

**Inventory of the methods, procedures and sources  
used for the compilation of deficit and debt data and  
the underlying government sector accounts  
according to ESA95**

*The Slovak Republic*

**30.09.2013**

## 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.

## Contents

<b>A.</b>	<b>Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data.....</b>	<b>8</b>
<b>1.</b>	<b>General Government.....</b>	<b>8</b>
1.1.	<i>Central government subsector (S.1311) .....</i>	<i>8</i>
1.2.	<i>State government subsector (S.1312).....</i>	<i>9</i>
1.3.	<i>Local government subsector (S.1313).....</i>	<i>9</i>
1.4.	<i>Social security funds subsector (S.1314).....</i>	<i>9</i>
<b>2.</b>	<b>Institutional arrangements .....</b>	<b>10</b>
2.1.	<i>Institutional responsibilities for the compilation of general government deficit and debt data .....</i>	<i>10</i>
2.1.1	<i>Existence of an EDP unit/department.....</i>	<i>13</i>
2.1.2	<i>Availability of resources for the compilation of GFS data.....</i>	<i>13</i>
2.2.	<i>Institutional arrangements relating to public accounts.....</i>	<i>14</i>
2.2.1	<i>Legal / institutional framework.....</i>	<i>14</i>
2.2.2	<i>Auditing of public accounts .....</i>	<i>14</i>
2.2.2.1	<i>General government units .....</i>	<i>15</i>
2.2.2.2	<i>Public units, not part of general government.....</i>	<i>15</i>
2.3.	<i>Communication .....</i>	<i>16</i>
2.3.1	<i>Communication between actors involved in EDP .....</i>	<i>16</i>
2.3.1.1	<i>Agreement on co-operation .....</i>	<i>16</i>
2.3.1.2	<i>Access to data sources based on public accounts.....</i>	<i>16</i>
2.3.2	<i>Publication of deficit and debt statistics.....</i>	<i>17</i>
2.3.2.1	<i>Publication of EDP data.....</i>	<i>17</i>
2.3.2.2	<i>Publication of underlying government ESA95 accounts.....</i>	<i>17</i>
<b>3.</b>	<b>EDP tables and data sources .....</b>	<b>18</b>
3.1.	<i>EDP table 1.....</i>	<i>18</i>
3.1.1	<i>Compilation of Maastricht debt.....</i>	<i>18</i>
3.1.1.1	<i>Specification of debt instruments.....</i>	<i>18</i>
3.1.1.2	<i>Data sources used for the compilation of Maastricht debt.....</i>	<i>18</i>
3.1.1.3	<i>Amendments to basic data sources.....</i>	<i>19</i>
3.1.1.4	<i>Consolidation of Maastricht debt.....</i>	<i>20</i>
3.2.	<i>Central Government sub-sector, EDP table 2A and 3B.....</i>	<i>20</i>
3.2.1	<i>Data sources for main Central Government unit : "The State" .....</i>	<i>20</i>
3.2.1.1	<i>Details of the basic data sources.....</i>	<i>21</i>
3.2.1.2	<i>Statistical surveys used as a basic data source.....</i>	<i>23</i>
3.2.1.3	<i>Supplementary data sources and analytical information .....</i>	<i>23</i>
3.2.1.3.1	<i>Supplementary data sources used for the compilation of non-financial accounts ....</i>	<i>23</i>
3.2.1.3.2	<i>Supplementary data sources used for the compilation of financial accounts .....</i>	<i>23</i>
3.2.1.4	<i>Extra-budgetary accounts (EBA) .....</i>	<i>24</i>
3.2.2	<i>Data sources for other Central Government units .....</i>	<i>25</i>
3.2.2.1	<i>Details of the basic data sources.....</i>	<i>26</i>
3.2.2.2	<i>Statistical surveys used as a basic data source.....</i>	<i>26</i>
3.2.2.3	<i>Supplementary data sources and analytical information .....</i>	<i>26</i>
3.2.2.3.1	<i>Supplementary data sources used for the compilation of non-financial accounts ....</i>	<i>27</i>
3.2.2.3.2	<i>Supplementary data sources used for the compilation of financial accounts .....</i>	<i>27</i>
3.2.3	<i>EDP table 2A .....</i>	<i>27</i>
3.2.3.1	<i>Working balance - use for the compilation of national accounts.....</i>	<i>27</i>
3.2.3.2	<i>Legal basis of the working balance.....</i>	<i>27</i>
3.2.3.3	<i>Coverage of units in the working balance .....</i>	<i>27</i>
3.2.3.3.1	<i>Units to be classified outside the subsector, but reported in the WB .....</i>	<i>27</i>

3.2.3.3.2	Units to be classified inside the subsector, but not reported in the WB .....	27
<b>3.2.3.4</b>	<b>Accounting basis of the working balance .....</b>	<b>28</b>
3.2.3.4.1	Accrual adjustment relating to interest D.41, as reported in EDP T2 .....	28
3.2.3.4.2	Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2 .....	28
3.2.3.4.3	Other accrual adjustments in EDP T2 .....	28
<b>3.2.3.5</b>	<b>Completeness of non-financial flows covered in the working balance .....</b>	<b>29</b>
<b>3.2.3.6</b>	<b>Financial transactions included in the working balance .....</b>	<b>29</b>
<b>3.2.3.7</b>	<b>Other adjustments reported in EDP T2 .....</b>	<b>29</b>
<b>3.2.3.8</b>	<b>Net lending/net borrowing of central government .....</b>	<b>29</b>
<b>3.2.4</b>	<b>EDP table 3B .....</b>	<b>30</b>
3.2.4.1	Transactions in financial assets and liabilities .....	30
3.2.4.2	Other stock-flow adjustments .....	31
3.2.4.3	Balancing of non-financial and financial accounts, transactions in F.7 .....	31
<b>3.3.</b>	<b>State government sub-sector, EDP table 2B and 3C .....</b>	<b>32</b>
3.3.1	Data sources for State Government unit .....	32
3.3.1.1	Further specifications/comments to the table .....	32
3.3.1.2	Details of the basic data sources .....	32
3.3.1.3	Statistical surveys used as a basic data source .....	33
3.3.1.4	Supplementary data sources and analytical information .....	33
3.3.1.4.1	Supplementary data sources used for the compilation of non-financial accounts .....	33
3.3.1.4.2	Supplementary data sources used for the compilation of financial accounts .....	33
3.3.2	Data sources for other State Government units .....	33
3.3.2.1	Details of the basic data sources .....	33
3.3.2.2	Statistical surveys used as a basic data source .....	34
3.3.2.3	Supplementary data sources and analytical information .....	34
3.3.2.4	Extra-budgetary accounts .....	34
3.3.3	EDP table 2B .....	34
3.3.3.1	Working balance - use for the compilation of national accounts .....	34
3.3.3.2	Legal basis of the working balance .....	34
3.3.3.3	Coverage of units in the working balance .....	34
3.3.3.3.1	Units to be classified outside the subsector, but reported in the WB .....	34
3.3.3.3.2	Units to be classified inside the subsector, but not reported in the WB .....	34
3.3.3.4	Accounting basis of the working balance .....	34
3.3.3.4.1	Accrual adjustments relating to interest D.41, as reported in EP T2 .....	34
3.3.3.4.2	Accrual adjustments reported under other accounts receivable/payable F.7 in EP T2 .....	34
3.3.3.4.3	Other accrual adjustments in EDP T2 .....	34
3.3.3.5	Completeness of non-financial flows covered in the working balance .....	34
3.3.3.6	Financial transactions included in the working balance .....	34
3.3.3.7	Other adjustments reported in EDP T2 .....	34
3.3.3.8	Net lending/net borrowing of state government .....	34
3.3.4	EDP table 3C .....	35
3.3.4.1	Transactions in financial assets and liabilities .....	35
3.3.4.2	Other stock-flow adjustments .....	35
<b>3.4.</b>	<b>Local government sub-sector, EDP table 2C and 3D .....</b>	<b>36</b>
3.4.1	Data sources for Local Government main unit: xxx .....	36
3.4.1.1	Details of the basic data sources .....	37
3.4.1.2	Statistical surveys used as a basic data source .....	37
3.4.1.3	Supplementary data sources and analytical information .....	37
3.4.1.3.1	Supplementary data sources used for the compilation of non-financial accounts .....	37
3.4.1.3.2	Supplementary data sources used for the compilation of financial accounts .....	37
3.4.2	Data sources for other Local Government units .....	37
3.4.2.1	Details of the basic data sources .....	38
3.4.2.2	Statistical surveys used as a basic data source .....	38

3.4.2.3	<i>Supplementary data sources and analytical information</i> .....	38
3.4.3	<i>EDP table 2C</i> .....	38
3.4.3.1	<i>Working balance - use for the compilation of national accounts</i> .....	38
3.4.3.2	<i>Legal basis of the working balance</i> .....	38
3.4.3.3	<i>Coverage of units in the working balance</i> .....	39
3.4.3.3.1	Units to be classified outside the subsector, but reported in the WB .....	39
3.4.3.3.2	Units to be classified inside the subsector, but not reported in the WB .....	39
3.4.3.4	<i>Accounting basis of the working balance</i> .....	39
3.4.3.4.1	Accrual adjustments relating to interest D.41, as reported in EDP T2C .....	39
3.4.3.4.2	Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2C .....	39
3.4.3.4.3	Other accrual adjustments in EDP T2C .....	39
3.4.3.5	<i>Completeness of non-financial flows covered in the working balance</i> ....	39
3.4.3.6	<i>Financial transactions included in the working balance</i> .....	39
3.4.3.7	<i>Other adjustments reported in EDP T2C</i> .....	40
3.4.3.8	<i>Net lending/net borrowing of local government</i> .....	40
3.4.4	<i>EDP table 3D</i> .....	41
3.4.4.1	<i>Transactions in financial assets and liabilities</i> .....	41
3.4.4.2	<i>Other stock-flow adjustments</i> .....	41
<b>3.5.</b>	<b><i>Social security sub-sector, EDP table 2D and 3E</i></b> .....	<b>42</b>
3.5.1	<i>Data sources for Social Security Funds main unit : xxx</i> .....	42
3.5.1.1	<i>Details of the basic data sources</i> .....	43
3.5.1.2	<i>Statistical surveys used as a basic data source</i> .....	43
3.5.1.3	<i>Supplementary data sources and analytical information</i> .....	43
3.5.1.3.1	Supplementary data sources used for the compilation of non-financial accounts ....	43
3.5.1.3.2	Supplementary data sources used for the compilation of financial accounts .....	43
3.5.2	<i>Data sources for other Social Security units</i> .....	43
3.5.2.1	<i>Details of the basic data sources</i> .....	44
3.5.2.2	<i>Statistical surveys used as a basic data source</i> .....	44
3.5.2.3	<i>Supplementary data sources and analytical information</i> .....	44
3.5.2.4	<i>Extra-budgetary accounts</i> .....	44
3.5.3	<i>EDP table 2D</i> .....	44
3.5.3.1	<i>Working balance - use for national accounts compilation</i> .....	44
3.5.3.2	<i>Legal basis of the working balance</i> .....	44
3.5.3.3	<i>Coverage of units in the working balance</i> .....	44
3.5.3.3.1	Units to be classified outside the subsector, but reported in the WB .....	45
3.5.3.3.2	Units to be classified inside the subsector, but not reported in the WB .....	45
3.5.3.4	<i>Accounting basis of the working balance</i> .....	45
3.5.3.4.1	Accrual adjustments relating to interest D.41, as reported in EP T2D.....	45
3.5.3.4.2	Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2D .....	45
3.5.3.4.3	Other accrual adjustments in EDP T2D .....	45
3.5.3.5	<i>Completeness of non-financial flows covered in the working balance</i> ....	45
3.5.3.6	<i>Financial transactions included in the working balance</i> .....	46
3.5.3.7	<i>Other adjustments reported in EDP T2D</i> .....	46
3.5.3.8	<i>Net lending/net borrowing of social security funds</i> .....	46
3.5.4	<i>EDP table 3E</i> .....	47
3.5.4.1	<i>Transactions in financial assets and liabilities</i> .....	47
3.5.4.2	<i>Other stock-flow adjustments</i> .....	47
<b>3.6.</b>	<b><i>Link between EDP T2 and related EDP T3</i></b> .....	<b>48</b>
3.6.1	<i>Coverage of units</i> .....	48
3.6.2	<i>Financial transactions</i> .....	48
3.6.3	<i>Adjustments for accrued interest D.41</i> .....	49
3.6.4	<i>Other accounts receivable/payable F.7</i> .....	49
3.6.5	<i>Other adjustments/imputations</i> .....	49

3.7.	<i>General comments on data sources</i> .....	50
3.8.	<i>EDP table 4</i> .....	53
3.8.1	<i>Trade credits and advances</i> .....	53
3.8.2	<i>Amount outstanding in the government debt from the financing of public undertakings</i> .....	53
4.	<b>Revision policy used for annual GFS</b> .....	54
4.1.	<i>Existence of a revision policy in your country</i> .....	55
4.1.1	<i>Relating to deficit and non-financial accounts</i> .....	55
4.1.2	<i>Relating to debt and financial accounts</i> .....	55
4.2.	<i>Reasons for other than ordinary revisions</i> .....	55
4.3.	<i>Timetable for finalising and revising the accounts</i> .....	55
<b>B.</b>	<b>Methodological issues</b> .....	57
5.	<b>Sector delimitation – practical aspects</b> .....	57
5.1.	<i>Sector classification of units</i> .....	57
5.1.1	<i>Criteria used for sector classification of new units</i> .....	58
5.1.2	<i>Updating of the register</i> .....	58
5.1.3	<i>Consistency between different data sources concerning classification of units</i> .....	58
5.2.	<i>Existence and classification of specific units</i> .....	59
6.	<b>Time of recording</b> .....	59
6.1.	<i>Taxes and social contributions</i> .....	59
6.1.1	<i>Taxes</i> .....	61
6.1.2	<i>Social contributions</i> .....	61
6.2.	<i>EU flows</i> .....	69
6.2.1	<i>General questions</i> .....	72
6.2.2	<i>Cash and Schengen facility:</i> .....	72
6.2.3	<i>Jeremie/Jessica</i> .....	72
6.2.4	<i>Market Regulatory Agencies</i> .....	72
6.3.	<i>Military expenditure</i> .....	73
6.3.1	<i>Types of contracts</i> .....	73
6.3.2	<i>Borderline cases</i> .....	74
6.3.3	<i>Recording in national accounts</i> .....	74
6.4.	<i>Interest</i> .....	75
6.4.1	<i>Interest expenditure</i> .....	75
6.4.2	<i>Interest Revenue</i> .....	75
6.4.3	<i>Consolidation</i> .....	76
6.4.4	<i>Recording of discounts and premiums on government securities</i> .....	76
6.5.	<i>Time of recording of other transactions</i> ..... <i>Chyba! Záložka nie je definovaná.</i>	
7.	<b>Specific government transactions</b> .....	78
7.1.	<i>Guarantees, debt assumptions</i> .....	78
7.1.1	<i>Guarantees on borrowing</i> .....	78
7.1.1.1	<i>New guarantees provided</i> .....	78
7.1.1.2	<i>Treatment of guarantees called</i> .....	78
7.1.1.3	<i>Treatment of repayments related to guarantees called</i> .....	79
7.1.1.4	<i>Treatment of write-offs by government in public accounts of government assets that arose from calls, if any</i> .....	79
7.1.1.5	<i>Data sources</i> .....	79
7.1.2	<i>Guarantees on assets</i> .....	80
7.1.2.1	<i>New guarantees provided</i> .....	80
7.1.2.2	<i>Treatment of guarantees called</i> .....	80
7.1.2.3	<i>Treatment of repayments related to guarantees called</i> .....	80

7.1.2.4	Treatment of write-offs.....	80
7.1.2.5	Data sources .....	80
<b>7.2.</b>	<b>Claims, debt cancellations and debt write-offs.....</b>	<b>80</b>
7.2.1	New lending .....	80
7.2.2	Debt cancellations .....	81
7.2.3	Repayments of claims.....	81
7.2.4	Debt write-offs .....	81
7.2.5	Sale of claims .....	81
<b>7.3.</b>	<b>Capital injections in public corporations .....</b>	<b>81</b>
<b>7.4.</b>	<b>Dividends .....</b>	<b>82</b>
<b>7.5.</b>	<b>Privatization.....</b>	<b>82</b>
<b>7.6.</b>	<b>Public Private Partnerships .....</b>	<b>83</b>
<b>7.7.</b>	<b>Financial derivatives .....</b>	<b>84</b>
7.7.1	Types of derivatives used .....	85
7.7.2	Data sources .....	85
7.7.3	Recording.....	85
<b>7.8.</b>	<b>Payments for the use of roads.....</b>	<b>85</b>
<b>7.9.</b>	<b>Emission permits .....</b>	<b>86</b>
<b>7.10.</b>	<b>Sale and leaseback operations .....</b>	<b>86</b>
<b>7.11.</b>	<b>Securitisation.....</b>	<b>86</b>
<b>7.12.</b>	<b>UMTS licenses.....</b>	<b>87</b>
<b>7.13.</b>	<b>Transactions with the Central Bank.....</b>	<b>87</b>
<b>7.14.</b>	<b>Lump sum pension payments.....</b>	<b>87</b>
<b>7.15.</b>	<b>Pension schemes.....</b>	<b>87</b>

## List of annexes referenced in EDP inventory

**Annex 1** – list general government units (English)

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

## **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 EDP 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 the sub-sectors for the Slovak Republic.

The general government sector is composed by 3 sub-sectors: S.1311, S.1313 and S.1314. It includes:

#### **1.1. Central government subsector (S.1311)**

Subsector of central government consists of the following parts:

- Units linked directly to the state budget
  - State budgetary organisations (ministries, etc.)
  - Subsidised organisations of the state budgetary organisations (units established for special purposes by the state budgetary organizations, for example units established for research purposes etc.)
- State funds
  - Environmental fund (activities linked to ecology),
  - National Nuclear Waste Fund (collection of funds for nuclear facilities displacement),
  - The State Housing development fund (support of housing projects)
- National Property Fund (management of share stakes in public corporations)
- Slovak Land Fund (management of land owned by state)
- Slovak Consolidation a.s. (in past unit managed bad debts of banks which were later privatised, currently management of receivables from taxes and social contributions etc.)
- Public Universities
- Health Care Surveillance Authority (independent supervisor for provision of healthcare services)
- Nation's Memory Institute of the SR (disclosure of documents regarding the activity of state security authorities from 1939 to 1989)



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

- Radio and Television Broadcasting Company (public radio and TV broadcasting company)
- RTVS (collection of fees paid by public for Radio and Television Broadcasting Company)
- The News Agency of the Slovak Republic (TASR) (public-service, national and independent institution that provides information in the area of news coverage)
- Slovak Audio-visual Fund (supports national creation and production of the national audio-visual art)
- Audit Supervision Authority (supervision in the field of statutory audit services provision)
- Slovak National Centre for Human Rights (implements and promotes a modern human rights protection system in the Slovak Republic)

Further details on number of units by each are in the annex 1. Annex 1 contains an exhaustive list of units classified in S.1311.

## **1.2. State government subsector (S.1312)**

The state government subsector does not exist in case of the Slovak Republic.

## **1.3. Local government subsector (S.1313)**

Subsector of local government consists of the following parts:

- Budget of Municipalities
  - municipalities and their budgetary organisations
  - subsidised organisations of municipalities
  - Non-profit organizations of municipalities
- Budget of the Higher territorial units
  - higher territorial units and their budgetary organisations
  - Subsidised organisations of higher territorial units

Further details on number of units by each are in the annex 1. Annex 1 contains an exhaustive list of units classified in S.1313.

## **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.

Subsector of social security funds consists of the following parts:

- Social Insurance Agency
- Public Health Insurance Company
- Public part - Health Insurance Fund managed by private managers (S.12)

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

## **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 ESA95 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**

In accordance with the Act No. 540/2001 Coll. on Statistics as later amended (hereinafter “the Law on Statistics”) SO SR is responsible for compilation of National Accounts data as well as for implementation of international methodology in this area (item “h” of the article 8). In accordance with the article 1 of the Act on Statistics SOSR is directly responsible for fulfilment of all tasks mentioned in international agreements which are binding for the Slovak Republic in the field of statistics (that means including specific GFS area).

The Act on Statistics enables SOSR to conduct statistical surveys for all relevant units (including public units) (relevant articles are 2, 12) and to use administrative data for statistical purposes (article 13).

### **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<sup>1</sup> via the following tables (see the related EU legislation)<sup>2</sup> :

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

Table 6 – Financial accounts by sector (annual data)

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

<sup>1</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

<sup>2</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/legislation](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/legislation)

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

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables<sup>3</sup>.

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

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

3

[http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/excessive\\_deficit/edp\\_notification\\_tables](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/excessive_deficit/edp_notification_tables)

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

	3C state government	X			
	3D local government	X			
	3E social security funds	X			
<b>EDP table 4</b>		X			

*NSI – Štatistický úrad Slovenskej republiky - The Statistical Office of the Slovak Republic or SOSR*

*MOF – Ministerstvo Finančii Slovenskej Republiky – The Ministry of Finance of The Slovak Republic (MoF SR)*

*NCB – Národná Banka Slovenska – The National bank of Slovakia (NBS)*

*Other – other national body, to be specified in comments*

In The Slovak Republic there is one institution responsible in the Statistical domain. This is applicable in the field of GFS too. The responsible institution is “Štatistický úrad Slovenskej republiky” The Statistical Office of the Slovak Republic (hereinafter SOSR). SOSR is responsible for transmission of ESA 95 transmission programme tables and EDP related tables.

In line with the national legislation SOSR is eligible to conduct surveys and ask for administrative data to be used for statistical purposes. In the GFS Field the legislation is reflected in agreements signed between SOSR and data suppliers on all relevant parts of GFS. Source data for ESA 95 TP tables related to S.13 and EDP related tables are almost exclusively derived from administrative data sources.

MoF SR is responsible for public accounts and budgetary reporting. Reports are collected by two institutions, namely Štátna Pokladnica (the State Treasury) and DataCentrum. DataCentrum collects accounting statements from municipalities and their subsidised organizations. The State Treasury collects accounting statements from the rest of the units classified in S.13.

Data is provided to SOSR, MoF SR as well as NBS. The source data are used for compilation of all GFS statistics in all three institutions. For April, as well as for October notification data is used simultaneously by both SOSR and MoF SR to compile GFS.

The National Bank of Slovakia is not involved directly in compilation of government accounts during EDP, as by institutional arrangements in Slovakia; it is in competence of the SOSR in close co-operation with MoF SR. The NSO has the final and sole responsibility for production of national accounts, including non-financial, financial accounts for the sector of General Government on annual as well as quarterly basis.

The National Bank of Slovakia participates in common working meetings of the authorities involved in EDP with the aim of getting overview of the current situation concerning government accounts and application of ESA 95 methodology in the general government sector. In case, there are doubts on the correct statistical treatment of some government transactions, consultations are launched on national level, where the National Bank delivers its opinion to the issue. The NBS provides source data during EDP, which are in its competence performing supervision over the financial market and insurance.

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

Since establishment of Rada pre rozpočtovú zodpovednosť (Council for Budget Responsibility) the institution takes part at working group meetings as well as at stirring committee meetings and other issues related to GFS.

Najvyšší kontrolný úrad The Supreme Audit Court of the Slovak Republic (NKÚ) has not been involved directly in the EDP process yet.

### **2.1.1 Existence of an EDP unit/department**

There is a National Accounts section at the SOSR with responsibility for compilation of National Accounts in line with ESA 95/ESA2010 methodology. The section is divided into Sector Accounts Department and Department of analysis and synthesis. Sector Account Department is split into Division for General Government Sector Account (unit is responsible for EDP reporting and for compilation of relevant ESA 95 TP tables for general government – annual and quarterly data, non-financial and financial accounts, EDP tables and balance sheets etc.) and Division responsible for the rest of the institutional sectors.

The responsibility of MoF SR is for planned data (t) and compilation of EDP tables for year (t-1). The compilation of EDP tables for year t-1 is shared between MoF SR and SOSR. EDP issues are responsibility of the department of Implementation of statistical standards under the State Reporting Section.

### **2.1.2 Availability of resources for the compilation of GFS data**

As of 30.9.2013 there were 7 employees involved in compilation of GFS at SOSR. The responsibilities of the team are divided in the following way. All responsibilities are shared within the team.

Source data management	1 person;
EDP and annual data compilation	3 persons;
Quarterly data compilation	3 persons;

The GFS agenda is split between employees into annual and quarterly data and non-financial and financial accounts with horizontal responsibilities (one person compiles non-financial account and second compiles financial accounts, etc.).

In the meantime unit works on division of responsibilities by grouping of units classified in general government with full responsibility for complete set of accounts. In practice the S.13 will be split into 26 different groupings of institutional units (approximately 5 groupings per employee). The system should benefit

As of 30.9.2013 there were 4 employees involved in compilation of GFS at MoF SR. All responsibilities are shared within the team.

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

## **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 public 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**

Accounting rules (generally) are developed by MoF SR. There is a specific set of rules for units classified in S.13. There is a special Act No. 431/2002 Coll. on accounting rules applicable for business accounting system, for general government units and any type of legal persons and natural persons - entrepreneurs. For government units (units classified in S.13) there is also an additional set of special reporting rules set out in the Act No. 523/2004 Coll. on budgetary rules. The act on budgetary rules sets rules for budget reporting in the process of budget preparation, budget execution, ex post budget evaluation, preparation of the state closing account, etc. The operational rules, methodological explanations, layout of the accounting statement forms (under both acts) are issued in Measures of the MoF SR which are published in the Financial Reporter (“Finančný spravodaj”). The archive since 1997 of issues of the financial reporter is available at the following address: <http://www.mfsr.sk/Default.aspx?CatID=14>.

In general terms public accounting system is the mix of accrual accounting statements – P&L and Balance Sheets and cash based statements Fin 1-04/Fin 1-12 on Revenues and Expenditures and special statements Fin 2-04 (form of Balance sheets of selected assets and liabilities on quarterly basis), etc..

The Act on Budgetary rules set out that all units classified in S.13 by SO SR must report their accounting statements either State Treasury or DataCentrum. DataCentrum is responsible for processing of reports submitted by Municipalities (S.1313) and their subsidized organizations (S.1313 or S.11001 the classification depends on results of application of 50% rule mentioned later), and all other accounting statements which are submitted under the Act on accounting rules (general act covers national version of the accounting statements and offers option to use international version of accounting reporting like IFRS). The State Treasury is responsible for collection of all accounting statements submitted in line with Act on budgetary rules (S.1311, part of S.1313, S.1314).

Internal consistency of data and other checks of data are performed by the State Treasury and DataCentrum.

Statistical surveys are not used to cover the main aggregates for units classified in S.13. The surveys are a complementary source to cover special statistical needs like breakdown of transactions by CPA classification for Supply and Use table purposes.

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

## **2.2.2 Auditing of public accounts**

### *2.2.2.1 General government units*

Final accounts of the state budgetary organizations, state semi-budgetary organizations, state funds, and other units of general government (offices etc.) do not have obligation to submit their final accounts for auditing. These units are subjects of control by Highest Auditing Authority (NKÚ – Nejvyšší kontrolní úřad) and Financial Control Management Authority (Správa finanční kontroly). Obligation for auditing of individual final accounts has municipalities and higher territorial units. Subject of audit is final accounts and all transactions reported within the accounts, i.e. revenues and expenditures of all accounts, not just budgetary accounts. Audit of final accounts is necessary to carry out till the one year after relevant accounting period. Audit of final accounts is set out by Act on accounting, Act on budgetary rules, from year 2004. Accounting statements which were subject of auditing are available for GFS compilers in the February of the following year. From year 2013 results of audit will be obligatory published in the Register of final accounts which represents publicly available internet portal.

Final accounts consist also of contingent liabilities and of other information set out by legislation. Audit report consists of assurance that final accounts fulfill all requirements and accurately and truly represents information which is subject of accounting, possibly discovered shortages.

Audit of final accounts of government units which do have obligation to submit them for auditing are performed by auditing company chosen in the process of public procurement. Audits are not obligatory published or collected.

### *2.2.2.2 Public units, not part of general government*

All public corporations excluded from general government sector have the obligation by Act on accounting to submit annually their final account for auditing. Public corporations submit their final account for auditing to private auditing companies listed in the Business register. The whole final accounts are the subject of auditing. Audit is performed annually till the end of relevant accounting period.

Audit reports of final account for public corporations are not available for GFS compilers. These units do not have obligation to publish audit reports, but do have obligation just to put audited final accounts into Documents register within Business register.

Final accounts consist of contingent liabilities and of other information set out by legislation. Audit report consists of assurance that final accounts fulfill all requirements and accurately and truly represents information which is subject of accounting, possibly discovered shortages.

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

## 2.3. Communication

### 2.3.1 Communication between actors involved in EDP

#### 2.3.1.1 Agreement on co-operation

Co-operation is organized at two levels. The first steering level functions between director generals of SO SR, MoF SR and NBS. Working level is organized by co-operation among relevant departments of institutions involved. Co-operation follows principles set out in memorandum of understanding which exists between SO SR and MoF SR, and SO SR and NBS. Further details on data exchange are elaborated in agreements on co-operation and data exchange signed between SO SR and State Treasury (institution directly managed by MoF SR) and SO SR and DataCentrum (institution directly managed by MoF SR) and SO SR and MoF SR and SO SR and NBS.

There are no regular meetings arranged. In practice group meets if there is a specific reason which requires meeting. Usually there is a round of meetings before EDP notification EDP missions, or when it is necessary to prepare documents with relevance to GFS for external institutions or in case there are some changes to public accounting statements on design of which we should agree.

The split of tasks among parties involved is naturally linked to the areas for which institution is responsible.

MoF SR:

- source data with regard to public units;
- preparation of the planned data
- additional information from different departments of MoF SR
  - foreign claims,
  - EU flows,
  - PPP projects,
  - guarantees,
  - capital injections (in form of increases of capital, returnable state aid)
  - debt
  - GFS reporting for MMF
  - accrual taxes and social contributions

SO SR

- classification of units,
- ESA transmission tables
- methodological co-operation on recoding of different transactions
- incorporation of other information on different areas into ESA terms

NBS

- inputs on methodological issues linked to GFS

Currently there is a need to incorporate into working environment of the EDP group additional members: The Council for budget responsibility and possibly The Supreme Audit Office of the Slovak Republic.



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

### *2.3.1.2 Access to data sources based on public accounts*

There is an agreement on data provision between SO SR and the State Treasury, and SO SR and DataCentrum. The main text of the agreements is valid for indefinite period of time. The text references the annexes in which exact details on data flows are specified and updated on yearly basis. The annexes to the agreements on data the inflow are linked to the internal information system (MtS-SÚD) responsible for day-to-day management of incoming data. Technically partners of SO SR (data providers) prepare files with source data and via electronic means data flow into the SO SR database, later on in case the data are changed the new updated files arrive and in the end there is final batch of files. Everything is covered by agreements from formats to frequency and split of sources into logical files.

In addition to the batch processing of data SO SR has online access to the database of the State Treasury, where relevant information could be accessed. In line with the general agreement between SO SR and MoF SR SO SR receives individual data.

Additional source data in the form of tables prepared by different departments of MoF SR are received in electronic format (sometimes the scanned hard copy documents are used). In the internal environment of SOSR the additional source data are saved into common storage place which is backed up on regular basis.

## **2.3.2 Publication of deficit and debt statistics**

### *2.3.2.1 Publication of EDP data*

EDP data are published at the same time as are published by Eurostat. The scope of data is limited to the Table 1. The reasons for publishing only the data of the table 1 (EDP B.9, Consolidated debt, EDP D.41, P.51, GDP, Planned data) is that the information system of SO SR needs to rework the tables in really manually intensive manner, therefore limit publishing to the table 1 content. The data are always accompanied by short text explaining the nature of the data and revision. Information also always contains direct contact information on relevant persons.

### *2.3.2.2 Publication of underlying government ESA95 accounts*

ESA TP data are regularly published in the Slovstat database of SO SR and on its web pages. <http://www.statistics.sk/pls/elisw/vbd>

### 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 ESA95 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<sup>4</sup>: net borrowing(-)/net lending(+)(EDP 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 (ESA95 D.41 and EDP D.41)<sup>5</sup>.

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

##### 3.1.1 Compilation of Maastricht debt

###### 3.1.1.1 Specification of debt instruments

Currency and deposits (AF.2) consist of financial means deposited on the accounts of the State Treasury.

Item Securities other than shares, excluding financial derivatives (AF.33) consists of bonds depository notes issued by units classified in general government sector.

Loans (AF.4) consist of obligations resulting from bank loans, financial lease contracts, loans between government units, loans from international non-banking organizations, investment credit contracts, and other types of loans from non-financial sector, household sector and NPISH sector.

For breakdown of debt instruments by maturity a simple rule is used. Debt instruments with maturity up to 1 year (including) are recorded as short-term and debt instruments with maturity exceeding 1 year as long-term.

Split of debt instruments into domestic and foreign is based on residence of a buyer.

###### 3.1.1.2 Data sources used for the compilation of Maastricht debt

As data source are used Balance sheets of general government units, FIN 2-04 - Financial statement for selected assets and liabilities of general government units, FIN 5-04 - Financial statement on loans, issued bonds, bills and financial leasing of general government units. These statements are collected, processed and submitted to GFS compilers by State Treasury. Another data source for Government debt compilation are Operative statement on stocks of deposits of State Treasury clients, statement on Government liabilities by ARDAL (Agency

<sup>4</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/documents/council\\_reg\\_479-2009](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/council_reg_479-2009)

<sup>5</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:344:0001:0004:EN:PDF>

for managing state debt and liquidity), statement by Eurostat on EFSF liabilities, expert estimate on assumed liabilities of public corporations (hospitals), which are not directly recorded in government accounts.

Data collection for general government units with the exception of municipalities are operated by State Treasury. Data collection for municipalities is carried out by DataCentrum.

Balance sheets as of 31.12. are submitted by general government units, which consist of budgetary organisations, semi-budgetary organisations, state funds, municipalities and higher territorial units annually 35 days after the end of the year. Balance sheets for other general government units are submitted till 30<sup>th</sup> June of the following year.

FIN 2-04 - Financial statement for selected assets and liabilities of general government units and FIN 5-04 - Financial statement on loans, issued bonds, bills and financial leasing of general government units as of 31.12. are submitted 35 days after the end of the year. Statements as of 31.12. are not submitted by budgetary organisations, semi-budgetary organisations, state funds, municipalities and higher territorial units since they do have obligation to submit balance sheets at this time.

Operative statement on stocks of deposits of State Treasury clients as of 31.12. is available on the next working day of the following year. Statement on Government liabilities is submitted by ARDAL 35 days after the end of the relevant year.

Statement on EFSF liabilities is submitted every month by Eurostat.

Expert estimate on assumed liabilities of public corporations (hospitals) is submitted monthly by the Ministry of Healthcare on the basis of debt data of hospitals.

For April EDP notification all the above mentioned data sources are used with the exception of balance sheets which are not available at that time.

For October EDP notification are data from FIN 2-04 - Financial statement for selected assets and liabilities of general government units revised by balance sheets data.

### *3.1.1.3 Amendments to basic data sources*

All general government units submit data by statements mentioned in the point 3.1.1.1.3 under precisely specified time schedule. Data in these statements are in nominal values. Data for state budgetary organisations are based on accounting statements. Data on investment-credit contracts of higher territorial units are reported in FIN 5-04 - Financial statement on loans, issued bonds, bills and financial leasing of general government units and are checked with relevant employees of higher territorial units.

Financial leasing is reported in the balance sheet as a part of financial rent, respectively under other liabilities. Precise amount of liabilities resulting from financial leasing is reported within FIN 5-04 - Financial statement on loans, issued bonds, bills and financial leasing of general government units. Data on stock of financial assets and liabilities are based on accounting statements.

#### *3.1.1.4 Consolidation of Maastricht debt*

Loans granted by general government units to each other are the subject of consolidation. Within the EDP notification Tables debt instruments are consolidated at the level of central government, local government and general government.

The subject for consolidation is loans granted by State Treasury to ARDAL, loans granted by SFRB to municipalities, non-repaid returnable financial aid granted from State Financial Assets to municipalities, higher territorial units, semi-budgetary organisations of general government and loans granted by municipalities to other municipalities.

Consolidation of financial transactions and stocks on the balance sheet is carried out on the basis of evidence of received/granted loans between general government grouping of units.

Data for consolidation at the level of central government are consistent. Till year 2011 data on granted loans by SFRB to municipalities were based on the expert estimate on the basis of coefficient method. After this period these data are reported directly within financial statements and therefore coefficient method is used no more.

### **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 ESA95.

#### **2.2.1 Data sources for main Central Government unit : “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 ESA95 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+35*	T+8	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
A	Q/A	T+35	T+8	(4) Balance sheets		x	x
				<b>Financial Statements</b>			
A	A	T+35	T+8	(5) Profit and loss accounts			
A	A	T+35	T+8	(6) Balance sheets			x
				(7) Cash flow statement			
				<b>Other Reporting</b>			
	A (every 3 years)		T+9	(8) Statistical surveys			
				(9) Other:			

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.

- ✚ In the table the cash data are presented as final after T+8. Practically the data do not change after T+35.

Data presented in the working balance are only for budgetary organisations of the central government. In case of the Slovak Republic the units regarded as budgetary organizations of the central government are different ministries and offices. In addition to the most obvious units like are different ministries the for example units like the Statistical office of the Slovak republic are also part of it.

Comprehensive description of all data sources used for compilation of S.13 data are presented in part 3.7 – general comments on data sources.

### 3.2.1.1 Details of the basic data sources

### *Data sources used for compilation of national accounts*

Data for working balance are based on financial statement Fin 1-04 where revenues and expenditures are recorded. These data are also main source used for B.9 calculation. Data are available by individual unit and by categories of budgetary classification (economic classification of budgetary classification - EKRK). These data are grouped and processed. Processing is performed on groupings of units which are subsequently grouped into GG subsectors. For each grouping data for any individual unit from Fin 1-04 is available (code of EKRK transaction, code of COFOG classification, budgetary code of money source and value of transaction).

Using the items of budgetary classification we can distinguish between financial and nonfinancial transactions. The items of budgetary classification provide sufficient details for split between different ESA 95 transactions in broad terms. Some of the items are not clearly bridged into ESA 95 transactions and pro rata splits are used. The split influences the value of different ESA 95 transactions but not level of revenues or expenditures and B.9n. The separate codes for non-financial and financial transactions exist, which enable not to include them in WB.

In order to bring data in line with ESA 95 methodology additional adjustments are needed to calculate B.9n and other ESA 95 categories. The first main adjustment relates do accrual recording of taxes and social contributions (time-adjusted cash) and is described in relevant section of the document. Further source of adjustments comes from balance sheets and transactions are adjusted by accrual shift calculated from asset as well as from liabilities side (from receivables and payables). The adjustment is consistently recorded for every grouping of the units in relevant subsectors and is presented for “The State” in the table T2 under relevant category. The figures are part of payables and receivables in the table T3.

The structure of assets and liabilities is sufficiently detailed to distinguish between different ESA 95 categories in broad terms. Some items require further investigation on their content in order to verify appropriate classification of items. As for accrual adjustments of non-financial accounts by payables and receivables the balance sheet items provide good breakdown into ESA categories, however usually item “other” could be in some cases relatively high and are bridged into D.75.

Statement Fin 5-04 provides the details on certain financial transactions included in line with accounting rules in item “other”. Specifically the issues covered by the statements are information on the financial leasing and investment credit loans.

As for consolidation of non-financial transactions, information on counterparts from Fin 1-04 is used. In broad terms codes of budgetary classification are sufficiently detailed to distinguish counterpart information and information on other receiving or/and paying counterpart sector (other to S.13).

Regarding consolidation of financial transactions there is additional information and reports used. The information on holdings of F.2 by The state Treasury is used. Since the Government units are obliged to deposit their funds in the State Treasury the information is used for consolidation calculation. For consolidation of F.4 we use information on Maastricht debt is used. For F.5 direct information on share holdings is used.

Since the units follow common accounting rules source data apply common methodology and the statements are presented as non-consolidated.

**Working balance (WB)**

Since the data presented in the working balance in the first line of EDP T2 are used for compilation of B.9 and national accounts for the main entity the section is not relevant for The Slovak Republic.

*3.2.1.2 Statistical surveys used as a basic data source*

For calculation of B.9n and B.9f and all relevant ESA transactions information from accounting statements and budgetary statements is used. However there is a complementary statistical survey used for splitting relevant ESA 95 categories into CPA codes relevant for Supply and Use Tables compilation.

*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 ESA95 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.

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

In addition to the accounting and budgetary statements special information is used. The following information is used:

What	Unit	Frequency	Available	Change B.9
Information on EFSF transactions is used	The state (S.1311)	Monthly	T+35	Yes
Analytical table used for superdividends	The state, FNM	Annually	T+75	Yes
Accrual recording of taxes and interests	The state (S.1311),	Quarterly	T+35	Yes
Information on EU flows which belong to other sectors than S.13	The state (S.1311)	Quarterly	T+75	No
Information on settlement of foreign claims between SR and mainly developing countries	The state (S.1311)	Annually	T+75	Yes

All above-mentioned information is also relevant for section 3.2.1.3.2 (B.9f)

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

In addition to the standard information mentioned in section 3.2.1.3.1 for financial accounts we use Operative Statement of State treasury (information on consolidation) and information

on stock of State Financial Assets. These data are used to check or adjust assets and liabilities when appropriate.

What	Unit	Frequency	Available	Change B.9
Operative Statement of State treasury	The state (S.1311)*	Daily	On spot	No
Stock of State Financial Assets	The state (S.1311)	Quarterly	T+75	No

✚ The statement is collected from the state treasury on deposits (F.2) of all other units in S.13

### 3.2.1.4 Extra-budgetary accounts (EBA)

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

In addition to the standard budgetary process units (the state) are allowed to use the system of extra-budgetary accounts.

On the extra-budgetary accounts are reported mainly financial means which are not in the budget, mainly deposits, grants and gifts, schools catering, business activities, social fund, pension system for police and military force. Revenues and expenditures of extra-budgetary accounts with the exception of grants and gifts are classified by budgetary classification similarly to means on budgetary accounts.

#### ***Non-financial flows recorded in EBA***

Revenues and expenditure of the state units is covered by the statement Fin 1-04 which covers both budgetary as well as extra budgetary accounts. The statement is explicitly split into budgetary and extra-budgetary part (covering both extra-budgetary part as well as transactions with the State financial assets). For working balance we use budgetary part and we use the extra-budgetary part for appropriate rows in EDP table 2.

In case of SR the extra-budgetary accounts cover the following accounts:

- 1 The state financial Assets (Účty štátnych finančných aktív)
- 3 The account of (Účet cudzích prostriedkov)
- 4 Account of non-core business (Účet vedľajšieho hospodárstva)
- 5 Account of business activity of School (Účet podnikateľskej činnosti školy)
- 6 Account for social security of custom officers (Účet na zabezpečenie financovania sociál. zabezp. Colníkov)
- 7 Account for social security of members of police and military forces (Účet na zabezp. financovania soc. zabezp. policajtov a vojak.)
- 8 Social fund (Sociálny fond)
- 9 Extra fund established under Act No. č. 92/1991 Zb. (Osobitný účet podľa zákona č. 92/1991 Zb.



- 10 Account of replacement of the state emergency supplies (Účet obmien a zámien SŠHR)
- 12 Account for EHP financial mechanism (Účet Finančného mechanizmu EHP)
- 13 Account for Norwegian financial mechanism (Účet Nórskeho finančného mechanizmu)
- 14 Account for Swiss financial mechanism (Účet Švajčiarskeho finančného mechanizmu)
- 15 Balance account for state debt (Saldo účet ŠD);

The main category of expenditures which flow between WB and balance of extra-budgetary accounts is “December salaries” of the current year.

In addition to salaries the most important transactions recorded on EBA are social security transactions for members of police and armed forces.

### *Financial flows recorded in EBA*

EBA provide technical solution for conduct of certain government operations within the budget execution.

### **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).

S.1311 in addition to the budgetary organisations included in WB on table 2 consists of semi-budgetary organisations, State Financial Assets and extra-budgetary accounts – covered by Fin 1-04, State funds, National property fund (Fond Národného majetku), Slovak land fund (Slovenský pozemkový fond), Public universities, Slovak consolidation agency (slovenská konsolidačná agentúra, a.s. ), Slovak Radio and Television (Slovak radio and Slovak television merged into new unit, established on 1.1.2010), Radio and television company (RTVS, s.r.o.), Slovak national centre for human rights (Slovenské národné stredisko pre ľudské práva), The Healthcare surveillance authority (Úrad pre dohľad nad zdravotnou starostlivosťou), Audit surveillance authority (Úrad pre dohľad nad výkonom auditu), The news agency of the Slovak republic (tlačová agentúra Slovenskej republiky), Nation’s Memory Institute (Ústav pamäti národa), Audiovisual fund (Audiovizuálny fond). Please see the annex 1 for further details.

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

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		T + days	T+months			

				<b>Budget Reporting</b>		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
C	Q	T+35*	T+8	(3) Current and capital revenue and expenditure and financial transactions	x	x
A	Q/A	T+35	T+8	(4) Balance sheets	x	x
				<b>Financial Statements</b>		
A	A	T+35	T+8	(5) Profit and loss accounts		
A	A	T+35	T+8	(6) Balance sheets		
				(7) Cash flow statement		
				<b>Other Reporting</b>		
	A (every 3 years)		T+9	(8) Statistical surveys		
				(9) Other:		

See notes to table 2, on the used abbreviations.

- In the table the cash data are presented as final after T+8. Practically the data do not change after T+35.

Data presented under item B.9 of other CG units in table 2 are covered by exactly same sources of information as budgetary organizations presented in the working balance.

### 3.2.2.1 Details of the basic data sources

Other units than main CG units (The State) are covered by exactly same information as budgetary units therefore please see the details mentioned under the point 3.2.1.1.

### 3.2.2.2 Statistical surveys used as a basic data source

For calculation of B.9n and B.9f and all relevant ESA transactions information from accounting statements and budgetary statements is used. However there is a complementary statistical survey used for splitting relevant ESA 95 categories into CPA codes relevant for Supply and Use Tables compilation.

### 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 ESA95 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.

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

In addition to the accounting and budgetary statements special information is used. The following information is used:

What	Unit	Frequency	Available	Change B.9
Analytical table used for superdividends	The state, FNM (S.1311)	Annually	T+75	Yes

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

All above-mentioned information in section 3.2.2.3.1 is also relevant for section 3.2.2.3.2.

## 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

Data presented in WB are also part of B.9.

### 3.2.3.2 Legal basis of the working balance

The working balance corresponds to an item voted in Parliament in May of every year. The documents is adopted by parliament in the form of an Act. Data is audited by The Supreme Audit Office of the Slovak Republic (Najvyšší kontrolný úrad SR).

The information on the State Closing Account is available at the following address: <http://www.finance.gov.sk/Default.aspx?CatID=3557>;

### 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 ESA95 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

There are no units which are part of WB and should be excluded from WB.

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

Under item B.9 of other government units S.1311 the B.9 of the following units (or groupings of units) is presented on EDP table T2 (please see the Annex 1 for further details):

- State funds,
- National property fund (Fond Národného majetku),
- Slovak land fund (Slovenský pozemkový fond),
- Public universities,

- Slovak consolidation agency (slovenská konsolidačná agentúra, a.s.),
- Slovak Radio and Television (Slovak radio and Slovak television merged into new unit, established on 1.1.2010),
- Radio and television company (RTVS, s.r.o.),
- Slovak national centre for human rights (Slovenské národné stredisko pre ľudské práva),
- The Healthcare surveillance authority (Úrad pre dohľad nad zdravotnou starostlivosťou),
- Audit surveillance authority (Úrad pre dohľad nad výkonom auditu),
- The news agency of the Slovak republic (tlačová agentúra Slovenskej republiky),
- Nation's Memory Institute (Ústav pamäti národa),
- Audiovisual fund (Audiovizuálny fond).

B.9 for every institution is on accrual basis. The possible impact of methodological imputations/reclassifications relating to these units (e.g. debt cancellations, debt assumptions, EU flows, dividends, capital injections, etc.) is reflected in their B.9. The adjustments are linked to the following reasons: Accrual recording of F.7 for every unit/grouping of units, Superdividends for FNM.

For every unit/ grouping of units a full sequence of accounts is available.

#### *3.2.3.4 Accounting basis of the working balance*

The working balance is cash based (pure cash).

Financial means outside the budget are recorded on extra-budgetary accounts. Within FIN 1-12 budgetary and extra-budgetary revenues and expenditures are reported, i.e. every expenditure is reported within WB. Within the statement are recorded only expenditures relevant to given year, transfers of means from previous years are not part of the WB.

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

Accrual interests are described in section 6.4.1., but in general within WB there are cash revenues and expenditures related to interests. Within WB there are interest for all general government units as well as discount payments and premiums. Under other adjustments is recorded the difference between paid and accrual premium. Impact of accrual interests is recorded in the line “difference between interest (EDP D.41) accrued and paid”.

##### *3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2*

In order to meet accrual requirements of ESA 95 pure cash transactions in current and capital accounts need to be adjusted by accruals. The accrual adjustments can be split into the following groups:

Accrual for taxes and social contributions – Calculation of accrual is based on time adjusted cash calculation. The value of adjustment is taken over into non-financial account as well as into financial accounts (under F.7). The stock of receivables (potentially payables) declared in Accounting statements (and budgetary statements) is not taken into consideration.

Accrual adjustment of other transactions is calculated from stock of payables and receivables from balance sheets and in line with bridge table is reflected in current and capital accounts in the following transactions D11PAY, D75PAY, D75REC, P11, P2, P5111.

##### *3.2.3.4.3 Other accrual adjustments in EDP T2*

Another accrual adjustment within EDP T2 is related to EU flows. This adjustment is based on difference between receivables and payables in relation with EU. Source data for this adjustment is provided by MoF on quarterly basis.

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

Under "Non-financial transactions not included in the working balance" adjustment are data for extra-budgetary accounts and State Financial Assets. These data are based on Fin 1-04 statement where the specific part for this type of data is included.

#### *3.2.3.6 Financial transactions included in the working balance*

In case of the Slovak Republic there are no financial transactions recorded within the working balance.

#### *3.2.3.7 Other adjustments reported in EDP T2*

The current list of other adjustments in EDP T2 in case of the Slovak Republic is as follows:

- Bad foreign claims
- Debt forgiveness
- Transfers to/from non-government units
- Reclassification of non-financial transaction to financial transaction
- Interest, premium, discount
- EFSF
- exclusion of exchange rate differences from revenues and expenditures

Under the item "bad foreign claims" are transactions related to foreign claims that are not reflected in the working balance: debt cancellation recorded as capital transfer paid out (negative impact on B.9n), accrued interests (positive impact on B.9n), cash repayments of debt (positive impact on B.9n).

Under the item "Debt forgiveness" represents figures on debts which were assumed by the government (in years in question. In the recent years values relate to cases of debt assumption related to accumulated payables of public Hospitals).

Under the item "Transfers to/from non-government units" relates to expenditure to non-profit institutions. There is a possibility to assign 2% of PIT and/or CIT to non-profit institution.

Under the item "Reclassification of non-financial transaction to financial transaction" are mainly transactions which were at first considered as injection in the own capital of relevant units (F.5), but which were subsequently reclassified into a capital transfer (D.9).

Under the item "Interest, premium, discount" is recorded accrual adjustment of the interest (agio).

Under the item "EFSF" is adjustment where the impact of EFSF on B.9 is reflected.

The title of item "exclusion of exchange rate differences from revenues and expenditures" itself clearly states the nature of the adjustment which excludes exchange rate differences from revenues and expenditures which are recorded in basic data source Fin 1-04 statement.

#### *3.2.3.8 Net lending/net borrowing of central government*

B.9 as reported in the last line in EDP T2, is derived from the same source data used when calculating the WB.

### 3.2.4 EDP table 3B

#### 3.2.4.1 Transactions in financial assets and liabilities

For the transactions presented in the Table 3B the financial accounts data is used.

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

Source Data	Assets						Liabilities					
	F.2	F.3	F.4	F.5	F.6	F.7	F.2	F.3	F.4	F.5	F.6	F.7
<b>Calculation of transactions</b>												
Transaction data (integrated in public accounts)												
Other transaction data		X	X	X				X	X	X		
Stock data	X					X	X					X
<b>Calculation of stocks</b>												
Transaction data												
Stock data	X	X	X	X		X	X	X	X	X		X

The main source of data used for calculation of transactions F.2 and F.7 for the table 3 are balance sheets as mentioned in part 3.7 – general comments on data sources. For F.3, F.4 and F.5 transactions are calculated from statement on revenues and expenditures Fin 1-04. All units in S.13 are covered by above-mentioned accounting statements and are available on individual basis for every unit classified in S.13.

Supplementary information relates to earlier-mentioned accrual adjustments of taxes and social contributions, superdividends, interests, foreign claims forgiveness, financial leasing, and investments credit loans.

Taxes and social contributions. Information on transaction in F.7 is derived from detailed information on taxes and social contributions. Difference between cash data in the accounting statements and time adjusted cash value enters into receivables in the financial accounts with simultaneous entry into the non-financial accounts (in code of appropriate tax revenue).

Superdividends: There are cash receipts of dividends recorded in the revenue and expenditure statements (Fin 1-04) the cash receipts is part of F.2 on the financial account. In line with the information on the value of superdividends (please see the section on superdividends for further details). The entry for the value of superdividends reduces the receipts D.421REC and F.5 in financial account.

Foreign claims forgiveness: the information for this adjustment is extracted from data sources prepared by MF SR. In line with agreements (negotiation) between SR and debtor

(development countries) the table is prepared which lists in detail the amount of debt forgiveness which is entered as paid capital transfer and in the financial account as reduction of receivables.

Financial leasing and investment credit loans: On the basis of the special budgetary statements information on financial leasing and investment credit loans are extracted from other payables and in line with ESA 95 recorded as loans.

#### *3.2.4.2 Other stock-flow adjustments*

Data source is accounting and data are acquired from Accounting of Specific State Operations Department within MoF. Difference between paid and accrued interest is difference between cash value of interest from financial statement FIN 1-12 of which data enters WB and accrual interest from accounting. Under the line “Issuance above/below nominal value” is reported received cash issuance agio, issuance discount, paid discount and aliquot interest return. Under the line “appreciation/depreciation of foreign-currency debt” is reported data from accounting on appreciation/depreciation.

#### *3.2.4.3 Balancing of non-financial and financial accounts, transactions in F.7*

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*

At working level the discrepancy is observable at the level of groupings of units. The sector is split into 27 groupings. 15 are one unit groupings, 3 groupings contain less than 15 units; and rest contains more than 15 units (dozens, hundreds and one grouping even thousands - municipalities).

We work on possible discrepancies at the level of groupings by investigating and we try to find the reason for discrepancy. The source data is available for every single unit in groupings. For EDP purposes the discrepancy is always presented in the appropriate rows of EDP tables. Therefore we cannot pinpoint any specific statistical technique (mentioned below) for allocation of discrepancy.

#### *Changes to intermediate data*

The method for allocation of discrepancy is not used in the compilation process.

#### *Complementary elements on stocks/*

The method for allocation of discrepancy is not used in the compilation process.

#### *Accruals*

The method for allocation of discrepancy is not used in the compilation process.

#### *Ex-post monitoring*

The method for allocation of discrepancy is not used in the compilation process.

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

The whole section on the state government is not applicable for the Slovak Republic.

#### 3.3.1 Data sources for State Government unit

Table x – Availability and use of basic source data for the state government unit

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+55	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x	X
A	Q	T+55	T+7	(4) Balance sheets			X
				<b>Financial Statements</b>			
A	A	T+150	T+7	(5) Profit and loss accounts			
A	A	T+150	T+7	(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

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.

#### 3.3.1.1 Further specifications/comments to the table

#### 3.3.1.2 Details of the basic data sources

#### Data sources used for compilation of national accounts

##### Working balance



3.3.1.3 Statistical surveys used as a basic data source

3.3.1.4 Supplementary data sources and analytical information

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

3.3.1.4.2 Supplementary data sources used for the compilation of financial accounts

3.3.2 Data sources for other State Government units

Table x – Availability and use of basic source data for other State Government unit

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+55	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x	X
A	Q	T+55	T+7	(4) Balance sheets			X
				<b>Financial Statements</b>			
A	A	T+150	T+7	(5) Profit and loss accounts			
A	A	T+150	T+7	(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

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.

3.3.2.1 Details of the basic data sources

EDP tables and data sources - State government sub-sector, EDP table 2B and 3C

*3.3.2.2 Statistical surveys used as a basic data source*

*3.3.2.3 Supplementary data sources and analytical information*

*3.3.2.4 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.

***Non-financial flows recorded in EBA***

***Financial flows recorded in EBA***

### **3.3.3 EDP table 2B**

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

*3.3.3.2 Legal basis of the working balance*

*3.3.3.3 Coverage of units in the working balance*

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

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

*3.3.3.4 Accounting basis of the working balance*

*3.3.3.4.1 Accrual adjustments relating to interest D.41, as reported in EP T2*

*3.3.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EP T2*

*3.3.3.4.3 Other accrual adjustments in EDP T2*

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

*3.3.3.6 Financial transactions included in the working balance*

*3.3.3.7 Other adjustments reported in EDP T2*

*3.3.3.8 Net lending/net borrowing of state government*

**3.3.4 EDP table 3C**

*3.3.4.1 Transactions in financial assets and liabilities*

**Table x. Data used for compilation of transactions and of stocks of financial assets and liabilities**

	Assets						Liabilities					
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.2	F.3	F.4	F.5	F.6	F.7
<b>Calculation of transactions</b>												
Transaction data (integrated in public accounts)												
Other transaction data												
Stock data												
<b>Calculation of stocks</b>												
Transaction data												
Stock data												

*3.3.4.2 Other stock-flow adjustments*

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

#### 3.4.1 Data sources for Local Government main unit: Budgetary organization of municipalities and higher territorial units

Table x – Availability and use of basic source data for main local government units

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+35*	T+8	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
A	Q/A	T+35	T+8	(4) Balance sheets		x	x
				<b>Financial Statements</b>			
A	A	T+35	T+8	(5) Profit and loss accounts			
A	A	T+35	T+8	(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
	A (every 3 years)		T+9	(8) Statistical surveys			
				(9) Other:			

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.

✚ In the table the cash data are presented as final after T+8. Practically the data do not change after T+35.

Data presented in the working balance are only for budgetary organisations of the municipalities and higher territorial units. In case of the Slovak Republic the units regarded as budgetary organizations of the municipalities are different local councils and their institutions

directly linked to the budget. The higher territorial units consist of 8 main regional budgetary organizations and their budgetary organizations.

Comprehensive description of all data sources used for compilation of S.13 data are presented in part 3.7 – general comments on data sources.

#### 3.4.1.1 Details of the basic data sources

Since the source data are the same as for S.1311 please refer for details to the appropriate section of the inventory related to S.1311 (central bodies) (section 3.2.1.1).

#### 3.4.1.2 Statistical surveys used as a basic data source

Since the source data are the same as for S.1311 please refer for details to the appropriate section of the inventory related to S.1311 (central bodies) (section 3.2.1.2).

#### 3.4.1.3 Supplementary data sources and analytical information

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

Since the source data are the same as for S.1311 please refer for details to the appropriate section of the inventory related to S.1311 (central bodies) (section 3.2.1.3.1).

##### 3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

Since the source data are the same as for S.1311 please refer for details to the appropriate section of the inventory related to S.1311 (central bodies) (section 3.2.1.3.2).

### 3.4.2 Data sources for other Local Government units

**Table x – Availability and use of basic source data for other local government unit**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+35*	T+8	(3) Current and capital revenue and expenditure and financial transactions	x	x	x

## EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

A	Q/A	T+35	T+8	(4) Balance sheets			x
				<b>Financial Statements</b>			
A	A	T+35	T+8	(5) Profit and loss accounts			
A	A	T+35	T+8	(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
	A (every 3 years)		T+9	(8) Statistical surveys			
				(9) Other:			

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.

✚ In the table the cash data are presented as final after T+8. Practically the data do not change after T+35.

### 3.4.2.1 Details of the basic data sources

### 3.4.2.2 Statistical surveys used as a basic data source

For calculation of B.9n and B.9f and all relevant ESA transactions information from accounting statements and budgetary statements is used. However there is a complementary statistical survey used for splitting relevant ESA 95 categories into CPA codes relevant for Supply and Use Tables compilation.

### 3.4.2.3 Supplementary data sources and analytical information

In addition to the accounting and budgetary statements special information is used. The following information is used:

What	Unit	Frequency	Available	Change B.9
Accrual recording of taxes and interests	Higher territorial units	Quarterly	T+35	Yes

## 3.4.3 EDP table 2C

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

Data presented in the working balance of the EDP table 2C present the source data and input into the national accounts compilation.

EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

#### *3.4.3.2 Legal basis of the working balance*

Please see the information mentioned under the section 3.2.3.2

#### *3.4.3.3 Coverage of units in the working balance*

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

There are no units which are part of WB and should be excluded from WB.

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

Under item B.9 of other government units S.1313 the B.9 of the following units (or groupings of units) is presented on EDP table T2c (please see the annex 1 for further details):

- Semi-budgetary organizations of municipalities,
- Semi-budgetary organizations of higher territorial units,
- Non-profit organizations of municipalities

B.9 of every institution presented in the table is on accrual basis. The possible impact of methodological imputations/reclassifications relating to these units is reflected in their B.9. The adjustments are linked to the following reasons: Accrual recording of F.7 for every unit/grouping of units.

For every unit/ grouping of units a full sequence of accounts is available.

#### *3.4.3.4 Accounting basis of the working balance*

The working balance is cash based (pure cash).

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

##### *3.4.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2C*

Please see the information provided in section 3.2.3.4.3 which is applicable for this part too.

##### *3.4.3.4.3 Other accrual adjustments in EDP T2C*

Other accrual adjustments related to this section are related to taxes.

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

The data presented in for local government are considered as complete.

#### *3.4.3.6 Financial transactions included in the working balance*

In case of the Slovak Republic there are no financial transactions recorded within the working balance.

#### *3.4.3.7 Other adjustments reported in EDP T2C*

The current list of other adjustments in EDP T2 in case of the Slovak Republic is as follows:

- Debt forgiveness
- Reclassification of non-financial transaction to financial transaction
- Reclassification of financial transaction to non-financial transaction
- exclusion of exchange rate differences from revenues and expenditures

Under the item “Debt forgiveness” represents figures on cases when returnable financial aid was cancelled and capital transfer was recorded.

Item exclusion of exchange rate differences contains small amounts related to operations with foreign currencies and profits and loss related to it.

#### *3.4.3.8 Net lending/net borrowing of local government*

B.9 as reported in the last line in EDP T2 for local government is derived from the same source data used when calculating the WB.



### 3.4.4 EDP table 3D

#### 3.4.4.1 Transactions in financial assets and liabilities

For the transactions presented in the Table 3B the financial accounts data is used.

**Table x. Data used for compilation of transactions and of stocks of financial assets and liabilities**

	Assets						Liabilities					
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.2	F.3	F.4	F.5	F.6	F.7
<b>Calculation of transactions</b>												
Transaction data (integrated in public accounts)												
Other transaction data		X	X	X				X	X	X		
Stock data	X					X	X					X
<b>Calculation of stocks</b>												
Transaction data												
Stock data	X	X	X	X		X	X	X	X	X		X

The main source of data used for calculation of transactions F.2 and F.7 for the table 3 are balance sheets as mentioned in part 3.7 – general comments on data sources. For F.3, F.4 and F.5 transactions are calculated from statement on revenues and expenditures Fin 1-04. All units in S.13 are covered by above-mentioned accounting statements and are available on individual basis for every unit classified in S.13.

Supplementary information relates to earlier-mentioned accrual adjustments of taxes and social contributions, superdividends, interests, foreign claims forgiveness, financial leasing, and investments credit loans.

Taxes and social contributions. Information on transaction in F.7 is derived from detailed information on taxes and social contributions. Difference between cash data in the accounting statements and time adjusted cash value enters into receivables in the financial accounts with simultaneous entry into the non-financial accounts (in code of appropriate tax revenue).

Financial leasing and investment credit loans: On the basis of the special budgetary statements information on financial leasing and investment credit loans are extracted from other payables and in line with ESA 95 recorded as loans.

#### 3.4.4.2 Other stock-flow adjustments

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

#### 3.5.1 Data sources for Social Security Funds main unit: Social insurance agency and healthcare insurance companies (public), public part of healthcare insurance funds managed by private healthcare insurance managers.

Table x – Availability and use of basic source data for social security funds

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+35*	T+8	(3) Current and capital revenue and expenditure and financial transactions	x	x	X
A	Q/A	T+35	T+8	(4) Balance sheets			X
				<b>Financial Statements</b>			
A	A	T+35	T+8	(5) Profit and loss accounts			
A	A	T+35	T+8	(6) Balance sheets			X
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

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.

✚ In the table the cash data are presented as final after T+8. Practically the data do not change after T+35.

Comprehensive description of all data sources used for compilation of S.13 data are presented in part 3.7 – general comments on data sources.

### 3.5.1.1 Details of the basic data sources

Please see 3.2.1.1.

### 3.5.1.2 Statistical surveys used as a basic data source

For calculation of B.9n and B.9f and all relevant ESA transactions information from accounting statements and budgetary statements is used. However there is a complementary statistical survey used for splitting relevant ESA 95 categories into CPA codes relevant for Supply and Use Tables compilation.

### 3.5.1.3 Supplementary data sources and analytical information

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

In addition to the accounting and budgetary statements special information is used. The following information is used:

What	Unit	Frequency	Available	Change B.9
Accrual recording of taxes and interests	SIA, HIC (S.1314),	Quarterly	T+35	Yes

All above-mentioned information is also relevant for section 3.5.1.3.2.

#### 3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

All above-mentioned information is also relevant for section 3.5.1.3.1.

## 3.5.2 Data sources for other Social Security units

Not relevant for the Slovak Republic.

**Table x – Availability and use of basic source data for other social security units**

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

## EDP tables and data sources - Social security sub-sector, EDP table 2D and 3E

				<b>Financial Statements</b>			
A	A	T+150	T+7	(5) Profit and loss accounts			
A	A	T+150	T+7	(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

*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

### 3.5.2.2 Statistical surveys used as a basic data source

### 3.5.2.3 Supplementary data sources and analytical information

### 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.

#### ***Non-financial flows recorded in EBA***

#### ***Financial flows recorded in EBA***

### **3.5.3 EDP table 2D**

#### ***3.5.3.1 Working balance - use for national accounts compilation***

Data presented in WB are also part of B.9.

#### ***3.5.3.2 Legal basis of the working balance***

Please see the section 3.2.3.2 which is also valid for this section

#### ***3.5.3.3 Coverage of units in the working balance***

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

There are no units which are part of WB and should be excluded from WB.

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

The private units – managers of the public fund are private companies in case of two units. In case of one private unit the company does not report data into the common system managed by the State Treasury. The company claims that there is no legal obligation to do so. The data on transaction the company is engaged in are extracted from the special report prepared by the company for the MoF SR and is available in spread sheet format. The data for the unit is prepared in the format that suits presentation in working balance heading, since there is no dispute over classification of the unit but only its reporting status. The split is done in accordance with the Eurostat methodological guidance on the similar case provided to CZ in 2009.

*3.5.3.4 Accounting basis of the working balance*

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

3.5.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2D

In order to meet accrual requirements of ESA 95 pure cash transactions in current and capital accounts need to be adjusted by accruals. The accrual adjustments can be split into the following groups:

Accrual for taxes and social contributions – Calculation of accrual is based on time adjusted cash calculation. The value of adjustment is taken over into non-financial account as well as into financial accounts (under F.7). The stock of receivables (potentially payables) declared in Accounting statements (and budgetary statements) is not taken into consideration.

Accrual adjustment of other transactions is calculated from stock of payables and receivables from balance sheets and in line with bridge table is reflected in current and capital accounts in the following transactions D11PAY, D75PAY, D75REC, P11, P2, P5111.

3.5.3.4.3 Other accrual adjustments in EDP T2D

EDP Table 2 contains a special line purchase of the service bought from the private manager HIC from the fund classified in S.13 (by law the private manager company can use a certain percentage – specified as maximum percentage from public health insurance receipts). The amount is recorded as expenditure with negative impact on B.9. Additional lines are values of

SIA is responsible for insurance of the companies in case of bankruptcy (for certain obligation of the bankrupted company towards its employees). SIA for the amount of unrecoverable part records capital transfer.

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

Under "Non-financial transactions not included in the working balance" adjustment are data for extra-budgetary accounts and State Financial Assets. These data are based on Fin 1-04 statement where the specific part for this type of data is included.

#### *3.5.3.6 Financial transactions included in the working balance*

In case of the Slovak Republic there are no financial transactions recorded within the working balance.

#### *3.5.3.7 Other adjustments reported in EDP T2D*

EDP Table 2 contains a special line purchase of the service bought from the private manager HIC from the fund classified in S.13 (by law the private manager company can use a certain percentage – specified as maximum percentage from public health insurance receipts). The amount is recorded as expenditure with negative impact on B.9. Additional lines are values of

SIA is responsible for insurance of the companies in case of bankruptcy (for certain obligation of the bankrupted company towards its employees). SIA for the amount of unrecoverable part records capital transfer.

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

B.9 as reported in the last line in EDP T2, is derived from the same source data used when calculating the WB.

### 3.5.4 EDP table 3E

#### 3.5.4.1 Transactions in financial assets and liabilities

**Table x. Data used for compilation of transactions and of stocks of financial assets and liabilities**

	Assets						Liabilities					
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.2	F.3	F.4	F.5	F.6	F.7
<b>Calculation of transactions</b>												
Transaction data (integrated in public accounts)												
Other transaction data		X	X	X				X	X	X		
Stock data	X					X	X					X
<b>Calculation of stocks</b>												
Transaction data												
Stock data	X	X	X	X		X	X	X	X	X		X

#### 3.5.4.2 Other stock-flow adjustments

The main source of data used for calculation of transactions F.2 and F.7 for the table 3 are balance sheets as mentioned in part 3.7 – general comments on data sources. For F.3, F.4 and F.5 transactions are calculated from statement on revenues and expenditures Fin 1-04. All units in S.13 are covered by above-mentioned accounting statements and are available on individual basis for every unit classified in S.13.

Supplementary information relates to earlier-mentioned accrual adjustments of taxes and social contributions, superdividends, interests, foreign claims forgiveness, financial leasing, and investments credit loans.

Taxes and social contributions. Information on transaction in F.7 is derived from detailed information on taxes and social contributions. Difference between cash data in the accounting statements and time adjusted cash value enters into receivables in the financial accounts with simultaneous entry into the non-financial accounts (in code of appropriate tax revenue).

Superdividends: There are cash receipts of dividends recorded in the revenue and expenditure statements (Fin 1-04) the cash receipts is part of F.2 on the financial account. In line with the information on the value of superdividends (please see the section on superdividends for further details). The entry for the value of superdividends reduces the receipts D.421REC and F.5 in financial account.

Foreign claims forgiveness: the information for this adjustment is extracted from data sources prepared by MF SR. In line with agreements (negotiation) between SR and debtor

(development countries) the table is prepared which lists in detail the amount of debt forgiveness which is entered as paid capital transfer and in the financial account as reduction of receivables.

Financial leasing and investment credit loans: On the basis of the special budgetary statements information on financial leasing and investment credit loans are extracted from other payables and in line with ESA 95 recorded as loans.

### **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 would be clearly identified in EDT3.

- First, this is due to different coverage of units, because 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.7 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.7 reported in EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in 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 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 responsibility for classification of units is with SOSR. There is one statistical register used by different institutions (including The State Treasury and DataCentrum – further details in section5). There is one classification of units managed by SOSR. Register is in the process of compilation of NA and EDP the same for Tables 2 and Tables 3.

#### **3.6.2 Financial transactions**

The source data used for compilation of WB are designed in the way that they do not include financial transactions. Therefore we do not use data reported in WB for compilation of FT on EDP T3. The main sources of information on financial transactions used for EDP T3 compilation are balance sheets (for further details see part 3.7 – general comments on data sources), and FT part reported in the financial part of Fin 1-04. In order to reconcile the accounts we use the information on F.7 to adjust cash data to accruals. The working level for EDP tables compilation is by grouping of units for both EDP T2 and EDP T3 the transactions



on F.7 between EDP T2 and EDP T3 are reconciled separately for every grouping of units and due to the nature of our data sources the only transactions to reconcile is F.7.

### **3.6.3 Adjustments for accrued interest D.41**

### **3.6.4 Other accounts receivable/payable F.7**

The F.7 transactions between EDP T2 and EDP T3 are identical between each other. The working level is for individual grouping of units and enables us to fully reconcile tables. In case the specific one-off transaction occurs (for example dividends 2009) both financial and non-financial account is affected and subsequently EDP T2 and EDP T3. There is no separate reconciliation procedure applied for F.7.

### **3.6.5 Other adjustments/imputations**

In case of debt cancelation occurs the transaction is recorded in the following way: The value of Debt cancelation is reduced by the amount and is recorded as decrease in F4A (EDP T3 in an appropriate row of active F.4). The amount is reflected in the capital account as D9PAY (Other Adjustments – separate line).

The cases of debt assumptions are recorded in the following way. The amount of assumed debt impacts the amount of AF4L presented on EDP T1 and increases the total value of debt. Further on the value is recorded as D9PAY on the capital accounts and in the appropriate line in the other adjustment line. Both deficit as well as debt increases. In recent years there has been a case of public hospitals debt assumption.

Superdividends are recorded as decrease in the amount of the increase of share capital (F.5). The corresponding value is entered as reduction of D421REC in the current accounts. Transactions have negative impact on deficit of the current year. Usually the values are not directly observable in the EDP tables since the main holdings of shares are in the unit The National Property Fund (FNM), which is presented as B.9 in the EDP Table 2. The value entered into FA an NFA is identical.

Capital injections. In case capital injection takes place into a public corporation. The amount which fails the “value for something” test is recorded as D9PAY (further details are mentioned in the capital injection section) with negative impact on B.9. The counterpart transaction is recorded in the financial account as decrease of the increase in active F.5A.

### 3.7. General comments on data sources

There are two principle data Sources for units classified in S.13 – Accounting statements and Budgetary reporting system. The accounting statements are submitted by units in line with the Accounting Act and in line with Act on budgetary rules budgetary reporting is available. In addition to this sources of information additional data (in tabular format are prepared).

The methodology for different formats is set out by the MoF SR by means of issues of the Measures of MoF SR published in the Financial Reporter. The reporter sets out the format and layout for different statements.

The principal sources of data used for compilation are administrative sources - budget reporting statements and accounting statements. The data for S.13 units is available for SO SR individual form. SO SR can extract information on every unit identified by means of a unique Id number (IČO).

Technically the transfer of data to SO SR is performed in line with the agreement on data exchange between SO SR and data providers the State treasury and DataCentrum (units could be referred to as “administrative data collectors”). On agreed date and in agreed format the source data are sent to SO SR by technical means (via internet interface). The data reflect the information available to the administrative data collectors as of the agreed date

Since administrative sources can change the document describes the state as of year 2012. The working balance is calculated from budgetary statements - Fin 1-12 (previously Fin 1-04). The statement is cash based. The accounting basis of all other accounting statements is accrual.

#### **DIRECT ADMINISTRATIVE SOURCES FOR GENERAL GOVERNMENT SECTOR (budget reporting and financial statements)**

##### **CENTRAL GOVERNMENT**

**Budgetary and semi-budgetary organisations (including State Financial Assets and extra-budgetary accounts – covered by Fin 1-04), State funds, National property fund (Fond Národného majetku), Slovak land fund (Slovenský pozemkový fond), Public universities, Slovak consolidation agency (slovenská konsolidačná agentúra, a.s. ), Slovak Radio and Television (Slovak radio and Slovak television merged into new unit, established on 1.1.2010), Radio and television company (RTVS, s.r.o.), Slovak national centre for human rights (Slovenské národné stredisko pre ľudské práva), The Healthcare surveillance authority (Úrad pre dohľad nad zdravotnou starostlivosťou), Audit surveillance authority (Úrad pre dohľad nad výkonom auditu), The news agency of the Slovak republic (tlačová agentúra Slovenskej republiky), Nation’s Memory Institute (Ústav pamäti národa), Audiovisual fund (Audiovizuálny fond)**

Source name	Source type	Source code	Periodicity
Financial revenues and expenditure statement	Budget reporting	FIN 1-12	Monthly (t+3)
Financial statement for selected assets and liabilities data of general government unit	Budget reporting	FIN 2-04	Quarterly (t+3) Only for 1-3Q

Balance sheet statement	Financial statements	UC ROPO 1-01	Annual (t+3) available for March notification
Profit and loss statement	Financial statements	UC ROPO 2-01	Annual (t+3) Available for March notification
Balance sheet statement	Financial statements	UC FNM 1-01 UC NUJ 1-01 UC POD 1-01	Annual (t+6) Available for September notification
Profit and loss statement	Financial statements	UC FNM 2-01 UC NUJ 2-01 UC POD 2-01	Annual (t+6) Available for September notification

**LOCAL GOVERNMENT****Budgetary, semi-budgetary organizations and non-profit organizations of municipalities and higher territorial units**

Source name	Source type	Source code	Periodicity
Financial revenues and expenditure statement	Budget reporting	FIN 1-12	Monthly (t+3)
Financial statement for selected assets and liabilities data of general government unit	Budget reporting	FIN 2-04	Quarterly (t+3)
Balance sheet statement	Financial statements	UC ROPO 1-01	Annual (t+3) Available for March notification
Profit and loss statement	Financial statements	UC ROPO 2-01	Annual (t+3) Available for March notification
Balance sheet statement	Financial statements	UC NUJ 1-01	Annual (t+6) Available for September notification
Profit and loss statement	Financial statements	UC NUJ 2-01	Annual (t+6) Available for September notification

**SOCIAL SECURITY FUNDS****Social insurance agency (hereinafter SIA) and Health-care insurance companies (hereinafter HIC)**

Source name	Source type	Source code	Periodicity
Financial revenues and expenditure statement	Budget reporting	FIN 1-04	Quarterly (t+3)

EDP tables and data sources - Social security sub-sector, EDP table 2D and 3E

Financial statement for selected assets and liabilities data of general government unit	Budget reporting	FIN 2-04 (only for SIA)	Quarterly (t+3) Available for March notification
Interim balance sheet	Budget reporting	UC POI 3-04 (only for HIC)	Quarterly (t+3) Available for March notification
Interim profit and loss statement	Budget reporting	UC POI 4-04 (only for HIC)	Quarterly (t+3) Available for March notification
Balance sheet statement	Financial statements	UC SP 1-01 UC POI 3-01	Annual (t+6) Available for September notification
Profit and loss statement	Financial statements	UC SP 2-01 UC POI 4-01	Annual (t+6) Available for September notification

**OTHER ADMINISTRATIVE SOURCES**

Source name	Source type	Source code	Periodicity
Statement on sector breakdown of increase/decrease of financial assets and liabilities	Budget reporting	FIN 3-04	Quarterly (t+3)
Statement on sector breakdown of financial assets and liabilities	Budget reporting	FIN 4-01	Annual (t+3)
Quarterly statement on debt structure by currency	Budget reporting	FIN 5-04	Quarterly (t+3)
Financial statement on loans, issued obligations, notes and financial leasing	Budget reporting	FIN 6-04	Quarterly (t+3)
Overview of bank accounts balances and payables of municipalities and higher territorial units and their budgetary organizations	Budget reporting	FIN 7-04	Quarterly (t+3)

**COMPLEMENTARY DATA SOURCES**

Source name	Source type	Organisation	Periodicity
Accrual taxes and social contributions	Other complementary sources	MoF SR	Quarterly
Information about privatisation revenues	Other complementary sources	MoF SR	Annual
Information about guarantees	Other complementary	MoF SR	Annual

	sources		
Capital transfers and injections, dividends	Other complementary sources	MoF SR	Annual
EU flows	Other complementary sources	MoF SR	Annual
Accrual interest flows	Other complementary sources	MoF SR	Annual
Maastricht debt of the GG	Other complementary sources	MoF SR	Quarterly
General government closing account	Other complementary sources	MoF SR	Annual
Military expenditures questionnaire	Other complementary sources	MoD SR	Annual

### 3.8. EDP table 4

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

#### 3.8.1 Trade credits and advances

As data source for AF.71L calculation are used balance sheets where stocks related to trade credits are included (e.g. payables towards suppliers of goods and services). Since the same data source and compilation process is used also for "net incurrence of other liabilities" line in EDP T3, the consistency is ensured.

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

The Slovak government does not take loans on behalf of any public enterprise and therefore there are no entries which might be recorded within this line in EDP Table 4.

#### **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.Revision policy used for annual GFS

### 4.1. Existence of a revision policy in your country

There is a revision policy implemented by SOSR related to ESA 95 accounts and subsequently to EDP statistics<sup>6</sup>. EDP statistics is referenced in the specific point devoted to EDP. In case of GFS statistics we implement the newest information on S.13 and implement it in both national accounts as well as in EDP. The main source of data used for April notification is the statement on cash revenues and expenditures is available for all units in S.13. The statement does not change after it is submitted to SOSR. Of course the mistakes might occur which could be later corrected by the submitting party however it does not happen very often. Another very important source of information is data on accruals – taxes and other items calculated from balance sheets. The updated information on balance sheet receivables and payables and are subject to revision between spring and autumn EDP notifications. Balance sheets are final for Autumn EDP notification.

#### 4.1.1 Relating to deficit and non-financial accounts

There is no specific revision policy for deficit and non-financial accounts of sector S.13. For more information please see section 4.1.

#### 4.1.2 Relating to debt and financial accounts

There is no specific revision policy for debt and financial accounts of sector S.13. For more information please see section 4.1.

### 4.2. Reasons for other than ordinary revisions

The first notified figures on S.13 are for April EDP notification are subsequently updated on the bases of new data sources in October. Usually the data sources (budgetary reporting) do not change. The final reported figures are already audited. In exceptional cases there might be a correction of due to the discovered errors in data (in recent years there has been one case of this nature for data reported in SKK instead of in EUR After the error was discovered it was immediately corrected). In addition to that there are data on accrual taxes and social contributions which might be a subject to change due to the changes in data. However the figures after final settlement do not change since the estimation methods are based on time-adjusted cash.

If the revision is due to change in methodology (usually either consulted or recommended by Eurostat) this revision is done as soon as possible within regular revision.

### 4.3. Timetable for finalising and revising the accounts

Steps of S.13 compilation (valid for all subsectors):

April EDP notification in year Y - all relevant sources of data are available including taxes and social contributions, receivables and payables (based on Fin 2-04 statement); Years T-4, T-3 are considered to be final. Years T-2 and T-1 are half finalized.

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<sup>6</sup> Revision policy is available at the following link <http://portal.statistics.sk/showdoc.do?docid=69353>

#### 4.Revision policy used for annual GFS

October EDP notification in year Y - most of data sources remains the same but there is a significant update of accrual taxes and social contributions; and receivables and payables;

April EDP notification in year Y +1 – All information should be final except data on accrual taxes (PIT/CIT);



## B. Methodological issues

### 5. Sector delimitation – practical aspects

#### 5.1. Sector classification of units

General government is defined by ESA95 §2.68 as "...all institutional units which are other 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 all institutional units principally engaged in the redistribution of national income and wealth".

It is necessary to determine:

- a. if it is an institutional unit (ESA95 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"

In accordance with the act No. 540/2001 Coll. on the state statistics adopted by the Parliament of the Slovak Republic the Statistical Office of the Slovak Republic (hereinafter SOSR) is obliged to maintain Register of Organisations where every legal entities and natural persons – entrepreneurs have to register. Obligation to register is stipulated in legal Acts.

Every registered unit has a unique identification number called IČO (Identifikačné Číslo Organizácie). This number serves as a common ID of an entity in contact with SOSR and also with other institutions. In principle SOSR is able to collect any information from administrative sources on any unit using this number.

The information from the Register of Organisations is publicly available. Publicly available information can be accessed by general public at the following link: <http://www.statistics.sk/pls/wregis/dotaz>

In the case of National Accounts, Register of Organisations is a back bone for designing of survey organized for purposes of National Accounts and subsequent imputations and grossing-ups. In case of General Government Sector we use almost all data (except data on commodity splits of some national accounts categories which are surveyed) from administrative sources and no imputation or grossing ups are necessary. The data on S.13 units are supplied by the State Treasury and DataCentrum. In accordance with the established practice of a budget creation we split units classified in different subsectors S.13 into smaller groups - parts.

Every unit which enters Register of Organisations and is given an id number is deemed to fulfil also requirements of the paragraph 2.12 of the ESA95 and is considered as an institutional unit from the national accounts perspective. In accordance with the national legislation unit is entitled to own goods or assets, and is accountable for any economic decisions, can incur liabilities and must submit accounting statements (full set of accounts). In some cases because of the nature of the General Government units this is challenged and we investigate in detail the nature of the unit (example NDS, a.s., Slovenská Inkačná s.r.o.).

At the time of establishment unit must declare facts on its legal form and its type of ownership (list of different codes). On the basis of the declared ownership the unit is classified as public

or private. In some cases there is no clear distinction between public and private and we need further investigate single unit or group of units. In that case we investigate in detail the case and take the decision.

For every public unit we have individual accounting statements data and therefore we are able to calculate coverage of costs by revenues for application of so called 50% rule. We investigate the application of the 50% rule at three-year interval (from 2012 the application of 50% rule will be assessed annually). Where applicable we investigate every public unit (unit by unit) and decide on its sector classification. We do not investigate budgetary organisations and organisations directly linked to the state budget such as State funds, etc. (see the table for details).

When a new unit is established the regional office decides on its sector classification. In some cases when the classification is not clear National Accounts Departments of the Macroeconomics Statistics Section of SOSR gives its advice on initial sector classification of a new unit. Later on the sector classification is changed only at direct request of the National Accounts Department of the Macroeconomics Statistics section of SOSR.

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

In case a new unit is established the process starts at the Register of Organisations when newly created units in order to receive IČO have to fill in survey form ORG (example for year 2011 can be found at the following link: <http://portal.statistics.sk/showdoc.do?docid=29021>) On the basis of the information provided the unit is classified as public or private and classified into particular institutional sector. It is the combination of legal form of the unit, ownership of the new unit and declared activities.

### **5.1.2 Updating of the register**

Sector classification of units is usually examined every three years. The last two assessments of sector classification took effect as of 1st January 2008 and as of 1st January 2011 (from 2012 the application of 50% rule will be assessed annually). We have individual data on every unit classified in S.13. Test is not applicable for units where classification into GG is straightforward (units directly linked to the state budget). Practically we apply sector classification to the semi-budgetary/subsidised organisations and non-profit institutions. We use the same data sources as for compilation of National Accounts data. Statements are available annually. In case unit changes the sector classification because it no longer fulfils criteria for its current classification the unit is reclassified, and this reclassification takes effect as of 1st January of the next year. In specific cases (for example change in sector classification the Slovak Television, the Slovak Radio or Slovenská Inkasná, s.r.o.) we change sector classification for the whole time series.

### **5.1.3 Consistency between different data sources concerning classification of units**

Sector classification of units is consistent between all three concepts (money and banking, public account, and national accounts), since they all use the information from the same register. However there might appear timing difference, therefore the classification is checked between national accounts and public accounts (data sources from the State Treasury and DataCentrum used by Ministry of Finance of the Slovak Republic), unit by unit and differences are fully explained. Consistency between National Accounts and public accounts is checked every year before April EDP notification.

## 5.2. Existence and classification of specific units

Public non-profit institutions are part of S.13 in case their costs are not covered by sales. Quasi-corporations there are no quasi corporations in S.13 in case of the Slovak Republic. Public universities are classified in S.13. Other public schools established by municipalities and higher territorial units are classified in S.13 as well.

Infrastructure companies are classified in the sector of non-financial corporations. The 50% test is used for their sector classification. Depreciation is used for calculation of 50% test. From our data sources used for compilation of the national accounts (statistical surveys) we cannot clearly identify subsidies on products and production for each company. We use additional information from annual reports, and counter-part information. All non-financial assets used by companies are booked at their balance sheets.

Public radio and television broadcasting company is classified in S.1311.

Hospitals public as well as private are classified in S.11. Only two units are in S.13. The main source of revenues of hospitals – payments from health insurance companies (publicly owned as well as privately owned) is considered as sale in National Accounts.

SPV – there is one institution which could be referred as SPVs in S.13 in case of the Slovak Republic – Slovenská Konsolidačná, a.s.

Public units involved in financial transactions are Eximbanka and SZRB. Eximbanka provides export-import loans and guarantees. SZRB is focused mainly on issuing guarantees and loans and other financial services to small and medium size enterprises, agricultural companies and municipalities.

Other specific units – in accordance with the recommendation of Eurostat private health insurance companies are classified in S.12. and transactions and stocks linked to the public health insurance system are rerouted to GG. Issue of private health insurance companies is completely in line with the advice of Eurostat given in similar case to the Czech Republic ESTAT/C-3/MHF/LA/VK/dm D(2008) 30172.

## 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 ESA95 §1.57. 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.

### 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.

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

#### Military expenditure

According to ESA 95, taxes and social contributions should be recorded on an accrual basis. In order to comply with this principle we use method of **'time adjusted' cash**<sup>7</sup>.

Time-adjusted cash method, from its definition, is based on detailed cash data. This methodology reflects available and credible data from relevant institution within the General Government (The Tax Directorate of the Slovak Republic, Social Insurance Agency, Ministry of Health on behalf Health Insurance Companies, Ministry of Finance and State Treasury).

The Slovak Republic applies this method to following taxes: PIT, CIT, VAT, Excise duties, Road Tax, Social contributions paid to Social Insurance Agency, Health Insurance Companies. It is assumed that remaining part of the accrual tax revenues equal to cash. Proportion of tax revenue currently recorded on cash basis assumed as accrual in the national accounts is very low, falling down from 10% of total tax revenue in 1995 to 6% in 2012. This proportion contains a lot of relatively small taxes, often with low structured and high fragmented data (revenues of municipalities). It is very difficult to simply describe legislation and gather necessary data and information for possible accrual recording of this part of tax revenues.

Structure of tax revenue according to the accrual recording (in % of tax revenues, GG)				
	1995	2000	2005	2012
<b>A. TOTAL TAXES (B+C), in EUR millions</b>	7 801.0	10 645.6	15 510.2	20 251.0
<b>B. Taxes and social contributions on accrual basis</b>	<b>90%</b>	<b>88%</b>	<b>94%</b>	<b>94%</b>
Personal Income Tax (in % of B)	10%	11%	9%	10%
Corporate Income tax (in % of B)	17%	9%	9%	9%
Value Added Tax (in % of B)	23%	23%	27%	23%
Excise Duties (in % of B)	10%	10%	12%	10%
Social and Health Security Contributions (in % of B)	41%	47%	43%	47%
Road Tax (in % of B)	// //			1%
<b>C. Other taxes on cash basis</b>	<b>10%</b>	<b>12%</b>	<b>6%</b>	<b>6%</b>

*Source: Statistical Office, Ministry of Finance*

### Key features:

#### 1. Tax revenue on accrual basis:

- a) Personal Income Tax (dependent activity and business activity), Corporate Income Tax, Value Added Tax, Excise duties and Road tax as of 2008.
- b) Social Contributions paid to Social Insurance Agency (including contributions paid to National Labour Office till the end of 2003) and contributions paid to Health Insurance Companies

#### 2. Tax revenue on cash basis assumed as accrual (cash=accrual):

<sup>7</sup> **Time - adjusted' cash** – the cash is attributed when the activity took place to generate the tax liability or when the amount of taxes was determined in the case of some income taxes. This adjustment may be based on the average time difference between the activity and cash receipt

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

Military expenditure

- a) Other tax revenue are recorded on cash basis assumed as accrual

### 6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording is defined in ESA95 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

For taxes we use as data source statement FIN 1-04 supplemented by information on cash and accrual data by individual tax from IFP (Institute for Financial Policy of MoF). These data sources are used on quarterly basis and the same data is used also for EDP tables compilation. For taxes we use method of time adjusted cash.

#### Personal Income tax – dependent activity

Personal Income Tax from dependent activity is a direct tax paid by employees from their incomes (wages, salaries, premiums ...).

Wages are paid out retrospectively for one period (usually one month). Taxes are therefore paid retrospectively, too. For example, the employee pays taxes in January from income related to December. According to the law, any income from dependent activity gained up to January 31, shall be included in the tax base for a tax period of calendar year (January – December).

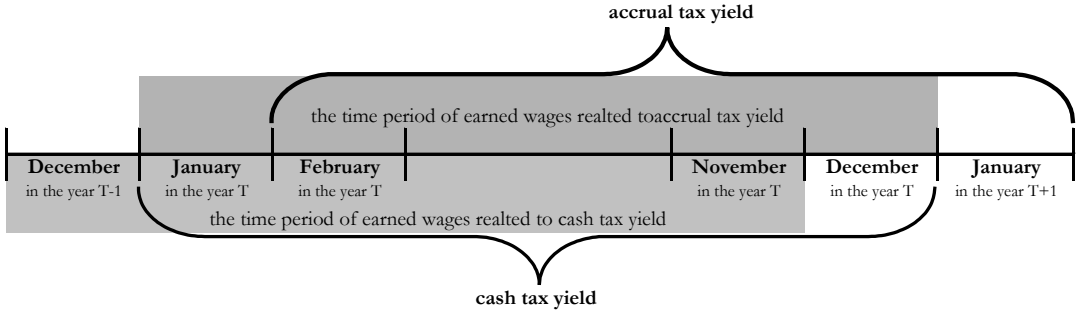
Employee has to ask the employer to perform the annual clearing. If the employee fails to apply for the annual clearing, he/she shall be bound to file a tax return. In the case of filling the tax return, the rules are the same as for PIT from self-employed. Contrarily, the annual clearing has to be made until the end of the March after the tax period. The overpayment shall be paid to the employee by the employer after completing the annual clearing, but not later than the date of paying the wages related to April in the year, in which the annual clearing of tax advances is performed. Underpayment shall be deducted by the employer from the taxable wage of the relevant employee by the last day of the tax period, in which the annual clearing is performed.

Cash receipts from PIT - dependent activity in one calendar year (t) (from January until December) include the taxes paid from wages related to the period from December in the year (t-1) until November in the year (t).

Due to of the character of PIT - dependent activity, the accrual tax revenue should be calculated as sum of cash receipts from February until January in the next year. In this case, the accrual PIT from dependent activity will be related to wage earned in one calendar year.

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

**Military expenditure**



The formula for calculation of accrual PIT - dependent activity is:

$$Accrual (t) = cash receipts from February (t) to January (t+1)$$

Cash receipts of PIT – dependent activity (EUR mil.)	
Time period	Cash yield
February (t)	
March (t)	
April (t)	
May (t)	
June (t)	
July (t)	
August (t)	
September (t)	
October (t)	
November (t)	
December (t)	
January (t+1)	
<b>ACCRUAL TAX (t) =</b>	<b>Σ</b>

Disadvantage of this time adjustment is that the effect of annual tax clearing is not taken into account. The annual clearing impacts the value of accrual tax in the next year.

The annual clearing is realized until the end of March. All effects (overpayments and underpayments) resulted from annual clearing affect the cash and accrual value of PIT in the next year, not in the year, which these effects are related to. Unfortunately current data issues (different methods of tax clearing, tax returns and absence of a unique identifier of taxpayers) does not allow Tax Directorate to effectively determine and differentiate the effect of tax clearing from cash data.

Personal Income Tax – Business activity (self-employment)

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

#### Military expenditure

Personal income tax from self-employment is a tax paid by advance payments. The advances are being paid by persons involved in the craft or small business. The amount of advances as well as the payment frequency (monthly, quarterly, yearly) depends on the last known tax liability. In case of a difference between the sum of advance payments paid by the tax payer within/during the year and the tax liability declared in the tax return, the overpayment or underpayment occurs. This has to be settled up within 40 days after the tax return has been filled. In case that individuals have another income from self-employment and dependent activity (capital gains and others), these individuals do not have to pay advances, but do have to pay the tax from this supplementary income directly when filling the tax return. The personal income tax from self-employment is the sum of tax liabilities from all the above mentioned types of taxpayers.

The tax revenue on the cash basis is the sum of advances in the period starting January and ending in December; the tax settlement, the penalties and the fines in the common year. It is important to distinguish between the advances in the first three months, which are paid from the tax liability two years ago and the advances since April till December, which are being paid from the last known tax liability filled in the tax return. The tax settlement (over/under payment) is being reimbursed starting March till July. The Tax Directorate of the Slovak Republic differentiates all the above mentioned types of payments, which makes it possible to aggregate the tax on accrual basis from the payments, which are related to the same year.

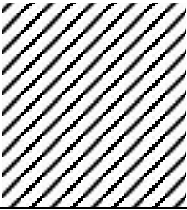
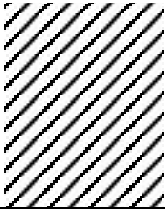
$$\begin{aligned} \text{Accrual } (t) &= \text{Advances } \{ \text{from January } (t) \text{ to December } (t) \} \\ &+ \text{Settlement } \{ \text{from January } (t+1) \text{ to December } (t+1) \} \\ &+ \text{others}^8 \{ \text{from January } (t) \text{ to December } (t) \} \end{aligned}$$

Cash receipts from PIT - self-employment (EUR mil.)				
	advances	tax settlement	others *	SUM
	1	2	3	4=1+2+3
January (t)				
February (t)				
March (t)				
April (t)				
May (t)				
June (t)				
July (t)				
August (t)				
September (t)				
October (t)				
November (t)				
December (t)				
January (t+1)				
February (t+1)				
March (t+1)				
April (t+1)				
May (t+1)				
June (t+1)				

<sup>8</sup> Amendments and other payments

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

#### Military expenditure

July (t+1)			$\Sigma$
August (t+1)			
September (t+1)			
October (t+1)			
November (t+1)			
December (t+1)			
<b>ACCRUAL TAX (t)</b>			

\* amendments, receipts from the previous years

Complete data for tax settlement corresponding to the year  $t$  are available at the beginning of the year  $t+2$ . For the purpose of accrual PIT from self-employment in year  $t$ , the MoF predict the value of tax settlement for the whole year  $t+1$ . Due to this fact, for correct amount of accrual PIT it is necessary to revise tax revenue again in April $_{t+2}$ . In case, that more taxpayers will file the tax return this time compared to the previous year and/or their tax liability differs markedly from the previous one a considerable inaccuracy may occur.

#### Corporate Income Tax

The corporate income tax works the same as the PIT from self-employment, it is being paid by advance payments. The amount of advances as well as the payment frequency (monthly, quarterly, yearly) depends on the last known tax liability. In case of a difference between the sum of advance payments paid by the tax payer within/during the year and the tax liability declared in the tax return, the overpayment or underpayment occurs. This has to be settled up within 40 days after the tax return has been filed.

The tax revenue on the cash basis is the sum of advances in the period starting January and ending in December; the tax settlement, the penalties and the fines in the common year. It is important to distinguish between the advances in the first three months, which are paid from the tax liability two years ago and the advances since April till December, which are being paid from the last known tax liability filed in the tax return. The tax settlement (over/under payment) is being reimbursed starting March till July. The Tax Directorate of the Slovak Republic differentiates all the above mentioned types of payments, which makes it possible to aggregate the tax on accrual basis from the payments, which are related to the same year.

$$\begin{aligned}
 \text{Accrual } (t) &= \text{Advances \{from January } (t) \text{ to December } (t)\}} \\
 &+ \text{Settlement \{from January } (t+1) \text{ to December } (t+1)\}} \\
 &+ \text{others}^9 \text{ \{from January } (t) \text{ to December } (t)\}}
 \end{aligned}$$

Cash receipts from CIT (EUR mil.)			
	advances	tax settlement	others *
	1	2	3
	SUM		
	4=1+2+3		
January (t)			
February (t)			
March (t)			
April (t)			
May (t)			

<sup>9</sup> Amendments and other payments



**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

**Military expenditure**

June (t)			
July (t)			
August (t)			
September (t)			
October (t)			
November (t)			
December (t)			
January (t+1)			
February (t+1)			
March (t+1)			
April (t+1)			
May (t+1)			
June (t+1)			
July (t+1)			
August (t+1)			
September (t+1)			
October (t+1)			
November (t+1)			
December (t+1)			
<b>ACCRUAL TAX (t)</b>			<b>Σ</b>

\* amendments, receipts from the previous years

Complete data for tax settlement corresponding to the year *t* are available at the beginning of the year *t+2*. For the purpose of accrual CIT in year *t*, the MoF predict the value of tax settlement for the whole year *t+1*. Due to this, for correct amount of accrual CIT it is necessary to revise tax revenue again in April<sub>t+2</sub>. In case, that more taxpayers will file the tax return at this time compare to the previous year and/or their tax liability differs markedly from the previous one a considerable inaccuracy may occur.

As of October 2012, a special levy was introduced for companies that have more than 50% of their revenues coming from regulated economic activity. This levy is recorded within CIT and also accrualised in the same way like CIT.

Value Added Tax

VAT is an indirect tax charged on each sale of goods and services across all stages of their production and distribution. It applies to all goods and services other than those exempt from VAT. Although this tax is paid to the budget by the tax payer, it affects the final consumer. To record VAT revenues on accrual basis the time – adjusted cash receipts method has been used.

Within 25 days after the end of each tax period a tax payer must file a tax return and, by the same date, pay the tax liability, if any. (*A company must file its VAT return for the month of September by 25 October and, also by 25 October, pay the tax liability incurred in September, if any.*) If a tax payer becomes entitled to the excess tax deduction, i.e. deduction of the amount by which the input VAT exceeds the output VAT for the same tax period, the tax payer will deduct the excess tax from its tax liability in the subsequent tax period. If a tax payer cannot deduct the full amount of the excess tax from its tax liability in the subsequent tax period, the tax office shall refund to the tax payer the remainder or the non-deducted part

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

**Military expenditure**

of the excess tax within 30 days of filing the tax return for the tax period following the tax period in which the excess tax occurred. (A company files a tax return for January in February in which it claims an excess tax. In the subsequent tax return for February, filed in March, the company will deduct the excess tax from the tax liability incurred. If the company remains entitled to a refund even after the deduction, the tax office shall refund the outstanding amount by the end of April).

To those tax payers which file quarterly tax returns the excess tax is refunded with a five-month delay. (The tax return for Q1 is filed in April. Tax payers may deduct the excess tax from their tax liability in the subsequent tax period. The tax return for the subsequent tax period is filed in July. If the full excess tax cannot be deducted from the tax liability, the Tax Directorate will refund the outstanding amount within 30 days of the tax return filed for the subsequent period. In other words, the excess tax for the quarter ending March is refunded in August.)

$$\begin{aligned}
 \text{Accrual (t)} &= \text{TAX COLLECTION BY TAX OFFICES \{from February (t) to January (t+1)\}} \\
 &\quad - \text{EXCESS VAT REFUND CLAIMED \{from April (t) to March (t+1)\}} \\
 &\quad + \text{TAX COLLECTION BY CUSTOMS \{from January (t) to December (t)\}}
 \end{aligned}$$

Cash VAT (EUR mil.)				
	Tax collection by tax offices	Excessive deduction (tax offices)	Tax collection by customs	Subtotal
	1	2	3	4=1+2+3
January (t)	////	////		
February (t)		////		
March (t)		////		
April (t)				
May (t)				
June (t)				
July (t)				
August (t)				
September (t)				
October (t)				
November (t)				
December (t)				
January (t+1)			////	
February (t+1)	////		////	
March (t+1)	////		////	
<b>ACCRUAL VAT (t)</b>				<b>Σ</b>

**There are four main reasons why the above-described methodology of time-adjusted cash receipts in the case of VAT does not necessarily reflect economic reality accurately:**

- Legislative amendment adopted in 2009 curtailed the time limit (from 60 to 30 days, in simplified terms) for excess tax refund to those tax payers which meet the criteria stipulated by law (“anti-crisis measure”). In the past, 27% of excess tax claims (on average) were refunded within the shortened time limit; from June 2011 onward, the average percentage stands at 14% of the total volume of refunds;

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

#### Military expenditure

- The actual excess tax refund to those tax payers which file quarterly VAT returns takes place five months later;
- The routine inspections performed by the Tax Directorate of the Slovak Republic in situations where an excess tax is claimed extends the time within which the refunds are paid;
- IT difficulties within the Tax Directorate of the Slovak Republic at the turn of 2011/2012 which undermined the ability of the Tax Directorate of the Slovak Republic to pay the excess tax refunds within the statutory time limits and further aggravated the problems described above.

In 2012 Ministry of Finance suggested new approach that would solve these difficulties. The solution is to make the time-adjusted cash receipts methodology more precise. Instead of applying a default three-month lag to ET refunds, the refund payments must be attributed, as precisely as possible, to the periods to which they economically relate. To this end, it would be essential for the Tax Directorate of the Slovak Republic to be able to provide detailed information and identify precisely the periods to which ET refunds paid in a given month actually relate.

Eurostat points out that the new method should guarantee the control and transparency of the refunds decomposition as well as the timeliness of good estimates for the quarterly reporting and the April notifications. Eurostat therefore would like to ensure a proper control of the reliability of the new method, which would imply first the monthly publication by tax authorities of the time series of tax refunds, in their two versions, cash, plus the adjusted monthly amounts. This publication should be accompanied by a clear document explaining the exact method used to derive the adjusted time series from the cash time series.

Also, this system should be audited by an external audit within the range of a period of two years.

Eurostat agrees with the Slovak proposal under the condition expressed above. Eurostat also proposes contributing to the evaluation of the method two years after it is put in place and then compare it with the availability of time adjusted cash data with an appropriate time lag.

#### Excise duties

Excise duties are indirect taxes, which are subject only to selected goods. There are currently excise taxes on mineral oils, alcohol, wine, beer, tobacco products, electricity, coal and natural gas in the Slovak Republic. Excise duties are paid by producer or distributors; however tax burden is imposed on final consumers.

The rules of paying taxes are the same for all kinds of excises. A taxpayer, operating within the territory of EU25, is obliged to file a tax return within 25 day after tax period (tax period is usually one month). The taxpayer is also obliged to pay the due tax within the same time limit. Introduction of tax warehouses eliminated the amount of tax reimbursement that's why it is not necessary to break down cash collection further. The effect of tax reimbursement is negligible compared to the excessive deduction in VAT. If goods are imported from the territory which is not a territory of EU25 (third countries), an importer is obliged to pay excise duty immediately.

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

Military expenditure

$$\text{Accrual } (t) = \text{Tax collection from tax return } \{\text{from February } (t) \text{ to January } (t+1)\} \\ + \text{Tax collection on imports } \{\text{from January } (t) \text{ to December } (t)\}$$

Cash receipts from Excise duties (EUR mil.)			
	Cash collection (tax returns)	Cash collection (import from third countries)	SUM
	1	2	3 = 1+2
January (t)			
February (t)			
March (t)			
April (t)			
May (t)			
June (t)			
July (t)			
August (t)			
September (t)			
October (t)			
November (t)			
December (t)			
January (t+1)			
<b>ACCRUAL EXCISES (t)</b>			<b>Σ</b>

## Road tax

As of 2008 road tax is being paid by advance payments. The amount of advances as well as the payment frequency (monthly, quarterly) depends on estimated tax liability in the current year. If tax liability occurs during the year (at any time after 01.01.), advances are not applied to taxpayer and has to be settled up in tax settlement within the end of January of the following year.

In case of a difference between the sum of advance payments paid by the tax payer within/during the year and the tax liability declared in the tax return, underpayment has to be settled up within the end of January of the following year, the overpayment has to be reimbursed within 40 days after the tax return has been filed (deadline for filing tax return is 31.1.).

In some cases, however, the settlement effectively occur in the next 2 - 3 months after March, therefore, to increase the accuracy of the total accrued revenue we included other months of tax settlements into a time adjustment.

$$\text{Accrual } (t) = \text{Advances } \{\text{from January } (t) \text{ to December } (t)\} \\ + \text{Settlement } \{\text{from August } (t) \text{ to July } (t+1)\}$$

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

Military expenditure

+ *others*<sup>10</sup> {from January (t) to December (t)}

<b>Cash receipts from Road Tax (EUR mil.)</b>				
	advances	tax settlement	others *	SUM
	1	2	3	4=1+2+3
January (t)				
February (t)				
March (t)				
April (t)				
May (t)				
June (t)				
July (t)				
August (t)				
September (t)				
October (t)				
November (t)				
December (t)				
January (t+1)				
February (t+1)				
March (t+1)				
April (t+1)				
May (t+1)				
June (t+1)				
July (t+1)				
<b>ACCRUAL TAX (t)</b>				<b>Σ</b>

\* amendments, receipts from the previous years

### 6.1.2 Social contributions

The time of recording of social contributions is defined in ESA95 §4.96 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

The very same sources and method as for taxes is also used for social contributions and therefore we use as data source statement FIN 1-04 supplemented by information on cash and accrual data by individual social contribution from IFP (Institute for Financial Policy of MoF). These data sources are used on quarterly basis and the same data is used also for EDP tables compilation. As for the method we use method of time adjusted cash.

There are 5 types of income in the social security system. The rules for accrual recording are the same for Social Insurance Agency, Health Insurance Companies and National Labour Office<sup>11</sup>. The rules are very similar to PIT from dependent activity because social contributions are paid from wages.

<sup>10</sup> Amendments and other payments

<sup>11</sup> National Labour Office was abolished as of 1.1.2004.

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

#### Military expenditure

Accrualisation technique of social contributions – time-adjusted cash	
Social Insurance Agency (SIA) / Health Insurance Companies (HIC)/National Labour Office (NLO)	
Types of income :	Technique of time-adjustment :
1. Social Contributions from economically active persons	accrual income (m) = cash receipts (m+1)
2. Outstanding social contributions	accrual income (m) = cash receipts (m)
3. Contributions on behalf of certain groups	accrual income (m) = cash receipts (m)
4. Internal transfer within SIA	accrual income (m) = cash receipts (m)
5. Penalties	accrual income (m) = cash receipts (m)

*note : (m) - month*

#### **A. Social Contributions from economically active persons:**

Social contributions are paid by employees, employers and self-employed. Cash receipts of social contributions need to be time-adjusted so that the cash is attributed when the activity took place to generate the liability. The time difference between the activity and cash receipt of contributions is one month. Annual social contributions on accrual basis in year (t) are equal to the sum of cash receipts from February (t) to January (t+1). This category includes also voluntary insured persons.

In January 2005, the Slovak Republic introduced a privately-managed fully-funded pension pillar. Given proportion of contributions is transferred from Social Insurance Agency to the private insurance companies and thus is not considered as a tax. Social Insurance Agency has a 60-day period to forward contributions to the privately managed funds.

$$\text{Accrual (t) (up to 2011)} = (\text{cash receipts minus forwarded contributions to the II. pillar}) \\ \text{from February (t) to January (t+1)}$$

In case of significant change in the rate of contributions a considerable inaccuracy may occur in accrual revenues due to the existence of period for forwarding contributions. Change in the rate of contribution in one month will occur in forwarded contributions two months later. Due to a legislative change effective from September 2012 which reduced the contributions to the second pillar (from 9% to 4% of assessment base) and the existing period for forwarding contributions (Social Insurance Agency has a 60-day period to forward contributions to the privately managed funds) we modified time adjusted cash for social contributions.

$$\text{Accrual (t) (as of 2012)} = \text{cash receipts from February (t) to January (t+1)} \\ \text{minus} \\ \text{forwarded contributions from March (t) to February (t+1)}$$

#### **B. Health Contributions from economically active persons:**

Health contributions are paid by employees, employers and self-employed. Cash receipts of health contributions need to be time-adjusted in line with social contributions. The time difference between the activity and cash receipt of contributions is one month. Annual health

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

**Military expenditure**

contributions on accrual basis in year (t) are equal to the sum of cash receipts from February (t) to January (t+1).

In contrast with social contributions health insurance contributions as of 2006 are considered as an advances and annual clearing of this advances is taking place. Current time-adjusted cash method does not correspond to the appropriate accrual yield (as it does not include annual clearing effect). The impact of annual clearing can be considered as negligible (amounts to approximately 1% of health contributions from economically active persons).

$$Accrual (t) = cash receipts from February (t) to January (t+1)$$

**C. Outstanding social contributions:**

Outstanding social contributions receipts are receipts of contributions due in previous years (i.e. are not related to current year) or thus considered as an outstanding contributions due to the current law. As Ministry of Finance does not have information regarding the period, that are the receipts of outstanding contributions related to, we do not make the time-adjustment of these receipts.

$$Accrual (t) = cash receipts from January (t) to December (t)$$

**D. Contributions on behalf of certain groups:**

When government pays social and health contributions on behalf of legally defined groups of population (unemployed, dependent children etc.), there is no time difference between accrual incomes and cash receipts, because government pays in the same period as the liability arises. Thus there is no need for time-adjustment of receipts stemming from the contributions paid by state to social security funds.

$$Accrual (t) = cash receipts from January (t) to December (t)$$

**E. Internal transfer (only SIA):**

Social Insurance Agency pays old-age insurance on behalf of disabled persons what is de facto an internal transfer within SIA. Similarly as in the case of government paying on behalf of certain groups, there is no time difference between accrual incomes and cash receipts.

$$Accrual (t) = cash receipts from January (t) to December (t)$$

Social contributions – time-adjusted cash							
	Social Contributions	SC - II. pillar	SC - I. pillar	Outstanding social contributions	Government (paid from state budget)	Internal transfer (within SIA)	SUM
	1	2	3 = 1 - 2	4	5	6	7 = 3+4+5+6
January (t)	///	///					
February (t)		///					
March (t)							
April (t)							
May (t)							
June (t)							
July (t)							
August (t)							

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

#### Military expenditure

September (t)

October (t)

November (t)

December (t)

January (t+1)

February (t+1)

Social contributions (t)

$\Sigma$

$\Sigma$

$\Sigma(1) - (2)$

$\Sigma$

## 6.2. EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts. Eurostat, after the consultation with Member States, released a decision in February 2005. Chapter II. 6 of the ESA Manual on government deficit and debt details the rules concerning the recording of these flows.

### 6.2.1 General questions

Data source for EU flows is statement Fin 1-04 where budgetary classification allows distinguishing EU flows by individual operational programme (also to distinguish co-financing from government budget). These data are collected on all government levels on a cash basis (time of recording when the expenditure is made). Budgetary classification also allows distinguishing final beneficiary (e.g. government, non-government). The transactions by codes of budgetary classification are transformed by bridge table into ESA95 categories. Further information provided by MoF allows distinguishing advances/reimbursements. Within working balance are included only EU flows where the final beneficiary is the government units. Adjustments for receivables/payables are made within EDP Table 2 in related lines. This is done for all EU funds at once. If the advances are received these are transferred to National Fund which is not a part of general government and therefore we do not consider these financial means as an asset of government. Third resource is included in the working balance.

### 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.

Slovak Republic receives financial means from Schengen facility and these are treated the same way as EU flows. For more information please see section 6.2.1.

### 6.2.3 Jeremie/Jessica



**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

#### Military expenditure

The European Commission and 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).

There is Jeremie programme implemented in cooperation with EIF (European Investment Fund). The framework agreement was signed in 2008. In 2009 was established SPV called Slovenský záručný a rozvojový fond (SZRF, <http://www.szrf.sk/sk/titulna-stranka>) through which EIF makes contracts with financial intermediaries. Shareholders are EIF and SZRB (share on own capital as of 31.12.2012 was 100,171 mill. EUR for EIF and 0,005 mill. EUR for SZRB). The unit is classified in RoW sector. Transfers from government to SZRF are regarded as grants. Actual funding for Jeremie initiative (information from website below) 85 mill. EUR from ERDF and 15 mill. EUR as national co-financing.

For detailed information on cooperation of EIF with SR (including Jeremie initiative) please see: <https://www.finance.gov.sk/Default.aspx?CatID=7444>

#### 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

**Time of recording** - Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

#### Military expenditure

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.

Units regarded as MRA (e.g. Agricultural Payment Agency) are budgetary organisations classified in sector S.13. Accounts related to interventions and changes in inventories are excluded from general government.

### **6.3. Military expenditure**

The ESA95 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**

The Ministry of defence of SR is covered by standard budgetary and accounting reporting system. The ministry is included in the working balance and subsequent information in the EDP tables 2 and 3. The information on payables is extracted in the standard way from reports when compiling the accounts. In addition to that there is an annual questionnaire sent to the MoD SR to confirm that there are no payables (including trade credits) which should be included in the accounts. The questionnaire asks about specific contracts on delivery of the military equipment. From the questionnaire is clear that the MoD SR uses standard contracts on public procurement to contract deliveries.

#### **6.3.2 Borderline cases**

We are not aware of such borderline cases related to the classification of military goods.

#### **6.3.3 Recording in national accounts**

The military expenditures data are part of the working balance in the EDP Table 2A and EDP Table 3A and 3B just as any other unit part of the “State” presented in the working balance on table T2. Data are on accrual basis and this can be checked with results of the supplementary questionnaire.

## 6.4. Interest

This part aims at describing accrual adjustment for interest.

ESA 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 must also be recorded in the Financial Account as a further acquisition of that kind of financial asset by the creditor and an equal acquisition of a liability by the debtor. "

MGDD part II, chapter II.4 is dealing with some practical aspects of the recording of interest.

### 6.4.1 Interest expenditure

**Table x Availability and basis of data on interest**

Instrument	S.1311		S.1312		S.1313		S.1314	
	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
Deposits (AF.2)	Accrual	Cash	M	M	Accrual	Accrual		
Securities other than shares (AF.3)	Accrual	Cash	M	M	Accrual	Accrual		
Loans (AF.4)	Accrual	Cash	M	M	Accrual	Accrual		
Other accounts receivable (AF.7)	Accrual	Cash	M	M	Accrual	Accrual		

Cash/accrual, M (not applicable) or L (not available)

Data on accrual interest are available on cash and on accrual basis. Data source for cash data is financial statement FIN 1-12.

Calculation of accrual interest is based on accounting data sources.

Accrual interest data are undertaken from accounting on interest liabilities. Impact of accrual interest recording on deficit is calculated as change of stock of interest liabilities.

Data is available by individual instruments as well as e.g. data for municipalities. Accrued interest is recorded within the each relevant instrument to which the given interest relates to.

Working balance in EDP Table 2 includes cash interest received and paid in the relevant year.

Cash interest revenues cover:

- received interest on loans that were provided by State Financial Assets accounts
- received interest on deposits of state budgetary organisations in the State Treasury
- received interest on deposits of ARDAL (Debt Management Agency) in commercial banks
- premium from issuance of state bonds
- coupon sold (received from issuance of state bonds)

Cash interest expenditures cover:

- interest paid on loans and issued state bonds
- discount paid on state bonds and bills
- interest paid on loans provided by the State Treasury to ARDAL

## Specific government transactions - Guarantees, debt assumptions

- fees related to debt service

Data on interest revenues and expenditures come from quarterly statement “Fin 1-04 Statement on budget execution of general government unit”. The statement provides data on cash revenues and expenditures according to the budget classification that is applicable for all general government units.

Accrual interest expenditures and discounts are provided by ARDAL in Excel table. Data on cash and accrual premium are provided by MoF SR department which is responsible for the recording in public accounts.

Value of accrued interest is the same for EDP Tables 2A and 3B.

Data source for accrued interest calculation is accounting data. Impact of accrued interest is visible in the EDP table under the line “difference between interest accrued/paid”.

### **6.4.2 Interest Revenue**

Data source for received accrued interests is accounting. Accrual adjustment is recorded within EDP notification tables under the line “Other adjustments”.

### **6.4.3 Consolidation**

Interest to be consolidated includes flows of interest payment between the local government and state funds and interest paid by the State budget (ARDAL) to the State Treasury.

Data source for consolidation is statement FIN 1-12 and information on paid interests from State Treasury. Consolidation is carried out on all subsectors and do not have an impact on B.9.

### **6.4.4 Recording of discounts and premiums on government securities**

Flows related to premiums and discounts enter cash WB. There is information available on accrued premiums and discounts. On the EDP table 2 is recorded impact of difference between accrued and cash interests. Other government bodies do not report debt above/below par. Premium and discounts are spread over the life of an instrument and premium is treated in national accounts as revenue. Repayment of discount is identifiable from the repayment of debt.

## **1.5 Time of recording of other transactions**

For time recording of transactions within S.13 we use cash data and subsequently make accrual adjustments. These accrual adjustments are consistent with F.7 recorded in financial accounts. We had small cases where expenditures or revenues were not recorded within our data source, but these data were subsequently discovered and recorded. Since this occurrence the data source statements were changed to cover such case (cases were related to exceeded limit of the budget). We assume that all payables of the government are correctly recorded. From 2013 balance sheets has been changed to more precisely distinguish payables on short-term and long-term.

## Specific government transactions - Guarantees, debt assumptions

The accrual adjustments are made specifically for current transfers, gross capital formation, dividends, social benefits, intermediate-consumption, production, compensation of employees and also for financial transactions.

The main part of accrual adjustment is based on information from balance sheets and information provided by IFP of MoF on accrual taxes and social contributions. For financial transactions there are provided additional information by MoF e.g. on accrual interests,agio, aliquot interest return etc.

## 2. 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 ESA95), 2010 edition<sup>12</sup>.

### 1.1 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 ESA95 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

#### 7.1.1 Guarantees on borrowing

##### 7.1.1.1 *New guarantees provided*

###### *Recording in public accounts*

Guarantees in the Slovak Republic could be granted under Act No. 386/2002 only by MoF in accordance with the Act on State Budget. Guarantees are recorded only in the government accounts on off-balance sheets.

Data on guarantees is publicly available in the State closing account where stocks of guarantees with the related interests are reported for individual guarantee. Guarantees are granted only on bank loans to corporations. Guarantees on assets could not be granted.

In general currently no guarantees are granted. Last guarantee was granted to SZRB in 2004. This guarantee is not risky, SZRB pays loan instalment.

###### *Recording in national accounts*

Data on guarantees are available by individual guarantee. The Guarantees Database is managed by Specific State Operations Management Department of MoF. Non-risky guarantees are not recorded in the national accounts. Debt Assumption at the inception is in case of Hospital Debt. Case of interest payment at inception has not occurred.

##### 7.1.1.2 *Treatment of guarantees called*

###### *Recording in public accounts*

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<sup>12</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/product\\_details/publication?p\\_product\\_code=KS-RA-09-017](http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-RA-09-017)

## Specific government transactions - Guarantees, debt assumptions

In public accounts guarantee calls are recorded at the time of guarantee call performance as cash expenditure and at the same time receivable against relevant corporation is recorded. Recoverability is regularly assessed in public accounts and since 2012 are provisions recorded. In public accounts debt assumption is at the same time as guarantee call performance and this debt is paid immediately.

### ***Recording in national accounts***

Guarantees which are regarded as risky are assumed into Maastricht Debt. Starting point for quantification of assumed debt was detailed analysis of state guarantees granted in the past and which was carried out by MoF in 2003. Data source for this analysis was the evidence of state guarantees and guarantee calls performance by individual year which is managed by Specific state operations management department of MoF. Analysis was based on experiences of the employees of this department. On the basis of assessment of existing development of every individual guarantee it was possible to classify every guarantee by the level of risk. This level was based on existing guarantee call performance and assessed non-returnability of granted means.

Then it was possible to divide guarantees into group of zero risk and into group of other guarantees (mostly with 100% risk). The latter group is basis for quantification of debt assumption.

Assumed debt in individual year is calculated as sum of granted state guarantees in the value of percentage of risk, i.e. for 100% risk there is the whole amount of the guarantee recorded in the assume debt, for different percentage of the risk only proportionate part is recorded.

In the case of performed guarantee calls the cash expenditure is recorded in the national accounts.

#### *7.1.1.3 Treatment of repayments related to guarantees called*

##### ***Recording in public accounts***

Instalments of original debtor are recorded in public accounts as financial transaction.

##### ***Recording in national accounts***

Instalments of original debtor are recorded in national accounts as received capital transfer.

#### *7.1.1.4 Treatment of write-offs by government in public accounts of government assets that arose from calls, if any*

Claims on assets side were written-off in 2010 as one-off measure for all granted guarantees. Debt cancelation was carried out for non-financial corporations and receivables from guarantees on the asset side were written-off in the whole amount of 61,928 mill. EUR with the negative impact on deficit.

#### *7.1.1.5 Data sources*

Specific government transactions - Guarantees, debt assumptions

There is individual data available on stocks and flows by flow and by beneficiary. Interests from guarantees are recorded on budgetary account, principal on extra-budgetary account. Guarantees on the level of local guarantees are not granted.

### **7.1.2 Guarantees on assets**

#### *7.1.2.1 New guarantees provided*

Guarantees on assets are not granted.

*Recording in public accounts*

*Recording in national accounts*

#### *7.1.2.2 Treatment of guarantees called*

*Recording in public accounts*

*Recording in national accounts*

#### *7.1.2.3 Treatment of repayments related to guarantees called*

*Recording in public accounts*

*Recording in national accounts*

#### *7.1.2.4 Treatment of write-offs*

#### *7.1.2.5 Data sources*

## **1.2 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 ESA95 and further clarified in the Chapter III.2 on Capital injections and Chapter VII.2 on Debt assumption and cancellation of the ESA95 Manual on government deficit and debt.

### **7.2.1 New lending**

If any new lending is carried out it is granted as returnable financial aid to public corporations via extra-budgetary accounts (SFA - State Financial Assets). Data on every lending (stocks



**Specific government transactions** - Within the given period there were three sales of UMTS licences in years 2002, 2006 and 2011. In the year 2011 two Slovak mobile operators paid for an extension of their licences. The operation was treated as the sale of non-financial assets at the time the licences were allocated, with the positive impact on B.9. The proceeds constituted the income for Telecommunications Regulatory Authority of the Slovak Republic – the budgetary organization managed by The Ministry of Transport, Construction and Regional Development. The revenues were recorded on the capital account as K.22 (Acquisitions less disposals of intangible non-produced assets).

**Transactions with the Central Bank - Lump sum pension payments** - After the introduction of the second pillar in the Slovak Republic there were three possibilities given to the employees within this scheme to re-evaluate their decision on entering the scheme and if employees considered that they were no more interested to stay within this pension scheme they left the second pillar and transferred their contributions into first pillar scheme. This re-opening of the second pillar occurred in years 2008, 2009, 2012 and 2013. Related transferred contributions are recorded as D.99REC within national accounts.

Pension schemes

and transactions) is available. Data on stocks are based on balance sheets and data on transaction on statement FIN 1-12.

Loans are also granted by SFRB, Environmental Fund and in the smaller scale also by Social Insurance Company. In these cases aggregated data on stocks, transactions and corrections is available. Recoverability of granted loans from SFA is regularly checked by MoF (Specific State operations department of MoF for every granted loan).

Some of the granted loans are under ESA95 reclassified from financial transaction into capital transfer. There is a cooperation of SOSR and MoF regarding decision on the reclassification if there is the assumption that the loan is non-returnable or the debtor is unable to pay back.

Integrated data on stocks and flows of loans is available for all general government units. There was no case when the government receivables were recorded in the accounting of public corporations.

### **7.2.2 Debt cancellations**

In public accounts the debt is cancelled by Slovak Government decision on the basis documentation regarding non-returnability of receivables prepared by MoF. In the accounting the receivable is written-off in the whole amount including interests and correction related to claim is recorded.

Data on debt cancellations is available from MoF in accounting documentation on detailed list of stocks and flows, transactions and other changes by individual claim. Difference between change in stock and transaction is explained in the balance for individual government claim. Government claims are recorded as F.4, partly as F.7 in some cases. When debt cancellation occurs, the F.4 on assets side is decreased, possibly F.7, as well as interests and paid capital transfer is recorded in case of F.4. Debt cancellation under ESA95 is recorded even when no official decision exists, but there is an assumption that the asset is non-recoverable. Debt cancellation is recorded with the accrued interests at the time when there is the positive information on receivable non-recoverability. Provisions on claims from public bookkeeping are also reflected in the national accounts.

### **7.2.3 Repayments of claims**

Instalment of receivable is recorded as the financial transaction. Instalment of the receivable which is already written-off is recorded as received capital transfer. Repayments in kind are

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Pension schemes

recorded as expenditures on acquisition of non-financial assets or intermediate consumption. Data on stocks and flows is available from the accounting by individual claim.

#### **7.2.4 Debt write-offs**

The same data sources and accounting as for debt cancellations are applicable. Data is available for all government units. Debt cancellation is recorded even when no official decision exists, but there is an assumption that the asset is non-recoverable.

#### **7.2.5 Sale of claims**

There was no case of sale of claims at the level of state. Tax offices and Social insurance agency transfer the non-recoverable claims to Slovenská konsolidačná. In the past the price of the transferred claim was always 1 euro, only minimal value in thousands of Euros was eventually recoverable. In 2012 Slovenská konsolidačná valued transferred claims by their estimated real value and paid cash to original claimants.

### **1.3 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 ESA95 and clarified in the Chapter III.2 on Capital injections of the ESA95 Manual on government deficit and debt. 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.

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#### Pension schemes

The statement Fin 1-04 contains part on financial transactions where acquisition of new shares can be explicitly identified. Our source data enable us to see the unit which reported the value – expenditure related to acquisition of shares. The counter check is information in change if the item in the balance sheet (report Fin 2-04 (quarterly) and Uc Ropo, or Uc Pod (annual)). Increase of stock can be identified.

The source from MF SR consisting of list of capital injections is available annually before April EDP notification and is subsequently updated if necessary before October Notification. The list of acquired shares by central government bodies contains information on every unit which shares were acquired. In case capital is injected into public corporation the part of the capital injection in the amount in the accumulated losses (if any) is treated as D.9.

For local government we can identify party (S.13 unit) which acquires the stock. In case the amount is significant we investigate further.

## 1.4 Dividends

It is recalled, that the ESA95 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 ESA95 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.

Data source for dividends is statement FIN 1-04. In line with the budgetary rules the dividend is current receipt on the item 211003 of the budgetary classification, the item is recorded under the ESA 95 code D421REC. The budgetary classification is universal for every unit in S.13 and therefore it covers the whole sector and it is possible to identify the main receivers of dividends in S.13.

The budgetary classification is not sufficiently detailed to list receipts by company which paid out the dividends therefore additional details are needed. The two main units (grouping of units) receiving dividends are identified – the state budgetary organisations and the National

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Pension schemes

Property Fund. For both additional data are provided by MF SR on annual basis including super-dividend test. The data is available before spring EDP notification and later on the data could be updated.

The detailed table is available with the list of units paying the dividends. To determine the superdividends we use the information on profit/loss after tax for current period from accounting statements. The profit is adjusted by possible influence of sale of assets and by accumulation or dissolving of reserves. Comparing the adjusted profit with actual dividends paid the super-dividend is determined (in case the dividend paid out is higher than profit for the current period). Super-dividend is difference between dividends paid out and adjusted profit. Every unit in S.13 is covered by Revenue and expenditure statement therefore we can identify possible large receipts of dividends also municipalities. We do not carry out super-dividend tests for S.1313 units.

## 1.5 Privatization

The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter V.2 indicates that such indirect privatization proceeds are not government revenue.

Chapter V.3.1 of the ESA95 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 be considered as taking place on behalf of the government?

Institution which is mostly involved in privatisation of the state property is called Fond Národného Majetku (FNM, National Property Fund). This unit is classified within General Government Sector (namely sub-sector S.1311). The related privatisation income is not

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Pension schemes

recorded within the working balance. Separation of privatisation and sale of shares at state/local government level is possible. Transaction in F.5 due to privatisation is recorded on an accrual basis.

## 1.6 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. ESA95 Manual on government deficit and debt Chapter VI.5 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 is explained in annex II of ESA95 (see also chapter VI.4).

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.

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.

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Pension schemes

There is one PPP project for construction and operation of R1 highway in the Slovak Republic. PPP projects follow the measures set out in the Act on procurement. The Act defines concession as a contract on delivery of construction services and subsequent delivery of services. Right to use a construction for specified time is used as a for of compensation for construction services.

For operational leasing lessee acquires the right to use the asset for specified time period. In case of financial leasing there is no delivery of construction services neither operation services. In case of PPP private partner has a long term contract which covers both construction and subsequent operation and maintenance of the asset for a unitary payment. In case conditions specified in the agreement are not met the public partner applies sanctions.

In case of SR there is one PPP advisory institutions for parties interested in PPPs. Association for support and promotion of PPP. The institution is not part of S.13. The association provides legal services.

In case of SR theoretically PPPs can found be at regional as well as central government level. As of 15<sup>th</sup> November 2013 SO SR has information on one PPP project – construction and maintenance of R1 speedway. The information on PPP is directly received from the Ministry of Transport of SR and from the Ministry of Finance of SR. Assessment of the PPP is prepared by the ministry in question and by SOSR.

## 1.7 Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

Regulation 2558/2001 added a new annex to ESA95 which specified that: "*For the purpose of the Member States' reports to the Commission under the excessive deficit procedure..., "Government deficit" is the balancing item "net borrowing/net lending" of General Government, including streams of interest payments resulting from swaps arrangements and forward rate agreements. This balancing item is codified as EDPB9. For this purpose, interest includes the abovementioned flows and is codified as EDPD41of streams of interest payments.*"

*Eurostat guidance note on Financial Derivatives was published on 13 March 2008.*

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Pension schemes

### **7.7.1 Types of derivatives used**

Up to now the general government has been using long-term cross currency interest rate swaps.

### **7.7.2 Data sources**

Data source on swaps for the whole general government is statement FIN 1-04 and balance sheets. Some additional information is provided by MoF and also by National Bank of Slovakia. Interest flows related to swaps are recorded on an accrual basis and derivative related flows are recorded just on one side (asset respectively liability side).

### **7.7.3 Recording**

In 2012 and 2013 ARDAL (Agency for management and liquidation of debt) entered into long-term cross currency interest rate swaps to avoid interest and exchange rate risk resulting from foreign currency issuances in CZK, USD, CHF and JPY (all swapped to EUR). In 2012, a total of eight swaps were concluded, in the total face value of EUR 2.01 bn. In 2013, a total of six swaps were concluded, in the total face value of EUR 0.73 bn. The Recording of streams of interest payments from swaps are on an accrual basis. Terms and conditions of these swap contracts match up with the terms and conditions of the respective government bonds issuances as for value dates, maturities, amounts and currencies. All swaps were executed at market prices and there have been no swap cancellations.

## **1.8 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.

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Pension schemes

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.

There is one unit established in 2005 responsible for management and building highway infrastructure – NDS. The unit is classified in S.11. There is a vignettes system in the Slovak republic. Vignettes are linked to use period and to the specific type of road. In line with Eurostat decision we classify proceeds from the vignettes system as sale of service (P.1). In addition to the vignettes system applicable for cars under 3,5 t there is a toll system for vehicles heavier than 3,5 t. The payment is linked to kilometres made, type of the vehicle and load it can carry. This payment is considered as sale of service (P.1).

## 1.9 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.

There was one sale of emission permits (AAU) in 2008. This transaction was recorded in national accounts as K.22 (Acquisitions less disposals of intangible non-produced assets).

## 1.10 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.



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Pension schemes

MGDD part VI, chapter VI.3 is dealing with sale and lease back operations

There have not been any sale and lease back operations over the period 2000-till now.

### 1.11 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.

MGDD part V, chapter V.5 and the Eurostat decision of 25 June 2007, "Securitisation operations undertaken by general government" are dealing with securitisation operations.

There have not been any securitisation operations over the period 2000-till now.

### 1.12 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 life time of the license. In this case, the impact on government B.9 is spread over the duration of the license.

MGDD part V, chapter V.2 and Eurostat decision of 14 July 2000 on the allocation of mobile phone licences (UMTS) are dealing with the sale of UMTS licenses.

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### 1.13 Transactions with the Central Bank

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes, may generate capital gains for central banks which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses can not 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.

In recent years there were no transactions between S.13 and NBS.

### 1.14 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 ESA95 Manual on government deficit and debt.

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Pension schemes

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## 1.15 Pension schemes

Slovak pension system consists of the:

- **Universal pension system** - covers most of Slovak population (regular employees, self-employed, etc.)
- **Pension system of armed forces** - covers police officers, soldiers, intelligence service, etc.
- **Supplementary pension system** – no restriction on participation, fully voluntary

Overview of the Slovak pension system	
Universal pension system	Pension system of armed forces
<b>I pillar</b> PAYG, mandatory, defined-benefit (point system – earning related), <b>public</b> (S.13)	<b>Armed forces scheme</b> PAYG, mandatory, defined-benefit, closed, <b>public</b> (S.13)
<b>II pillar</b> fully-funded, defined-contribution, <b>private</b> (S.12)	
Supplementary pension system	
<b>III pillar</b> fully-funded, voluntary, defined-contribution, <b>private</b> (S.12)	

Obligatory pension schemes classified in general government sector consist of:

### Obligatory social security scheme

Payments of social contributions and pensions are realised by Social Insurance Agency according to the law No. 461/2003 Coll. in which participation is obligatory.

Financing of the scheme: contributions are paid by employers on behalf of their employees, employees, self-employed persons, voluntary contributors, from the state budget on behalf of persons defined by the law, National Labour Office (until 2003) and Social Insurance Agency.

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#### Pension schemes

The whole system of the first pillar including payments of social contributions and pension benefits is administered by the Social Insurance Agency which is an institutional unit classified in General Government sector (S.13, subsector S1314).

#### **Special pension security scheme (army and police)**

By the current act No. 443/2005 Coll. are contributions paid on special accounts of competent Ministries, which activity is to manage the police, Slovak Intelligence Service, National Security Authority (NBU), members of prison guards, members of railway police, customs officers and members of armed forces. Employees and employers on behalf of their employees are contributing to the specific social security extrabudgetary account. Special type of benefit is paid under this scheme which is called “pension for service”. Currently this scheme is classified in the General Government sector (S.13) namely in the Central Government subsector (S.1311).

#### **Social benefits and social assistance scheme**

Since 1994 wife's pensions, social pensions, increase of pension in case of disability and increase of pension in case of sole source of income are state benefits returned by government, financed from the state budget.

#### **Recording of the second pillar**

In 2005 funded pensions schemes (2nd pillar) were created, which are recorded in line with Eurostat's guidelines (outside general government sector).

The pension management companies themselves are classified in the Financial Corporations sector (S.12) namely in the Financial Auxiliaries subsector (S.124; according to ESA2010 in S.126)). The pension funds which represent the common property of participants to the scheme having no legal autonomy themselves are classified separately in the Financial Corporations sector under the subsector Insurance Corporations and Pension Funds (S.125; according to ESA2010 in S.129).

#### **One-off openings of the second pillar**

Between September 2012 and January 2013, the second pillar was “**opened**” for the third time. During this period participants were given a possibility to return back to solely first pillar with full pension rights (the condition was to transfer all savings into the first pillar).

**Specific government transactions** - Within the given period there were three sales of UMTS licences in years 2002, 2006 and 2011. In the year 2011 two Slovak mobile operators paid for an extension of their licences. The operation was treated as the sale of non-financial assets at the time the licences were allocated, with the positive impact on B.9. The proceeds constituted the income for Telecommunications Regulatory Authority of the Slovak Republic – the budgetary organization managed by The Ministry of Transport, Construction and Regional Development. The revenues were recorded on the capital account as K.22 (Acquisitions less disposals of intangible non-produced assets).

**Transactions with the Central Bank - Lump sum pension payments** - After the introduction of the second pillar in the Slovak Republic there were three possibilities given to the employees within this scheme to re-evaluate their decision on entering the scheme and if employees considered that they were no more interested to stay within this pension scheme they left the second pillar and transferred their contributions into first pillar scheme. This re-opening of the second pillar occurred in years 2008, 2009, 2012 and 2013. Related transferred contributions are recorded as D.99REC within national accounts.

#### Pension schemes

Also, people who did not participate in the second pillar were given a chance to enter it. Table below shows the number of people who entered and exited the second pillar during its past openings. The one-off effects of opening of the system were recorded under transaction D.9REC in the S.1314 accounts.

<b>Entry and exit into and out of the second pillar</b>								
<b>1<sup>st</sup> opening (2008)</b>			<b>2<sup>nd</sup> opening (2008/2009)</b>			<b>3<sup>rd</sup> opening (2012/2013)</b>		
Inflow	Outflow	<b>Difference</b>	Inflow	Outflow	<b>Difference</b>	Inflow	Outflow	<b>Difference</b>
22 804	106 437	<b>-83 633</b>	14 637	65 975	<b>-51 338</b>	<b>16 347</b>	89 576	<b>-73 229</b>

*Source: Social Insurance Agency*