (in compliance with the Act No 428/2012 Coll.) signed in 2013; only the Brother Baptist Union (Bratrská jednota baptistů) has not been signed the contract. The Ministry of Cultural is responsible for the restitutions and the liability as to cash compensation in the amount CZK 59 billion is recorded in its balance sheet for 2012 and the first instalment was recorded in 2013.

Recording of the churches restitutions in the national government accounts

1. Financial compensation: According to Eurostat recommendation (in 2008), the transactions has been recorded under other capital transfer from the central government (D.99, payable) to S.15 (D.99, receivable) and as incurred liability in the same amount under F.89/AF.89 (CZK 59 billion) in the 4th quarter 2012.

2. Government liability (two types of annual instalments): The amount of financial compensation is re-valued by the rate of inflation reported in t-2 (i.e. in 2012) and the increasing in the liability due to inflation rate is recorded under interests payable (D.41, payable). The first instalment in 2013 has been recorded in the amount CZK 1 959 million (i.e. 59 billion/30 years); because Brother Baptist Union did not sign the contract on settlements and, therefore the government liability has been decreased (by CZK 228 mill) at the end 2013. In 2014, the first repayment of interest (D.41, payable) has been recorded (due to 3,3% inflation - in 2012).

3. Restitutions in kind: the transactions are recorded on the asset side of the balance sheets persons obliged to transfer the property (within the corresponding institutional subsector and under the corresponding ESA code, i.e. under AN ESA code - especially in the State Land Office and Forests of the Czech Republic, state enterprise or municipalities) and on the capital accounts without impact on deficit.

Starting from 2013, the churches have raised requirements for the restitution of mainly lands, forests, buildings or also some artworks. As to the transfer of non-financial assets from obligatory persons, the Ministry of Cultural issued a decree (in 2013), which includes a questionnaire on the property that will be transferred to churches. The MoC collects the questionnaire and provides it to the CZSO. In addition, two units playing important role in the

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restitution process (State Land Fund and Office for the Government Representation in Property Affairs) provide information that is more detailed to the CZSO.

4. Compensation through the government bonds (if any): If this form of church restitutions take place, issued government bonds will be recorded within of the short term government debt (F.41/AF41), because the bond should be in the amount of the annual repayment and as decreasing of the government other liabilities (F.89, AF.89). No such transaction has been carried out yet.

7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA2010), 2014 edition¹⁰.

7.1 Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt as well as of deficit. The accounting rules are explained in the Chapter 7.4 on Government guarantees of the ESA2010 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

This part refers to the definitions of the guarantees introduced by the ESA2010 (§§ 5.09 -5.11; box 5.1; §§ 5.188 – 5.197).

“Guarantees are arrangements whereby the guarantor undertakes to a lender if a borrower defaults, the guarantor will make good the loss the lender would otherwise suffer.” (Box B5.1.1, ESA2010). They are divided into three types

“(a) Guarantees provided by means of a financial derivative, such as a credit default swap. Such derivatives are based on the risk of default of reference financial assets and are not linked to individual loans or debt securities.

(b) Standardised guarantees are issued in large numbers, usually for fairly small amounts. Examples are export credit guarantees or student loan guarantees. Even though the degree of probability of any one standardised guarantee being called is uncertain, the fact that there are many similar guarantees means that a reliable estimate of the number of calls under the guarantee can be made. Standardised guarantees are treated as giving rise to financial assets and not contingent assets.

(c) One-off guarantees, where the associated risk cannot be calculated with any degree of accuracy, due to a lack of comparable cases. The granting of a one-off guarantee is considered a contingent asset or a contingent liability and is not recorded as a financial asset or a liability.”

This treatment of guarantees is also used in the implementation of the Council Directive 2011/85/EU.

¹⁰ <http://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-16-001>

7.1.1 Guarantees on borrowing

7.1.1.1 New guarantees provided

Recording in public accounts

Government units provide only **one-off guarantee** on debt instruments to government and non-government units and relate to especially to railway or road constructions, maintenance, to liquidation of flood damages or other special losses, e.g., to the Czech Railways, the Railway Infrastructure Administration and Prague Congress Centre (called in 2012).

Some of the provided guarantees related only to interest.

Guarantees provided by a government unit are recorded in its accounting system. Provided guarantees are recorded as contingent assets and liabilities out of the balance sheets, called guarantees (assumed debt) are recorded within the accounting balance sheet. If a guarantee is valued as risk, the unit (guarantor) may create reserves. However, the information is not recognized from the accounting balance sheets relevant unit and has not been statistically surveyed.

State guarantees - provided by the MoF are recognized on the liability side only if they have been assumed by the state because an original debtor, benefiting from state guarantee, had failed to meet his obligation. No called guarantee is assumed at the beginning. Other central BO or SBO are not allowed provide guarantees.

The MoF provided also a special type of guarantees - environmental guarantees (in 2008). This type of guarantees does not relate to guarantees on borrowing. The former National Property Fund provided them for possible ecological damages to privatized companies (on damages, which appeared after privatization). The amount of a payment is based on legal documents on incurred damages and expenditure linked with their liquidation.

In 2008, the Government of the Czech Republic adopted a proposal for a new solution to old environmental burdens that had occurred prior to privatisation. All services relating to this process would be entrusted to one selected supplier that has hitherto been compensated (payment for service) according to consecutive public contracts. The aim of this solution was the attempt quickly to reach the mandatory levels of pollution set by the Czech Environmental Inspectorate for each site and to fulfil the Government's commitments to the purchasers of the privatised assets. The technical and economic risks tied to the entire clean up (remediation) process, such as the risk of the contamination spreading to other areas, would be passed on to the selected supplier.

The tendering procedure for awarding the public contract "Elimination of Old Environmental Burdens that Arose Prior to Privatisation" ("Odstranění starých ekologických zátěží vzniklých před privatizací"), which related to the clean-up (remediation) of 600 sites and whose expected value was approximately CZK 100 billion, was underway at this time. Due to the administrative procedure conducted by the Office for the Protection of Competition (Úřad pro ochranu hospodářské soutěže) regarding the elimination of certain bidders, the entire procedure for selecting the supplier was delayed; the deadline for the submission of proposals was extended to 5 September 2011. Three parties that have fulfilled the qualification prerequisites were asked to submit proposals. These proposals should be assessed and valued and the most

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advantageous proposal (supplier) should be selected. However, the Government of the Czech Republic did not approve the tender.

The only assessment criterion was the tender price, which at the same time may not exceed the value of the remaining guarantees of the Czech Republic provided to the purchasers of the privatised companies. The price shall be paid off in instalments, always after the environmental burden (contamination) has been cleaned up (remediated) at the specific site. At the same time, the maximum annual payment (CZK 7 billion excluding VAT) shall be set contractually. If the work carried out exceeds this annual limit, payment shall be provided in subsequent years.

However, the MoF cancelled the tendering procedure for awarding the public contract for old environmental burdens that arose prior to privatisation and due to the method of payments is still the same. For this procedure is still responsible the MoF. The Ministry of Finance registers called state guarantees separately, recorded out of the accounting balance sheet and it provides basic information about them to the CZSO. Information is split by the corresponding unit and by financial instrument.

The MoF has provided also guarantees on debt securities: the guarantee on debt securities issued by the Aero (joint stock company, public corporation) amounting to CZK 4201 million in 2005, and the guarantee on debt securities issued by the Prague Congress Centre (joint stock company - public corporation) amounting to CZK 1383 million in 2012. Other types of guarantees (e.g., relating to deposit, export insurance, student loans etc.) has not been relevant for the Czech Republic. Since 2010, if a state guarantee is called, it is an integral part of the MoF's balance sheet.

Apart from the MoF, the Support and Guarantee, Agricultural and Forestry Fund also reports provision of guarantees, however the calls on guarantees are negligible; they are reported under the item D.99.

Information on activated (called) and assumed guarantees of a local BO or SBO (classified in S.1313) are recorded in their balance sheet, however within different liability items; provided guarantees are recorded as the liability out-off the balance sheet. Due to the MoF carried out (annually) a special survey relating to provided and called guarantees by 14 regional offices and 3 towns. Data from the survey was available always for October notification. Since 2012, called guarantees are recorded in the Auxiliary Analytical Overview, split by debt instruments.

Health insurance companies (S.1314) must not provide guarantees.

Newly provided state guarantees are recorded as contingent liabilities of the MoF. The same holds true for other government units, if they are entitled or allowed to grant a guarantee. Because of increasing interest in the extent of conditional liabilities in the form of guarantees, the MoF introduced a separate statement on guarantees for all BO, SF and SBO and subsequently for all units classified in S.13.

Recording in national accounts

Provided guarantees on borrowing instruments are not recorded **in the national accounts** - they are the form of contingent liabilities. If they are provided on issued debt securities or received loans, they are reported in the **questionnaire notification tables – Table 9.1** (compiled by the MoF). Information on state provided guarantees is obtained directly from the

MoF and since 2010, is the information recorded in the Annex to the Balance sheet as contingent liabilities.

If government guarantee is called, i.e., original debtor no longer pays for its liability, and then this guarantee is recognized as actual government liability on the liability side of its balance sheet.

In general, payment for a called guarantee is always recorded as other capital transfer (-D.99) expenditure.

- If the guarantee is called, then a whole amount of guarantee is included under the AF.42 (or AF.32 in case of guarantee for bonds) and under D99 in the year of the first payment of guarantee by the government. In the Czech National Accounts, called guarantees are recorded in this way because the MoF (government) pays regularly these guarantees. Repayments of called guarantees from the state budget are recorded as F.4/F.2; corresponding interests are recorded under D.41. If original debtor repays part of debt the payment is recorded as D.99 revenue; these cases are very rare and amounts are negligible.

Recording of the guarantees in administrative data is different. A guarantee is recorded as a contingent liability and is reduced by called part of the guarantee in a given year. The MoF records of the called guarantee as receivable with very low probability that this type of receivable will be repaid by original debtor. Called guarantee is recorded also as expenditure of the state budget and is included under working balance.

In the EDP table 2A, regular payments of called guarantees paid by the government are excluded from the state budget expenditure and on the contrary total amount of guarantee, which was called, is included the first time in a given year (in the table 2A under “Other adjustments” debt assumption).

- Payments of the state guarantee relating to the CSOB/IPB: the assumed guarantee is recorded at the time when it was called and based on the required documents (under D.99, payable item).
- Environmental guarantees are recorded in the national accounts every year under other capital transfer payable (D.99) at the time when a payment for removal of environmental damages was made.

7.1.1.2 Treatment of guarantees called

Recording in public accounts

Information on called guarantees is obtained especially from the MoF that registers provided and called guarantees. The state guarantees were recorded out of balance sheet and repayments of the called guarantees are reported only as expenditures of the MoF. In the new accounting system for BO (since 2010), called guarantees are recorded as a liability and as claims in the balance sheet. See section of 7.1.1.

Recording in national accounts

In general, a called (assumed) guarantee is always recorded (in the national government accounts) as the capital transfer expenditure (-D.99) and its repayments as a financial transaction (-F.42) in compliance with a timetable for repayments. It means that no claims are recorded.

Assumption of the outstanding amount of debt, which is related to state guarantees, is recorded in compliance with the law on budgetary rules (e.g., the Act No 218/2000 Coll., as amended) and the contract of guarantee or the certificate of guarantee for the benefit of the debtor (e.g., CNB, CSOB or Czech Railway etc.).

The MoF calculates and reports revaluation of these called state guarantees.

The same rules are valid also for local budgetary organisations (e.g., the Prague City Hall, assumed debt of the Prague Congress Centre - for outstanding amount of bond issued).

Debt cancellation relates only to foreign countries and in the national government accounts have been recorded only as debt forgiveness by the MoF (recorded in 1996 and 2005), i.e. as the capital transfer, payable.

Within **local government** (in public accounts of LBO) are showed claims against called and repaid guarantees – only as “short-term claims against guarantee” and in small amounts. In the national government accounts, this claim is recorded under AF.41, F.41. Based on the AAO information – no debt was cancelled.

The called guarantees (assumed debts) have been recorded in the outstanding amount in the government accounts. It means that no **repeated** called guarantees have been recorded. In addition, any **receivables** relating to called guarantees have not been also recorded, because repayments of such debt are very rarely. If the repayment is realised, it is recorded under D.99 (+).

7.1.1.3 *Treatment of repayments related to guarantees called*

Recording in public accounts

Repayments by the original debtor are very rare and are recorded in public accounts as revenue (of the State budget).

Recording in national accounts

In general, repayments of the called guarantee by the original debtor are very rare and in the national accounts, they are recorded as revenue (D.99) of the government units – especial of the MoF (the State budget).

In one case, the original debtor repaid last payment directly to the bank. The transaction was (in this case) recorded in the NA as D.99 (imputed revenue) because the total amount of assumed debt was recorded inception as D.99 (expenditure).

See above (part 7.1.1)

7.1.1.4 *Treatment of write-offs by government in public accounts of government assets that arose from calls, if any*

In the public accounts, write-off of claims, including claims from guarantees can be made only in compliance with budgetary rules and the Act on Administration of Taxes and Fees. These are cases where the claim is proved as non-recoverable, e.g., the debtor is bankrupt or the costs of enforcement of the claim would exceed its results (revenue).

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In the national government accounts and also in the EDP T2A is recorded only debt cancellation (in case of guarantees) – not write-off and only between units within central government (i.e., based on the bilateral agreement).

7.1.1.5 Data sources

Individual sources data on guarantees there are especially from the Ministry of Finance. Within the WB are included expenditure for called guarantees and unexpected repayments from origin debtors. Individual data sources for local government were not available. Since 2010, the MoF carried out partial survey by 14 regional offices and 3 towns. However, these local government units did not report any guarantee.

In 2014, the MoF introduced a new financial statement (as part of the Decree No 410/2009 Coll. – Annex No 5, K) “Supplement information on provided and called guarantees” – only for selected accounting units. Since 2017, a new Act No. 25/2017 Coll., on the collection of selected data for monitoring and management of public finances and implementing Decree No. 272/2017 Coll., enshrined the obligation of government institutions to submit data on provided and called guarantees. The statement includes e.g., name of the creditor and the debtor, amounts of provided and called guarantees, payments carried out by the creditor or guarantees by the type of debt instruments relating to the guarantee. In principle, the obligation to provide this information applies to all government institutions that have the competence to provide guarantees.

7.1.2 Guarantees on assets

In addition to guarantees defined in ESA 2010 (see above), MGDD (2019; chapter 7, part 7.4.1) defines guarantees on assets:

„Government may also provide guarantees on assets held by some entities as part of their normal business or in the context of government policies. In this case, government takes the commitment to cover losses related to a decrease in the value of the assets or shortfalls in the recovery, with various ways of activating the guarantor’s obligations. For guarantees on significant problematic assets, see chapter 4.5 “Financial defeasance”.

These guarantees are not provided by government units.

For completeness, other state guarantees and other government units providing guarantees are described here., i.e., state guarantees to the Export Guarantee and Insurance Corporation of the Czech Republic (EGAP) and to the National Development Bank (NDB) – to units, which have been reclassified from S.12 to S.1311 in compliance with the ESA 2010 methodology.

Export Guarantee and Insurance Corporation of the Czech Republic (EGAP)

The Czech export insurance system with state support is based on the EU legislation, the Arrangement on Officially Supported Export Credits and rules of the OECD's Working Party on Export Credits and Credit Guarantees regarding the environment, bribery and sustainable lending.

EGAP’s activities are governed by a special law (Act No. 58/1995 Coll., on insuring and financing export with state support, as amended) regulating the export insurance system and the Implementation Decree of the Ministry of Finance No. 278/1998 Coll., to this Act.

The Act on insuring and financing export with state support contains a specific guarantee of the state for obligation of the Export Guarantee and Insurance Corporation of the Czech Republic (EGAP) from export insurance under state supported scheme - limit of insurance capacity.

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Every year, the Act on the State budget contains the maximum limit of insurance capacity (limit of outstanding commitments), which cannot be exceeded by EGAP in that year. The guarantee in this amount is an off-budget item.

The implementation decree prescribes a minimum ratio of EGAP's funds and reserves to outstanding commitments (amounts at risk) and ways how to replenish these funds and reserves from the state budget in order to reach this ratio in case of its decrease below the minimum. Nowadays (from 2010), the minimum ratio of funds and reserves to outstanding commitments equals to 8 %.

The insurance funds and reserves of EGAP that are intended to cover the actual outstanding commitments shall be made up from own sources, i.e., from written premium and from revenues on financial assets, and subsidies from the state budget. These subsidies form an integral part of these funds and the funds are managed separately from other funds. Reserves are created in accordance with special regulations for insurance companies and an equalization reserve for export credit risk insurance being created separately by the insurance company.

The Fund created from state subsidies has not yet been used. In case the total amount of insurance funds and reserves falls below a prescribed minimal ratio, EGAP asks for utilisation of resources allocated in the state budget for a given year. These subsidies immediately become an integral part of the funds.

Since its establishment, EGAP has been 100% owned by the government. EGAP's share capital amounted to CZK 1 300 mil., and has not been increased since 1996. In 2016 and 2017, the corporation received means (grants) to support insurance funds. The support has been recorded as a capital transfer in the government accounts.

Data for the EGAP are reported within the central government units and in the EDP notification tables from 2011 to 2014. Backward data since 2004, in the sector national accounts and in the historical EDP notification table, were adjusted in 2017.

The National Development bank JSC (Národní rozvojová banka – NRB) joint stock company, is financial corporation classified in S.1311, owned by the Czech Republic, which carried out shareholder rights through the Ministry of Industry and Trade, the Ministry of Regional Development and the MoF. The state guarantee to the bank relates to supporting small and medium-sized enterprises, for which the market conditions would be inaccessible.

The NRB provides guarantees and support to small and medium-size businessmen (by the Act No. 47/2002 Coll., as amended) in compliance with the Commission Regulation (EC) No. 1998/2006 and the national program. Its aim is to make possible implementation of the projects of small businessmen and medium-size to make easier to small and medium-size businessmen (e.g., affected by floods in 2013). Supported economic activities are precisely determined in the program by CZ-NACE.

The guarantee is provided only for maintain or increasing of an existing loan or new banking loan and the financial contribution (in 10 %) to guaranteed a loan that was spent on (so called) qualified expenditures related to the acquisition or reconstruction of non-financial assets.

The support is provided on the basis of a signed agreement with the Ministry of Industry and Trade (containing conditions of use of funds by the support programs, methods of payment to beneficiaries, principles of management of these funds kept in the bank accounts and settlement with the state budget; moreover, a reward from the MoIT for provided services is also

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determined). Funds from the State budget are concentrated on a special account opened by the bank on behalf of the Czech Republic.

The called and paid guarantees are consolidated within the central government sub-sector under D.99 item and in the time series reported in the EDP notification tables from 2012 to 2016.

Backward data for the CMZRB - since 2004 in the sector national accounts and in the historical EDP notification table - have been revised in 2017 since 2003.

Guarantees on assets were provided also to the **Czech Consolidation Agency** classified in S.1311 from 2001 to 2006 (former the Czech Consolidation Bank) as transformation institution obtained guarantees on assets. The unit was engaged in sales and purchases of state bad claims, especially foreign claims and losses from these transactions were covered by the state budget. Differences between purchase prices and “bookkeeping” prices have been recorded as government capital transfer expenditure (-D.99), for instance to the CSOB, i.e. with the impact on the government deficit
(See also 1.1 or 7.2.5)

7.1.2.1 *New guarantees provided*

The Ministry of Finance reports that new guarantees provided on assets do not exist.

Recording in public accounts

Recording in national accounts

7.1.2.2 *Treatment of guarantees called*

Not relevant

Recording in public accounts

Recording in national accounts

7.1.2.3 *Treatment of repayments related to guarantees called*

Not relevant

Recording in public accounts

Recording in national accounts

7.1.2.4 *Treatment of write-offs*

Not relevant

7.1.2.5 *Data sources*

Data sources can be obtained only from the Ministry of Finance or from the accounting system for government units.

7.2 Claims, debt cancellations and debt write-offs

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA2010 and further clarified in the Chapter III.2 on Capital injections and Chapter VII.2 on Debt assumption and cancellation of the ESA2010 Manual on government deficit and debt.

7.2.1 New lending

Within the central government - especially the MoF, the State Investment Support Fund), the State Environmental Fund (SEF), the Support and Guarantee Agricultural and Forestry Fund, the National Development Bank, or the Vine-grower Fund are engaged in the provision of loans. Central budgetary organisations (ministries and central offices) are not entitled to grant loans. Other central government units, such as Public Universities or Public research institutions record provided loans very rarely and in insignificant amounts.

The MoF provided mainly long-term loans to foreign countries; the SHDF and SEF grant loans to legal and natural persons on acquisition of dwelling or thermal insulation of houses. The SGAFF and VGF grant loans to farmers (legal or natural persons). Short - term loans are made between government units. Local government units - LBO - grant primarily short-term loans (so called financial assistances) – to other local government units. Health insurance companies cannot grant any loans (in compliance with legal documents).

Data on provided loans are available from balance sheets and data that is more detailed provides the MoF but only for loans granted by the MoF. Transactions are derived from stocks of loans except of transactions of budgetary organisations and state extra-budgetary funds – for these types of units are available data on transactions from budgetary reports (separately data on granted loans and loans repayments).

Provided loans are usually repaid regularly and are forgiven only in exceptional cases, e.g., some foreign claims or a loan to the Hedging Fund of Cooperative Banks (Fond družstevních záložen) in 2007 see 2.3.3.7. “Other adjustments – Debt cancellation” and in the national accounts they have been recorded as an expenditure (- D.99). This implies that a majority of loans have been recorded as financial transactions; only above-mentioned cases – the loans were recorded as (-) D99 (expenditure) and as revaluation (K.7/AF.42) within the revaluation account.

7.2.2 Debt cancellations

Debt cancellation is recorded very rarely in the **public accounts**, especially in case of budgetary and semi-budgetary organisations. Such record has been made only in case of a foreign claim (accounted by the MoF) when there is an agreement between countries, or it is based on a government decision. In some cases, the cancellation of foreign claims (debt) includes also interest. Data on debt cancellation came only from the MoF; data from other government units

are not available and information if the receivable is clearly non-recoverable has not been available.

Cancellation of a receivable is carried out only if there is a strong conviction that these claims are non-recoverable, e.g., if the debtor is bankrupt or his property is under executions or intended for public auction. Such claim can be cancelled (write-off) as expenditures or by revaluation in the accounts, i.e. by creating of provisions. However, BO did not use accrual system accounting and they might not calculate any provisions.

Therefore, if a big difference between stocks of receivables or liabilities was recorded, it was under examination and corresponding unit/units, where the significant difference has been recorded. It is worth to mention that no significant debt cancellation has been surveyed. Some cases of debt cancellation have been recorded differently in the national accounts and in the public accounts. It was the case of a claim against Nicaragua when debt cancellation was recorded in the public accounts every year (gradually during 14 years) but in the NA in the year, when the corresponding agreement between the Czech Republic and Nicaragua was signed (1996). Therefore, the corresponding stocks of the claim were different between in the NA and public accounts (MoF). Special and long-term attention is given to the settlement and method of recording of **claims against foreign countries** in the government accounts.

As to debt cancellation to residents, it is for instance debt forgiveness to the Hedging Fund of Cooperative Banks in 2007, when the MoF confirmed to the CZSO that the granted loan is at risk. Due to this fact, the loan was cancelled and the capital transfer was recorded in the NA. In the public accounts, the loan had been kept until 2010. The Czech Export Bank and the CMZRB (newly classified in S.1311) led also to recording cancelled claims of clients with impact to (-) D.99 and (-) F.42 items.

Since 2010, all BO (as well as other government units) use accrual accounting system; debt cancellation can be expensed or provisions as a temporary decrease in value of receivables; the receivable cannot be excluded from the accounting system. The CZSO uses more detailed information from established the **AAO**.

7.2.3 Repayments of claims

Repayment of claims relating to debt instruments is recorded as a financial transaction under F2 and F4. There were no receipts from previously cancelled claims, yet. Nevertheless, if such a case occurs, it would be recorded as revenue under the D99. Repayment in kind occurred in foreign claims and it was recorded as a reduction of F4 and expenditure in P21 or P51. Detailed data on these operations come from the MoF because only the MoF has these claims and the CZSO obtains very detailed data about it (stock of claims country by country, annual interests, repayment in cash and in kind, debt cancellation, revaluation).

7.2.4 Debt write-offs

BO and SBO could not write-off bad claims until 2010. Only the LF reported some write-off bad claims due to bankrupts of debtors. In this case, the write-off was recorded as other volume changes.

At present, government units create provisions as a temporary decrease in the value of claims. The detailed information on write-off and forgiveness is available from the Auxiliary Analytical Overview for selected central and local government (BO, SBO and SF) within the Central System of Accounting Information of the State.

In S.1314 no debt write-off is recorded.

7.2.5 Sale of claims

The MoF and former transformation institutions, especially the CKA have been engaged in sales of bad claims.

The CKA was engaged in purchases and sales of bad state claims and later bad claims of national private corporations. Purchased claims were revaluated in the CKA's balance sheet; the corresponding provisions were created. This revaluation of bad claims was recorded under capital transfer (D99 – expenditure) in the NA) on behalf of an original owner of the claim. If the sale price of these bad claims was higher than the amount in the accounting of the CKA then the difference between sale price and bookkeeping value was recorded as revaluation (K7) in the NA. If the sale price of these bad claims was lower than amount in accounting the difference was recorded as capital transfer (-D.99). These bad claims were sold by outright sale (to a third party).

The MoF sales bad claims to third parties or it uses an intermediary. The sale price of these claims is usually at a lower price than amount registered in public accounts. The difference between these values is recorded as capital transfer (-D.99) on behalf of a new owner of the claim. The same way of recording is implemented in case when the claim is transferred to an intermediary. The difference between registered value of the claim in public accounts and the amount repaid by the intermediary to the government is recorded also as capital transfer (-D.99).

7.3 Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA2010 and clarified in the Chapter III.2 on Capital injections of the ESA-2010 Manual on government deficit and debt (2014 edition). This chapter devotes considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as capital injections, to be classified as either a capital transfer D.9 or as an acquisition of equity F.5.

The CZSO obtains data on **investment grants and transfers free of charges** from the AAO, annual statistical questionnaires and from supplement administrative sources (from the MoF). Individual data on capital revenue (investment grants) of public non-financial corporations are obtained from the annual statistical questionnaire for public non-financial corporations (P5- 01). They are split by legal form, which allows decided if the payment can be capitalized or not (if government institutions expect dividends from joint stock companies or not; or if it is a state enterprise that pays no dividends).

At present, the AAO has become a very important data source.

Based on this information, no capital injection as financial transaction (i.e., equity injection) and increasing of shares in public non-financial corporations owned by general government have been recorded.

Information on investments grants paid to **semi-budgetary organisations** that were classified in S.11001 was obtained as supplement data from the administrative sources (the MoF). These units do not pay any dividends to government institutions. Therefore, all “capital injections” were recorded only as non-financial transactions (-D.9). Increasing of registered capital of these institutional units and increasing shares and other equities of government (AF5 in the corresponding balance sheets) were recorded as revaluation (K.7 in the revaluation accounts). At present, the method is not relevant because **all semi-budgetary organisations have been classified in S.13** and investment grants (including transfers free of charge) for SBOs are recorded and consolidated within S.13.

Very important (and detail) information on **transfers free of charge** (real estate) comes from the annual statistical questionnaire (VI 1-01) and data from the AAO. These are transfers of fixed assets and non-produced assets (land). In addition, these are transfers to **loss-making non-financial corporations** (from S.1313. All these transfers are recorded only as non-financial transactions, under item D.993 - capital transfers) to non-government units).

Information on capital injections in the legal form of a loan or a bond is not available.

An opposite case has been recorded for transactions – a flow – from the general government to public financial or non-financial corporations. Budgetary organisations report (in public accounts) data on increasing of equity (F.5/AF.5) in public corporations. The CZSO the equity increasing investigates and if the public corporation records long-term losses or no pay dividends - equity increasing at the relevant government institution have been recorded as the other capital transfer, payable (- D.99) and increasing equity (AF.5) as revaluation (under K.7).

Capital injection in the concept of financial transactions have not yet been identified – from administrative or statistic sources.

7.3.1 Capital increase in multilateral development banks

When Multilateral Development Banks (MDB) extend concessional loans and grants to low-income countries, the resources for such activities become systematically depleted. In this context, the donor countries meet periodically to replenish those resources. The donor countries contributions to such MDBs are therefore to be recorded as a contribution – not as equity.

Based on pronouncement of support by the governors of the World Bank Group (WBG) in 2018 and the resolution of the Czech Republic government, the Czech Republic increased its equity participation in the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC). Therefore, these transactions are recorded in the financial account under AF.519/F.519 –Other equity item.

Both institutions support the private sector, poverty alleviation, overcoming of the sequences of the crisis due to the COVID-19 pandemic. E.g. in India, Armenia or Nigeria, e.tc.

7.4 Dividends

It is recalled, that the ESA2010 Manual on Government Deficit and Debt chapter III.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as superdividends, i.e., transaction in shares and other equity (a capital withdrawal).

Total distributions could therefore comprise one part recorded as property income, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA2010 table 2, but the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

The MGDD edition 2019 (chapter 3.5) contents a more detail description of dividends, superdividends and interim dividends. The resource, available for the payment of dividends is corporate distributable income that is equal to entrepreneurial income (B.4) including all current transfers (revenues and expenditures) and changes in pension entitlements (D.8) or to operating surplus in the business as proxy.

Superdividends represent large and irregular accumulated resources that extent distributable income of the corporation in the relevant accounting period. Due to, they are recorded as a withdrawal of equity (F.5).

An interim dividend is recorded as property income paid in the short-term accounting period (covering at least two quarters) and must be evidence that the dividend could be financed from the distributable/entrepreneurial income (or operating surplus in business accounting as a proxy). Moreover, the interim dividend should be consistent with the level of dividend distribution observed in previous years and with the trend in profitability of the company.

Basic information on received dividends in total was obtained from the budgetary reports (Revenues and expenditures statements) of central and local budgetary organisations, which are on a cash basis. Since 2012, the information on dividends (received by the BOs, SF and SBOs) is also gained from the AAO, including a split by payers, and from the statements of individual payers – public corporations owned by the MoF.

For the corporations, the relevant information is also provided by the annual statistical questionnaire P 5-01.

The information on economic results, i.e. current operating profit (before tax) of the corporations paying dividends, is obtained from their annual reports as well as other information having an impact on the calculation (revenues from sales of assets, interests received and paid, etc.). If necessary, an individual questioning of given corporations is carried out.

All these available data sources enable to identify **superdividends**. The test on superdividends is carried out for the central and also for the local government units. An example would be recording superdividends from the state enterprise Czech Forests (České lesy), the joint stock company, Prague Gas (Pražská plynárenská), and the Prague Heating Plant (Pražská teplárenská), or the Čepro and the Mero companies. Super-dividends are recognized in the accounts as a drop in equity held by the general government sector.

Government revenue (e.g., central and local budgetary organisations) from dividends reported in source data in the first and second quarters has not yet been recognized as interim dividends.

7.5 Privatization

The accounting rules are set out in ESA 2010 paragraphs 20.210-20.213. The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter 5.2 indicates that such indirect privatization proceeds are not government revenue. MGDD chapters 5.3 and chapters 5.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Chapter V.3.1 of the ESA2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set-up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity been considered as taking place on behalf of the government?

The privatisation process was organized in accordance with several acts. The Act No. 92/1991 Coll. (amended by other regulations), stipulated large-scale privatisation - big and medium enterprises of all industries, excluding units temporarily not included in privatisation, e.g., instance natural resources or post or water works, or banks etc. The Act No.427/1990 Coll. (amended by other regulations) stipulated small-scale privatisation, which refers to small enterprises (e.g., shops, restaurants etc.).

Concept of the state ownership transformation has not been limited only to the privatisation process, i.e., sale of public corporations to the private legal or natural persons, but included also privatisation through the issue of vouchers, i.e. transfers free of charges of shares to households and restitution – conveyance of previously nationalized or confiscated equity to the former owners. In addition, real estate or shares owned by a central government unit (e.g., the NPF or the Ministry of Defence) were transferred free of charge mainly to municipalities.

In the transformation process were engaged especially: the Ministry for the Administration of National Property and its Privatisation - MNPAP (Ministerstvo pro správu národního majetku a privatizaci) from 1990 to 1996 and its district privatisation committees, the National Property Fund (Fond národního majetku) of the Czech Republic, the Land Fund (Pozemkový fond) and its district privatization commissions. The NPF and the LF implemented privatisation projects approved by the MNPAP, etc. These units were classified in S.1311. The National Property Fund has been already abolished and operates within the MoF and Land Fund has been transformed into the State Land Office (see section 1.1).

Moreover, municipalities carried out also the transformation – sales of government equity or implements restitutions (e.g., small service establishments and blocks of flats).

At present, the State Land Office is still responsible for privatisation of land (and for land restitution to churches – see section 6.5) and municipalities are responsible especially for privatisation of blocks of flats – public housing (and together with other entities the churches restitutions).

Privatisation of public corporations (listed in the official registers) was carried out as public auction, public competition or direct sales to chosen purchasers or through sales of shares (to residents and to non-residents). These sales have been recorded as negative transaction under F.519 or F.512 (on assets sides) in the government financial account (and also as (-) AF.519 or (-) AF.512) – with opposite signs in accounts of other institutional sectors/subsector. Moreover, other changes in assets have been also recorded.

Privatisation through the issue of vouchers, i.e., transfers free of charges of shares to households have been recorded as negative capital transfer (-D.99) in government capital account and as negative financial transaction in shares (- F.512) – with opposite sign in corresponding institutional sector (especially in households accounts or also in S.2 due to separation of former the Czechoslovak Republic.

These flows significantly influenced government deficit (which achieved e.g., 13, 39% of GDP in 1995).

7.6 Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. ESA2010 Manual on government deficit and debt Chapter 6.4 deals with this issue.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which are explained in Chapter 15 ESA2010.

As a result of the methodological approach followed, in national accounts the assets involved in a PPP can be considered as non-government assets only if there is strong evidence that the partner is bearing most of the risk attached to the asset of the specific partnership. In this context, it was agreed among European statistical experts that, for the interpretation of risk assessment, guidance should focus on three main categories of risk: “construction risk” (covering events like late delivery, respect of specifications and additional costs), “availability risk” (covering volume and quality of output) and “demand risk” (covering variability of demand).

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

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If the conditions are not met, or if government assumes the risks through another mechanism, (e.g., guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases, it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

The Czech Government has adopted **Policy PPP** introducing public private partnership ("PPP") in January 2004 as a standard tool serving the provision of public services and public infrastructure. Two packages of pilot PPP projects were launched in 2005-2006, but all of them were cancelled for different reasons. One big transport infrastructure PPP project in being implemented - it is the D4 motorway.

Units engaged in PPP administration

The Ministry of Finance - State Budget Department, Regional and Municipal Budgets Department and two "sectoral" departments oversee the fiscal and transparency issue related to PPPs. Moreover, "PPP Centrum of the Czech Republic" was established in 2004 to support the implementation of projects and to assist to contracting authorities from the public sector with the preparation and the realisation of projects. PPP Centrum together with the MoF and with relevant foreign institutions from UK, NL and PT worked out a package of PPP guidelines and educated several hundreds of staff members of the state, regional and municipal administration in PPP issues. (The unit changed its main activity and name later and in December 2015, it was cancelled; – see overview of central government units).

The successful implementation of PPP project depends on the effective tender procedure and on a comprehensive contractual framework of the project. **Public Procurement Act No. 134/2016 Coll.**, as amended, together with related executing decrees specify all important aspects of the tender procedure and also the minimum terms of a partnership between the public sector and a private partner. All important aspects of PPP transactions are described in guidelines mentioned above, they were published by the MoF on its website.

The Ministry of Finance is monitoring these projects in the division into two groups, according to the type of the Public Contracting Authority:

- In the first group, there are projects where the Public Contracting Authority is the state (projects prepared at central government level).
- In the second group, there are projects prepared by regional and local authorities. According to Section 186 of the Public Procurement Act, a statement of the Ministry of Finance is required while entering into or revising Concession Contracts by these authorities.

Information about PPP projects comes from the documents that regional and local authorities provide while asking for the opinion of the Ministry of Finance on the Concession Contract or its change (obligatory according to Section 186 of the Public Procurement Act). These contracts are then being voted by the competent authority. No further information about the final (non) realization of the project is provided. At the municipal level have been recorded mostly concession contracts in the water sector and in the last years we noticed a growing trend of social services concession contracts.

Central Government institutions are obliged to provide the Ministry of Finance with information about their long-term contracts (value 300 million CZK and more) and future state budget or state funds' expenditures resulting from these contracts. This obligation is stipulated

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in the Budgetary Rules Act No. 218/2000 Coll. and its executing degree No. 133/2013 Coll. as part of state budget proposal documentation, that is to be provided each year during preparation of the state budget and medium term budgetary outlook.

The MoF in compliance with requirements linked with the Directive No. 2011/85/EU, elaborated (in cooperation with the CZSO) a questionnaire on public contracts, which came into force in 2014.

This new statement (as part of the Decree No 410/2009 Coll. – Annex 5) Supplement information on potential projects Public-private-partnerships contains information on the intended project, the data of signed contract, suppliers, acquisition costs of the fixed assets split by 4 years, or information on financing, etc. The information should be basic for identification of PPP projects.

A new Act No. 25/2017 Coll., on Collection of Selected Data for Monitoring and Management of Public Finance was approved in January 2017. According to this Act public sector entities on the central, regional and municipal levels are obliged to provide data on their PPP transactions. The first collection of data in compliance with this Act will come true in February 2019, as per the last day of 2018. Herewith this duty will not result from accounting legislation (see above) anymore.

The Czech Statistical Office in cooperation with the MoF elaborated “**questionnaire**” including main characteristics of the drafted project, e.g., information on risks, investment and other expenditures, units engaged in the project etc. If a PPP project is approved and Concession Contract signed, the Czech Statistical Office should receive the questionnaire and other documents.

The CZSO was engaged into the preparation of some PPP projects (in consultation form) these documents, it discussed them with the corresponding experts who are preparing these documents and on basis of the final information, assesses and suggests corresponding classification in the national accounts – i.e., classification in the government balance sheet.

The Czech government approved a proposal for the completion of the D4 motorway - 32 km between Příbram and Písek, in January 2016. In the second half of 2018, a procurement procedure took place and in February 2019, the Ministry of Transport invited four of the best tenderers to participate in the public procurement. In February 2021, the Czech Republic – Ministry of Transport signed a concession agreement with the DIVia, Ltd. The corporation is responsible for the completion of the project, construction, financing, operation and maintenance of the section (including the already built parts) for 25 years. State payments for the duration of the concession contract are expected to be approximately CZK 25 billion. Construction began after the signing of the concession contract in 2021 and it goes on in *accordance* with the timetable. First availability payments from the state are expected in the beginning of 2025.

7.7 Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union does not distinguish between the ESA and EDP definition of interest. The Regulation No 549/2013 paragraph 4.47 reads: Payment resulting from any kind of swap arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Transactions under forward rate agreements are recorded as transactions in financial derivatives in the financial account, and not recorded as property income.

ESA2010 paragraphs 20.133 specifies the treatment of so called of market swaps: “Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, 'at-the-money' swap component.”

7.7.1 Types of derivatives used

Central government: the MoF actually uses FX-swaps; the MoF also used other types of derivatives in the past: Interest rate swaps (IRS), cross currency basis swaps (CCS), FX-forwards, forward outright and interest rate options.

Other central government bodies use only swaps and FRA (Railway Infrastructure Administration, Support and Guarantee Agricultural and Forestry Fund, Czech-Moravian Guarantee and Development Bank and Czech export bank).

Local government units (budgetary organisations) use especially interest rate swaps. Only the municipalities Prague, Brno and Ostrava use these instruments.

Social security funds (health insurance companies) do not use financial derivatives.

7.7.2 Data sources

The principal data sources for financial derivatives are financial statements and supplement information from relevant government institutions

7.7.3 Recording

Government institutions (including all MoF chapters since 2010), have the obligation to account financial derivatives on a net basis; in the national government accounts, financial derivatives are recorded on the assets side – in the case of a positive balance in the account – or on the liability side in the case of negative balance.

According to the information of the MoF

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- No cancellation of swaps before their original maturity has occurred since 2000. There were no occurrences in the past, and the possibility of occurrence of the type of these instruments is excluded for the future.
- Since 2013, the MoF has concluded only simple derivative operations such as FX-swaps connected to the state treasury's single treasury account liquidity management. The risk of adverse impact of the negative yields on the EUR-denominated accounts on the state budget deficit is being substantially mitigated.
- The use of derivative operations such as IRS and CCS is considered only in connection with foreign issue hedging.
- No interest rate option transaction has been concluded since 2009 and their occurrence is currently not expected in the future.

In general, the additional information that cannot be obtained directly from the financial statements, is e.g., in the case of the currency hedging of the debt instruments, the value of the debt based on the contractual exchange rate and the value of the settlement of the financial derivative.

In the central government, the MoF provide information on streams of interest payments from swaps and FRAs used for hedging the instruments of the state debt. Besides of the MoF, the financial derivatives are also used by the newly reclassified financial corporations (mainly the CEB and the CMZRB); the data on it is reported in their financial statements, the detailed description is in their annual reports and the units also provide upon request more detailed information on settlements of the derivatives.

For the local government the core information on financial derivatives is obtained via the financial statements and the AAO. The individual additional information is provided upon request.

No threshold for swap operations is applied.

7.8 Payments for the use of roads

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

Using highways and speed roads¹¹ is charged in the Czech Republic since 1995. All natural and legal persons (trucks and personal cars) are obliged to pay fees if they use these roads – in compliance with government regulations.

¹¹ Act No 361/2000 Coll., on Road Traffic, repeal term so called "speed roads; all these roads will be gradually (after construction and technical adjustments) will be designated as "highways".

Highway fees (vignettes)

Highways fees (vignettes) are short-term (ten days' and month-long) and long-term (as yearly) coupons. At present, natural and private persons are obliged to pay these fees for the car whose weight is less than 3,5 tons.

These fees have been classified as payment for services provided by the government (under P.1), as intermediate consumptions of the services (under P.21) in all institutional sectors and as final consumption expenditure of households (P.31). Cash revenue are treated as accrual value.

Highway fees were classified as taxes in the Czech National Accounts by the end of 2003. The change in classification was carried out in compliance with the Eurostat Guidance on recording rules for EDP-Classification of payments for use of roads" (in 2008), and at present is treated as payment for services in long time series from 1995.

If legal and natural persons use alternative (other) roads, no vignettes are purchased.

Road-toll

The road-toll for using of highways was introduced in January 2007 (by the Government regulation No 484/2006 Coll.) and its collection is based on "electronic system". The fees are paid for all trucks whose weight is (at present) more than 3,5 tons. Rate of toll per kilometre is determined according to the emission category (charge for air pollution and traffic noise) and to the number of axletrees of the trucks and a distance moved then influences total amount.

New toll rates have been set since 2021.

Road-toll is classified as payment for services provided by government - under P.1 in the State Fund of Transport Infrastructure accounts (S.1311) and as intermediate consumptions of the services (under P.21) in all institutional sectors and subsectors.

Road tax

Natural and legal persons also pay road tax - in compliance with the Act No. 16/1993 Coll., on road tax, as amended.

The object of the tax are road motor vehicles and their trailers according to specified category (excluding of vehicles of special purpose and with special registration mark) registered and used in the Czech Republic,

Tax rates are determined according to

- displacement of the motor (cm³),
- sum of maximal permitted weights on an axletree (in tonnes) maximum permitted weight in tons and the number of axles by other motor vehicles.

Natural and legal persons have no sufficient choice.

Road tax is classified in the Czech national accounts as taxes (under D.29 – other taxes on production).

7.9 Emission permits

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty, which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major

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greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

Recording in national accounts

a) Period from 2005 to 2007: Transactions in the carbon rights were recorded in the annual sector accounts from 2005 (when the Czech Republic obtained carbon rights) to 2007 only **in accounts of the polluting producers'** i.e., final beneficiaries classified in S.11 and S.14 (not in government accounts). Corresponding transactions in emission permits have been recorded in the following way:

- as non-produced non-financial assets under AN.22 (AN.22 ESA95) and NP.2 (K.222 ESA95),
- via other changes in volume K.1 (K.3 ESA95),
- and in currency and deposits - under AF.2, F.2, because some non-financial corporations sold unused emission permits.

The government worked only as mediator and the government accounts were not impacted by these transactions.

b) However, the recording has changed (according to the new methodology) and the corresponding adjustment has been made. **Since 2005**, the emission permits were recorded in the **government accounts** within the government sector. The government was treated as an entity providing the emission permits to air polluters free of charge. Starting in 2009, the government can sell unused carbon allowances to foreign countries.

The estimate of emission permits value was based on the number of pollution units represented by right to 175-million-ton emissions (for 5 years) and on an average sales price.

The emission permits and relevant transactions were recorded in the central government **accounts** (within the State Environmental Fund) in the following way and within ESA95 items:

- as non-produced assets (AN.22) in the closing balance sheet of the Fund;
- under the economic appearance of non-produced non-financial assets via other changes in volume assets (K.3 item),
- as the corresponding capital transfer (-D.99) including emission permits provided free of charge (to non-government users) and transferred in compliance with a national plan,
- as acquisition less disposals of non-produced non-financial assets (-K.222), including sales of emission permits and transfers free of charge carried out by the central government.

Information on concrete cases of sales has not been available. Until 2012, no sale of emission permits to polluters was made.

In 2010, the revised Act No. 357/1992 Coll. on inheritance tax, gift tax and real estate transfer tax, introduced gift tax on emission permits allocated free of charge from 2011 to 2012 (32% of the emission permits value). This tax relates to greenhouse gas permits for electricity production in an enterprise, which on 1 January 2005 or later produced electricity for sale to third persons and in which the electricity producer only burn fuel. The Energy Regulatory Office on its website published an overview of electricity producers, whose donation of

emission allowances is subject to gift tax. However, the tax on free emissions allowances was not in line with the EU law and, therefore, it was decided that the gift tax must be refunded. (See section 6.1.1 Taxes – Property tax)

c) **In 2012** was published a **new method** relating to the recording of emission permits in the national accounts in the new chapter VI.5 – Emission trading permits (2014 edition of the MGDD). Under this new chapter is stated that:

“The payments for emission permits, issued by governments under cap-and-trade schemes, should be recorded as other taxes on production (D29), on an accrual basis in the year of surrender of the permits. Permits issued for free do not give rise to entries in government accounts”.

The emission permits, more precisely unused “Allocated Amount Units” (AAU), and relevant transactions have been recorded in the central government accounts (within the State Environmental Fund) under following ESA 2010 items:

- K.1(+) – economic appearance of non-produced non-financial assets
- K.2 (-) – economic disappearance of non-produced non-financial assets
- K.7 (+/-) – revaluation
- AN.22 – intangible non-produced assets.
- NP.2 (-) – sales of emission permits by the central government (State Environmental Fund) to non-residents;

Until 2012, no sale of emission permits to resident polluters has been made; however, information on concrete cases of sales to non-residents has not been available.

- D.29 (+) – other taxes on production; the gift tax (D.91) levied on emission permits provided free of charge (introduced in 2011 and collected only until 2012) has been re-classified under the item other taxes on production.

The large volume of the emission permits issued and traded in EU and the growing number of trades (auctions) has led to a gradual improvement of the recording emission permits method in national accounts. Government revenue from the mission permits should be recorded as other taxes on production (under D.29 item), i.e.

- a) In the amount of surrendered permits from the volume of purchased permits at foreign auction
- b) In the year, in which these permits covered

Since 2013, the “surplus” (unused) emission permits are sold on a foreign stock exchange (in Leipzig – Germany), by the European Energy Exchange – EEX). Emission permits sold (by the central government) are recorded under D.29 item. The item K.7 – revaluation shows the difference between the valuation of the initial state of the allocated permits in the current year t and in the year $t-1$ valued at the average price. The Energy Regulatory Office provides information on the amount.

The volume of permits sold by the government via this auction represents the financial commitment of government; concurrently, it gives rise to account receivable of residents and non-residents at the time of the purchase. This transaction has not been yet recorded in the Czech national accounts due to the absence data sources.

The CZSO investigated data sources as the basis for identifying

- a) government liability and its allocation to accounting receivables of residents and non-residents,

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b) surrendered emission permits purchased by resident units at auction on the foreign stock exchange Leipzig.

Therefore, the CZSO supplemented the annual statistical questionnaire with more detailed questions and the first information obtained for 2017. Based on that, the CZSO intended to record a preliminary estimate of the government liability and to calculate payments in the form of other taxes on production (D.29) more accurately. In connection with this, some companies were also called, that (according to the report) surrendered emission allowances purchased at auction. The obtained data could not be used because it was wrong.

Eurostat pointed out the necessity to observe the rules of the accrual principle for recording of the items and (within EDP notifications 2019) recommended the use the so-called "fifo" method. Under this method, the received income (+ F. 2) from the auctioned allowances represents a liability (+ F. 89) payable at the time of the auction (T). However, this liability is transferred into the revenues (under D.29) at the time T + 1. The period in which the auctioned emission permits are used (surrendered) can be considered as the time of pollution. Information on pollution and surrendered (used) the allowances is transmitted no earlier than in April of the next year, after the year of pollution. Therefore, the data for 2016-2019 are adjusted

For completeness, the following table shows the current method recording of emission permits also in other institutional sectors.

Table 12 Recording of emission permits in the National Accounts (CZK mill)

2018		S. 1	S. 11	S. 12	S. 13	S. 14	S. 15	S. 2
K. 1	Economic appearance of assets	11 112	11 112					
K. 2	Economic disappearance of non-produced assets	-11 937	-11 937					
K. 7	Revaluation	16 743	16 743	0	0			
AN. 2	Intangible non-produced assets	17 112	16 861	245	6			
NP. 2	Acquisition less disposal of intangible non-produced assets	-7 149	-6 404	-751	6			7 149
D. 29	Other taxes on production, payable	5 220	5 220					
	Other taxes on production, receivable	5 220			5 220			
AF. 89	Other accounts receivable	14 935	14 935					
	Other accounts payable	14 935			14 935			

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2019		S. 1	S. 11	S. 12	S. 13	S. 14	S. 15	S. 2
K. 1	Economic appearance of assets	14 028	14 028					
K. 2	Economic disappearance of non-produced assets	-22 142	-22 142					
K. 7	Revaluation	8 812	8 812	0	0			
AN. 2	Intangible non-produced assets	36 255	35 753	494	8			
NP. 2	Acquisition less disposal of intangible non-produced assets	18 445	18 194	249	2			-18 445
D. 29	Other taxes on production, payable	14 935	14 935					
	Other taxes on production, receivable	14 935			14 935			
AF. 89	Other accounts receivable	16 098	16 098					
	Other accounts payable	16 098			16 098			

2020		S. 1	S. 11	S. 12	S. 13	S. 14	S. 15	S. 2
K. 1	Economic appearance of assets	12 010	12 010					
K. 2	Economic disappearance of non-produced assets	-16 865	-16 865					
K. 7	Revaluation	2 743	2 743	0	0			
AN. 2	Intangible non-produced assets	30 300	30 292	0	8			
NP. 2	Acquisition less disposal of intangible non-produced assets	-3 843	-3 349	-494	0			3 843
D. 29	Other taxes on production, payable	16 098	16 098					
	Other taxes on production, receivable	16 098			16 098			
AF. 89	Other accounts receivable	18 937	18 937					
	Other accounts payable	18 937			18 937			

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2021		S. 1	S. 11	S. 12	S. 13	S. 14	S. 15	S. 2
K. 1	Economic appearance of assets	15 935	15 935					
K. 2	Economic disappearance of non-produced assets	-63 235	-63 235					
K. 7	Revaluation	68 633	68 633	0	0			
AN. 2	Intangible non-produced assets	49 430	49 422	0	8			
NP. 2	Acquisition less disposal of intangible non-produced assets	-14 176	-14 176	0	0			14 176
D. 29	Other taxes on production, payable	18 937	18 937					
	Other taxes on production, receivable	18 937			18 937			
AF. 89	Other accounts receivable	15 397	15 397					
	Other accounts payable	15 397			15 397			

Since the national sector accounts (due to data sources availability) are compiled and published later, no overview of transactions in emission permits has been indicated for 2019. Along with it, based on more detailed and precise data, backward data will be adjusted

In 2021, government transactions in emission permits have been the following:

- K.1 – Economic appearance of non-produced assets in the amount.....CZK 0 mill.
- K.7 – RevaluationCZK (+) 0 mill.
- NP2 – Acquisition less disposal of intangible non-produced assets.....CZK 2 mill.
- D.29 – Other taxes on production, receivable..... CZK 15 397 mill.
- AF.89 – Other accounts payable..... CZK 16 555 mill.

In view of the ongoing discussion, within the EDP Working Group, it can be assumed that the conclusions of this discussion will be reflected (in 2020 or 2021) to a new way of recording the emission permits in national accounts.

7.10 Sale and leaseback operations

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD part 6, chapter 6.2 is dealing with sale and lease back operation (edition 2019).

According to MGDD edition July 2019 – **a leaseback as a financial transaction** is only transaction when a buyer-lessor of the asset provides funds to the seller-lessee, with the asset

becomes collateral. No asset taken place move; it remains on the balance sheet of the seller-lessee together with the incurrence seller-lessee liability (and with interest payments).

The correct recording of the economic operation is based on distinction of a financial and operational leasing, the extent of the risks and reward related to ownerships and leaseback of the asset. In case of the financial leasing transferred risk and reward from the lessor to the lessee. Due to it is need to investigate sector classification of the participants of the transaction, investigate possibility of actual sale of the asset and operational leasing or method relating to corporate restructuring of assets based on the loans.

Information on sales assets and leaseback operations (usually buildings) has not been (within the Czech Republic) available from any government unit. Financial and budgetary statements do not include this information. Therefore, the CZSO included the information into the annual statistical questionnaire for 2011; however, no government unit reported such transactions.

Due to the importance of such operation (for the government debt calculation), information on leaseback has been included to the AAO. The central and local budgetary organisations reported operations in leaseback in 2014; but its amount (for both groups) has not been significant (approximately CZK 0,5 mill) and it related to operation leasing. From existing results and their verification with selected accounting units show that the method obtaining of funds and acquisition of assets not used; it is not a form of financial leasing. The fact is also verified in for other years.

7.11 Securitisation

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. Also if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

ESA2010 paragraphs 20.260-20.271 established securitisation operation accounting rules-The MGDD (2019) part 5, chapter 5.5 and the Eurostat decision of 25 June 2007, "Securitisation operations undertaken by general government" are dealing with securitisation operations.

The Ministry of Finance and the Czech National Bank reported that any securitization **operations were not undertaken until 2000.**

Since 2001, the national accounts of both central and local government record data relating to swap operations.

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The main sources are administrative data from the State Treasury, i.e., for selected accounting units (BOs, SBOs and SFs), including the general ledger of the MoF, which show that they are transactions with forward contracts – swap operations.

In the national accounts,

- the value of forward (swap) contracts is recorded under AF.712 – forwards item;
- amount of interest on swaps operations, included within the state budget, is (in national account of S.1311) excluded from the D.41 – interest item and reflected in the balance sheet, incl. financial account of S.1311, under the item financial derivatives AF.712/F.712 – forwards.

From the available information results that securitization operations (relating also to swap operations) are also carried out by local government (LBOs), also after 2000. Their recording in the national account for S.1313 is based on the same procedure as for central government.

7.11.1 Securitisation of NPLs with government guarantees

Government might help financial institutions to dispose of their impaired assets via securitisations. In such cases, government support takes the form of a guarantee on the senior debt issued by an entity (a special purpose vehicle (SPV)) especial created to purchase the NPLs.

According to the CNB, such transactions do not occur in the Czech Republic.

7.12 UMTS licenses

The sale of UMTS licenses is to be recorded as the sale of a non-financial asset (the license) at the time the license is allocated. Thus, sale proceeds have a positive effect on B.9 in the year when the license is allocated. The actual payment of cash payment does not influence the recording of this transaction.

In some special cases, the sale of UMTS could be seen as a rent for the use of a non-financial asset, recorded over the lifetime of the license. In this case, the impact on government B.9 is spread over the duration of the license.

Modified chapter 6 Leases, licences and concessions of the MGDD 2019 is dealing with the sale of UMTS licenses

The Czech Telecommunication Office, central budgetary organisation (Český telekomunikační úřad) is responsible for electronic communication administration and post services including market regulation. It also ensures the protection of radio and television broadcasting and performs professional qualification tests relating to non-professional radio-communication service. The licences granted to operators had positive effect on government B.9.

The sale of UMTS licences are recorded in line with the Eurostat guidance note which has been released on March 27, 2017 as well as a revision of relevant chapter in the MGDD. Following these rules, the nature of licences was reassessed and the revenues were reclassified as rent (D.45 - rent) in the April 2018 notification, together with recognition of liability (AF.89) toward the owner of a licence. The corresponding amount has been excluded from the transaction in non-produced assets (NP.2 – acquisitions less disposals of contracts, leases and licenses). As a

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result, revenue from the licence is spread over the period for which a licence is granted. Revision in the recording of the revenues resulted in the changed in the final balance mainly in years when licences were sold. Payments for these licenses are recorded also (in the financial accounts - on assets side) under AF.2, F.2 items – currency and deposits. In the first phase, the revision was reflected only for the period from 2014. Within the framework of the major revision in 2020, also revenues and financial account of the government in the previous years will be revised (since 2001).

Four big auctions carried out in 2001 – 2005 and other big auction took place in 2014 and 2016.

In 2020, it was found that operators O2, T-Mobile and Vodafone share key frequencies for 5G mobile networks in the MHz band and also share part of the bands with CentroNet and Nordic Telecom operators. The frequencies were auctioned in November 2020 and paid (to the government) in January 2021 and recorded in the government accounts in the first quarter 2021. The amortization period of the corresponding contract is from 2021 to 2036.

7.13 Transactions with the Central Bank

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes may generate capital gains for central banks, which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses cannot be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

The Czech National Bank (CNB) and government institutions have so far agreed compensation and/or guarantee agreements only in relation to loans, more specifically credit lines, to the International Monetary Fund (IMF). These bilateral credit lines were provided by the CNB from its international reserves under the condition of a state guarantee and/or compensation of the loss and profit linked with the loans based on an agreement between the CNB and the Ministry of Finance.

The first loan was approved by the Czech Government and the CNB Board in 2009 and the agreement with the IMF was signed in 2010. The aggregate amount of the loan was up to EUR 1.03 billion. The loan was drawn gradually from 2010. A total of 13 tranches were drawn and all tranches have already been repaid. The loan agreement is no longer in effect.

The fact on drawing of the first loans:

Drawn: EUR 159,762,814 (SDR 138,500,000) – 13 tranches

Repaid: All tranches were repaid, last one by 26 September 2016

Compensation paid by the Czech Ministry of Finance: CZK 121,127,897.41

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O which: Compensation opportunity costs:	CZK 108,849,757.19
Compensation of transaction costs:	0.00
Compensation of FX hedging costs:	12,278,140.22

A detailed list of drawings, compensation paid and compensation of FX hedging costs paid by the Czech Ministry of Finance follows at the end of this chapter.

The second loan of up to EUR 1.5 billion was approved by the Czech Government and by the CNB Board in 2012. The agreement with the IMF was signed on 12 August 2013 in force till 11 August 2017. This second loan was never drawn.

The third loan was approved by the Czech Government on 21 August 2017. The agreement between the IMF and the CNB was signed on 13 October 2017 and became effective as of 16 August 2018 after all domestic approval processes had been completed. The total amount of the loan was the same as under the previous agreement, i.e. up to EUR 1.5 billion. The credit line expired on 31 December 2020 and was never drawn.

The third loan's parameters:

- It was provided from the CNB's international reserves.
- It a credit line from which the CNB was to provides individual tranches at the IMF's request.
- The loans would have been payable on demand based on an “encashment clause”.
- The loan had a 100% state guarantee.
- In fact, it was not expected that the state guarantee would actually be drawn, i.e. that the IMF would not repay the loans to the CNB and the state would have to pay them to the CNB. Such a situation would be unprecedented and could arise only as a result of the collapse of the existing global financial system. The state guarantee was viewed as an expression of the Czech Republic's policy priority and therefore had to be approved by parliament.
- As loans to the IMF are remunerated differently from other types of investments of reserves, the Ministry of Finance would have paid to the CNB the lost income costs resulting from the enforced change of reserves allocation, i.e. three types of costs: the opportunity costs, transaction costs and FX hedging costs.
- However, in the case of the proceeds realized from the loan transactions, the CNB would have paid the proceeds to the MoF.

At the end of 2020, fourth loan agreement of up to EUR 1.5 billion was signed between the NB and the IMF. The agreement took effect on 1 January 2021. Given that the doubling of the IMF's New Agreements to Borrow (NAB) came into force on the same day, the volume of the credit line was immediately reduced to EUR -646 million. The agreement will expire on 31 December 2023 and may be extended by one year to 31 December 2024. The credit line was not drawn during 2021 and 2022.

The fourth loan's parameters:

- It would be provided from the CNB's international reserves in case of drawing.
- It is a credit line from which the CNB has to provide individual tranches at the IMF's request.
- The loans might become payable on demand based on an “encashment clause”.
- The loan agreement is no longer covered by a state guarantee.

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- There is a new arrangement of agreement between the MoF and the CNB about sharing gains and losses, which are divided in equal proportion.

Detailed account of drawings related to the first freemen:

Loan Number	Amount [SDR]	Amount [EUR]	Outstanding [SDR]	Outstanding [EUR]
2010				
CZEBA-1 Iceland	23 000 000	25 904 343.14	0	0.00
CZEBA-2 Greece	25 000 000	28 867 860.26	0	0.00
CZEBA-3 Ukraine	4 500 000	5 246 895.59	0	0.00
2011				
CZEBA-4 Ireland	37 000 000	43 084 174.83	0	0.00
CZEBA-5 Ireland	3 800 000	4 261 876.62	0	0.00
CZEBA-6 Dominican Republic	3 100 000	3 485 072.65	0	0.00
CZEBA-7 Ireland	8 100 000	9 094 644.94	0	0.00
CZEBA-8 Greece	8 200 000	9 498 458.24	0	0.00
CZEBA-9 Ireland	8 200 000	9 697 508.69	0	0.00
2012				
CZEBA-10 Ireland	7 200 000	8 351 098.75	0	0.00
CZEBA-11 Ireland	3 100 000	3 746 350.33	0	0.00
CZEBA-12 Ireland	4 500 000	5 264 333.90	0	0.00
2013				
<i>CZEBA-13 Ireland</i>	<i>2 800 000</i>	<i>3 260 196.26</i>	<i>2 800 000</i>	<i>3 260 196.26</i>
Total	138 500 000	159 762 814	6 484 000	7 569 920,95

Detailed account of compensations paid by the Czech Ministry of Finance related to the first agreement:

TRANSE	REPORTED DATE	VOLUME (CZK)
CZEBA-1	20.7.2010 0:00	2 743 921,19
CZEBA-1	20.10.2010 0:00	916 197,78
CZEBA-1	20.7.2011 0:00	5 087 211,36
CZEBA-1	20.10.2011 0:00	4 958 491,16
CZEBA-1	20.1.2012 0:00	2 746 073,03
CZEBA-1	23.3.2012 0:00	105 621,90
CZEBA-1	20.4.2012 0:00	1 111 450,67
CZEBA-1	22.6.2012 0:00	271 079,05
CZEBA-1	20.7.2012 0:00	1 743 865,69
CZEBA-1	21.1.2013 0:00	49 134,01

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TRANSE	REPORTED DATE	VOLUME (CZK)
CZEBA-1	22.4.2013 0:00	933 835,99
CZEBA-1	- SUMA	20 666 881,83
CZEBA-2	12.8.2010 0:00	2 730 565,14
CZEBA-2	12.5.2011 0:00	1 591 891,96
CZEBA-2	12.8.2011 0:00	8 569 319,14
CZEBA-2	14.11.2011 0:00	2 237 903,74
CZEBA-2	13.2.2012 0:00	2 146 937,96
CZEBA-2	14.5.2012 0:00	2 195 663,69
CZEBA-2	13.8.2012 0:00	1 775 977,51
CZEBA-2	13.11.2012 0:00	342 262,30
CZEBA-2	- SUMA	21 590 521,44
CZEBA-3	1.11.2010 0:00	151 242,79
CZEBA-3	2.5.2011 0:00	61 227,26
CZEBA-3	1.8.2011 0:00	1 315 882,64
CZEBA-3	31.10.2011 0:00	729 281,27
CZEBA-3	30.1.2012 0:00	547 902,36
CZEBA-3	30.4.2012 0:00	269 696,46
CZEBA-3	30.7.2012 0:00	426 983,99
CZEBA-3	2.5.2013 0:00	463 227,93
CZEBA-3	- SUMA	3 965 444,70
CZEBA-4	18.7.2011 0:00	8 863 718,45
CZEBA-4	18.10.2011 0:00	7 927 484,65
CZEBA-4	18.1.2012 0:00	4 665 966,79
CZEBA-4	18.4.2012 0:00	1 874 350,32
CZEBA-4	18.7.2012 0:00	4 502 965,15
CZEBA-4	18.1.2013 0:00	221 680,40
CZEBA-4	18.4.2013 0:00	2 375 129,44
CZEBA-4	- SUMA	30 431 295,20
CZEBA-5	18.8.2011 0:00	1 551 669,00
CZEBA-5	21.2.2012 0:00	397 875,04
CZEBA-5	18.5.2012 0:00	370 826,07
CZEBA-5	20.8.2012 0:00	204 382,71
CZEBA-5	19.11.2012 0:00	98 372,99
CZEBA-5	- SUMA	2 623 125,81
CZEBA-6	19.10.2011 0:00	619 415,85
CZEBA-6	19.1.2012 0:00	395 369,02
CZEBA-6	19.4.2012 0:00	161 725,86
CZEBA-6	19.7.2012 0:00	375 115,47
CZEBA-6	21.1.2013 0:00	2 689,09

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TRANSE	REPORTED DATE	VOLUME (CZK)
CZEBA-6	19.4.2013 0:00	196 723,53
CZEBA-6	- SUMA	1 751 038,82
CZEBA-7	7.3.2012 0:00	907 348,36
CZEBA-7	7.6.2012 0:00	456 169,80
CZEBA-7	7.9.2012 0:00	301 221,00
CZEBA-7	7.12.2012 0:00	436 646,73
CZEBA-7	- SUMA	2 101 385,89
CZEBA-8	7.3.2012 0:00	950 062,38
CZEBA-8	7.6.2012 0:00	479 240,92
CZEBA-8	7.9.2012 0:00	316 427,93
CZEBA-8	7.12.2012 0:00	457 527,14
CZEBA-8	- SUMA	2 203 258,37
CZEBA-9	16.3.2012 0:00	91 528,90
CZEBA-9	18.6.2012 0:00	990 586,68
CZEBA-9	17.9.2012 0:00	147 439,43
CZEBA-9	17.12.2012 0:00	505 573,48
CZEBA-9	18.3.2013 0:00	9 324,93
CZEBA-9	- SUMA	1 744 453,42
CZEBA-10	29.5.2012 0:00	614 620,77
CZEBA-10	29.8.2012 0:00	290 748,30
CZEBA-10	29.11.2012 0:00	125 774,82
CZEBA-10	28.2.2013 0:00	21 460,89
CZEBA-10	- SUMA	1 052 604,78
CZEBA-11	17.9.2012 0:00	81 080,81
CZEBA-11	17.12.2012 0:00	195 694,71
CZEBA-11	- SUMA	276 775,52
CZEBA-12	20.3.2013 0:00	50 608,82
CZEBA-12	- SUMA	50 608,82
CZEBA-SUM	13.5.2013 0:00	3 150 592,60
CZEBA-SUM	13.2.2014 0:00	1 505 182,22
CZEBA-SUM	13.5.2014 0:00	1 219 802,39
CZEBA-SUM	11.8.2014 0:00	7 976 847,53
CZEBA-SUM	11.11.2014 0:00	3 757 334,34
CZEBA-SUM	9.2.2015 0:00	2 439 602,13
CZEBA-SUM	8.2.2016 0:00	232 599,28
CZEBA-SUM	8.8.2016 0:00	150 505,06
CZEBA-SUM	8.11.2016 0:00	-40 102,95
CZEBA-SUM	- SUMA	20 392 362,59
Total		108 849 757,19

Detailed account of compensations of FX hedging costs paid by the Czech Ministry of Finance related to the first agreement:

TRANSE	REPORTED DATE	VOLUME (EUR)	VOLUME (CZK)	Paid by the MoF (CZK)
CZEBA-4	9.2.2015 0:00	83 589,74	2 326 553,19	2 326 553,19
CZEBA-5	9.2.2015 0:00	38 996,99	1 085 403,36	1 085 403,36
CZEBA-7	23.3.2015 0:00	1 618,49	44 697,92	44 697,92
CZEBA-8	20.7.2015 0:00	18 464,35	502 045,61	502 045,61
CZEBA-9	20.7.2015 0:00	81 912,17	2 227 191,88	2 227 191,88
CZEBA-10	19.10.2015 0:00	11 921,54	324 444,69	324 444,69
CZEBA-9	19.10.2015 0:00	11 812,05	321 465,02	321 465,02
CZEBA-10	20.10.2015 0:00	56 430,65	1 536 042,33	1 536 042,33
CZEBA-11	22.3.2016 0:00	9 014,49	244 878,66	244 878,66
CZEBA-10	22.3.2016 0:00	18 046,88	490 243,54	490 243,54
CZEBA-11	18.4.2016 0:00	33 883,17	920 266,94	920 266,94
CZEBA-12	18.4.2016 0:00	12 186,74	330 991,83	330 991,83
CZEBA-12	27.6.2016 0:00	38 158,53	1 039 285,77	1 039 285,77
CZEBA-13	27.9.2016 0:00	32 577,04	884 629,47	884 629,47
Total				12 278 140,22

7.14 Lump sum pension payments

The related accounting rules are described in the Chapter 3.6 on payments to government from transfer of pension obligations, in the ESA2010 Manual on government deficit and debt (2019 edition).

This point is not relevant for the pension system in the Czech Republic.

7.15 Pension schemes

Definition of pensions:

Pensions are social benefits representing income of individuals due to their old age, disability and as income for survivors.

In the Czech Republic, these pensions are mandatory expenditure of the State budget as a part of the social security and expenditure of private pension funds.

Classification of pension schemes – pension insurance schemes:

The social pension insurance schemes (compulsory and voluntary) are a part of the social protections of population in the Czech Republic – social security system (state pension insurance and social assistances) and private pension insurance system.

In 2012, completely new pension system (a pension reform) was approved and it becomes effective from 1 January 2013. The system consisted of three pillars: compulsory pay-as-you-

go (un-founded) scheme, capital system (combination of compulsory and voluntary system) and system of voluntary pension insurance scheme with the state allowance.

At present, neither pension insurance schemes nor the pension reform include any “employers’ schemes”, i.e. schemes organized by an employer, as well as schemes organized by government units for their own employees.

Besides, social pensions insurance has been also organized as part of life insurance. In this case, policies are taken out on the individual persons, own initiative and for their own benefit, independently of their employers or government. Therefore, the insurance is not in the national accounts treated as social insurance.

General social pension insurance scheme – the first pillar

In 1993, a new social security scheme - general social and health insurance including pension insurance scheme (as well as a new tax system) were introduced in the Czech Republic.

The basis of general social insurance has become:

- Act on social security contributions and contribution to the state employment policy (No. 589/1992 Coll., as amended) covering pension and sickness insurance and contribution to the state employment policy. The Act defines social security payers (employers, employees, self-employed persons and self-payers (i.e., with gainful activity and persons who are voluntarily insured). It states also monthly assessment bases for the calculation of premiums, premium rates, the method of payment and penalties etc.;
- Act on pension insurance for old age, invalidity and death of breadwinner (No. 155/1996 Coll., as amended) approved in 1995.

From 2013, the social contributions and other conditions of pension insurance were adjusted in connection with the pension reform. For instance, employer’s contributions were split between payments to the state budget (1st pillar - “state” pension insurance) and to new pension companies (2nd pillar); employees pay additional pension contributions.

Pensions paid under the legislations (relating to the I. pillar) are following:

- Old-age pensions depending on time insurance and reached “retirement” age;
- Disability pensions for reasons unfavourable health or occupational accident;
- Survivors’ pensions: widows, orphans and widowers.

The pension insurance scheme is classified (in the national accounts) as a part of social security scheme. Participation in this program is compulsory for large majority of individuals, but also voluntary (e.g., for persons older than 18 years, who are studying or for un-employment persons who do not receipt un-employment benefits)

The pension scheme is un-funded scheme (no special reserves are formed), based on “pay-as-you-go” rule. Pension insurance contributions are revenues of the State budget and pensions are expenditures of the Budget; no liabilities are recorded in the public accounts. The scheme is “benefits defined pension scheme”. Amount of the pension depends on “personal base of assessment” (including gross earnings etc.) and on insurance period, i.e. social benefits are not determined by the amounts previously paid in form of contributions.

The scheme remains as a part of the social security system; pension contributions and benefits are revenues and expenditures of the government unit (state budget). However, amount paid by

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employers and employees (determined as a percentage of gross wages) and by self-employed persons (determined from assessed base) was reduced by an amount paid to the second pillar.

The contributions – in the national accounts - are recorded in compliance with the ESA 2010 methodology (§ 27 b) i.e. as time-adjusted. The Ministry of Labour and Social Affairs provides monthly information on collected social insurance contributions (paid into pensions, sickness and unemployment social security “funds” of the State budget) on a cash basis. The amounts are attributed to the month when the work took place; delay is one month. It means that contributions paid (and collected) in February are recorded as accrued in January (Q1 = amounts collected in February+ March + April).

Pension insurance system – the second pillar

The pillar (established in 2013 - 2015) represents combination of voluntary and compulsory pension scheme. It is the capital (funded) scheme, contributions defined, in which employers (on behalf of their employees), employees and self-employed persons pay pension contributions. The employees pay regularly 2 % from gross assessment base of wages per month and employers pay 3 % to this pillar (which is not part of the social security; it means that the payments to the social security were decreased).

Only people, who are younger than 35 years of age, may participate in this scheme. At present, older people who are interested in this pension scheme had to be registered by the end 2012.

This scheme is not allowed to leave and return all paid means to the first pillar. A participant (an employee or a self-employed person) has only possibility to change the pension fund that manages this pension insurance (savings). The MoF (Financial Management) registers individual contracts within the “Central Register of Contracts”.

Social benefit – pension depends on amount of the contributions, on saving period and on an investment strategy.

The participant can choose of four investment strategy of managed by four pension funds. The investments strategy can be combined, e.g., 50 % funds can be placed in the balanced fund and 50 % in the dynamic fund.

In principle, two pension benefits are established: old-age pension (at least for twenty years) and life pension (with a payment for survivors during 3 years). If an insured person dies before he retires, accumulated contributions will be part of an inheritance.

Payments for management services are determined differently according to investment strategy of the fund.

Abolition of the second pillar

The second pillar was (from the beginning) the subject of critical reservations of many experts and political opposition. In the fourth quarter 2014, the government approved abolition of the pension scheme from 1 January 2016 and stipulated that the saved funds could be returned to participants or transferred to the first pillar. From January 2016 the payments of the pension contributions were stopped and also registration of new participants in the system. Since January 2017, liquidation of all pension funds, relating to the second pillar, has begun.

According to the Act No 376/2015 Coll., on termination of the pension saving system, any participant of the system can ask that the invested funds were transferred to his own account or

as a contribution to the supplement pension insurance or as additional pension savings. Otherwise, an insurance administrator transferred his saved funds to so-called “personal tax account” of the participant of the cancelled the second pillar.

Supplementary pension insurance scheme – the third pillar

The pillar represent existing voluntary supplementary pension insurance scheme with a state allowance and tax privilege.

Existing scheme is organized by the Act, No. 42/1994 Coll. on State-contributory Supplementary Pension Insurance, as amended. This Act lays down the conditions for establishment and management of pension funds and specifies the conditions for the payments of contributions, benefits, types of pensions and conditions under which the government contributes to the supplementary pension insurance of the participant or investment rules.

This pension insurance scheme is funded scheme (units create special insurance reserves), based on actuarial principles and it is contributions defined. Insurance contracts are taken out solely on the own initiative of insured (natural persons more than 18 old); employers can pay contributions on behalf their voluntary insured employees. Moreover, government encourages this social insurance – pays bonus (allowance) to the participant in this scheme.

The government’s allowances have been provided from the State budget differently in dependence on a monthly basis of pension contributions (CZK (200 was as the minimum) and insured person can deduct determined amount from its tax basis.

These insurance contributions have been invested by the pension fund in compliance with the Act.

The Act stipulates a minimum amount of the pension contribution with a claim to a certain amount of state allowances. If the contribution is less or equal to the specified limit (e.g., CZK 100, 00, resp. 199, 00) no state allowance is paid.

Benefits provided from the program are following:

a) Pensions:

- Old-age pensions (from 2018 after reaching 65 years);
- Disability pensions;
- Survivors' pensions (widows, widowers and orphans annuity);
- Service pension.

b) One-time settlement (paid instead of pension based on confirmed condition)

c) Settlement (benefits paid when the supplementary pension insurance ceases exists, based on specified conditions, e.g., when the participant gave notice).

Definition of social security schemes:

Social security scheme includes social insurance scheme (i.e., general pension insurance, sickness insurance and contribution to the state employment policy) and general health insurance scheme. The government according to special acts and decrees these programs imposes, organizes, encourages and finances. They relate to absolute majority of population.

Employers, employees, self-employed persons, and other persons pay social contributions to the “social fund” of the State budget (i.e. – “pension fund”, the “sickness fund” and the “un-

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employment fund” by defined conditions) and health insurance contributions to health insurance companies (that manage the general health insurance

Special social and health insurance programs organized by the government units for their employees or other corporations for their employees have not yet been established. In the Czech Republic.

Classification of institutional units supporting pension schemes; borderline cases

In the Czech Republic have been established two basic types units administrating pension schemes:

- Government non-market unit - the Czech Social Security Administration (CSSA), central BO, which is responsible for managing the pension insurance – it collects pension insurance contributions and pays pensions (social benefits). Moreover, the unit manages sickness insurance and contributions to the state policy employment.

The unit is classified in S.1311 and its total revenues and expenditures are fully linked with the State budget. Because this scheme is based on pay-as-you-go principle, no reserves are created, i.e. in the national accounts are recorded no liabilities relate to social benefits and no service charges are calculated in the accounts.

The Ministry of Labour and Social Affairs in cooperation with the MoF, manages and controls the management of the CSSA, pension policy, etc.

- Private pension funds, joint stock companies, which are autonomous pension funds established as private legal corporations and classified in S.129.

The units are responsible for managing the voluntary (supplement) pension contributions with the state allowance and for payments of the social benefits (see above). – These units build up special reserves in compliance with accounting rules for pension funds; these are identified in their balance sheets as liabilities. Calculated service charge is recorded (in the national accounts within S.129) as output (P.1) of these funds.

Pension funds are subject of a supervision that acted within the MoF; however, since the year 2006, the supervision was integrated into the Czech National Bank as a special department - including supervision of insurance corporations.

No borderline cases exist.

From January 1, 2013 until the end of 2016, following entities operated:

- Government non-market unit: within the first pillar, i.e. the Czech Social Security Administration (CSSA) – see above;
- Private pension insurance corporations:

a) within the second pillar: pension companies (joint stock companies) managing four types pension funds: the Pension Fund of State Bonds (Důchodový fond státních dluhopisů), the Conservative Pension Fund (Konzervativní důchodový fond), the Balanced Pension Fund (Vyvážený důchodový fond) and the Dynamic Pension Fund (Dynamický důchodový fond). The dynamic (risky) fund should have with a higher yield while conservative investment, should be with a lower yield. Pension companies were classified in S. 12902.

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- b) within the third pillar: pension funds established as
- Transformed pension funds (that arise from existing private pension funds managing supplement pension insurance with the state allowance);
 - Participant funds (Účastnické fondy).

At present, only these private pension funds (classified in S. 12902) administrating the supplementary pension insurance with the state allowance.

The following chapters 7.16 to 7.19 reflect of the new edition of the MGDD 2019, amended treatment of statistical issues within government finance statistics, methodological aspects ESA 2010.

7.16 Rearranged transaction

Chapter 1 of ESA 2010, related to general features and principles, provides a basic explanation of rearranged transaction (see para 1.72 – 1.79). Rearranged transactions are recorded in order to bring out the underlying economic relationships more clearly. MGDD 2019 contains amended treatment, in more detail.

Rearranged transactions include

- “Rerouting transaction” - a transaction between part A and C taking place through a third unit; i.e., two transactions are recorded;
- “Partitioning” - a transaction appearing to the parties as a single transaction is recorded as two or more differently classified transactions (e.g., FISIM – interest flows are split into property income and intermediate consumption);
- “Recognising the principal party to a transaction” - a unit carries out a transaction on behalf of another unit.

Rearranging of transactions can be considered as one of the general features of national accounts compilation methodology, especially general government accounts of the. However, transactions are also rearranged also between S.11 and S.13, S.12 and S.13 or S.13 and S.14. This characteristic results from national accounting systems introduced for various economic entities, including revenues and expenditures classification used for public budget compilation. Some synthetic accounts include accounting entries of different accounting cases that are recorded (in the national accounts) by other way.

Certain rearranging of transactions has been carried out on the basis of Eurostat recommendation – e.g., state payments for state insurance persons (e.g., children, students or pensioners) to health insurance or re-arrangement transaction relating to OTE, JSC. corporation activities (that has been reclassified from S.11 to S.13).

Data sources

The CZSO uses primarily administrative sources data (financial and budgetary statements) for government units incl. the Auxiliary Analytical Overview but also statistical questionnaires (P5 1-01, NI 1-01, VI 1-01 etc.). All items of administrative sources including AAO, budgetary classification and statistical questionnaires are (for transfer to the national accounts) classified by ESA codes.

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Legal documents are also an important source of information - decrees and laws that have an impact on statistics, procedures and methodology of compiling national accounts. The CZSO is informed on a number of proposals to amend decrees and laws; the CZSO is a so-called "comment place" and within it they are it also the national accounts departments. Thus, information is available on changes in legislation e.g., in the field of taxes, social contributions, accounting and budgeting, in the field of financial institutions (banks, insurance companies, etc.), health insurance companies (incl. other industries in economy), or in the field of establishing economic entities by law.

This creates opportunity of projecting the needs of the methodology of national accounts into the relevant legislation and at the same time to implement new legislative regulations into the procedures of compiling national accounts in accordance with the ESA2010 and MGDD standards. Subsequently, the statistical survey is adjusted or the corresponding unit. However, direct negotiations often take place with a specific entity to provide more detailed, individual information.

All three types of re-arranged transactions occur in the national government accounts – see more detailed information below.

Cases of rearranged transactions in the national accounts

Cases of rearrangement of transactions within the CZ National Accounts are following:

(a) Rerouting transactions:

- Health insurance contributions paid for “state insured persons” – i.e., dependent children, pensioners, women of maternity leave, persons registered at the labour office, persons in prison etc. These transactions are recorded as payments between S.1311 and S.14 under D.623 – Social assistance benefits in cash item (payments from the state budget to the households) and in the same amount between S.14 and S.1314 under D.6132 - Households actual non-pension contribution item (payments from the households sector to health insurance companies administrating general (compulsory) health insurance.
S. 1311 D. 623 (-) -> S. 14 (D. 623 (+))
S. 14 D. 6132 (-) -> S. 1314 (D. 6132)

- EU flows: funds received from EU funds incl. National Recovery Fund, or other financial instruments determined for non-governmental organisations and in accordance with the principles of government deficit calculation transferred through government accounts (the MoF or other ministries), under items D. 3 – Subsidies on production, D. 7 – Other current miscellaneous transfers, D. 9 – Capital transfers.

Data sources and methods used for identifications of transactions are based on direct sources data from the Treasury. Total amount of received EU funds is first excluded from the from the government receipts (state budget). Subsequently, the relevant part is recorded (i) as revenue of final users – non-governmental organisations (S.11, S.14, S.15) and (ii) funds determined for units classified in S.13 are again included to S.13.

- Insurance of responsibility for damage caused by vehicle operation: Insurance companies authorised to operate the insurance are obliged to pay 3 % from collected premium (by the Act No. 168/1999 Coll., as amended) to the Damages Inhibition Fund. The Fund is administrated by the Czech Insurers’ Bureau (non-profit institution classified in S. 12802) and

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the payments have features of taxes, i.e., they are obligatory and unilateral (unrequited). They are determined to entities that helping to ensure safety on essential oils (e.g., rescuers, firefighters).

The transaction is recorded as expenditure of S.12802 to S. 1311 under D.29 - Other taxes on production item and in the same amount from of S. 1311 to S. 1311 under D. 759 - Other miscellaneous current transfers' item.

S. 12802 D. 29 (-) - > S. 1311 D. 29 (+)

S. 1311 D. 759 (-) - > S. 12802 D. 759 (+)

Data sources and methods used for identifications to rerouting transactions are based on direct information from the Treasury (on revenue and expenditure of the state budget, AAO) and on the Czech Insurers' Bureau data.

(b) Partitioning

The partitioning of transactions data relates especially to revenues and expenditures of the state budget and budgets of local budgetary organisations (municipalities, regions, voluntary associations of municipalities and regional councils of cohesion regions¹²:

Revenue (state and local budget) is split:

- Levy on withdrawal of land from the agriculture land fund is split between D.29 – other taxes on production (10 %) and D.214 – taxes on products except VAT and import taxes (90 %);
- Levy on withdrawal of land from the forestland fund is split between D.29 – other taxes on production (10 %) and D.214 – taxes on products except VAT and import taxes (90 %)
- Entry fees (for motor vehicle) to selected places are split between D.29 – other taxes on production (50 %) and D.59 – Other current taxes (50 %)
- Administrative fees are split among P.131-Payment for non-market output (50 %), D.29-Other taxes on production (25 %) and D.59-Other current taxes (25 %)
- Real estate tax is split between D.29 and D.59
- Sale of stamps revenue is split among P.131 (50 %), D.29 (25 %) and D.59 (25 %)
- Transfers from state enterprise funds to the state budget are split between D.421 and D.993 on basis supplement information
- Received transfers returns from other parts of public budgets and from previous years financial settlement of public budgets are split between D.731 and D.759
- Transfers from others public budgets are split between D.731 and D.732 (between subsectors or on the subsector level)
- Investment transfers (grants) received from the state budget and state funds, split between D.921, D.922 (between subsectors or on the subsector level)

Expenditure of the state budget and local budgets:

- Travelling expenditures – splitting of the transaction between P.2 – Intermediate consumption (95 %) a wages in kind (5 %) for budgetary organisations in S.1311 and S. 1313

¹² Regional councils of cohesion regions have been cancelled on December 31 2021

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- Non-capital (non-investment) transfers to foundations, institutions and public benefit companies etc. – are split between D.39 (-) – Other subsidies on production (5 %) and D.751 – Current transfers to NPISHs (95 %);
- Compulsory social contributions – expenditure – between D.1211 (86 %) and D. 1212 (14 %);
- Transfers from the state of local budgets to other public budgets (e.g., to universities, school legal entities, semi-budgetary organisations etc.) are allocated between D.731 and D.732;
- Investment transfers (grants) to financial and similar corporations (e.g., public hospitals) owned by the government split between D.921, D.922, D.923 (i.e., between subsectors S.13, on the subsector level and outside S.13
- Investment transfers (grants) split between the state budget, state funds, municipalities, voluntary associations of municipalities – under D.922, D.923.

FISIM - interest revenue and expenditure (D.41) of general government is adjusted for interest on deposits and loans banks within S.1311 (excluding interbank interest); the corresponding difference between revenue and expenditure is recorded as P.2-intermediate consumption of government units.

Other similar adjustments relate to partitioning of transactions are described within methodology adjustments, e.g., under “The compilation process of the EDP tables” or “Consolidation of Maastricht debt” (section 3.1.1.4) or on interest accrualisation.

Data sources and methods used for identifications to partitioning:

Information on the partitioning of transactions that relates especially on revenues and expenditures of the state budget and local budgets is based on direct data from the Treasury split by budgetary structure stipulated by a law and. Some single transactions (revenue or expenditure) must be split between two or more different transactions (i.e. items of the government accounts or different subsectors/sectors).

The partitioning

- is made by a percentage based on expert estimate or inquires for units or based on supplement information (e.g., information on revenue and expenditure classified by a function purpose).
- Real estate tax between D.29 and D.59 is based on information from tax declarations of legal a natural person;
- Interest between D.41 and P.2 is based on information from the CNB (from the VIS2001_OB questionnaire);
- Other corresponding splitting is stated within “methodology adjustments”.

(c) Recognising the principal party, a transaction:

- Statutory employer's liability insurance for damage in the event of an accident at work or an occupational disease (so-called accident insurance): it is managed by two private insurance companies under foreign control, classified in S. 12803 (Generali Česká pojišťovna or Kooperativa). These are compulsory payments (Decree No. 125/1993) relating to social risk insurance and treated as a part of compensation of employees (under item D. 121 – employers’ actual social contributions, resp. D. 611).

The payments are recorded as transaction between S. 12803 a S.1311 under D.611 – actual social contributions of employers (which correspond to flow D.121 in the sector/subsectors).

Accident benefits are recorded under item D. 621 - social security benefits.

Central government (MoF) pays to the relevant insurance companies service charges (under P. 2 – intermediate consumption), determined according to the contract by a certain percentage of the received (collected) insurance.

Residual part (difference between revenue and expenditure is the state budget revenue (2129 - Surplus transfers of direct relation organisations - budgetary classification item).

They are recorded as payments between:

S. 12803 D. 611 (-) → and S.1311 D. 611 (+)

S.1311 D.621 (-) → S.14 D. 621 (+)

S. 1311 P. 2 (-) - > S.12803 P.11 (+)

S. 1311 D.732 (-) - > S.1311 state budget (budgetary item 2129 – Surplus levies organisations with the direct relation).

Data sources used for rerouting transactions: The first information relating to these activities was based on the decree (No. 125/1993). Recording of the transactions and their rerouting is based on direct information from the *Generali Česká pojišťovna and Kooperativa*.

• **EU flows in agricultural area:** Under the rearranged transactions are recorded transactions related to EU flows in area of the Agricultural Market Regulatory Agencies activities. The agencies engaged in market activities are classified in S.11 (MGDD section 1.4)

The State Agricultural Intervention Fund (SAIF) distributes subsidies, buys and sells agricultural products. Because these activities were not possible to divide into two separate organisations, a hypothetical public organisation (HPO) was established and classified in S.11001. This unit is engaged in market activities – in inventories (excluded from the SAIF); it shows inventories (AN.12) and transactions in inventories on the assets side (P.52) and (in the same amount) equity (AF.519/F.519) on the liability side. Within the SAIF, these data are recorded on the assets side (in accordance with the MGDD, section 1.4 - Market regulatory Agency).

This re-arrangement is recorded between:

- S.1311 SAIF AN.12 (-) A - > S.11001 HPO AN.12 (+) A

- S.11001 HPO AF.519/F.519 (+/-) L - > S.1311 SAIF AF.519/F.519 (+/-) A

Data sources and methods used for identifications of re-arrangement: the data are obtained (in detailed structure) from the direct administrative data source – from the State Agricultural Intervention Fund – regularly and in detail structure.

7.17 Decommissioning cost

This part describes a transfer of decommission costs and the recording in EDP tables and national accounts.

Decommission costs are defined by ESA2010 (in § 3. 129 h) and newly in the Manual on Government Deficit and Debt, 2019 edition, chapter 3.7 (Impact on government accounts).

“Decommissioning is an operation consisting of dismantling (uninstalling) production/industrial site in order to clean it up so that it, or the land underneath or surrounding it, becomes available for future use.” The aim may be to re-use an asset

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transferred to government, which will take over the future cost of the decommissioning. They could be power stations, oilrigs, mines, quarries, complex industrial factories (chemical, refineries, etc.), landfills sites, etc.

Decommissioning activities in S.13 (including small research reactor)

For the most significant units affecting future decommission costs can be considered units

a) in mining of coal area

At the end 1980s, and especially in the 1990s, there was a significant decline in mining and privatisation in this area – mainly through coupon privatisation and the National Property Fund. Legal and natural persons acquired a certain part of the property in the form of shares. Moreover, municipalities acquired this property also through the Act, on the “Transfer of Certain Things, Rights and Commitments from the Property of the Czech Republic to the Property of Regions and Municipalities and Other units” (No.157/2000 Coll., and 290/2002 Coll.). Unnecessary assets were liquidated (including backfilling some mine shafts) or sold.

At the same time, efforts were made to protect of technical monuments in mining, e.g., for instance by purchasing. A special case concerned to transfer free of charge assets, after the declaration of the assets as a cultural monument.

These transactions have been recorded mainly under P.5113, P.51g and D.92 or D.99

In 2020, no information has been, on decommissioning costs such assets.

b) In the power plants area

Due to reduction mining of black and brown coal and the new legislation on environmental protection, the operation of several power plants has been terminated and the capacity of the existing power plants is to be gradually reduced. The available information indicates that no decommissioning facilities have been transferred to government.

As to nuclear power plants (put into operation in the late eightieth years, after 2000 and newly prepared) decommissioning is not expected and the available information also indicates that no facilities will be transferred to government institutions.

The corresponding transactions are recorded especially under P.5113 (Disposal of existing fixed assets within S.11) and D.92 (Investment grants within S.11 and S.13)

Decommissioning and waste management funds in S.13

Decommissioning and waste management has been adjusted by several legal documents that implement the relevant EU regulations, in particular:

- *Waste Catalogue*, defined by Decree No. 93/2016 Coll., as amended: it defines twenty groups of waste (e.g., the first group is waste from geological exploration, mining and mineral processing, then from agriculture or chemical processes; the last group consists of municipal waste) with the definition of municipal, dangerous or construction and demolition waste etc., – with the valid until 31 December 2020.

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- *Waste Act* No. 185/2001 Coll., as amended (valid until 31 December 2020), which divided waste into dangerous and other waste and defined the general conditions of waste management, Waste originators (companies and households) paid fees for services related to waste collection, disposal and landfill – in accordance with the Waste Act or the Act on Local Fees, or according to a special price list of dangerous waste.

New Act on waste No. 541/2020 Coll., effect from 1 January 2021, implements EU provisions on circular economy – e.g., newly determines waste types (usable, residual, hazardous, selected technological and remediation), increases the requirements for their recycling and sets a date for the completion of waste disposal in the form of landfilling, by the end of 2029.

Special companies collect and hand over waste for further disposal; some waste (e.g., most of health care activities) may not be landfilled in the Czech Republic, some waste may be returned to sellers (e.g., medicines or electrical home appliances). Mining companies and landfill operators must create financial reserves for remediation and reclamation of sites (areas) damaged by opencast mining or waste storage.

Municipalities are the originator of other waste (mainly municipal), and simultaneously they are responsible (in its administrative territory) for waste management; they provide collection and disposal of other waste. The activities are reimbursed by fees determined by the Act and as service charge of municipalities under budgetary items in government accounts under P.131 (payment for services), in compliance with information on public budgets expenditure (under items of the budgetary classification).

- *Atomic Act* No. 263/2016 Coll., as amended, determines conditions associated with the exploration, mining, utilization, collection and disposal of waste, remediation and reclamation of the consequences of obtaining a radioactive mineral. The producer of radioactive waste and the operator of management radioactive waste bears all costs associated with this waste from its generation to disposal; it is obliged to monitor the repository even after closure. These costs are reimbursed in the form fees to the Nuclear Account kept by the Czech National Bank.

- *Government Regulation No. 416/2002 Coll.*, which determines the amount of the levy and the method of its payment to the generator of radioactive waste on the nuclear account and the annual amount of the contribution to municipalities and the rules for its provision

- *Act on Reserves for Determining the Income Tax Base (No. 593/1992 Coll., as amended)*: the Act determines obligation to create a financial reserve upon the first start-up of a nuclear facility with a nuclear reactor.

Recording of annual payments to those funds

a) *The Nuclear Account*, managed by the Ministry of Finance, is part of the state financial assets and kept by the Czech National Bank. Its revenue is mainly from regular annual payments from waste originators for spent nuclear fuel, from one-off payments for waste disposal (according to amount in m3), interest revenue from invested funds of the Account in stated bonds (or bonds issued by the CNB or securities issued by an EU Member State) and paid state bonds coupons (interest).

Revenues from these operations are recorded in the items of the national accounts under P.131 and D.41. Within the April EDP notification 2021, a change has been carried out in the government revenue classification from waste originators, from P.131 – non-market production item to balance sheet AF.89 – other payables item, from 2017. The funds are determined for

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future construction of deep repositories for permanent storage of nuclear waste. In the backward time series, the change will be carried out during the main revision in 2024.

Nuclear accounts funds are invested especially in state bonds and on the money market and are a source of funding for the Radioactive Waste Repositories Administration – central budgetary organisation (Správa úložišť radioaktivního odpadu), responsible for radioactive waste management and for future permanent repositories of the radioactive waste.

The Radioactive Waste Repositories Administration ensures the placing of radioactive waste and future permanent repositories, keeps records of the receipt of radioactive waste and its originators and manages fees waste originators recorded in the Account.

Expenditures of the Administration are part of the state budget and recorded in national accounts within the current and capital account (e.g., under P.2, D.1, or P.51)

Revenue of the Nuclear Account are recorded under P. 131 and D.41 items of national accounts (they are revenue of the State budget).

b) *Financial reserves created by the holders of a licence to commission a nuclear installation with a nuclear reactor:* the holder of this licence is obliged to deposit funds for its decommissioning (in a restricted bank account) – in compliance with the Income Tax Reserves Act (No. 593/1992, Coll., as amended).

c) *Financial reserves created by waste originators -* mining companies and landfill operators are obliged (according to the Waste Act) create financial reserves from their own resources for the remediation and reclamation of sites (areas) damaged by surface mining or landfilling.

D.41/D.42 revenue accrued on those funds and D.41 expenditure accrued on matching AF.8L

Not relevant

Transfer of obligation against lump sum/assets – AF.8L

Not relevant

7.18 Concessions

Concessions are arrangements for the ‘development’ of infrastructure (e.g., buildings, roads, bridges, tunnels airports, ports), with payments made by end-users. Concessions are long-term arrangements between a government unit and a concessionaire (which may be a public or a private unit) in which the government grants the concessionaire the legal right to exploit a specific asset (or even several assets) which is/are constructed, substantially renovated or expanded under the concession arrangement. At the end of the concession arrangement, all assets are returned to the government for no consideration. If the assets are not returned to the government at the end of concession, the arrangement is not a concession.

In 2014, Eurostat initiated a discussion on treated concessions, concession contract, and concessionaires under government control. Due to, separate chapters have been dedicated to the issue in the MGDD edition 2014 and 2016. The new MGDD edition 2019 defines the concessions in more detail within the chapter 6 – Leases, concession and PPPs.

The discussion on concessions and sector classification of public concessionaires etc. continued and in November 2021, the main features of concessions in national accounts were discussed and defined at the Task Force meeting – as follows:

Concession

- **Constitutes an arrangement**

- *For the “development” of infrastructure building (e.g., roads, bridges, tunnels, airports, ports, etc.), i.e.*
- *on the construction (or the renovation or extension with a significant capital expenditure) of an asset/s;*
- *usually of a long-term nature, as it involves significant capital costs and thus a reasonable payback period of invested means and needed earn;*
- *where, the duration of the contract is limited and determined with regard to the economy life of the underlying asset and capital expenditures (not automatically by the number of years);*
- *on the transfer of assets to the government at the end of the concession period (with the possible possibility of extending the concession contract);*
- *on payments for provide services through the asset to public; these payments come from the end users.*

- **Is associated with that**

- *the concessionaire*
 - *has acquired the right to use the asset and to provide services to the public;*
 - *borne the risks and rewards associated with the use of the asset / assets,*
- *is economic owner and has independence in decision-making;*
- *economic ownership should represent more than half the life of the asset;*
- *classification of the asset/assets (recording) is in the balance sheet of the economic owner, i.e., the concessionaire.*
- *classification of the asset/assets (recording) is in the balance sheet of the economic owner, i.e., the concessionaire*

However, the discussion, in the area, continues.

Concessions contracts and data sources

In the legal environment of the Czech Republic, a concession is generally treated as *a state permit* for the operation or use of an object (real estate, machinery, infrastructure equipment etc.), based on proven qualification and other conditions in compliance with the Trade Licensing Act (No. 455/1991 Coll., as amended). Many institutional units have registered several trades in the Public Register kept by the Ministry of Interior.

Contract procedure and publication of the contracts (relating to the above concept of concessions) are determined especially through the following legal documents:

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- The Civil Code No. 89/2012 Coll., as amended, defines general provisions relating to contracts,
- Act No. 340/2015 Coll., on the Register of Contracts, stipulates the obligation to publish contracts between entrepreneurs and entities determined by the law, contracts on the provision of subsidies or repayable financial assistance. The Register is part of the public administration information system, administered by the Ministry of the Interior.
- Procurement Act No. 134/2016 Coll., as amended, stipulates the conditions and procedure for concluding the procurement contract, conditions for awarding procurements, the obligations of public contracting authority, obligation to publish the procurement etc.,
- The Public Procurement Journal (<https://www.vestnikverejnychzakazek.cz/>) contains the nominal list of newly concluded procurements, whose value is more than CZK 500,000 and (so cold) significant procurements with value above CZK 300 mil., name of contracting authority and name of the procurement. These new procurements are oriented not only to the new construction or reconstruction (modernisation), but also to the purchases of goods and various services. Moreover, for instance, contracts whose value is less than determined limit (e.g., CZK 50 thousand) or contracts on health services financed by general health insurance obligation do not have to be published etc.

Ministries, central offices, state funds, municipalities, health insurance companies, entities with a majority ownership share of the state or municipalities are determined as *public contractors* and other entities, which obtain e.g., more than CZK 200 mil., or 50 % of the funds from public budgets etc. *Concessionaire* is (in the law on procurements) determined as a person who offers the provision of supplies, services or works, or more of these activities together.

The economy development outlook for 2021 and 2022 years (as part of the state budget draft for 2020) assumed implementation of 31 procurements in the amount approximately CZK 89 billion. The Ministry of Defence showed the largest share. So-called third parties predominated among the contracting entities contractors. No information on purpose of the procurements did not state.

In 2021, the MoF provided to the CZSO a list of newly procurements by local government units for which municipalities concluded contracts and for which the MoF issued its statement (in compliance with the Act No 134/2016 Coll., as amended). However, these statements are issued before signing contracts. Most of them, they are private concessionaires and only four of them, they are public non-financial corporations and these concessions are oriented to the rental and operation of sewerage systems and water supply.

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The orientation of public procurements (concession contracts) and their estimated costs can be stated on aggregated data from the Ministry of Finance:

<i>Concession contracts of local budgetary organisations for implementation, on which the Ministry of Finance was issued an opinion, to 1. 1. 2019</i>			<i>Concession contracts of local budgetary organisations in realization, approved by Ministry of Finance in 2021</i>	
<i>Subject of the concession contracts</i>	<i>Estimated value of the subject of the concession contracts</i>	<i>Share in the total value of concession contracts</i>	<i>Estimated value of the subject of the concession contracts</i>	<i>Share in the total value of concession contracts</i>
	<i>in CZK</i>	<i>in %</i>	<i>in CZK</i>	<i>in %</i>
<i>Water management</i>	65 762 446 356	83,5	11 258 602 726	90,6
<i>Energy</i>	3 854 163 270	4,9	799 419 520	6,4
<i>Social services</i>	3 650 037 110	4,7		0,0
<i>Transport</i>	846 158 900	1,1	80 000 000	0,6
<i>Leisure infrastructure</i>	2 695 124 318	3,4	12 000 000	0,1
<i>Other</i>	1 916 714 084	2,4	283 469 264	2,3
<i>Total</i>	78 724 644 038	100	12 433 491 510	100,0

Access of concessions contracts and assets classified on government balance sheets under concessions

The Czech Statistical Office has access to concession contracts list since introducing the public Contract Register, i.e. since 2017 or to the Public Procurement Journal (as well as other entities). However, more detailed information on focus of the particular contract and its subject, e.g., more detailed information on transport construction contract etc., is very difficult due to personal or commercial data protection. Moreover, it would require a special legal authority for the CZSO, and also staff and time capacity and.

Newly concluded concession on public procurement are especially focused on the operation or lease of assets in various areas. Due to absence concessions on construction or renovation (e.g., roads, bridges or tunnels), no such assets are recorded on government balance sheets.

Financing of construction costs under concession

The Budget Classification, budgetary reports, bookkeeping statements do not include any information on procurements, on financing costs under concession.

Available information is only on total investment grants from public budgets e.g., to non-financial corporations, financial and similar institutions owned by government etc. and from the annual statistical questionnaire (P 5 1-01). No individual information on construction costs under procurements has been available.

State guarantees covering more than 50 % of the debt

Total overview state guarantees are reported in the Questionnaire relating to the EDP notification tables (T9) as provided for under Article 8 (2) of Council Regulation (EC) No. 479/2009, as amended. Their amount reached CZK 9,315 million in 2019, while the government debt amounts to CZK 2, 149, 399 million, which represents 0, 21 %.

Government guarantees to a concessioner

This information has been not available.

7.19 Income contingent loans

ESA 2010 describes guidance on financial corporations and financial intermediation and MGDD elaborates these questions, in the Chapter 4 - Relations between government and the financial sector, especially relations between the government and the national central bank or it elaborates financial defeasance. MGDD 2019 contains a new sub-chapter 4.7 - Income contingent loans.

Income Contingent loans are funds provided by government in the form of loans, but for conditions, which not meet the criteria considered a loan (stated in ESA 2010), but which have contingent elements. For instance, future income of the person concerned, which will not allow him, repay the loan (partially or totally). The government provides these funds mainly to households (alternatively other units); borrowing is generally granted with long-term maturity and for relatively small amounts to a large number of debtors under standard conditions. Expected losses are assessed in different ways. The total amount of the funds provided as loan is recorded as the government expenditure, when expected losses (due to the contingency) are below 5 % to 10 % and as the capital transfer if expected losses are higher than 90 % - 95 %.

Cases of income contingent loans

The case is not relevant. The government institutions do not provide any such loans

Source data – not relevant

Sales of income contingent loans – not relevant

7.20 Energy performance contracts

In an Energy Performance Contracts an EPC-contractor finances and carries out an initial capital investment in order to improve the energy efficiency of an existing facility. The EPC-contractor is remunerated via the energy savings achieved through the upgraded equipment and structures. The equipment and structures provided by the EPC-contractor are treated collectively as EPC assets and are recorded on the balance sheet of the EPC-contractor if it ultimately bears the majority of the risks and rewards associated with the use of the EPC assets. A detailed approach to the risks and rewards to be analysed is provided in the Eurostat/ EIB

“Guide to the statistical treatment of Energy Performance Contracts” published on 8 May 2018.

Energy Performance Contracting (EPC) is a way of reducing the energy performance of buildings, which includes the preparation and implementation of an investment project for reduce energy performance, including financing in the form of repayment of electricity consumption by the investor. Energy savings are contractually guaranteed. All risks of the project are borne by the provider, i.e. the financial losses in case the savings are not achieved.

Moreover,

- The definition of an EPC requires that the investor (unit) is (for statistical purposes) classified inside the general government sector and*
- includes new and/or improvement to existing assets, e.g., heating, ventilation and air conditioning systems, combined heat and power plant, hot water system etc. or also equipment for monitoring energy consumption;*
- capital expenditure on assets that produce energy for consumption in existing facilities and /or sale to third parties; however, if the capital expenditure represents 50 % or more of the total capital expenditure on the assets, the contract will not be an EPC;*
- EPC should be interpreted as PPPs; however, the new and/or improvement to existing assets represents 50% or more of the value of the asset after completion of the works and the asset should be separable so that it can be included in the supplier's balance sheet - outside the government's balance sheet.*

The first energy services – EPC projects concerned to central heating systems in the Czech Republic and the repayment of the investment was reflected in the price heat. Since 1992, projects have been implemented with a contractual guarantee between the investor and the supplier for energy savings, and the investor did not need funds for the investment.

In 2000, the Energy Management Act (No. 406/2000 Coll., as amended – Zákon o hospodaření energií) was issued to support energy management and achievement savings. The Act determines EPC as an “energy service with a guaranteed result”, with the aim in order to achieve predetermined energy and cost savings over a specified period.

Recording of energy performance contracts (EPC) in national accounts

Identification the EPC a data sources

Operations related to EPC projects (expenditures, loans or other liabilities) are not identified separately in accounting systems of government units or in the annual statistical questionnaire (P5 1-01). It was surveyed and verified, through *individual questioning* that EPC projects mainly include technical improvements to existing energy equipment or the building (e.g., weatherproofing) or acquisition of new energy equipment (e.g., boilers). In addition, *the Czech Association of Energy Service Providers APES* provides the Czech Statistical Office information on contracts signed in given year.

An analysis of all available information on the existing EPC’s in the Czech Republic showed that the amount of EPC’s signed in 2019 is insignificant. The contracts signed only by two government institutions (an town and a hospital) have been only in amounts to CZK 74,9 mil. (0.0013 % of GDP).

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As found, energy performance contracts, cover fix part (non-mobile) of constructions (buildings), for instance especially central heating or lighting. Corresponding expenditures are part of aggregated sources data on total investments costs (i.e. within the government accounts under item P.51g).

Information on EPC included in data sources (contractual period, risk distribution)

Information on specified contractual period is obtained from APES institution or from individual questioning (see above). The energy corporation bears all risks linked with the EPC project, which is in compliance with characteristic features of EPC projects.

Distinguishing EPC contracts, factoring; factoring with and without resource

The government debt also covers Energy Savings Performance Contract (EPC) projects implemented by the government. The impact of EPC's on the debt is negligible. The inclusion of the EPC contracts in the debt is assured by the adjustment of the trade loans as the sale of the receivable (of the energetic corporations) to financial institutions is common practice.

The Czech National Bank provides aggregated data on repurchase of receivables (factoring) of by individual government units to corresponding bank. However, detailed information relating only to EPC is not available.

The corresponding data are recorded within government balance sheet, under AF.4L, F.4L items.