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

2018
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 ESA2010 as well as some updates of the relevant topics mirroring the changes introduced by the ESA2010.
Contents

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data .................................................. 1

1. General Government ...................................................................... 1
   1.1 Central government subsector (S.1311) ....................................... 1
   1.2 State government subsector (S.1312) ....................................... 4
   1.3 Local government subsector (S.1313) ..................................... 5
   1.4 Social security funds subsector (S.1314) .............................. 6

2. Institutional arrangements .............................................................. 8
   2.1 Institutional responsibilities for the compilation of general government deficit and debt data .................................................. 9
      2.1.1 Existence of an EDP unit/department ................................ 17
      2.1.2 Availability of resources for the compilation of GFS data ........ 17
   2.2 Institutional arrangements relating to public accounts ............. 17
      2.2.1 Legal / institutional framework ...................................... 17
      2.2.2 Auditing of public accounts ......................................... 21
         2.2.2.1 General government units .................................... 21
         2.2.2.2 Public units, not part of general government ............ 23
   2.3 Communication ...................................................................... 24
      2.3.1 Communication between actors involved in EDP ............. 24
         2.3.1.1 Agreement on co-operation ................................ 24
         2.3.1.2 Access to data sources based on public accounts ....... 26
         2.3.1.3 Publication of EDP data ...................................... 27
         2.3.1.4 Publication of underlying government ESA2010 accounts ....... 28

3. EDP tables and data sources ......................................................... 29
   3.1 EDP table 1 ........................................................................ 29
      3.1.1 Maastricht debt calculation .......................................... 29
         3.1.1.1 Specification of debt instruments ......................... 29
         3.1.1.2 Data sources used for the compilation of Maastricht debt ...... 32
         3.1.1.3 Amendments to basic data sources ................. 32
         3.1.1.4 Consolidation of Maastricht debt .................... 33
   3.2 Central Government sub-sector, EDP table 2A and 3B .......... 34
      3.2.1 Data sources for main Central Government units: “The State” .... 35
         3.2.1.1 Details of the basic data sources: “state” ............... 36
         3.2.1.2 Statistical surveys used as a basic data source .......... 38
         3.2.1.3 Supplementary data sources and analytical information ...... 38
            3.2.1.3.1 Supplementary data sources used for the compilation of non-financial accounts ...... 38
            3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts ....... 39
         3.2.1.4 Extra-budgetary accounts (EBA) ......................... 39
      3.2.2 Data sources for other Central Government units ............ 41
         3.2.2.1 Details of the basic data sources .......................... 43
         3.2.2.2 Statistical surveys used as a basic data source .......... 44
         3.2.2.3 Supplementary data sources and analytical information ...... 44
            3.2.2.3.1 Supplementary data sources used for the compilation of non-financial accounts ...... 44
            3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts ....... 45
      3.2.3 EDP table 2A ................................................................. 45
         3.2.3.1 Working balance - use for the compilation of national accounts .... 45
         3.2.3.2 Legal basis of the working balance .................... 46
         3.2.3.3 Coverage of units in the working balance ............... 46
            3.2.3.3.1 Units to be classified outside the subsector, but reported in the WB ................. 46
            3.2.3.3.2 Units to be classified inside the subsector, but not reported in the WB ............ 47
3.2.3.4 Accounting basis of the working balance..................................................48
  3.2.3.4.1 Accrual adjustment relating to interest D.41, as reported in EDP T2..............49
  3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2 .................................................................49
  3.2.3.4.3 Other accrual adjustments in EDP T2 ..................................................50
  3.2.3.5 Completeness of non-financial flows covered in the working balance ... 51
  3.2.3.6 Financial transactions included in the working balance ..........................51
  3.2.3.7 Other adjustments reported in EDP T2 ..................................................51
  3.2.3.8 Net lending/net borrowing of central government ......................................52
3.2.4 EDP table 3B .........................................................................................53
  3.2.4.1 Transactions in financial assets and liabilities ............................................53
  3.2.4.2 Other stock-flow adjustments ..................................................................54
  3.2.4.3 Balancing of non-financial and financial accounts, transactions in F.8. 55
3.3 State government sub-sector, EDP table 2B and 3C..............................................56
3.4 Local government sub-sector, EDP table 2C and 3D .............................................56
  3.4.1 Data sources for Local Government main unit: Local budgetary main units 56
    3.4.1.1 Details of the basic data sources..............................................................57
    3.4.1.2 Statistical surveys used as a basic data source ........................................58
    3.4.1.3 Supplementary data sources and analytical information ..........................58
      3.4.1.3.1 Supplementary data sources used for the compilation of non-financial accounts ... 58
      3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts .... 58
    3.4.2 Data sources for other Local Government units .........................................59
      3.4.2.1 Details of the basic data sources ............................................................59
      3.4.2.2 Statistical surveys used as a basic data source .......................................60
      3.4.2.3 Supplementary data sources and analytical information ..........................60
    3.4.3 EDP table 2C ..........................................................................................60
      3.4.3.1 Working balance - use for the compilation of national accounts ............60
      3.4.3.2 Legal basis of the working balance .........................................................61
      3.4.3.3 Coverage of units in the working balance ...............................................61
        3.4.3.3.1 Units to be classified outside the subsector, but reported in the WB ..........61
        3.4.3.3.2 Units to be classified inside the subsector, but not reported in the WB .......61
      3.4.3.4 Accounting basis of the working balance ..............................................62
        3.4.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2C .......62
        3.4.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2C .................................................................63
      3.4.3.5 Other accrual adjustments in EDP T2C ..................................................63
      3.4.3.6 Financial transactions included in the working balance ..........................63
      3.4.3.7 Other adjustments reported in EDP T2C ..................................................64
      3.4.3.8 Net lending/net borrowing of local government .......................................64
    3.4.4 EDP table 3D ..........................................................................................64
      3.4.4.1 Transactions in financial assets and liabilities ............................................65
      3.4.4.2 Other stock-flow adjustments ..................................................................66
3.5 Social security sub-sector, EDP table 2D and 3E ....................................................67
  3.5.1 Data sources for Social Security Funds main unit: Health insurance companies ..................................................................................67
    3.5.1.1 Details of the basic data sources..............................................................68
    3.5.1.2 Statistical surveys used as a basic data source ............................................68
    3.5.1.3 Supplementary data sources and analytical information ..........................69
      3.5.1.3.1 Supplementary data sources used for the compilation of non-financial accounts ... 69
      3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts .... 69
7.11 Securitisation ............................................................................................................. 145
7.12 UMTS licenses ........................................................................................................ 146
7.13 Transactions with the Central Bank ....................................................................... 146
7.14 Lump sum pension payments ................................................................................ 151
7.15 Pension schemes ..................................................................................................... 151
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 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 2018, 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 (2016 edition) and they have been discussed with the Eurostat. At the end of 2018, the general government sector consists of more than 18 thousand of units.

1.1 Central government subsector (S.1311)

Central government subsector included (at the end 2018) 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, whose revenues and expenditures are included in the State budget affecting the working balance (281 units at the end 2018);
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 (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 Fund for Support and Development of Cinematography - SFSDC (SF pro podporu a rozvoj kinematografie),
- State Culture Fund – SCF (SF kultury),
- State 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 2018)

b) Other extra-budgetary government 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 Infrastructure Administration – RIA - (Správa železniční dopravní cesty), has been established (Act No 77/2002 Coll.) as a legal person (state organization) by splitting of the company Czech Railway (State enterprise) and classified into 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 CPP Transgas and Balmed - classified in S.1311 from 2010 (based on 50% of ESA2010) and state enterprises in liquidation - Mototechna and OSAN reclassified from S.11001 to S.1311 in 2017 (ii) Electricity Market Operator, ITC. (OTE, ITC.) from 2017, considered as a market regulator

b) Other extra-budgetary government units:
- PRISKO, 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;

- Czech export bank, ISC (Česká exportní banka, a.s - ČEB), reclassified from S.12201 to S.1311 (since 2003) in compliance with 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. One of the main features of those institution is a lack of independency from government units (resp. high dependence on government units);

- Czech-Moravian Guarantee and Development Bank, ISC (Českomořavská 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;

- Export Guarantee and Insurance Corporation, ISC - EGAP (Exportní garanční a pojišťovací společnost, a.s.) reclassified from S.12801 to S.1311 (since 2005) in compliance with 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, IMOB (joint-stock companies) and GALILEO REAL (limited partnership);
(ii) BH Capital, (joint-stock company) in liquidation (reclassified from 12601 in 2017); the unit was cancelled in the same time

(iii) Financial Market Guarantee System FMGS (Garancní systém finančního trhu) - former the 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 and Securities Traders Guarantee Fund (STGF) (Garancní fond obchodníků s cennými papíry) - non-profit financial institution

d) Non-profit non-financial institutions (109 units including two financial institutions; see above) e.g.:

- 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 compliance with ESA 2010 methodology alongside with reclassification of fees for TV and radio broadcasting collected by these units as taxes. Reclassification of these units was made in whole time series (since 1993), in 2017;

- The Vine-grower Fund – VGF - (Vinařský fond), established in 2004 (§31, the 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 viniculture;

- 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 (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, PU has operated as semi-budgetary organisations. The legal form has been changed by the Act No. 111/1998 Coll. so that public universities have currently the nature of non-profit institutions and their operating costs are covered by more than 50 % from the State budget (about 80 %-90 %);
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 1. General Government

- University nursery schools established by public universities as non-profit institutions since 2012, controlled and funded by the public universities.
- Public Research Institutions – PRI - (Veřejné výzkumné instituce) - (68 units): by the end of 2006 has operated semi-budgetary organisations that changed the legal form by the 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 organization).

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

a) 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 canceled 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:
   - Czech Consolidation Agency 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 was 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 2015) about 17 thousand units i.e. following units:

- **Local budgetary organisations (LBO) (7081 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) – 6 314 units;
  - Voluntary Associations of Municipalities (Dobrovolné svazky obcí) established under the Act No. 128/2000 Coll. on municipalities, as amended – 746 units;
  - Regional Councils of Cohesion Regions (Regionální rady regionů soudržnosti), established under the Act No. 248/2000 Coll. on regional development support, as mended – 7 units;

- **Other local organisations (extra-budgetary):**
  a) Local semi-budgetary organisations – LSBO (Místní příspěvkové organizace) – 10 209 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 obtains 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) 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 expenditure from own resources).
  b) Non-profit institutions, which provide services only to local government units or they are under government control and financed especially from local budgets (67 units), e.g.:
    - Unions and associations of municipalities established as interest association of legal persons or as society, e.g.
      - The Association of the Czech Republic Regions (Assiociace krajů České republiky) – its main purpose is to protect and to promote the common interests and rights of regions;
      - Union of Towns and Municipalities (Svaz měst a obcí) – as non-profit unit established by local budgetary organizations;
      - Association of Municipalities-shareholders of the Sewer and Water corporation Old Plzenec, in Nepomuk (Svaz obcí – akcionářů a.s. Kanalizace a vodovody Starý Plzenec – se sídlem v Nepomuku);
      - Association of Municipalities in the catchment basin of the stream Hradiště, Chanovice (Sdružení obcí na povodí hradišťského potoka, Chanovice);
      - Association of Towns and Municipalities of the Pilsen Region (Sdružení měst a obcí Plzeňského kraje);
      - JERIMALITUS, Tuřany – established in 1996 as association of legal entities (municipalities) whose common interest is the acquisition and operation of sewage treatments and sewer system; etc.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 1. General Government

- Combined primary and pre-primary schools (Základní a mateřská škola Údolí Desné, Základní a mateřská škola Karlovy Vary Region and Základní a mateřská škola Bez Hranic – school legal persons;
- Domovina Němčičky, generally beneficial company
- Research Institut Balneological, PRI Mšené (Výzkumný ústav balneologický, VVI Mšené)

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 insurance systems. Part of the social insurance relating to pensions, sickness and insurance relating to unemployment, is integrated into the State budget and under the Czech Administration of Social Security (Česká správa sociálního zabezpečení) - central BO. Corresponding social contributions are revenues and social benefits are expenditures of the State budget.

The social security funds subsector – in the Czech National Accounts - includes only institutional units administrating 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 general (compulsory) health insurance, i.e. for collecting of health insurance contributions and for financing of health care provision. They have been established under Act No. 551/1991 Coll. on the General Insurance Company (Všeobecná zdravotní pojišťovna) and under Act No. 280/1992 Coll. on departmental, professional, company and other health insurance companies, as other regulations (resortní, oborové, podnikové).

In 2018, following health insurance companies operated:
- General Insurance Company (Všeobecná zdravotní pojišťovna)
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 1. General Government

- 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:

- The Health Insurance Bureau (Kancelář zdravotního pojištění) - former Centre for International Reimbursement – CIR –(Centrum mezistátních úhrad) - established in 2001, ensures international reimbursements of receivables and payables relating to provided health care to foreigners 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, which associates 6 employers’ health insurance companies, is active.
- Besides of these units, the subsector S.1314 included also the 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 part 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

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

1. Financial and accounting data (statements)

- Act No. 218/2000 Coll. on budgetary rules and amending related laws, 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;
- Decree No. 5/2014 Coll. on the manner, deadlines and scope of data submitted for assessment of the State budget, budgets of local budgetary organizations, state funds, Voluntary Associations of Municipalities and Regional Councils of Cohesion, as amended;
- Act No. 250/2000 Coll. on budgetary rules for municipalities (local budgetary organizations), as amended;
- Acts on the State budgets, e.g. No. 75/2018 on the State budget for 2019;
- Act No. 563/1991 Coll. on accounting, as amended;
- 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 organizations, state fund and semi-budgetary organizations);
- 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;
- Act No. 320/2001 Coll., on financial control in public administration, as amended;
- 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 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 (financial and accounting) data from government units;
- Decree on Statistical Program for t+1 year, published in the Code of Laws; Decree No. 373/2017 on the Program of Statistical Surveys for 2018. 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 Eurostat via the following tables (see the related EU legislation):
- Table 2 – Main aggregates of general government (annual data)
- Table 6 – Financial accounts by sector (annual data)
- Table 7 – Balance Sheet for financial assets and liabilities (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 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
- 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 tables.

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

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

<table>
<thead>
<tr>
<th>Institutional responsibilities</th>
<th>NSI</th>
<th>MOF</th>
<th>NCB</th>
<th>Other</th>
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<tr>
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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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

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 EDP tables. Within the CZSO, new Government and Financial Accounts Department has been created 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 the April EDP notifications submitted no later than March 31 and in the October EDP notifications submitted no later than September 30 in compliance with the Council Regulation No. 479/2009, as amended;
      - 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);
      - other supplementary tables, which have become part of the EDP notification:
        o Supplementary table for the financial crisis;
        o EDP historical notification tables 1 and 3A - backward data from 1995;
        o 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.
   c) 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;
   d) the financial government 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);
   e) 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.

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

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 provides data for non-profit institutions classified in S.13 Both units participates also in the government accounts compilation;
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

- 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. as to gross fixed capital consumption data, 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.

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. departments of Income Tax, Economic Information, State Debt and Financial Assets or National Fund, etc. The cooperation and responsibility for the data areas is defined by the contractual relationship between two institutions.

Data flows and processing

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 the group units or for an individual unit), i.e. into so called SS tables, into the sector accounts (SEK tables) and for compilation of the EDP and the 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 the Act No. 563/1991 Coll. on accounting, as amended) provide the financial and the accounting statements to the database of the Ministry of Finance. This Integration Information System of the State Treasury is administrated by the Section 08 – State Secretary (Sekce 08 – Státní tajemník) of the MoF.

The Regulation and Accounting Methodology Department of the MoF is responsible for methodology of accounting systems for selected accounting units (budgetary and semibudgetary organizations and state funds).

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

The first results from the annual financial and the accounting statements are in the MoF database 50th day after the reference period and 55th day from accounting statements of units, which
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

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 IISSP and necessary outputs for national accounts, including government accounts.

Other “extra-budgetary” organizations 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 university are based first of all 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.) takes over directly from the MoF, the Ministry of Labour and Social Affair, 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 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 accounting statements directly. For small municipalities (up to 1000 citizen) and small SBOs within NACE 85 (up to 50 employees), the sampling survey is carried out (and data from accounting statements represent basic framework for total local BO and SBO population).

Data from quarterly statistical questionnaires for previous year (t-1) are transmitted, for the needs of government accounts’ compilation and the April EDP notification, in February (t+55 days) of current year. Data from annual statistical questionnaires for previous year (t-1) are transmitted for the October EDP notification, in August (t+8 months) of 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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

reflects a type of version - whether preliminary, half-finalized or final versions of the sector national accounts compiles.

Deadline for compilation and presentation of the sector accounts and of the EDP notification (even though, the government accounts are integrate 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 financial and the accounting 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 on preliminary accounting statements. 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 accounting 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; for other government units, including financial corporations, newly 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.

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

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

- accrualizations of data of inventories changes for budgetary organization 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 semibudgetary organizations 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 semibudgetary organizations 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 during the first 14 days sick leave from 2008, 21 day from 2011 to 2013 and again during the first 14 days since 2014 (due to the sickness legislation) under D.1222 and D.6122 and D.6222;
- 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 accounting statements (used in the Czech accounting system). Therefore the calculation of P.51g - for T-1 - was based on (i) data from the financial statements 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 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);
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

- 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 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

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 - forgiveness or assumption of non-government units or in bank accounts, when funds of extra-budgetary organizations 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 part 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).

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

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).

2.2.1 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 accounting statements; most of them compile also quarterly accounting statements, which provide to the Czech Statistical Office.

• Budgetary organisations (central and local) and state funds used budgetary system based on the cash basis and they compiled the financial statements containing revenues and expenditures; only balance sheet was based on the accrual basis. Since 2010, these organizations compile also a Profit and Loss Statement including Balance sheet 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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

part 2-Institutional arrangements – Legal basis). In 2012, the Auxiliary Analytical Overview (AAO) statements supplemented the system for some BO:

• Semi-budgetary organisations (central and local) used accounting system based on the accrual basis and compiled the Profit and Loss Statement and the Balance sheet. Since 2010, SBO compile these statements - the same as budgetary organizations and 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: compile Profit and Loss Statement and Balance sheet, i.e. they use accounting systems based on accrual base (e.g.):
  o the Support and Guarantee Agricultural and the Forestry Fund, the Railway Infrastructure Administration, and other non-financial enterprises (e.g. Transgas or public hospitals), the PRISKO, the MUFIS, or the Prague Gas Holding, use the accounting system for entrepreneurs (the Decree No. 500/2002 Coll., as amended);
  o the Czech Export Bank and 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)
  o 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 accounting statements of the MoF and the State Land Office (formerly LF) compiles the accounting and financial statements in compliance with the same bookkeeping system as;

• 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.
  o 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),
  o the Association of Regions of the Czech Republic, the Association of Towns and Municipalities of the CR and schools legal persons (S.1313),
  o health insurance associations, the Health Insurance Bureau (former Centre for Interstate Settlements) and Hedge Fund was cancelled in 2015 (S.1314)

Non-profit institutions compile only annual accounting statements, which are not available for the CZSO. However, some of them provide quarterly and annual accounting 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 cash basis) and Balance sheet (on accrual basis), which is consistent with the balance sheet of commercial insurance companies. 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.

Health insurance companies were also included, according to the Act No. 563/1991 Coll. on accounting, under “selected accounting units” that should use the methodology of the “Central system of accounting information of the state” (CSAIS) and they should be also included to the
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

State Treasury system. However, these companies still use the special “accounting” system different from the CSAIS.

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

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

- the Ministry Accounting and State Financial Reporting Department (54) is responsible for financial accounting of the Ministry of Finance as the accounting entity and for making of accounting entries in the ministry’s books;
- the Department of Regulation and Accounting Methodology (28) is responsible for developing new accounting legislation (methodology of bookkeeping systems for entrepreneurs, financial institutions and non-profit institutions, for bookkeeping standards for these accounting units and also for designing of the accounting statements);
- Section 06 - Public Budgets is responsible for the budgetary data system (budgetary classification, financial statements and data on revenues and expenditures of BO’s), the management of the state debt and state financial assets and for flows of financing from EU sources for the Czech Republic.

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 financial and accounting 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 financial statements 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 accounting 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.

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 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 accounting statements on the accrual basis to the
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

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 accounting 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 the 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 100 million CZK 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.

Corresponding decrees No. 410/2009 and No. 383/2009 and some Czech Accounting Standards for BO and SBO, which came to force from 2013, 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 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 property, contractual and lease relations, in the area so called right of construction
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

(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 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 web sites).

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 a 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. financial and accounting 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 “Budget Reporting”) – describing revenues and expenditures split by chapter, i.e. by ministry, central office or state debt, etc. This Final State Account is then submitted to the Government and to 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 accounting statements for approval to the official accounting auditors, and also to the corresponding ministry and to the Government of the Czech Republic and Parliament. Their Annual Report has been the separate part of the Final State
Account (by the end 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 accounting statements to corresponding founders (ministries or central offices) and to the MoF for processing of the State budget (by the end 2009). Starting 2010, their accounting 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 use as basis of 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 accounting 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 Infrastructure Administration or the CPP Transgas and the Balmed and public hospitals (joint stock companies and limited companies) submit their accounting 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 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);

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.

S.1313

Auditing process within local budgetary organization 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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

Municipalities and Voluntary Associations of Municipalities are obliged 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 on 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 statutory duty to submit annual reports to an auditing process. They present the final accounting 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**

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.). 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 also to the state supervisory authorities, i.e. to the special 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;
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

- Defined as large, medium, small and micro entity, i.e. depending on the amount of total assets, net turnover and average number of employees (FTE) 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, scope and content of these reports is 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.

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 compilation of national accounts and government financial statistics (for n-1 year) starting 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 a 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
Institutional arrangements, sources, procedures and methods used for the calculation of
deficit and debt data – 2. Institutional arrangements

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

Based on this reason, the CZSO regularly hands over some suggestions and requirements on
improvement of budgetary classification, classification of expenditures of BO (COFOG) and
on 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
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 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).

A few years ago 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
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

Mutual 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 information from balance sheets of government
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 2. Institutional arrangements

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 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 on the basis of the findings of Up-stream dialogue visit in May 2012 (data quality for EDP notification). In January 2013, an agreement on mutual 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 semi-annual meetings are organized and mutual participation in meetings with other institutions are also ensured. 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 other government units

General, very close cooperation exists between the CZSO and government units (especially as to central government units, e.g. RIA, SGAFF etc.) which provide individual accounting 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 date 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 organizations, SF and semi-budgetary organisations electronically – from the MoF database. Moreover, starting 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 financial and accounting 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 the direct access to operational records for central BO. Administrative data sources (Profit and Loss Statement and Balance sheet) for other government bodies have been 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 or pdf) 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).

Name of responsible persons for the submitted statements are available, as to statistical questionnaires and individual accounting statements (e.g. RIA, SGAFF, VGF, HIC etc.). Name of responsible persons for the submitted accounting statements of BO a SBO are (since 2016) also stated direct on the statement (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

2.3.1.3 Publication of EDP data

The EDP data on government deficit and debt are published on the CZSO websites – regularly in the April and in the October as preliminary data (1.4. and 1.10.) in form of the News Release. Final data (approximately after 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.

The publication includes 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.


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

2.3.1.4 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://www.czso.cz/csu/redakce.nsf/i/sektor_vladnich_institucii_vladni_deficit_a_dluh
http://www.czso.cz/eng/redakce.nsf/i/general_government_sector_government_deficit_and
debt

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).

http://www.czso.cz/csu/redakce.nsf/i/hdp_narodni_ucty
http://www.czso.cz/eng/redakce.nsf/i/gdp_national_accounts

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

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 legislation: 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 Maastricht debt calculation

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). Total amount of these deposits have 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 was 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.

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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 (initially recorded under AF.41). On the asset side, relevant part of deposits invested on 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 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 relationships 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 this period (2013), the relevant revision will be carried out in the coming 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 organizations have not issued any debt securities, the same holds true for other central government institutions.

S.1313: Local budgetary organizations (municipalities), especially the City of Prague, have issued short-term and long-term debt securities (in CZK and in 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 organizations 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).
**Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources**

**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 introduction of electronic toll (construction of toll gates). The original contract on the lease of Gripen, 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 original contract on the lease of Gripen, 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 will be 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, government debt also covers so called EPC projects (Energy Savings Performance Contract) implemented by 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.

**S.1313**: Concerning loans of the local government institutions, this item includes mainly bank loans and returnable financial assistances; also loans from the State budget have been reported. Local semi-budgetary organizations 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 returnable financial assistances from the State budgets.

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

3.1.1.2 Data sources used for the compilation of Maastricht debt

Basic data sources used for Maastricht debt compilation are following:

- 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. 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 accounting 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
- 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 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 on 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 as payments for services (operational leasing); at the same time, the value of leased property is recorded in the balance sheet of 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 are obtained from the AAO statements and from annual statistical questionnaires – data on acquisition of non-financial assets and on its instalments (which is however available for the October EDP notification).

Special information relates to acquisition of combat aircrafts (Gripens) and information on acquisition of toll gates (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 of Maastricht debt 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 CMZRB and to deposits of other government bodies held by the CEB also. In the years, 2001 to 2006 there was carried out consolidation of deposits of the National Property Fund with the Czech Consolidation Agency (which was classified in 2001 into S.1311).

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 consolidation of loans among the MoF, the CMZRB, 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 organizations (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 issued debt securities and provide loans. Consolidation of received loans related to loans from the State budget. Non-profit institutions do not report debt instruments.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

Consolidation between subsectors

Between **S.1311 and S.1313** – it includes consolidation of:
- Deposits of the local BOs with the CMZRB.
- 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 and by the CMZRB; and
- Loans provided by the state funds (the State Housing Development Fund and the State Environmental Fund) and the CMZRB to the local BOs (municipalities) and also from the State budget (returnable financial assistance) 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 a 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 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 accounting statements is adjusted to market value in the government accounts. However, according to EDP rules, the data on state debt securities 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 in 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

<table>
<thead>
<tr>
<th>Accounting basis (C/A/M)</th>
<th>Periodicity (M/Q/A/O)</th>
<th>Time of availability of annual results for T-1</th>
<th>Source Data Accounting</th>
<th>Source data used for compilation of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>First results</td>
<td>Final data</td>
<td>WB</td>
</tr>
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<td>3</td>
<td>4</td>
<td>5</td>
</tr>
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<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>T + months</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 *)

- (5) Profit and loss accounts
- (6) Balance sheets
- (7) Cash flow statement

Other Reporting

- (8) Statistical surveys
- (9) Other: Complementary information, e.g., on subsidies, loans or EU grants; foreign claims, time adjusted taxes etc.

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.

*) Financial Statements = Accounting statements; financial statements include only information on current and capital revenue and expenditure and financial transactions on cash basis (under point 3 in table above)
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

3.2.1.1 Details of the basic data sources: “state”

The “working balance” (line 1, the EDP table 2A) includes data for central budgetary organizations 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. Financial statements on budgetary revenues and expenditures on the 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 2009 in splitting by budgetary classification items (by type of revenue and expenditure) and data on expenditure according to 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 information source (for year n-1) only for the October EDP notifications.

For the “State”, following information is obtained:
   a) Aggregated data on revenues and expenditures of central budgetary organizations, 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 comparison of the aggregated data with data from individual financial statements of central BO and SF.

Financial statements (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.

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

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

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

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 accounting 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 from BO and SBO balance sheets was not satisfactory. 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 accounting book” 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 questioning of individual respondents and on a voluntary basis.

Working balance (WB)

As described above, items of the financial statements – revenue and expenditure - are classified by ESA codes as non-financial or financial flows. However, some revenue and expenditure items of the financial statements 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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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 financial and also in accounting 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 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 instrument.

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 from the other authorities) is especially following:

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

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;
   - Individual questioning.

From this overview is evident that any change in revenue or expenditure obtained from the financial statements 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. superdividends, which can be classified as revenue or as financial transaction – decrease in shares).

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

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

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 „extrabudgetary“ use in this meaning:

A. „budgetary“ (Fund / part of Fund) = situation where 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 working balance). In the case the respective expenditure (4) covered from the Fund is included in 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. „extrabudgetary“ (Fund / part of Fund) = situation, where creation (5) and utilization (6) of the Fund is not realized by revenue and expenditures within working balance.

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

A. „budgetary“:

B. „extrabudgetary“:

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 organization)

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 extrabudgetary revenues. Transactions within formation and use of the RF include only non-financial transactions.
Institutional arrangements, sources, procedures and methods used for the calculation of
deficit and debt data – 3. EDP tables and data sources

(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)**
(Budgetary organization, state funds)

SCNF is created within 2% of annual volume of wages and refund of wages and remunerations for the period of being call. 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.

### 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 universities,
- Public research institutions,
- VGF and other non-profit institutions
- LF (since 2013 already as CBO – the State Land Office), SGAFF, RIA, or CEB and other public non-financial and financial corporations,
- Transformation institutions (from 2001 to 2008); at present. only PRISKO; See point 1.1 Central government institutions.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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

<table>
<thead>
<tr>
<th>Available source data</th>
<th>Source Data Accounting</th>
<th>Source data used for compilation of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting basis (C/A/M)</td>
<td>Periodicity (M/Q/A/O)</td>
<td>Time of availability of annual results for T-I</td>
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<tr>
<td></td>
<td></td>
<td>First results</td>
</tr>
<tr>
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<td>2</td>
<td>3</td>
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<tr>
<td>T + days</td>
<td>T+months</td>
<td></td>
</tr>
</tbody>
</table>

| 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 |
| (5) Profit and loss accounts | x | partially |
| (6) Balance sheets | x |
| (7) Cash flow statement |

| Other Reporting |
| (8) Statistical surveys | x | x |
| (9) Other: |

| Supplementary information on revenues and expenditures related to semi-budgetary organizations and other central government organizations, e.g., subsidies, EU grants | x | x |

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

All data sources (accounting statements and statistical questionnaires) are used for other central government institutions classified in S.1311.

The first and also final results for all central (state) semi-budgetary organizations (for T-1) from the accounting statements are available in the spring of 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 direct 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).
Data for the **RIA, SGAFF, PRISKO, CEB, CMZRB, EGAP and VGF** are obtained as preliminary from their accounting 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 accounting 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 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). Accounting statements for T-1 year are not available (with exception of accounting 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 case of other central government units, **counterpart information** is not available from the accounting 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 organizations;
- financial transactions obtained from the AAO statements and annual statistical questionnaires.

The CZSO surveys data on financial assets 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 accounting
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

statements is not satisfied because the requirements of the Eurostat on their structure are different and more detailed).

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 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 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 accounting statements are not available. The information from 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 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 basic data source for public non-financial corporations. 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 (accounting) 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 on counterpart sector etc.;
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

b) Financial statements (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 financial or accounting 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) Financial statements (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) financial statements on cash basis.

Central budgetary organizations 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 adjustment the data - some
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

data are replaced by accrual data obtained from the accounting 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 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, e.g. Act No. 474/2017 for 2018 year;
- Decree No. 323/2002 Coll. on budgetary classification, as amended

Central budgetary organizations 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 financial statement 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 organizations, i.e. ministries and central offices and the state (extra-budgetary) 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.

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

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

1. “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 Infrastructure Administration, Support and Guarantee Agricultural and Forestry Fund, and other public non-financial corporations (CPP Transgas and Balmed – state enterprises, classified into S.1311 since 2010) and OTE, joint stock company, classified into S.1311 from 2017 onwards;
   - Land Fund has been included under “other government units” until 2012; since January, 01 2013 is part of central budgetary organizations, 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 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, CMZRB, EGAP, MUFIS, FMGS (former DIF) STCF, GALILEO REAL and IMOB

The NPF 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 312006 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 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 had an impact on B.9 in S.1311, because non-financial transactions have been 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 organizations between S.11001 and S.13 in 1995, 2004 and in 2010 (based on 50% criterion), resp. from classification of all semibudgetary organizations into S.13 (in compliance with ESA2010 methodology and in time series since 1992),
   - reclassification of public nonfinancial corporations and semi-budgetary organizations between S.11001 and S.13, or in classifying them back into S.11001 (based on 50% and qualitative criterion)
   - 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 organizations
   - 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, CMZRB, 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 financial statements (FIN 1-12 OSS, FIN 1-12 SF), which include only main activity of CBO and SF

However, some revenues/expenditures of the central budgetary organizations are not included in the WB, especially
   - revenues 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. revenue from rents, expenditures relating to intermediate consumption or wages etc.).
   - revenues of ”extrabudgetary” funds (see 3.2.1.4)

On the contrary, those financial statements 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 are recorded on the 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 true 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 which relates to compulsory Occupational accident or disease insurance paid by employer on behalf 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 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 (difference between cash and accrual) reflecting 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 time delay of these transfers and due to difference between accounting systems (cash/accrual) in 2007 and 2008;
   - Advances on EU flows granted (+), repaid (-) relates to adjustment of advances granted by and repaid to the State Transport Infrastructure Fund;
   - Receivables STIF against EU budget: i.e. receivables the State Transport Infrastructure Fund 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 deficit in the year, when was decided by EC on disallowing of expenditures.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

- 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 year 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 occurred in the same year due to this fact prepayments were excluded from expenditures;
- Transactions in receivables under F.81: the adjustment relates to conversion of data on output for BO and State Funds from cash to accrual. Basic data on output are obtained on 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 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 part 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 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 particular unit (as part of their B9).
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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 record:

- 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 made in 2015-2018 and will be made also in the backward time series when the national accounts are revised (2020)
- Accrual interest on foreign claims toward foreign mediators; Extrabudgetary 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 creation of the reserve fund).
- The National Fund: there are recorded revenue and expenditure of the National Fund (NF) - special department of the MoF created for 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 No. 323/2002 Coll., on budgetary classification, as amended, which defines structure of revenue and expenditure of budgetary organizations 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:

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

(in the working balance) - as operating leasing and as financial leasing (following the Eurostat decision) in the government accounts. Therefore, the acquisition of Gripons (combat aircrafts) in 2005 and in 2015 and annual interest expenditure on the leasing debt were recorded with negative sign and a payment for lease of Gripons is recorded with positive sign (impact on B9). Interests from financial leasing are recorded in each year and are included in the national accounts with negative impact on deficit and payments for operating lease is excluded from expenditures each year (with 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 especially 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 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 that is considered as contingent transaction: 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 will be reflected in the longer 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 part 3.2.1, 3.2.2 and 3.2.3.3.2.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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

<table>
<thead>
<tr>
<th>Source Data</th>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F.2</td>
<td>F.3</td>
</tr>
<tr>
<td>Calculation of transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction data (integrated in public accounts)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other transaction data</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Stock data</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

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 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/bellow 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 availability of the information, the basic data is compared with the counterpart data and other available information. Such comparison is a condition for 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 in order 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 in order 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 stock of the financial assets/liabilities) serve as the basic sources for calculation of the financial transaction; however, the change in stock is examined and corrected in order 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 on regular bases 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 (CMZRB, EGAP etc.). Changes in sector classification (in longer time series) - in the government accounts and in 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 for 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 individuals 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)”.

**Complementary elements on stocks/**

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

---

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.
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 at this stage the discrepancy can be quantified. If there is an evident inconsistency resulting e.g. from the time recording problem, we further examine the issue if necessary 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

<table>
<thead>
<tr>
<th>Available source data</th>
<th>Source Data Accounting</th>
<th>Source data used for compilation of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>WB</td>
<td>B.9 (NFA)</td>
</tr>
<tr>
<td>Accounting basis (C/A/M)</td>
<td>Periodicity (M/Q/A/O)</td>
<td>Time of availability of annual results for T-1</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>T + days</td>
<td>T + months</td>
<td>cross appropriate cells</td>
</tr>
</tbody>
</table>

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
(5) Profit and loss accounts

(6) Balance sheets

56
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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

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 financial and accounting statements (administrative data) and some from statistical questionnaires and also from individual questioning. They are these following sources:

1. Financial 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 (by the end 2009); each type of revenue and expenditures was split by government function and by the budgetary classification item; as individual data are obtained from the State Treasury (data base of the MoF) since 2010.

2. Accounting 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 LBO - by the end of 2009;

   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 – includes analytical data and counterpart information (for compilation non-financial and financial accounts and consolidation).

T + 50d and T + 55d deliver the first annual results from the accounting statements for previous year (T-1) for units compiling AAO at the same time.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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 part 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 part 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 financial statements, 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 on current transactions e.g. on interest split by sector or dividends, gross fixed capital formation and on financial transactions or counterpart sector etc. (for units, which do not compile the AAO);
   - 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.

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.
### Data sources for other Local Government units

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

<table>
<thead>
<tr>
<th>Available source data</th>
<th>Source Data Accounting</th>
<th>Source data used for compilation of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>WB</td>
<td>B.9 (NFA)</td>
</tr>
<tr>
<td><strong>Accounting basis</strong></td>
<td></td>
<td></td>
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<tr>
<td>(C/A/M)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Periodicity</strong></td>
<td>(M/Q/A/O)</td>
<td></td>
</tr>
<tr>
<td>First results</td>
<td>Final data</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accounting basis (C/A/M)</th>
<th>Periodicity (M/Q/A/O)</th>
<th>Time of availability of annual results for T-1</th>
<th>Source Data Accounting</th>
<th>Source data used for compilation of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>First results</td>
<td>Final data</td>
<td>WB</td>
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<td>3</td>
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<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>T+days</td>
<td>T+months</td>
<td></td>
</tr>
</tbody>
</table>

**Budget Reporting**

1. (1) Current revenue and expenditure
2. (2) Current and capital revenue and expenditure
3. (3) Current and capital revenue and expenditure and financial transactions
4. (4) Balance sheets

**Financial Statements**

5. (5) Profit and loss accounts
6. (6) Balance sheets
7. (7) Cash flow statement

**Other Reporting**

8. (8) Statistical surveys

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 following:

- administrative accounting data on the accrual basis for local SBO (the same as for central semi-budgetary organizations) and for the public financial institution (captive);
- annual statistical questionnaires based on the accrual basis for non-profit institution classified in S.1313
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

- quarterly and annual statistical questionnaires based on the accrual basis for public corporations classified in S.1313;
- quarterly and annual accounting statements for the Prague Gas, Inc. (Pražská plynárenská, a.s.) and Final Reports for the Regional Support Source, Zlín until 2017 when the unit was canceled (Regionální podpůrný zdroj, Zlín)

See also part - 3.2.1.1

3.4.2.2 Statistical surveys used as a basic data source

In the local government subsector are classified units, whose accounting statements are not available and besides they are not satisfactory. Due to this situation, 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 accrual basis.

- Annual statistical questionnaires used for 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 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

- Budget Reporting, i.e. the Final State Account, is used as a 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 accounts compilation is based on data from the financial statements (FIN 2-12 M) – cash data on revenue and expenditure.

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

At the first step of compilation of NFA are used the same data as for the WB. However the data are adjusted - some of them are replaced by accrual data from the annual accounting statements (including AAO statements) or completed by the data from other supplementary sources. All these adjustments are described in the Table T2C.
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 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 organizations, state funds, Voluntary Associations of Municipalities and Regional Councils of Cohesion, as amended
- Acts on the State budgets, e.g. Act No. 474/2017 Coll., for 2018 year;
- Act No. 250/2000 Coll. on budgetary rules of local budgets, as amended
- Decree No. 323/2002 Coll. on budgetary classification, as amended

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

Coverage of units in the working balance

Within WB are included only local budgetary organizations, i.e. Regional Offices, Town Councils, Municipalities, Voluntary Associations of Municipalities and Regional Councils of Cohesion Regions.

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.

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

Net borrowing/net lending (B.9) reported in the Table 2C for other local government units is on 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 impact on B.9, because non-financial transactions are changed. The records related to reclassification of local semi-budgetary organizations (between S.11001 and S.1313 in 1995, 2004 and in 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 classification of all local semibudgetary organizations 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 organizations and public non-market corporations,
b) non-profit institutions,
c) public corporations including public hospitals
(d) 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 financial statement for the local budgetary organizations, i.e. Municipalities (obce a kraje), Voluntary Associations of Municipalities (Dobrovolné svazky obcí), Regional Councils of Cohesion Regions (Regionální rady region soudržnosti) - (FIN 2-12).

However, some revenues/expenditures of local budgetary organizations 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 to 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)

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

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

Other accounts receivable (+):

- **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);

- **Transactions from payables** (under F.81): the adjustment relates to data on intermediate consumption (P2) for LBO, i.e. transfer from cash to accrual, because basic data on P2 are obtained on cash basis.

3.4.3.4.3 Other accrual adjustments in EDP T2C

Under the item of the EDP table is recorded

- **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” following adjustments are made:

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

- capital transfer (payable) representing the difference between market prices and bookkeeping prices relating to sales of flats to households.
Financial transactions included in the working balance

Financial transactions included in the WB are following:

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.

Therefore, all types of these financial transactions recorded under the item “Financial transactions, are excluded.

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.:
  d) Expenditure: advances provided to advance-financed budgetary organizations, advances provided to own cash office, transfers to own economic activity funds, transfers to other own funds and accounts not general government nature and other expenditure from previous years financial settlement; capital transfers to reserve funds of state organizational units
  e) Revenue: transfers from own economic activity funds, transfers from other own funds and accounts not general government nature; transfers from reserve funds of state organizational units
- Holding gains / losses (exchange rate movements) (+/-) adjustments relating to revenue and expenditure of the local budgets (WB);
- Superdividends: revenue excluded from the non-financial transaction 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 interests receivable

Net lending/net borrowing of local government

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

- Local budgetary organizations – profit from secondary activity (+): the item includes adjustment relating to transactions that are not included in the WB.
- Local semi-budgetary organizations (+/-): it reflects adjustment relating to transactions of all SBO under control of a local government unit, which are not included in the WB;
- 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;
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

- **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**: It 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 these units that are not included in the WB.

### 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>
<thead>
<tr>
<th>Table 7 - Data used for compilation of transactions and of stocks of financial assets and liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Source Data</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Calculation of transactions</td>
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<tr>
<td>Transaction data (integrated in public accounts)</td>
</tr>
<tr>
<td>Other transaction data</td>
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<td>Stock data</td>
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<tr>
<td>Calculation of stocks</td>
</tr>
<tr>
<td>Transaction data</td>
</tr>
<tr>
<td>Stock data</td>
</tr>
</tbody>
</table>

Not only for compilation of EDP table 3D, but also for compilation of the financial accounts for S.1313 units, the **accounting balance sheets** are used as the main source data. However for the public non-financial “non-market” 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 the accounting balance sheets are not available and 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** we use mainly:
- Direct questioning with the units, which is often necessary for proper classification of the financial instruments and also for 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 on regular bases – namely data necessary for 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 availability of the information, the basic **data is compared with the counterpart data and other available information**. Such comparison is a condition for 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** is ensured 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, however since 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 stock of the financial assets/liabilities) serve as the basic sources for calculation of the financial transactions. However, in order 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 compilation of financial accounts and for 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 adjustment is made.

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

"**Changes in sector classifications**" – indicated 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).
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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

Social Security Funds – sub-sector S.1314 includes

a) Health insurance companies managing compulsory (general) health insurance (7 units as of 31/12/2012). They collect health insurance contributions and purchase health services provided to households; they reimburse health care from the health insurance and also its costs;

b) Other units: non-profit institutions providing of 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 (cancelled 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

<table>
<thead>
<tr>
<th>Available source data</th>
<th>Source Data Accounting</th>
<th>Source data used for compilation of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting basis (C/A/M)</td>
<td>Periodicity (M/Q/A/O)</td>
<td>Time of availability of annual results for T-1</td>
</tr>
<tr>
<td>First results</td>
<td>Final data</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>T+ days</td>
<td>T+months</td>
<td>cross appropriate cells</td>
</tr>
<tr>
<td>Budget Reporting</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

C A T+65 T+7

(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 Q T+60 T+7

(5) Profit and loss accounts
(6) Balance sheets
(7) Cash flow statement

Other Reporting

67
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

<table>
<thead>
<tr>
<th>Available source data</th>
<th>Source Data Accounting</th>
<th>Source data used for compilation of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>WB</td>
</tr>
<tr>
<td>Accounting basis (C/A/M)</td>
<td>Periodicity (M/Q/A/O)</td>
<td>Time of availability of annual results for T-1</td>
</tr>
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<td>M</td>
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<td>T+45</td>
</tr>
<tr>
<td>M</td>
<td>Q/A</td>
<td>T+65</td>
</tr>
</tbody>
</table>

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 accrual basis.

The information provided in the administrative data is insufficient as a basic source for compilation of national government accounts including the EDP notification tables. The information is mixed - cash and accrual. The structure of the administrative data is not suitable for purposes of 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 in order to meet requirements of the national accounts and EDP notification tables. The data is collected and processed by the CZSO (in 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 financial statement (FIN) on revenues and expenditures of budgetary organizations (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 supplement source. The health insurance companies keep adjusted, 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” (accounting report as 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 monthly bases. This information serves as data source for calculation 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.

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 also as a source data for calculation of receivables (F.8 / AF.8) resulting from the time-adjustment of health care insurance contributions.

The accounting balances sheets are used as a supplementary data source for verification and comparison with the statistical information.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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

<table>
<thead>
<tr>
<th>Accounting basis (C/A/M)</th>
<th>Periodicity (M/Q/A/O)</th>
<th>Time of availability of annual results for T-1</th>
<th>Source Data Accounting</th>
<th>Source data used for compilation of</th>
<th>WB</th>
<th>B.9 (NFA)</th>
<th>B.9f (FA)</th>
</tr>
</thead>
<tbody>
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<td>Available source data</td>
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<td>First results</td>
<td>Final data</td>
<td></td>
<td></td>
<td></td>
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<td>T+months</td>
<td>cross appropriate cells</td>
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<td></td>
<td></td>
</tr>
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</table>

Budget Reporting

<table>
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<th>A</th>
<th>T+65</th>
<th>T+7</th>
</tr>
</thead>
</table>

(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

<table>
<thead>
<tr>
<th>A</th>
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<th>T+7</th>
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</table>

(5) Profit and loss accounts
(6) Balance sheets
(7) Cash flow statement

Other Reporting

<table>
<thead>
<tr>
<th>A</th>
<th>A</th>
<th>T+210</th>
<th>T+8</th>
</tr>
</thead>
</table>

(8) Annual statistical survey NI 1-01
(9) Other: Individual questioning

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

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.

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


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 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 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 basic source for compilation of national government accounts including the EDP notification tables. However, the information constitutes basic framework, which allows 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 2018).

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

- 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 impact 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 (+). 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 these 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 receivables (+) capture exclusion of write-offs relating to bankrupts of debtors. This write-off receivables is recorded as expenditure in the working balance of health insurance companies (based on accrual accounting rules), however it does not enter into the B.9 calculation. Considering application of time-adjusted cash method on insurance contributions, fees and penalties; this write-off 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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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.

Table 10 - Data used for compilation of transactions and of stocks of financial assets and liabilities

<table>
<thead>
<tr>
<th>Source Data</th>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F.2 F.3 F.4 F.5 F.6 F.8</td>
<td>F.2 F.3 F.4 F.5 F.6 F.8</td>
</tr>
<tr>
<td>Calculation of transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction data (integrated in public accounts)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other transaction data</td>
<td>x x x x x x x x x</td>
<td></td>
</tr>
<tr>
<td>Stock data</td>
<td>x x x x x x x x x</td>
<td></td>
</tr>
</tbody>
</table>

Calculation of stocks

Transaction data

Stock data | x x x x x x x x x |                         |

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 in order to meet 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 compilation of 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 accounting 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. Similar comparison of the data with the information from the counterpart is done in relation with the loans provided from the State budget.

74
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.

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. There are data on non-financial transactions and data from balance sheet for each of government units. Non-financial and financial accounts are compiled simultaneously for checking of the consistency across accounts.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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 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 case of the EDP T3, the accounting statements serve as main data source. 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). Basic data source for the T2 transactions are revenues and expenditures of the budgetary classification, while data source for financial transactions of the T3 are the accounting statements and an additional questioning of units (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 source are financial statements and individual questioning of selected budgetary organizations. Data on financial transactions reported in the WB (from budgetary classification) are used for the EDP T3 (F.4, F.5). Difference between data from accounting statement and financial statements (budgetary classification) is recorded in revaluation account.

Introducing of the Auxiliary Analytical Overview represent significant improving for needed information.

For subsector S.1314 basic source for financial transactions (F.3, F.4, and F.5) for the EDP T3 and financial account compilation is statistical survey (Zdp 3-04, Zdp 5-01) and the additional questioning as well. 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 to premiums and discounts enter the cashed based working balance of 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/bellow nominal value) is recorded separately under the items “Issuances above(-)/below nominal value” and “Redemptions of debt above/bellow 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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

EDP T2A and T3B results from different coverage of the units (the value in 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 accounting system for “selected accounting units” – BO, SF, and SBO - (the decrees No. 410/2009 Coll.). The approach is consistent with the approach of EDP T2A as described above and also with EDP T3B. Under adjustment “Difference between interest paid (+) and accrued (D.41) (-)” there is recorded only 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 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 EDP T2A are recorded in the financial account compiled for the central government S.1311, which serves as a source for compilation of 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.
- 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 in order 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 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, with 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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

a counterpart in another financial transaction, which is not reflected in the working balance. A typical example of the letter 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 EDP T2A reflect in relation to the financial transactions only such adjustments, which must be taken into account for the purposes of calculation of B.9 from the departing working balance. Therefore creation of a receivable related to unpaid sale of shares is not recorded in 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.

In order 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 EDP T2A on regular bases include namely: other accounts receivable resulting from 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 financial transaction with other accounts payable. Namely, it includes transactions in payables due to unpaid restructuring aid (sugar), payables form 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 EDP T3B. Differences between the figures reported in EDP T2A and 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 compilation of EDP T3D. However, there are several reasons for the differences between the figures reported under these items in EDP T2C and 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 coverers 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 in order to calculate the EDP B.9 from the departing 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 financial transaction with other accounts receivable. The other accounts receivable reported on EDP T2C on regular bases include namely: other accounts receivable resulting from accrualisation of
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

taxes and transactions in operating advance payments accrualised into NFA (mainly P.1 and P.2).

All of the items recorded in EDP T2C under other accounts receivable are recorded also in the EDP T3D. The issue of consolidation is not relevant in the case of 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 letter 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 EDP T2C reflect in relation to the financial transactions only such adjustments, which must be taken into account for the purposes of calculation of EDP B.9 from the departing working balance. Therefore creation of a receivable related to unpaid sale of shares is not recorded in 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 EDP T2C, because it has no impact on the EDP B.9.

In order 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 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 EDP T3D. Differences between the figures reported in EDP T2C and 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 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 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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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** – transaction 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 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 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

These adjustments are especially 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 EDP table 2D there are included on regular bases three types of items:

- Write-off 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 an elimination of its impact on EDP B.9. This part of the “other adjustments” in 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 to change of the structure of net worth components. This part of the “other adjustments” in EDP T2D is not reflected in 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 in F.2.

### 3.7 General comments on data sources

- Structure of accounting statements (outputs) for all government units distinguish from the concept applied by the ESA2010 and 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 a content of some synthetic accounts is not defined precisely. Thus, comparability among BO, SF and SBO is problematic.

- Data from “accounting system” of health insurance companies (units classified in S.1314) is not satisfied 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 organizations 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 information on activities of these units. 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 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.*
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 3. EDP tables and data sources

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 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 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 EDP T3 and also for the EDP T4. However 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 EDP T3. In EDP table 4 there are reported stocks of liabilities in trade credits and advances (AF.81L). Moreover, in the EDP T3 there is 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, no records are reported in the EDP Table 4 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 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 accounting 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 EDP dialog) and therefore data for these government accounts (and in the Table 2 – Main aggregates of general government) are different in comparison with government accounts that are part of published sector national accounts.

b) Revisions related to the schedule of compilation and publication of national accounts, including the ESA2010 Transmission Program. The annual sector national accounts are compiled as preliminary, half-finalized and final version; all versions are published in June of current year. “Main” revision, which harmonise some methodological changes in all sectors and in longer time series (e.g. change in treatment of highway vignettes as payment for services) and revisions resulting from the new ESA standard (ESA2010 in 2014).

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 generation and use of GDP, government deficit a debt, assets and liabilities and foreign relations (export and import). Revision in 2014 was connected with implementation of ESA2010. Publication of the next major revision is planned for the year 2020.

4.1.1 Relating to deficit and non-financial accounts

Corrections having impact on the government balance (B.9) relate mainly to:
- gross fixed capital formation;
- income tax;
- classification dividends and superdividends;
- changes in sector classification of transformation institutions and RIA;
- change in sector classification of semibudgetary organizations (classification all SBO into S.13), hospitals and financial institutions;
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 4. Revision policy used for Annual GFS

– or correction relating EU grants.

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 classification of payments for the use of highways,
– change in recording of expenditure on the acquisition of military equipment.

4.1.2 Relating to debt and financial accounts

Debt revisions have been made 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 Infrastructure Administration 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 CMZRB, 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 (not only from 2011) will be carried out latter.

4.2 Reasons for other than ordinary revisions

Revisions carried out as exceptional relate to especially to changes in 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 superdividends (as a capital transfer and transaction in equities),
- 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, schedule for compilation of sector national accounts and government accounts are different.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – 4. Revision policy used for Annual GFS

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 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 notification are compiled for four previous 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 covers data for four previous years ((t-1,t-2,t-3, t-4), it is possible 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 mainly financed by compulsory payments made by units belonging to other sectors and/or institutional units principally engaged in the redistribution of national income and wealth".

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 (MGDD 1.2.3 – control by the government "ability to determine the general policy or programme of an institutional unit by appointing appropriate directors or managers, if necessary")

c. if it is a non-market public institutional unit - reference to "Market-non-market distinction"

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 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 organizations” 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 organization (central or local) to carry out some of the government functions, and under its control (100% ownership), so called semi-budgetary organizations; 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 economy policy requires an approval of the founder, e.g. on investment policy;
c) units established to **carry out specific functions** (redistributing of national income, transport, construction etc. or providing of services only to government units) – recognised as independent legal entities – known as “extra-budgetary units”, controlled by government;

d) units whose main function is **financial intermediation**, however 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) units, which are **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 unit.

All government units and other public non-financial and financial corporations were 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 or 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 also 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): 

\[
\frac{\text{Sales}_t}{P.21_t + \text{D.1}_t + \text{K.1}_t + \text{D.29}_t}
\]

Public universities (PU) and public research institutions (PRI): these units were tested by the 50% criterion as semi-budgetary organizations (by the MoF) and they were 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 every year. Based on this test and 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 test on 50% criterion also for the public non-financial corporation (classified in S.11001) on data for 2008 and 2009 in compliance with the formula defined in §3.33 ESA95 (and ESA95 codes):

\[
P_{11t} - \text{Market output,}
\text{P.21}_t + D.1_t + K.1_t + D.29_t,
\]

Based on the formula, 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 and also for non-profit institutions classified in S.15 (e.g. for generally beneficial companies – “obecně prospěšné společnosti” or school legal entities –Školské právnické osoby) established especially by government units). Based on the processed data from the annual statistical questionnaires for public non-financial corporations, the CZSO curried out reclassification some these units between S.11001 and S.13.

The test for all non-profit institutions in S.15 is difficult because 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 sample.

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; since 2015, the test is carried out only according to ESA 2010 methodology.

**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 in expenditures are included also net interest (where D.41net is equal interest expenditure minus interest revenue) and output for own use (P.12) is deducted. 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. If data on net interest become negative, they are replaced by zero in the calculation (see paragraph 32, part 1.2.3.4 of the Manual on Government Deficit and Debt, 2016). 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:

\[ P.11_t + P.131_t \]

\[ P.2_t + D.1_t + P.51c_t + D.29_t + D.41 \text{ net}_t - P.12_t \]

where
- \( P.11_t \) \( \ldots \) payments for non-market production
- \( P.131_t \) \( \ldots \) intermediate consumption,
- \( P.51c_t \) \( \ldots \) consumption of fixed capital
- \( D.41 \text{ net}_t \) \( \ldots \) interest payable minus interest receivable

As stated in the revised MGDD “Any public unit, in order to qualify as a public unit classified outside the government sector, must fulfil (amongst other), the 50% rule, independently on whether is incurring a liquidation process or not” or it would be “dormant”. ESA 2010 does not state any exception for these cases. 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. \(^6\)

The calculation 50% criterion is applied also to the units in liquidation because these corporations own especially non-financial assets and can still carried 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 accounting 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, which make possible to acquire necessary data and to assess 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 organizations and state funds; which have been automatically classified only to S.13;
- **semi-budgetary organizations** (central and local) under control of the budgetary organization (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 collets compulsory contributions and provide subsidies to wine-growers or the Electricity Market Operator (OTE), etc.;

\(^6\) However, it should be noted that the qualitative criteria are preferred according to ESA2010.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

- **Railway Infrastructure Administration**, which took over most of non-financial assets and all debts former the Czech Railways, granted by the State budget, it has been also regularly tested on 50% criterion and classified into S.1311 as non-market unit 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 quantitative criterion, but also in qualitative terms.
  
  o Public university is a legal person (institutional unit) which takes liabilities on its own account; 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 (that achieve about 80-90 % of total revenue) for educational and research activities. President of the Czech Republic appoints rectors of PU.

  o The PRI is 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 main financial source.

- **Czech TV and Czech Radio**, which have the character of 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 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 part 1.2.4.7 MGDD 2016).

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 in the part 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 government and whose activities affected government deficit and debt) from 2001 and 2002.

According to ESA95 methodology, it is a special case, because financial institutions had not been 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:

- **Czech export bank, Inc.- 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);

- **Czech-Moravian Guarantee and Development Bank**, Inc (Českomoravská záruční rozvojová banka, a.s - ČMZRB) for more detailed see 5.2 part.

- **Export and Guarantee Insurance Company**, Inc. - (Exportní a garanční pojišťovací společnost – EGAP (100% owned by the MoF) – for more detailed see 5.2 part.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

- **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.

- **Securities Traders Guarantee Fund** – (Garanční fond obchodníků s cennými papíry) manages the guarantee system in the securities business; more detailed see 5.2 part; 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; (see part 5.2);

- **Prague Gas Holding, Inc.** - 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)- for more detailed see 5.2 part.

- **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. (see part 5.2);

- **IMOB, Inc.**, established in 1994 and reclassified into S.1311 in 2015; the company is the statutory body of the GALILEO REAL (see part 5.2)


All the public financial corporation have been reclassified from S.12 into S.13 in compliance with the ESA2010 methodology in time series since 2003; RSS, Zlín has been reclassified into S.1313 since 2005 (§§ 2.18, 20.35-20.37)

### 5.1.1 Criteria used for sector classification of new units

The CZSO is responsible for the classification of the unit into 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 were 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 into comprehensive register of economic entities (Registru 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 in the same time, when the IC was assigned.

Since 2013, the “Central Register of Persons” 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). Since the year 2013, a number of entities are (editing centres) currently responsible for the allocation of the identification number and for granting of the legal form
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

(e.g. some ministries, CNB or Registration Court locally competent etc.; 38 units). However, the CZSO remains responsible for the classification units to sector, NACE and 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 plan is not available. Therefore, sector classification adjustments are made latter, when more detail information is surveyed and analysed.

The newly established unit, which obtained the IC (and it is entered into the CZSO register), is at the same time classified into some of institutional subsectors according to its legal form and its owners. A unit established as 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.

Basic information on non-profit institutions is from registers kept by the entities, which have authority to assign identification numbers (see above), resp. from the Person Register. Information on founders or on provided services is also taken in account for the sector classification of these units. Final sector classification can be made only on the basis of the annual statistical survey, which is organized only as sample survey.

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. They are treated neither as entrepreneurial entities whose output is sold at economically significant prices nor as independent institutional unit. A newly established SBO is classified into the government subsector in the sub-sector of a controlling unit. Since 2015, all semi-budgetary organizations 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.

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 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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

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

1. Legal form of institutional units: which indicates the purpose of its establishing and its future behaviour; but it is not dominant criterion for government delimitation;
2. Founders of the unit: i.e. who established the unit, who control the unit;
3. Type of activities of the classified unit: what services and to whom the unit provides the services – it means if 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
4. Main financial sources:
   Main financial resource following the legal form or they are direct stated in the founder’s deed (documents), i.e. if the financial resources are based on revenues obtained from sells of goods and services and if subsidies are assumed (or not) or what other resources are assumed (e.g. voluntary contributions or donations). For instance – establishing of a SBO indicates that it will be also financed from the central or local government budget.
5. Financial plan – if it is available and calculation of the test on 50% criterion;
6. Qualitative criteria and test on 50% criterion – market/non-market distinction - are applied.

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 on 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.

Important additional information is obtained from other central authorities and also from a private corporation. Data from the Ministry of Industry and Trade (MoIT) are available daily, from the Ministry of Culture (MoC) twice a monthly; the Ministry of Education, Youth and Sports (MoEYS) provides data on school monthly. The Ministry of Labour and Social Affairs (MoLSA) is other authority that provides information used for improving of the Business Register managed by the CZSO. There is information on legal persons with employees from the social security system, which is available monthly. Very useful is the information from the tax system on VAT payers and income tax payers (obtained monthly and quarterly from the MoF). 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:
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

- A new test is elaborated on 50% and qualitative criteria; no backward adjustments of reclassification of the units are made;
- 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;
- Eurostat decisions or recommendations to change methodological treatment or sector classification, e.g. relating to transformation institutions in 2001. In this case, the test on market/non-market distinction is also made; however, no backward adjustments are made. However if a specific individual unit should be reclassified then such adjustment is made – firstly only for t-1, t-2, or t-3 years (at the most); revision in longer time series could be made only during a major revision of the sector national accounts. An example is the transition to ESA 2010 (in 2014 and 2017) and reclassification of semi-budgetary organizations, 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 accounting 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 accounting 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 be in compliance with the CZSO classification.

5.2 Existence and classification of specific units

Classification of specific units relates to some non-financial, financial and non-profit institutional units.

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.
Institutional arrangements, sources, procedures and methods used for the calculation of
deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

Non-profit institutions:

Public universities (founded by the Act No. 111/1998 Coll.) and public research institutions (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 from households 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 (without legal form); the Act states that the Fund “has status as a public authority”. It is recognized as non-profit institution collecting compulsory levies and providing financial assistance in 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.

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 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 important part of privatisation process. Shares of joint stock companies founded from state enterprises were transferred to citizen in 1992 and 1995. The National Property Fund was liquidated (the Act No. 178/2005 Coll.) and the rest of activities were
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

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 organization (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 of 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 loan 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:**

State Agricultural Intervention Fund-SAIF (extra-budgetary fund, which has features of budgetary organizations and the balance of its revenues and expenditures is included into “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.

Railway Infrastructure Administration (RIA), state organization: has been established as a legal person by 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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

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 classification of the units into S.13 has been based on qualitative and on 50% criterion.

**Head Office of Roads and Highways** (Ředitelství silnic a dálnic), central (state) SBO is an organization 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.

**Supported and Guarantee Agricultural and Forestry Fund, Inc.**, 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.

**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.

**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 are only financial resource of the unit. This corporation has been classified into S.1311 in 2010 on basis 50% criterion.

**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.

**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.

**Electricity Market Operator, Inc.** (Operátor trhu s elektřinou, a.s.; OTE, a.s.) established by the Ministry of Industry and Trade in accordance with Act No. 458/2000 Coll., on Business Conditions and on 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.

**Czech export bank, Ltd.** (Česká exportní banka, a.s.): According to the Law (No 21/1991 Coll., on banks), financial loss of the bank is regularly covered by 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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

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).

Czech-Moravian Guarantee and Development Bank, Ltd. – CMZRB (Českomoravská záruční a rozvojová banka, a.s - ČMZRB), was established in 1992 on support of 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 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 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 purpose of the banking statistic, regulation and supervision 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 producer of financial intermediation services (FISIM)

Export Guarantee and Insurance Corporation, Ltd. (Exportní garanční a pojišťovací společnost, a.s.) has been established as credit insurance company in February 1992 fully owned by the state to support Czech export with the state support by insuring export risk. 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 Ducroire | Delcreedere 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.

Financial Market Guarantee System (GSoFM) – 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)
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

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 percentage of the average volume of insured deposits) have been defined (within ESA methodology and MGDD) as tax and as tax revenue of

The Fund was reclassified into 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 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,
- Fund for Solution to Crisis; this Fund as part of the GSoFM ensures funding mechanism for solving of the crisis through
  - “Contributory Fund”, which manages especially regular contributions (determined by the CNB) and the exceptional contributions and
  - “Operating Fund”, which manages revenue from invested funds, from fines, exceptional operating contributions etc.

Securities Traders Guarantee Fund(GFoST) has been established in 2001 on the basis of Act No 591/1992 Coll., on securities and 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 up to € 20 000.

A security trader, as 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 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.

MUFIS, Ltd. – financial corporation established in 1994 by the CMZRB; at present owned by the CMZRB (49 %), the MoF (49 %) and the Association of Towns and Municipalities (2 %) – government units. The unit supports of municipal sphere – by providing of loans to municipalities, towns and Voluntary Associations of municipalities.

In 2009, under an agreement with the CMZRB, a Common Loan Fund (CLF), which is used for loans determined to municipal infrastructure development. The CLF is managed by the CMZRB.

GALILEO REAL - established in 2000, is active in the field of factoring services. At the same time, it is responsible for the management of receivables related to the former IPB bank. IMOB, Inc. is general partnership in this limited partnership company and the Ministry of Finance is a limited partner in this corporation.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

IMOB, Ltd., 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 management assets of the company, recovery of receivables and sale of the residual portfolio of receivables owned by the GALILEO REAL.

S.1313

Non-profit institutions

Association of towns and municipalities is voluntary interest group of municipalities. Its classification has been based on the qualitative criteria. It participates in 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.

Association of the Czech Republic Regions is interest group of Regions founded in 2001; at present includes all 13 regions and the Prague. The Association defends and promotes common interest of the members; it supports education of representative persons of the regions or provides services in their foreign activities. Its classification has been based on qualitative criteria.

Other associations of municipalities: 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 was based on qualitative criteria.

Schools: 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 also on 50% criterion.

Research Institut Balneological, PRI Mšené established in 2011 by the municipality Mšené-Spa as a public research institution. It carries out a basic and an 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 treated as non-market:

- 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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 5. Sector delimitation – practical aspects

services as the Seniorcentre Inc., 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) on the basis of qualitative criterion, in compliance with ESA 2010.

- **The Prague Gas Holding, Ltd.** (Pražská plynárenská Holding, a.s.) was established in 2001, and classified as unit under foreign control. In 2012, the unit was classified as 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 compliance with the 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**, (limited liability company) established and owned by the Zlín Region in 2004. The company supports development of business activities and implementation of development projects, e.g. relating to small and medium corporations, which will export or projects of municipalities or legal persons established by the Zlín Region. The company was cancelled 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.

**Health Insurance Bureau** (former Centre for Interstate Settlements), recognized as non-profit institution, is acting on behalf of health insurance companies classified in S.1314 and in general health care system in relation to 35 countries. 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.

**Hedge Fund** established in 1998, 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

Council Regulation 2516/2000 amended the Regulation on European system of national and regional accounts in the Community (ESA) 95 as concerns taxes and social contributions and clarified the rules concerning both the time of recording and the amounts to be recorded. Taxes This section describes the methods of recording of taxes on an accrual basis. The time of recording is defined in ESA2010 §1.104 Taxes and social contributions “can be recorded net of the part unlikely to be collected or, if this part is included, it is neutralised in the same accounting period by a capital transfer from the general government to the relevant sectors”.

6.1.1 Taxes

As to the CZ general government accounts basic data sources on the cash basis (“net data”) are available from the financial statements (on revenue of the State budget split by items of the budgetary classification) and time adjusted data are provided by the MoF.

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 month as tax maturity. This method is used for main taxes described below. In all other cases, cash revenue is treated as accrual revenue. The MoF 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 taxes. It is not possible from available data to recognise 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 taxation period. It means that tax accrued in December and in 4th
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

quarter of the previous year is collected in the current year on January 25; in practice approximately up to the end of the month, (there are technical periods of payment transactions, delayed payments etc.). Thus, there is a lag 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 because of 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 lag 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 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 for consumption, 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. 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 lag.

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 month. Therefore, in this case we assume one-month lag.

**Corporate Income Tax**

Corporate income tax (CIT) revenue consists of the tax self-assessed by companies (and regions, municipalities) and withheld tax. The self-assessed tax is paid with prepayments in the current year and settlement in the next year. The annual amount of prepayments is thus adjusted by the settlement arising out of tax returns filed usually in June 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 previous year and deducted from income/prepayments of current year). The amount arisen out of tax settlement in remaining four months is included (is already included in prepayments of current year) in income of current year.

In the April EDP notification, corporate income tax is estimated on the base of method taking into accounts the actual accrual CIP in the previous year; this value is then extrapolated by growth coefficients reflecting change in value added of non-financial corporations and by indicator representing change in profits of financial corporations.
Secondly, 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.

**Personal Income Tax**

Personal income tax (PIT) on wages and salaries of current year is adjusted by the January collections (one month lag) and the settlement related to the previous year. 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 usually by 31st of March 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 previous year and deducted from income/prepayments of current year). The amount arisen out of tax settlement in remaining four months is included (is already included in prepayments of current year) in income of current year.

In 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 tax credit relates to persons whose tax liability is less than the tax advantage for children; it is calculated as difference between tax advantage and tax on income. The child credit (bonus) can be paid out only when annual income (from employment, self-employment, investment income or rental income) of the person does not reach 6 times the minimum wage. Tax credit is paid out during the same year when the entitlement has occurred.

If a child that applies the bonus is born during the year, child credit is calculated based on the number of month of his life. The amount of tax credit differs depending on the number of children.

**Illustrative example – general example**

<table>
<thead>
<tr>
<th></th>
<th>Taxpayer A</th>
<th>Taxpayer B2</th>
<th>Taxpayer C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total income per year</strong></td>
<td>200 000 CZK</td>
<td>200 000 CZK</td>
<td>50 000 CZK</td>
</tr>
<tr>
<td><strong>Tax liability</strong></td>
<td>15 000 CZK</td>
<td>15 000 CZK</td>
<td>0 CZK</td>
</tr>
<tr>
<td><strong>Entitlement to tax credit</strong></td>
<td>13 000 CZK</td>
<td>20 000 CZK</td>
<td>20 000 CZK</td>
</tr>
<tr>
<td>+tax paid by taxpayer / -credit paid out to taxpayer</td>
<td>+ 2 000 CZK</td>
<td>- 5 000 CZK</td>
<td>0 CZK</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th></th>
<th>Taxpayer A</th>
<th>Taxpayer B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monthly salary</strong></td>
<td>16 000 CZK</td>
<td>16 000 CZK</td>
</tr>
<tr>
<td><strong>Tax liability (monthly)</strong></td>
<td>1 150 CZK</td>
<td>1 150 CZK</td>
</tr>
<tr>
<td><strong>Entitlement to tax credit (monthly)</strong></td>
<td>1 117 CZK</td>
<td>2 234 CZK</td>
</tr>
<tr>
<td>+tax paid by taxpayer / -credit paid out to taxpayer</td>
<td>33 CZK</td>
<td>-1 084 CZK</td>
</tr>
</tbody>
</table>

**Illustrative example - tax credit for a self-employed person**

<table>
<thead>
<tr>
<th></th>
<th>Taxpayer A</th>
<th>Taxpayer B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yearly tax base (tax period X)</strong></td>
<td>200 000 CZK</td>
<td>200 000 CZK</td>
</tr>
<tr>
<td><strong>Tax liability</strong></td>
<td>15 000 CZK</td>
<td>15 000 CZK</td>
</tr>
<tr>
<td><strong>Entitlement to tax credit</strong></td>
<td>13 404 CZK</td>
<td>26 808 CZK</td>
</tr>
<tr>
<td>+tax paid by taxpayer in X+1 / -credit paid out to taxpayer in X+1</td>
<td>1 596 CZK</td>
<td>-11 808 CZK</td>
</tr>
</tbody>
</table>

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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

Tax credit and accrual principle:
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
There are four tax advances settled by the end of January of the next year, the first one is payable in April. The current year revenue is adjusted for the January and February collections.

Highway fee
Whereas stamps are usually bought during the current year or in December of previous year, tax income of a current year is adjusted for December collections.

Property Taxes
Property taxes (within the tax system of the Czech Republic) include the tax on acquisition of immovable property (until 2013 as a real property transfer tax), inheritance tax (cancelled in 2013), gift tax and real estate tax.

The Tax on Acquisition of Immovable Property (introduced by the Senate Law No 344/2013) is determined through the tax return, which the payer (the purchaser of the property) is obliged to submit it within 3 months after the transaction took place. Therefore a three-month shift is used.

The tax liability of Heritage Tax (cancelled in 2013) and Tax Gift Tax is assessed by the tax administration based on tax return submitted by the taxpayer. The tax is then payable within 30 days following the receipt of the assessment. Based on practice (some judicial time lags), one-year time lag is used.

In 2010, the revised 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 overall income of gift tax (including 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. On the basis of this decision and the relevant decisions of the Supreme Court, the MoF has already returned funds amounting to CZK 4 455 million in 2015.

The Act on inheritance tax, gift tax and real estate transfer tax was cancelled on January 1, 2014 by the legal measure of the Senate No 340/2013 Coll. Heritage is treated as a transfer
free of charge and it is exempted from income tax. However gifts, also treated as a free acquisition, are part of the income tax (with some exception by the legal measure).

**Real Estate Tax**

The tax is paid in four instalments within the year; therefore revenue on accrual basis is equal to the revenue on cash basis.

**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 month. Thus, there is one month time lag.

**Levy on lotteries and other similar games / Gambling Tax**

The levy on lotteries and other similar games (under Act No. 202/1990 Coll., as amended) is paid on the basis of three advances, which are payable by the 20th day after the end of the calendar quarter. A tax declaration must be submitted by the end of February of the following year and the levy must be paid. This payment also includes the advance for the last quarter of the previous year. Therefore, in this case, a two-month shift of the payment is used.

Since January 1, 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 after the end of the tax period. Therefore, the monthly shift of the levy is used here.

**All other taxes, fees and levies**

In all other cases, cash revenue is equal to 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 the 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)
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

- 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. 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 on 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; delay is one month. It means that contributions paid in February are recorded as accrued in January (i.e. amount of these contributions for 1. quarter = sum contributions for February + March + April). This calculation is made on basis of time-adjusted method - in compliance with EU regulation.\(^7\)

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 Affair 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 cash basis and obtained from the quarterly financial statements 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 (in compliance with a special law) sickness benefits direct to its employees in the event of incapacity to work - from 4th to 14th day. 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 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, employers were obliged pay sickness benefits to their employees - from 4th to 21st day, but they do not have any compensation from the State budget. Since 2014 this obligations 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.

Information on revenue from penalties (on cash basis) is obtained (regularly quarterly) from the financial statements on revenues and expenditures (FIN 1-12 OSS) and no adjustments on

\(^7\) 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)
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

accrual are made. Their amounts are recorded only as other current transfer’s revenue (D.75); no penalties have been recorded 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 cash basis and corresponding monthly amount is shifted into a month when the work took place; 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 tax declaration for 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 of 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 work injury or 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 also relevant penalties.
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. Eurostat, after the consultation with Member States, released a decision in February 2005. Chapter II. 6 of the ESA 2010 Manual on government deficit and debt contain details the rules 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 and SAPARD) 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 line - 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 is based on a different system. These funds are recorded as a part of the State budget revenue and expenditure 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 principle of recording EU flows is following:

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 organizations 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 on the resources side of relevant units.

Since 2007, the MoF has introduced new parts of financial statements (part XI-revenues from EU budget and part XII – expenditures paid from EU funds of FIN 1-12 OSS and FIN 1-12 SF
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

for central government and Fin 2-12M for local government). Budgetary organizations 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). On the basis of 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 financial and accounting statements for all budgetary units (central and local) and all individual data for semi-budgetary organizations.

From the financial statements, through the items of the budgetary classification, can be distinguished final beneficiaries, i.e. it can be observed flows of EU means from NF to the ministries, from ministries to the state funds, local government, semi-budgetary organizations or to the non-government units and the end from local government to the semi-budgetary organizations or to the non-government units.

The third resource is recorded in the NA in accordance with ESA2010 on the line D.76.

Data from budgetary classification are based on cash basis. 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).

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.

At present MoF provides information:

a) on excluded (cancelled) projects from Operation programmes. The information is basis for correction of 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 semibudgetary organization. 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 direct
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

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 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 organizations - 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 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 Jeremie/Jessica

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 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).
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

Jessica

In the Czech Republic 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 State Housing Development Fund (Státní fond rozvoje bydlení). 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 (which was 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 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 recourses returned (second cycle) shall be distributed in 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.

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 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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

6.2.4 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 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 ESA95).

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/surplus. Because the splitting was not possible from technical point of view (for lack of data), the Fund continues to be classified inside S.1311.

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8 ESA 2010, §§ 20.53 and 20.54 and the Manual on government deficit and debt.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

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 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.

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. Chapter II.5 in Part II of the 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 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 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 delivery of military equipment and 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).
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

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.

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 are financial transaction and therefore they were excluded from the expenditures in compilation of the EDP table 2A – in 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 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 day).

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 according to ESA2010 (and not as P.2-intermediate consumption);
- 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).

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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

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 contract signed (a schedule of payments) – by the MoD information.

The change in the concept of military equipment required calculation of fixed capital consumption (P.51c). The calculation of fixed capital consumption is generally based on PIM method and using of lognormal elimination function. 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 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 air crafts, 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 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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 6. Time of recording

6.4.1 Interest expenditure

Table 11 Availability and basis of data on interest

| Instrument                                      | S.1311 | S.1312 | S.1313 | S.1314 |
|                                                | State  | OCGB   | Main unit | OCGB   | Main unit | OCGB   | Main unit | OSSB  |
| Deposits (AF.2)                                | C/A    | A      | M        | M      | C/A      | A      | A         | A     |
| Securities other than shares (AF.3)             | C/A    | A      | M        | M      | C/A      | A      | A         | A     |
| Loans (AF.4)                                    | C/A    | A      | M        | M      | C/A      | A      | A         | A     |
| Other accounts receivable (AF.8F.8)             | C/A    | A      | M        | M      | C/A      | A      | A         | A     |

Cash/accrual, M (not applicable) or L (not available); OCGB, OLGB, OSSB=other central, local units and other units in S.1314

Data on interest expenditure is obtained from financial and accounting statements, i.e. according to budgetary classification items (n cash basis) and from synthetic accounts (on accrual basis) showed within the Profit and Loss Statement and (for BO and SBO) also from the AAO split by financial instruments.

Interest expenditure on 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 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 expenditure (S.1311) are adjusted for interest related to churches restitutions and their amount results from the inflation impact on the government liability (see part 6.5 Time of recording of other transactions – Restitutions).

Information on interest expenditure for other government units classified in all government subsectors is on accrual basis - from the Profit and Loss Statements including information on interest connected with the secondary activities of central and local BO. Since the financial and accounting statements or statistical questionnaire 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 financial 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 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 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 financial and accounting statements and statistical questionnaires are available for all
government units split by government subsector, the information on interest revenue is
exhausting.
At present, discussions on the concept of interest on foreign receivables (debts) are being
discussed among EU Member State experts and a revision of the Manual chapter on government
deficit and debt is being prepared.

6.4.3 At present discussion on methodological treatment of interest on foreign
receivables (debts) is carried out among experts from EU Member States
and revised MGDD chapter will be published. **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 consolidate 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 are obtained from individual central
government units especially from SDF, SEF, PRISKO, SGAFF, MoF interests from bonds.
Complementary data are 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. 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 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 discount or premium of other government bodies is not available. Premiums and discounts are spread over the life of the instrument on 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.

6.5 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 financial statements FIN) and its assets and liabilities in balance sheet – by the year 2009. As to these accounting statements, no official audit was carried out (in principle-see part 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 recorded 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 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 case of central and local BO and state extra-budgetary funds, the situation is different. Although budgetary organizations started to run the accrual accounting system in 2010, data from the Profit and Loss Statement are still not fully satisfactory. Moreover, methods applied in the system are not harmonized across the units, e.g. revenue from interest can be accounted in the balance sheet or in the P/L account. Therefore, reported cash data on expenditures and revenues are still used and it is necessary to make more adjustments:

- **Subsidies** – 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 from the P/L Statement.

- Recording of the **capital transfers** depends on the kind of these transfers. Investment grants are obtained especially from the balance sheet of BO, SF and SBO, because they are recorded as separated part of “registered capital”. Other capital transfers are as one-off transfers (e.g. restitution in money, debt forgiveness etc.) or on cash basis (when cash equal accrual) e.g. humanitarian assistance.

- **Gross capital formation**: Calculation of GCF is for the April EDP notification) linked with the GDP estimate and based on financial statements 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 (within accrual accounting) recognized in the balance sheet, under “other accounting receivables” item. The CZSO is aware this problem and – in cooperation with the MoF and corresponding units – strives to remove it.
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 accounting statements. Detailed information on corresponding claims is not available.

**Social benefits** – the transition from cash to accrual is based on the January’s pension prepayment. 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 current year but belong under expenses of next year. Due to the fact, prepayments are excluded from cash data expenditure of current year and included under expenditure of following year i.e. in the year to which they relate.

**Taxes and social contributions** are calculated on accrual basis by the time-adjustment method. More detail description is in other parts of the Inventory.

**Receivables/payables**: main obstacle relates to the structure of the accounting system of the budgetary organisations. Cash system relates chiefly to 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 previous accounting system). Examples are taxes receivables (unpaid taxes) or liabilities from promised subsidies and investment grants. These units (including the MoF) also did not recorded 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 form of time-adjusted taxes. Receivables calculated by the CZSO are imputed into the accounts. 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 organizations. 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 transaction 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 transaction in deposits (- F.2, AF.2). These transactions influenced government deficit.
Institutional arrangements, sources, procedures and methods used for the calculation of
deficit and debt data – B. Methodological issues – 6. Time of recording

- **Churches restitutions**

  In 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
  - 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 organizations, state funds, state semi-budgetary organizations 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 (Bratčíka jednota baptistů) has not 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 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 is recorded on the asset side of the balance sheets persons obliged to transfer the property (within the corresponding institutional subsector and under corresponding ESA code, i.e. AN - 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 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 edition.9

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 VII.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.


123
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 to Prague Congress Centre (called in 2012).

Some of 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 valuated as risk, the unit (guarantor) may create reserves. However, the information is not recognized from accounting balance sheets relevant unit and has not been statistically surveyed.

State guarantees - provided by the MoF; state guarantees 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). Other central BO or SBO are not allowed provide guarantees.

The MoF provided also special type of guarantees - environmental guarantees (in 2008). This type of guarantees do 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 on 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
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

advantageous proposal (supplier) should be selected. However, the Government of the Czech Republic the tender did not approve.

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 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 calls on guarantees are negligible; they are reported under the item D.99.

Information on guarantees that provide units classified in the local government subsector (S.1313) has not been fully available. 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 are available always for the October EDP notification

Health insurance companies (S.1314) must not provide guarantees.

Guarantees provided by government units (including also new guarantees) on debt securities and received loans are recorded off-balance-sheet. This implies that 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 (as part of the Decree No 410/2009 Coll.) new statement on guarantees (for all BO, SF and SBO) which provides more detailed information, since January 2014.

Recording in national accounts

Provided guarantees on borrowing 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 direct 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, then this guarantee is recognized as actual government liability on the liability side of its balance sheet.

In general, a called guarantee is always recorded as other capital transfer (-D.99) expenditure.

- If the guarantee is called, then 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 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 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 contingent liability and is reduced by called part of the guarantee in 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 government are excluded from the state budget expenditure and on contrary total amount of guarantee, which was called, is included the first time in 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. However, no provisions have been recorded yet. See part of 7.1.1.

#### Recording in national accounts

In general, a called (assumed) guarantee is always recorded (in the national government accounts) as 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 carried out in compliance with the law on budgetary rules (e.g. 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 organizations (e.g. the Prague City Hall, assumed debt of the Prague Congress Centre - for outstanding amount of bond issued).

**Debt cancelation** 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 – especially 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 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).

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).
Institutional arrangements, sources, procedures and methods used for the calculation of
deficit and debt data – B. Methodological issues – 7. Specific government transactions

7.1.5 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. These local government units however did not report any guarantee.

In 2014, the MoF introduced a new accounting statement (as part of the Decree No 410/2009 Coll. – Annex No 5, K) “Supplement information 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.

7.1.2 Guarantees on assets

Within guarantees on assets are included state guarantees to the Export Guarantee and Insurance Corporation of the Czech Republic (EGAP) and to the Czech-Moravian Guarantee and Development Bank (CMRZB) – 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 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. 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. The funds are managed separately from other funds.

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. Further, EGAP has never received any other state guarantees and any other state subsidies except for those that form insurance funds of EGAP (which again have never been utilized and form EGAP's equity).

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 Czech-Moravian Guarantee and Development Bank, Ltd., CMZRB (Českomoravská záruční a rozvojová banka - ČMZRB), joint stock company, is public financial corporation 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 of small and medium-sized enterprises, for which the market conditions would be inaccessible.

The CMZRB provides guarantees and a support to small and medium-size businessmen (by the Act No. 47/2002 Coll.) in compliance with the Commission Regulation (EC) No. 1998/2006 and the national program. Its aim (in 2013) is to make possible implementation of the projects of small businessmen and to make easier to small and medium-size businessmen renovation 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 existing loan or new banking loan and the financial contribution (in 10%) to guaranteed 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 for provided services is also 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 Housing Development Fund (SHDF), the State Environmental Fund (SEF), the Support and Guarantee Agricultural and Forestry Fund, Czech Moravian Guarantee and Development Bank or the Vine-grower Fund are engaged in the provision of loans. Central budgetary organisations (ministries and
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

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 organizations and state extra-budgetary funds – for these types of units are available data on transactions from financial statements (separately data on granted loans and loans repayments).

Provided loans are usually repaid regularly. Only in some cases were loans forgiven (foreign claims or 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 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 organizations. Such record has been made only in case of foreign claim (accounted by the MoF) when there is an agreement between countries, or it is based on a government decision. In some cases, 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 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 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 corresponding agreement between the Czech Republic and Nicaragua was signed (1996). Therefore, corresponding stocks of the claim were different between in the NA and public accounts (MoF). Special and the long-term attention is given to settlement and to the method of recording of claims against foreign countries in the government accounts.

As to debt cancelation 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 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 temporary decrease in value of receivables—receivable cannot be excluded from 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 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 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 temporary decrease in 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 state bad claims and later bad claims of national private corporations. Purchased claims were revaluated in the CKA’s balance sheet; corresponding provision 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 amount in 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).
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

The MoF sales bad claims to a third parties or it uses an intermediator. The sale price of these claims is usually at lower price than amount registered in public accounts. The difference between these values is recorded as capital transfer (-D.99) on behalf of new owner of the claim. The same way of recording is implemented in case the claim is transferred to an intermediator. The difference between registered value of the claim in public accounts and the amount repaid by the intermediator 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).

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 organizations 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.
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 general government to public financial or non-financial corporations. Budgetary organizations 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).

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.

Basic information on received dividends in total was obtained from the financial statements (Revenues and expenditures statements) of central and local budgetary organisations, which are on the 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.

Additionally, there are some other data sources providing the information on dividends received and paid. At the local government level, an important data source is the questionnaire collected by the MoF surveying thirteen Regional Offices and selected large towns. The questionnaire includes data on dividends and operating surplus by individual corporations (dividend payers). For the business enterprises, 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 impact on the precise 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. From 2015 to 2017, a number of superdividends were identified. This was in particular the case the state enterprise Czech Forests (České lesy), the joint stock company Prague Gas (Pražská plynárenská), and the Prague Heating Plant (Pražská teplárenská), or Čepro and Mero companies. Super-dividends are recognized in the accounts as a drop in equity held by general government sector.
Government units, especially the MoF and other ministries, record dividends revenue in the first and the second quarterly of the current year. Payments of interim dividends have not yet been recognized.

Government units, especially the MoF or other ministries, record dividends revenue in the first and the second quarterly of a current year. Payments of interim dividends have not yet been recognized.

### 7.5 Privatization

The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds (§§20.210-20.211 ESA2010). 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 V.3 indicates that such indirect privatization proceeds are not government revenue.

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. 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 additional, 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). 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 part 1.1)
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

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 part 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 VI.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 § 20.290 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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

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. However, no Central Government PPP project has been opened by this time.

Units engaged in PPP administration

The Ministry of Finance - State Budget Department, Regional a Municipal Budgets Department and two “sectoral” departments - to oversee the fiscal and transparency issue related to PPPs and “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 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 comprehensive contractual framework of the project. Public Procurement Act No. 134/2016 Coll., together with related executing decrees specify all important aspects of the tender procedure and also the minimum terms of partnership between public sector and 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:

i. In the first group, there are projects where the Public Contracting Authority is the state (projects prepared at central government level). Such projects have not been implemented yet.

ii. 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 final (non) realization of the project is provided. At the municipal level have been recorded mostly concession contracts in water sector (their share on the total value of all contracts is about 88 %).

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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

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 obtains the questionnaire and other documents.

The CZSO was engaged into 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 Pisek, in January 2016. The future concessionaire should be 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. 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 competition. Construction should be start in 2020.

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.

Financial derivatives are defined by ESA2010 (in §§ 5.198 – 5.229, Annex 7.1, 6.62 and new paragraph 20.188 states that “Settlements on swaps transactions are not considered as property income in the ESA. The settlements related to financial derivatives are financial transactions, to be recorded at the time of the effective exchange of financial instruments.” It means that B.9 item (net lending (+)/net borrowing (-)) for the general government sector is the same as for purpose of the EDP – in the notification tables (the EDP B.9 item has been cancelled).
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 outrights 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 organizations) 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 accounting statements and supplement information from relevant government institutions.

7.7.3 Recording

Government institutions (including all MoF chapters since 2010), have the obligation to accounted financial derivatives on 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:
- 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 accounting 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 information on streams of interest payments from swaps and FRAs used for hedging the instruments of the state debt is provided by the MoF. 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 accounting statements, the
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

detailed description is in their annual reports and the units also provide upon request more detailed information on settlements of the derivatives.
For 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 roads\(^{10}\) is charged in the Czech Republic since 1995. All natural and legal persons (trucks and personal cars) are obliged to pay fees if use these roads – in compliance with government regulations.

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 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).

Highway fees were classified as taxes in the Czech National Accounts by the end 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 from1995.

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 emission category and to number of axletree of the trucks and a distance moved then influences total amount.

\(^{10}\) 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”.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

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 pay also road tax - in compliance with the Act No. 16/1993 Coll., on road tax.
Object of the tax are road motor vehicles and their trailers registered and used in the Czech Republic,

- a) which are used to business or to other a self-earning activity, i.e. activities, which subject to income tax (with the exception of welfare activities),
- b) and other registered motor vehicles, whose maximum permitted weight is more than 3,5 tons (used not only to business).

Tax rates are determined according to

a) displacement of the motor (cm³),

b) sum of maximal permitted weights on an axletree (in tonnes; excluding private cars with an electric drive) and number of semi-trailer axles

c) maximum permitted weight in tons and 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 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),
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

- 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 was changed and corresponding adjustment was made. Since 2005, the emission permits were recorded in the government accounts within government sector. The government was treated as an entity providing the emission permits to air polluters free of charge. Starting 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 following way and within ESA95 items:

- as non-produced assets (AN.22) in closing balance sheet of the Fund;
- under economic appearance of non-produced non-financial assets via other changes in volume assets (K.3 item),
- as 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 is not 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 part 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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

- 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 reclassified under the item other taxes on production.

Since 2013, emission permits are sold on a foreign stock exchange (in Leipzig – Germany).
Emission permits sold (by the central government) to residents are recorded under D.29 item and sold to non-resident are recorded under K.1 (+) item and in the same amount (but with opposite sign NP2 (-)).

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 absence data sources.

Planned transactions:
At present, the CZSO investigates data sources as the basis for identifying
  a) a government liability and its allocation to accounting receivables of residents and non-residents,
  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 data 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 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.

For completeness, the following table shows the current method recording of emission permits also in other institutional sectors.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

Table 12 Recording of emission permits in the National Accounts (CZK mill)

<table>
<thead>
<tr>
<th>Year</th>
<th>S.1</th>
<th>S.11</th>
<th>S.12</th>
<th>S.13</th>
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<th>S.15</th>
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</table>
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

In 2018, government transactions in emission permits have been following:

- K.1 – Economic appearance of non-produced assets in the amount........CZK 0 mill.
- K.7 – Revaluation .................................................................CZK (+) 12,0 mill.
- NP2 – Acquisition less disposal of intangible non-produced assets......CZK 0 mill.
- D.29 – Other taxes on production, receivable..........................CZK 14935,0 mill.

Since the national sector accounts (due to data sources availability) are compiled and published at later dates, no overview of transactions in emission permits has been indicated for 2016. Along with it, based on more detailed and precise data, backward data will be adjusted, including data on government liabilities.

### 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 (edition 2016) part VI, chapter VI.2 is dealing with sale and lease back operations.**

Information on sales and leaseback operations has not been (within Czech Republic) available from any government unit. Financial and accounting statements do not include the information. Therefore, the CZSO included the information into the annual statistical questionnaire for 2011; however, government unit did not report such transactions.

Due to the importance such operation (for the government debt calculation), information on leaseback has been included into the AAO. Central and local budgetary organization 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 2018.

### 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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

MGDD (2016) part V, chapter V.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 have not been undertaken from 2000 until now. According the data available to the CZSO, no securitization operations occurred in the local government.

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 VI Leases, licences and concessions of the MGDD 2016 is dealing with the sale of UMTS licenses

The Czech Telecommunication Office, central budgetary organization (Český telekomunikační úřad) is responsible for electronic communication administration and post services including market regulation. It also ensures 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. Corresponding amount has been excluded from transaction in non-produced assets (NP.2 – acquisitions less disposals of contracts, leases and licenses). As a result, revenue from licence is spread over the period for which a licence is granted. Revision in the recording of the revenues resulted in 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 government in the previous years will be revised.

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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government 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.

Between the CNB and government institutions there have been agreed so far three loans, more specifically credit lines, all of them for the use of the International Monetary Fund until now. These bilateral credit lines were provided by the CNB under the condition of a state guarantee and compensation of lost and profit linked with 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 has been drawn gradually since 2010. A total of 13 tranches were drawn and all tranches have been already repaid. Respective loan agreement is not effective any more.

The second loan was approved by the Czech Government and by the CNB Board in 2012. The agreement with the IMF was signed on 12 August 2013 with total amount of the loan up to EUR 1.5 billion. The contract was in force till August 11, 2017. This second loan was never drawn.

The third loan was approved by the Czech Government on 21 August 2017. 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 were completed. Total amount of the loan is the same in the previous agreement, i.e. up to EUR 1.5 billion. So far, this loan has not been drawn.

Current loan has the following parameters:

- It is provided from the CNB's international reserves.
- It is a credit line from which the CNB provides individual tranches at the IMF’s request.
- The loans may also be payable on demand based on an “encashment clause”.
- The loan has a 100% state guarantee.
- In fact, it is not expected that the state guarantee would be actually drawn, i.e. that the IMF would not repay the loans to the CNB and the state would have to pay it to the CNB. Such situation would be unprecedented and could arise only as a result of an actual collapse of the existing global financial system. The state guarantee is viewed here as an expression of the Czech Republic’s policy priority. That’s why the state guarantee needs to be adopted by the Parliament.
- As loans to the IMF are remunerated differently than the other types of investment of the reserves, the Finance Ministry shall pay 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 will pay the proceeds to the MoF.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

The facts on drawing on the loans:

Drawn to date: EUR 159,762,814 (SDR 138,500,000) – 13 tranches
Repaid to date: All tranches were already repaid by 26 September 2016
Compensation paid by the Czech Ministry of Finance to date: CZK 121,127,897.41,
From which:
- Compensations for opportunity costs: CZK 108,849,757.19
- Compensations for transaction costs: CZK 0.00
- Compensations for FX hedging costs: CZK 12,278,140.22

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Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

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Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

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Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

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Detailed account of compensations for FX hedging costs paid by the Czech Ministry of Finance to date:

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<th>Paid by the MoF (CZK)</th>
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7.14 Lump sum pension payments

The related accounting rules are described in the Chapter III.6 on payments to government from transfer of pension obligations, in the ESA2010 Manual on government deficit and debt (2016 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 and
- Act No. 104/1996 Coll., as amended, approved in the following year.

The Act No. 104/1996 Coll. on social security insurance and contributions to the state employment policy, as amended, determines basic criteria of pensions and sickness insurance and contributions to the state employment policy. These criteria over the years changed, e.g. criteria relating to the insurance period, the amount of contributions and the threshold for retirement or criteria for valorisation of pensions.

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) and employees will pay other 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 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 pension, 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 between 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 cancelation of the pension scheme from 1 January 2016 and states 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 376/2016 Coll., on termination of 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 (100 CZK 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 CZK 100,00, no state allowance is paid.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

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 “unemployment fund” by defined conditions) and health insurance contributions to health insurance companies.

Special social and health insurance programs organized by the government units for their employees have not been established.

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.
Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data – B. Methodological issues – 7. Specific government transactions

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.

  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.