Inventory of the methods, procedures and sources used for the compilation of deficit and debt data and the underlying government sector accounts according to ESA 2010

Spain

April 2025

Background

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

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

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

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States. This version introduces references to the ESA 2010 and the updates mirroring the changes introduced by the ESA 2010. It also includes changes introduced by the MGDD 2022 version.

Contents

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

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

1. General Government

This section describes the coverage of the General Government sector and the sub-sectors for Spain.

The general government sector is composed by four subsectors: S.1311, S.1312, S.1313 and S.1314. It includes:

1.1. Central government subsector (S.1311)

The central government subsector includes all administrative departments of the State and other central agencies whose competence extends normally over the whole of economic territory, except for social security funds units. This subsector consists of central budgetary organisations and other central organisations.

- The central budgetary organisations include:

  The *Administración General del Estado* (AGE, – General Administration of the State –) which may be considered the "parent company" of central government since it is the AGE which exert the control, directly or indirectly, on the whole central public sector. Its organisation and functioning are stablished in the Law 40/2015. AGE is functionally organised into ministerial departments which, each one, has its own heading in the Presupuestos Generales del Estado (PGE, General State Budget). The AGE, not the Ministries, has a unique legal personality though each Ministry has legal capacity to execute its budget. On top of AGE is the Council of Ministers headed by the Prime Minister.

  The *constitutional bodies* with different sections in the PGE: Casa de su Majestad el Rey (Royal Household of His Majesty the King), Cortes Generales (Parliament), Tribunal de Cuentas (Court of Auditors), Tribunal Constitucional (Constitutional Court), Consejo de Estado (Council of State), and Consejo General del Poder Judicial (General Council of the Judiciary).

  AGE-dependent funds without legal personality (regulated in Article 2.2 of the General Budgetary Law, GBL).

- Other central organisations set up by virtue of law, which depend on the AGE, include the bodies with separate legal personality which are considered to be government units for national accounting purposes. Under this heading we can find State agencies, self-governing bodies, enterprise entities, consortia, other public organisations, two public universities, corporations and foundations. They are also comprised non-AGE dependent Funds.

In 2023, the subsector consisted of 324 units.

1.2. State government subsector (S.1312)

The state government subsector consists of those public administrations which are separate institutional units exercising some of the functions of government, except for the administration of Social Security Funds, at a level below that of central government and above that of government institutional units existing at local level. There are 17 state governments, called Autonomous Communities. In addition to these 17 primary units, in 2023, 1294 government entities were classified in this subsector.

This subsector consists of central budgetary organisations and other central organisations.

- The state budgetary organisations are the following:

  The *17 Autonomous Communities*, together their legislative and other bodies set out in their Statutes of Autonomy, and which are incorporated into their budgets, including, where applicable, their dependent funds without legal personality.

- Other state organisations include:

  The *public universities* dependent on the Autonomous Communities. In 2023, 48 public universities were included in subsector S.1312.

  Other bodies dependent on the regions with separate legal personality and which have the consideration of government units for national accounting purposes. These entities operate under diverse legal forms, such as agencies, self-governing bodies, consortia, other public organisations, corporations and foundations.

In 2023, the subsector consisted of 1311 units.

1.3. Local government subsector (S.1313)

Local government subsector comprises local authorities (municipal, provincial and island), associations and groupings of municipalities, two autonomous cities sited in the north of Africa (Ceuta and Melilla) and the independent administrative and similar bodies reporting to them. Local government subsector includes the following units:

- Local budgetary organisations: local authorities regulated under the Local Rules Act (*Law 7/1985*), of 2 April 1985: Municipalities, Provinces, Islands, Metropolitan areas, entities grouping several Municipalities and municipal associations. This subsector also includes the autonomous cities of Ceuta and Melilla. In 2023, there were 12 982 local authorities.
- Other local organisations: bodies dependent on the local authorities, with separate legal personality and the consideration of government units for national accounting purposes. In 2023, these entities were 2 079 units. They have diverse legal personalities and functions: self-governing bodies, consortia, other public organisations, corporations and foundations.

1.4. Social security funds subsector (S.1314)

Social security funds subsector includes legal entities that undertake functions relating to the provision of social benefits. They are mainly financed by social contributions. All entities of the subsector S.1314 are classified as *Other social security institutions*. The units performing social security functions financed through general taxation (essentially healthcare services) are classified in the subsector to which the unit responsible for providing the service belongs (mainly S.1312).

This subsector comprises the following entities:

- **Social Security System**. This system consists of Entidades Gestoras y Servicios Comunes de la Seguridad Social and Mutuas de Accidentes de Trabajo y Enfermedades Profesionales de la Seguridad Social.

  Entidades Gestoras y Servicios Comunes de la Seguridad Social (Social Security Management Bodies and Common Services)

  They are public bodies with their own legal personality set up for the management and administration of benefits awarded by the Social Security System. The common services are created to ensure administrative coordination and for the performance of auxiliary and complementary management functions. They comprise the following units:

  a) ENTIDADES GESTORAS

  - Instituto Nacional de la Seguridad Social (INSS, National Social Security Institute), the management entity that deals with the management and administration of the financial benefits of the Social Security System.
  - Instituto Nacional de Gestión Sanitaria (INGESA, National Public Health Institute), the management entity that deals with health benefits in the cities of Ceuta and Melilla and the performance of other activities required for the normal functioning of its services.
  - Instituto de Mayores y Servicios Sociales (IMSERSO, Institute of Social Services and the Elderly), the management entity dealing with the social services supplementing the benefits of the Social Security System, and which manages issues relating to the elderly and dependent persons.
  - Instituto Social de la Marina (ISM, Social Marine Institute), the management entity handling the Special System for Seafarers.

  b) SERVICIOS COMUNES

  - Tesorería General de la Seguridad Social (TGSS, General Treasury of Social Security), a common service responsible for the management and collection of the sector revenue, mainly social security contributions.
  - Gerencia Informática de la Seguridad Social (GISS, IT Management of Social Security), a common service responsible for the management and administration of information and communication technologies in the Social Security System.

  Mutuas de Accidentes de Trabajo y Enfermedades Profesionales de la Seguridad Social (MATEPSS, -Mutual Funds for Work Accidents and Occupational Illnesses of the Social Security system-)

  They are entities that collaborate with the Social Security System and operate under the guidance and supervision of the Ministry of Labour and Social Economy. Their main function is to manage "professional contingencies": work accidents and occupational illnesses.

  In 2023, there were 21 MATEPSS.

- **Servicio Público de Empleo Estatal** (**SEPE**, State Public Employment Service). This is an autonomous central government body, currently attached to the Ministry of Labour and Social Economy, responsible for the management, development and monitoring of employment policy programmes and measures, under the provisions of the Royal Legislative Decree 3/2015, of October 23, which approves the revised text of the Employment Law. It is also in charge of the management and payment of the unemployment benefits.

- **Fondo de Garantía Salarial** (**FOGASA**, Wage Guarantee Fund). This is an autonomous administrative body attached to the Ministry of Labour and Social Economy and set up under

Article 33 of Statute of Worker Rights (RLD 2/2015), with the primary purpose of instituting a guarantee for wage claims in the event of employer insolvency. FOGASA is funded through social security contributions.

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

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 ESA 2010 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;
- publication of deficit and debt statistics.

Legal basis for the compilation of GFS and EDP data

The responsibilities for the compilation of GFS and EDP data have been laid down in the different laws related to Spanish statistics:

- Law 12/1989, of 9 May, on the Public Statistical Function
- National Statistical Plan: Royal Decree 1110/2020, of 15 December, establishing the National Statistical Plan 2021-2024.
- Annual Programmes, which develop the execution of the National Statistical Plan for each year.
- Autonomy Law of Banco de España: Law 13/1994, of 1 Jun 1994.
- Article 125 of the General Budgetary Law (GBL) 47/2003, dated 26 November, sets out the mandate of the Intervención General de la Administración del Estado (IGAE, General Intervention Board of the State Administration) as directing and management center of public accounting. Specifically, Article 125.2 g) states as responsibility of the IGAE '*To compile the national accounts of units classified in general government sector, according to the criteria of institutional delimitation and imputation of transactions laid down in the European System of National and Regional Accounts*.'

  Article 133 of the GBL also points out that with regard to the effects outlined in article 125 '*the public units will be obliged to provide the necessary collaboration and information for drawing up the economic accounts of the public sector, and any information established by national and Community regulations, in the field of national accounts of public units*'
- The first additional provision of the Organic Law *6/2013*, provides the creation of a Technical Committee of National Accounts (CTCN), composed of representatives of the National Statistics Institute, the Banco de España and the IGAE. The CTCN, without prejudice of and with full respect to the competences and duties of the bodies which make it up, can perform some functions in the field of sector delimitation of units. It can also appraise in NA terms economic transactions, in particular those related to PPP and concession contracts. In this sense, article 324 of the public procurement law entrust the CTCN the assessment of concession contracts in terms of their impact on budgetary stability.

  The functioning and organisation of this committee of national accounts has to be ruled by a statutory regulation to be adopted by the three bodies which form it. That regulation has not been, so far (September 2024), formally approved and published in the *Boletín Oficial del Estado* (Official State Gazette).

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[1] via the following tables (see the related EU legislation)[2]:
Table 2 – Main aggregates of general government (annual data)
Table 6 – Financial accounts by sector (annual data)
Table 7 – Balance Sheets for financial assets and liabilities (annual data)
Table 801 – Non-financial accounts by sector (quarterly)
Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (annual data)
Table 11 – Expenditure of General Government by function (annual data)
Table 25 - Quarterly Non-financial Accounts of General Government
Table 26 – Balance sheets for non-financial assets (annual data)
Table 27 – Quarterly Financial Accounts of General Government
Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government
Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables[3].

[1] https://ec.europa.eu/eurostat/data/database
[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1581327918231&uri=CELEX:32013R0549
[3] https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables

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

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

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

NSI - National statistical institute including units subordinated to the NSI (the latter is to be specified in comments)
MOF – Ministry of Finance/Economy including units subordinated to the MOF (to be specified in comments)
NCB – National Central Bank
Other – other national body, to be specified in comments

Instituto Nacional de Estadística (INE, National Statistical Institute) is the autonomous body responsible for compiling the National Accounts of the Spanish Economy under its responsibility (see below the competences of Banco de España and IGAE).

Regarding the EDP notifications, INE compiles data for Gross Domestic Product (GDP) at current market prices (B.1*g) in Table 1 and the Gross National Income (GNI) at current market prices (B.5*g) in Table 4.

Banco de España (BE, Bank of Spain) is the institution responsible for compiling the Financial Accounts of the Spanish Economy and the EDP debt of the General Government.

Regarding EDP notifications, BE compiles the public debt data set out in Table 1 and the contents of tables 3A-B-C-D and E and Table 4, except the aggregate B.5*g.

Intervención General de la Administración del Estado (IGAE, General Intervention Board of the State Administration) is responsible for compiling the national accounts data of the units that form the general government sector (as well as of the public non-financial and financial corporations subsectors).

Regarding EDP notifications, IGAE compiles data of public deficit/surplus (B.9), the data of interest (D.41) and gross fixed capital formation (P.51) notified in Table1, and the contents of Tables 2A-B-C and D.

Ministerio de Asuntos Económicos y Transformación Digital (Ministry of Economic Affairs and Digital Transformation), compiles the planned data for expected GDP in EDP Table 1.

The Tesoro Público (Public Treasury) compiles the planned data for EDP debt.

INE sends the EDP questionnaire to Eurostat, the Ministry of Finance to the European Commission and the Banco de España to the European Central Bank.

2.1.1 Existence of an EDP unit/department

There is not a single unit/department for the process of compiling of the EDP tables (see the previous section).

2.1.2 Availability of resources for the compilation of GFS data

Instituto Nacional de Estadística (INE). INE is the responsible for elaborating and disseminating the Spanish National Accounts (non-financial accounts). So, INE integrates the *General Government Accounts* carried out by the IGAE in the whole set of accounts of the Spanish economy. The Department of National Accounts is composed of 52 full time human resources to develop all these tasks.

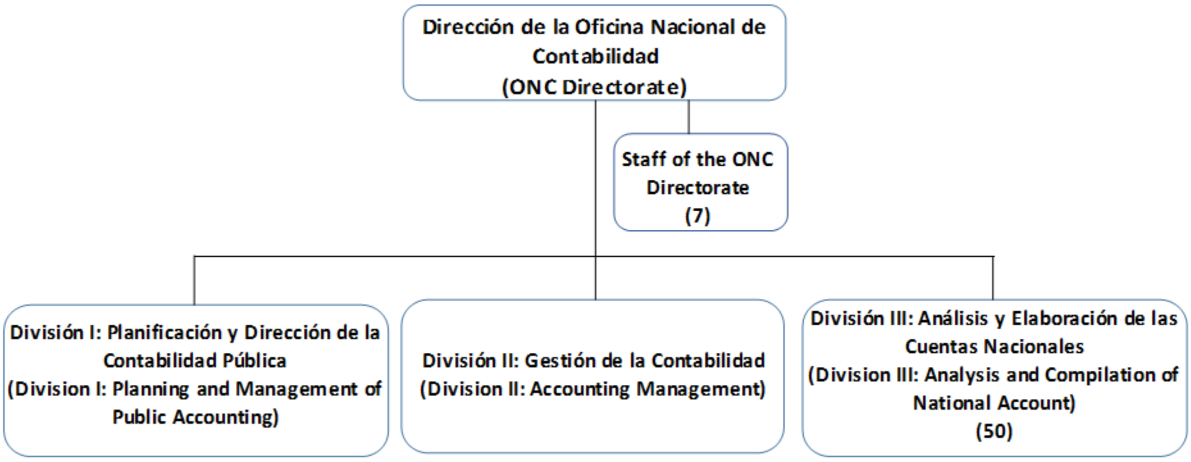
With regard to EDP, INE plays the role of coordinator of national notifications.

Intervención General de la Administración del Estado (IGAE). The entity, according to the legislation in force, is the control body of the economic-financial activity of the State public sector and the directive and management centre of public accounting. Its competences in regard to national accounts consist of compiling the national non-financial accounts of the whole government sector (S.13) and of each one of its subsectors. IGAE also draws up the national accounts of the public non-financial corporations subsector and the public financial corporations subsector, with the institutional delimitation criteria established in the European System of Accounts.

Within the IGAE[4], the Oficina Nacional de Contabilidad (ONC, National Accounting Office) is de directorate in charge of the compilation of GFS non-financial data (national accounts for general government and EDP tables), among other tasks.

[4] An organisational chart of the IGAE is available on the following website: https://www.igae.pap.hacienda.gob.es/sitios/igae/es-ES/QuienesSomos/Paginas/organigrama.aspx

The ONC organisation chart is as follows:



The ONC employs 136 officials of 57 are fully dedicated to national accounting tasks to cover the information needs of GFS, information required at national level as well as to provide data requested by international organisations.

The ONC assumes, among other tasks, the NA functions related to:

- The classification of public units in accordance with the ESA and compilation of the *Inventory of dependent entities on the subsectors that make up the general government sector*.
- The recording in national accounts of the transactions carried out by the public sector.
- The preparation and publication of analysis and reports on the economic-financial performance carried out by the general government sector and each of its subsectors.
- It develops the questionnaires to meet the accounting information needs, within the framework of national accounts, of the whole units classified in the regional government and local government subsectors.
- Government Finance Statistics (national accounts for general government and EDP tables), including the compilation of GFS tables 2, 9, 11 and 25 (under ESA Transmission Programme).
- Compilation of the accounts of the general government sector (S.13), and its subsectors; the economic accounts of public corporations classified in the non-financial corporations and financial corporations sectors; and the accounts of the territorial public administrations.

  It also draws up the quarterly non-financial accounts of S.13 and the monthly revenue and expenditure (and surplus (+)/deficit (-)) of the subsectors S.1311, S.1312 and S.1314.

- Statistics on public finances requested by other international organizations:
  - OECD
  - IMF

Banco de España. The responsibilities attributed to the Banco de España in the context of EDP statistics are carried out by the Statistics Department, part of Directorate Strategy, People and Data. In the Statistics Department, the Financial Statistics Division and, specifically, the General Government and other general statistics unit is the unit responsible for preparing the financial accounts and the debt of the General Government. In this unit, six employees are full time dedicated to this task, although there are other parts of the Financial Statistics Division and other Divisions and Departments of the Banco de España providing primary information.

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

IGAE, through the National Accounting Office, is the managing and directive body of public accounting. The General Accounting Plan for the Central State, Social Security and Local Entities is approved by the Ministry of Finance at proposal of IGAE. IGAE also has the power to develop, via Resolution, those General Accounting Plans. As for Comunidades Autónomas, they have the competence to regulate their public accounting standards, but with full respect to the public accounting principles contained in the Public Accounting Plan of the Central State which have the legal statue of frame Plan.

The whole public entities have to compile public accounts which comprise balance sheet, income statement, cash flow statement, change in equity statement, notes to the financial statements and a budgetary execution statement. The latter, only in case the entity is subject to a limitative and binding budget.

The individual accounts of the whole public entities have to be rendered to the Court of Auditors

Apart from the individual accounts of each one of the public entities, IGAE, since 2014, also compiles a full set of consolidated accounts, named as “Cuenta General del Estado”. The consolidation perimeter of the “Cuenta General del Estado” comprise the whole entities controlled by the Central State (AGE), irrespective of their NA sector classification, including the Social Security entities.

In the field of Comunidades Autónomas, they have to compile the “Cuenta General” that include, so far, their “Consejerías” which are the equivalent to Ministries in the Central State. We say “so far” because some Comunidades Autónomas are in the process of compiling consolidated accounts, starting, as a first stage, by including in the “Cuenta General” the entities within the administrative public sector (those subject to a limitative budget). Those Comunidades Autónomas are aimed, in the future, to include in the consolidation perimeter the public commercial entities and foundations under their control.

In the field of Local Corporations, the ones with over 50.000 residents have to compile, with effect for the 2023 accounting year, a full set of consolidated accounts including the whole entities under their control, not only the administrative public sector under their control.

The “Cuenta General” of the Central State (consolidated), Comunidades Autónomas and Local Corporations have to be rendered to the Court of Auditors by 30th October. The Court of Auditors performs an audit of the “Cuenta General” issuing an audit report that is sent to the Parliament which finally approve or reject the execution of the budget carried out by Government but approved by it (Parliament).

The public units included in *general government sector* have various legal forms and are subject to different accounting frameworks. The original sources used for the compilation of the sector accounts follow the different accounting systems the units are attached to. The legal framework relating to public accounts for each subsector is detailed below.

Central government

Article 121 of the General Budgetary Law (Law 47/2003, GBL) set out the public rules and principles applicable to the diverse bodies making up the state public sector[5], which can be split into three groups:

- Entities comprising the administrative public sector have to apply the public accounting principles set out in the General Public Accounting Plan (GPAP) provided that they are subject to a limitative and binding budget, which is the most common case. Otherwise, they have to apply a special regulation approved by IGAE which develops GPAP in order to adapt it to the special circumstances of an administrative public entity not subject to a limitative budget.
- Entities comprising the commercial public sector have to apply the accounting principles and standards contained in the Code of Commerce and the Spanish General Accounting Plan (for companies), as well as in its adaptations and provisions that develop it.
- Foundations within the state public sector have to apply the accounting principles and standards contained in the adapted General Accounting Plan for non-profit institutions.

The **General Public Accounting Plan** (GPAP) is drafted by IGAE and then approved by Order by the Minister of Finance. The current GPAP was approved by Order EHA/1037/2010 of 13 April 2010. This GPAP is intended to serve as a framework of principles and chart of accounts for all public administrations, including those within the Comunidades Autónomas.

To set the public accounting standards, IGAE used, as a model, the Spanish accounting plan for corporations, but updated to the special features of public entities that differentiates them from private commercial entities.

This Public Accounting Plan is, to a large extent, aligned with the International Public Sector Accounting Standards (IPSAS) developed by the International Federation of Accountants (IFAC). Anyway, there are some differences between both set of accounting standards.

The IGAE Resolution dated on 17 November 2011 approves the adaptation of the GPAP to the Administración General del Estado (AGE, -General Administration of the State-).

The GPAP follows the accrual principle for the compilation of the statement of financial position, the statement of financial performance and the equity change statement. It follows the cash principle for the compilation of the cash flow statement. Finally, GPAP follows the budgetary principle for the compilation of the budgetary execution statement.

The budgetary principle used to compile the budgetary execution follows the enforceability principle, under which the recording of budgetary revenue and expenditures is as follows:

- Budgetary revenue is recorded (imputed to the budget) when the tax self-assessment is filed by the taxpayer, or when the Tax Agency approves and notifies the taxpayer a tax liquidation as a consequence of its inspection and/or management activity. Revenue, other than taxes, is recorded in the budget when the cash claim arises.
- Budgetary expenditure. In case of bilateral expenditure, as a consequence of the purchase of goods and services, the expenditure is imputed to the budget according to the “servicio hecho” rule. So, the expenditure is imputed to the budget when the supplier/provider delivers the goods and services and those are received in conformity by the public body/entity.

  For unrequited expenditures (transfer and subsidies), they are recorded (imputed to the budget), when the cash claim arises for the transferee and accordingly the obligation to pay

[5] As defined in Article 2 of the GBL.

arises for the public entity. That is to say, when the payment becomes demandable according to the stipulations provided in the rules under which the transfer was approved.

Interest expenditure is imputed to the budget at the date the interest payment is due.

Regarding commercial public entities, they follow the **General Accounting Plan** (GAP) for Spanish companies approved by Royal Decree 1514/2007, of 16 November 2007. The GAP uses the accrual accounting principle, and it is adapted to the International Financial Reporting Standards (IFRS).

The rules for adapting the GAP to non-profit institutions and the model of action plan for non-profit institutions were approved by Royal Decree 1491/2011, of 24 October 2011.

Furthermore, other provisions have been introduced such as the Order EHA/733/2010 on accounting aspects of public companies operating in certain circumstances which establishes additional requirements for the compilation of government accounts.

State government: Autonomous Communities

At state (regional) level, the autonomous communities have the powers to develop the structure of their own public sector, determine the applicable public accounting system and adopt their own general public accounting plans. Anyway, their public accounting standards must be consistent with the GPAP of the Central State public sector which provides the public accounting framework for the different levels of government.

The autonomous communities have some dependent entities that, because of their statute and activity, are subject to the accounting principles and standards contained in the Code of Commerce and the General Accounting Plan for Spanish companies or to the adaptation of the General Accounting Plan for non-profit institutions. As it is the case of the central State, we refer to corporations and public entities not subject to a limitative and binding budget.

Local government

The Texto Refundido de la ley Reguladora de las Haciendas Locales, approved by Real Decreto Legislativo 2/2004 (Recast Local Government Finance Act), establishes that local entities and their autonomous bodies shall be subject to the public accounting system under the terms provided in the legislation.

It also states that companies in which local authorities have a controlling interest will be subject to the system of public accounts, without prejudice to any adaptation of the provisions of the Code of Commerce and other commercial legislation and the applicable General Accounting Plan for Spanish companies.

Therefore, the applicable accounting system is the same as set out in the GBL for the state public sector since the MOF, at the IGAE's proposal, approves the general accounting standards to which the local entities and their autonomous bodies must adjust (Accounting Plan for Local entities). This Plan also determines the structure and justification for the accounts, statements and other public accounting documents.

The Orders HAP/1781/2013 and HAP/1782/2013, of 29 September 2013, approved the instructions for the normal and simplified model of local accounts. The main objective of these orders was to adapt the accounting standards for local authorities to the principles set out in GPAP of 2010, which replaced the Accounting Instructions approved in 2004 (Orders EHA/4041/2004 and EHA/4042/2004 of 23 November 2004) and modified Order EHA/4040/2004 for the basic local accounts. The model used by local authorities is determined by two representative variables of the dimension of local entities: population and the size of their budgets.

Some local entities have dependent bodies that, because of their statute and activity, are subject to the accounting principles and standards contained in the Code of Commerce and the General Accounting Plan for Spanish companies or the adaptation of the General Accounting Plan for non-profit entities.

Social Security Funds

Implementation of the GPAP in Social Security has required prior adaptation. Under Article 125.3 b) of the GBL of 26 November 2003 (Law 47/2003), the General Intervention board of the Social Security is responsible for adapting the General Public Accounting Plan to the entities that form the Social Security System and submitting it for the approval of the IGAE.

The Resolution from IGAE dated 1 July 2011 approves the adaptation of the General Public Accounting Plan to the entities that make up the Social Security System.

2.2.2 Auditing of public accounts

2.2.2.1 *General government units*

As a rule, all the public entities accounts, other than corporations and foundations, are subject to a yearly audit performed by Intervención General of the Public Administration the entity is attached to. In the case of the central State, it is the National Auditing Office, within IGAE, which performs the audit. The National Auditing Office follows the international auditing standards. The audit report is mandatory and is issued prior to the formal approval of the accounts.

In case of corporations and foundations (public or private), the audit report on their accounts is only compulsory for those which surpass two out of the three following thresholds:

- Total assets: 2.850.000 euro
- Turnover: 5.700.000 euro
- Average number of employees: 50

In the case of foundations, the thresholds are the following:

- Total assets: 2.400.000 euro
- Turnover: 2.400.000 euro
- Average number of employees: 50

The individual accounts of the whole entities within the public sector have to be rendered to the Court of Auditors via the corresponding "Intervención General" (IGAE in the case of the Central State) by 30th July. Apart from that, the "Intervención General" renders to the Court of Auditors the "Cuenta General" of its respective Administration by 30th October, which in the case of the Central State is consolidated. So, the "Cuenta General del Estado" is a full set of consolidated accounts which include in its perimeter the social security entities and the whole entities under the control of the Central State (AGE).

Then, the Court of Auditors performs an audit on the "Cuenta General" whose report is sent to the Parliament which proceeds to approve or reject the "Cuenta General", closing the budgetary circle. That way, the Parliament, which approved the public budget, proceeds to approve or reject the execution of that budget carried out by Government.

Regarding the compilation of public accounts undergone to audit, it is worth mentioning, for public entities subject to a limitative budget, the recording of expenditures accrued but not imputed to the budget, as well as the recording of provisions and contingent liabilities. The process is ruled by article 159.1g) and Rule 52 of the Order on Accounting Operation. So, the managing bodies must report IGAE a list of the expenditures accrued in the past accounting period but not imputed to the budget. Under such circumstances we can find:

- Expenditures accrued in budgetary terms but not imputed to the budget. The reasons for that may be, among others, because of the cut-off date to record in the budget is 31 December and past that date it is not legally possible to record them in the budget; or because there was not budgetary appropriation available to impute that precise expenditure.
- Expenditures accrued in financial terms, not in budgetary terms.

The managing bodies, together with the legal services of the State, have also to provide IGAE with a list of the cases that could give rise to the recording of a provision or a contingent liability.

Then, IGAE, through the National Auditing Office, proceed to review under audit techniques the list sent by the managing bodies and the legal services. The aim of the audit is both, to verify if the list is right, this is to say if the expenditures and contingent liabilities reported were accrued/actual; and more importantly, if there are other expenditures already accrued (or other cases of provisions and contingent liabilities) not included in the list provided.

The procedure above mentioned is also performed in the regions (Comunidades Autónomas) by their respective “Intervenciones Generales”.

Furthermore, the whole public entities in Spain, apart from the account audit, are also subject to other types of control carried out by the “Intervenciones Generales” over its financial activity. The intensity of those control varies depending on the legal form of the entity. The type of these other controls varies from:

- Oversight prior to the execution of any expenditure.
- Performance and procedures audits.
- Legal compliance audits.
- Grants audits.

2.2.2.2 Public units, not part of general government

The system of internal and external control applies to all public units, regardless of whether they are included in the general government sector. The above section is therefore applicable to public units classified in the public corporation subsector.

In general, the audit reports are published on the website of the entity, and if they are limited liabilities companies, these reports altogether with their financial accounts are submitted to the Commercial Registry. In addition, the whole public entities accounts are published in the IGAE website.

2.3. Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 Agreement on co-operation

The three institutions responsible for preparing EDP notifications -INE, BE and IGAE- are coordinated in the CTCN, set up under the First Additional Provision of the Law 6/2013 of 14 November 2013 (see part 2 Institutional arrangements, section Legal basis for the compilation of GFS and EDP data).

The cooperation through CTCN is carried out without official procedure because the statutory regulation of the function of this CTCN has not been adopted yet.

2.3.1.2 Access to data sources based on public accounts

Access to public account information is done in different ways, depending on the subsector in question.

Central government

The IGAE, in its role as management centre for public accounting, is responsible for managing the accounting system of the State and for centralizing the accounts information from the different entities that constitute the Public Sector of the State (article 125 of Law 47/2003).

Hence, IGAE, through the National Accounting Office, is the accountant of the central State itself. As concerns the public administrative entities (in general subject to a limitative budget) IGAE is not the accountant, but it has access in live time to their accounting records since they all use the same accounting IT system which is provided and managed by IGAE.

As for the rest of the entities belonging the public sector, not subject to a limitative budget, they use their own accounting IT systems and accordingly IGAE has not direct access to their accounting records. These entities have to send IGAE in a monthly basis[6], when they belong to S.13 in NA, their accrued balance sheet and income statement (from 1st January to the end of the corresponding month) and a set of specific questionnaires which enable IGAE to compile their revenue and expenditure, in NA terms; individually and consolidated within S.13.

IGAE publishes in a monthly basis the NA items of revenue and expenditures and ensuing B.9 balance of the central government subsector with a time lag of 60 days. In the case of the central State (AGE) which accounts for, respectively, 94% and 96% of the whole S.1311 revenue and expenditure, there is a 30 days' time lag for the publication of its NA data.

Apart from the aforementioned, the IGAE also publishes, in a monthly basis, with 60 days' time lag, the revenue, expenditure and corresponding B.9 balance of the Social Security subsector, the S.1312, consolidated and individually for each of the 17 Comunidades Autónomas; and in a consolidated manner the revenue, expenditure and B.9 balance of S.13 excluded S.1313.

By drawing up monthly national accounts, it is therefore possible to monitor both the basic information and the transactions with specific treatment in the national accounts, which improves the quality of the annual data of the EDP.

State government

The Budgetary Stability and Financial Sustainability Act of 27 April 2012 (Organic Law 2/2012) authorises the Ministry of Finance to obtain from the Comunidades Autónomas and local entities the information required to comply with the provisions of this Act and with European standards. Ministerial Order HAP/2105/2012, dated on 1st October 2012, lays down the obligations for entities and Comunidades Autónomas to supply the information required by IGAE to compile national accounts and to follow up the situation and evolution of them in terms of financial stability and sustainability. It is to be underscored that under this regulation:

- The submission of information by the Comunidades Autónomas and local entities is centralised through the corresponding regional/local 'Intervención General' or equivalent unit to IGAE in its respective administration. The questionnaires are no rendered in a consolidated manner (e.g. the whole Comunidad Autónoma or Local entity), but individually for each one of the public entities within S.1312 or S.1313 of the respective Comunidad Autónoma or local entity.

  The questionnaires are submitted electronically with an electronic signature. Specifically, through standardised models. These models are completed through bulk upload systems

[6] For public entities classified in S.11 or S.12 the delivery to IGAE of the accounts and specific questionnaires is made in a quarterly basis.

developed through the Virtual Offices for Financial Coordination with the Autonomous Communities and Local Entities.

- The autonomous communities are required to submit monthly information within fifteen days after the end of the reference month. However, when the information relates to December, the deadline for submission is extended to 31 January of the following year.

  The information collected in a monthly basis is contained in 67 different standardised questionnaire models. As a matter of summary, the content of the questionnaires is:

  - The budgetary execution statement for bodies and entities subject to a limitative budget.

    Here, it is shown the revenue and expenditure accrued, in budgetary terms, and the corresponding cash flows, differentiating those which are referred to revenue and expenditure accrued in the current year, from those referred to previous years.

  - Expenditure accrued, in financial terms, but no imputed to the budget, together with the corresponding cash outflows.

  - For entities not subject to a limitative budget, the balance sheet as at the end of the reference month and the income statement from 1st January to the end of the month at which it is referred the questionnaires.

  - Diverse additional information, that enable IGAE, among others, the consolidation and verification of internal transactions, not only within the Comunidad Autónoma itself, but also within the corresponding subsector and, ultimately, the whole S.13.

The IGAE uses this monthly information to prepare the monthly revenue, expenditure and the net lending/net borrowing of the state government subsector and the corresponding Comunidad Autónoma, which are published approximately 60 days after the end of the reference month. By preparing monthly national accounts, it is possible to continuously monitor both the basic information and certain operations with specific treatment in the national accounts, which leads to improved quality in the annual data of the EDP.

Similarly, the information for March, June, September and December is used for compiling the quarterly accounts of the state government subsector, which are integrated into the quarterly non-financial accounts of general government sector and sent to Eurostat by INE, in compliance with EU Regulations.

To prepare the data to be sent in the first EDP notification of each year (April), the information obtained from the standardised accounting information questionnaires is used, in accordance with the ministerial Order, on 31 January of the following year. After this deadline for submission of the required information, the autonomous communities may send updated information to the IGAE as a result of:

- IGAE requests, if it observes gaps or missing data in the information submitted. These requests are made after analysis of the data initially sent by the autonomous communities. Their purpose is to guarantee the reliability of the available data.
- On the initiative of the autonomous community when, following the closing of its accounts, it obtains updated information that differs from that sent at the end of January.

This updated information is taken into consideration for preparing the data submitted in EDP notifications. Thus, EDP notifications are made with the information received as close as possible to the date that the data is sent to the Commission and Eurostat as part of the April EDP Notification.

Subsequently –but before 30 April of the year after the one to which the information relates– the autonomous communities are required to re-send the annual information updated

(December month). This information is used to prepare the second Excessive Deficit Procedure Notification (October).

The annual information received is similar to the monthly information, except that now, for units subject to the General Accounting Plan or its respective sectoral adaptations, the balance sheet, profit and loss account and diverse additional information required to calculate the deficit/surplus in national accounts terms as well as expenditure by function are available.

The above information must be submitted by all units classified in the *state government subsector* (S.1312) in the terms of the European System of Accounts, as defined in the Article 2.1 of Order HAP/2105/2012.

For the preparation of the final annual accounts in national accounts terms, the autonomous communities must also submit their General Accounts and Annual Accounts. This information relates to units forming part of the state government subsector (S.1312) and any regional public sector units that are not general government bodies in national accounts terms. This information must be submitted within fifteen days of sending it to the Court of Auditors and, in any event, before 20 November of the year following that to which it relates. The Ministry of Finance may enable the mechanisms required for electronic submission.

Local government

As it is the case of Comunidades Autónomas, Ministerial Order HAP/2105/2012 sets out the obligations of local entities as regards the provision of financial information. Specifically, before the last day of the month following the end of each quarter, local entities must submit standardised information whose content is comparable to that of the autonomous communities.

This quarterly information is used to compile the quarterly accounts of the local entities, which are integrated into the quarterly accounts of general government sector and sent to Eurostat, in compliance with EU Regulations on quarterly accounts, within three months of the end of the reference quarter.

The annual information sent by local entities before 31 January is used to complete the first Excessive Deficit Procedure notification (April).

This information is subsequently updated by the local entities after 31 March of the year following the settlements and is used as the basis for preparing the data of the second EDP notification (October).

The obligation to forward this information extends to units within the local government subsector in ESA terms. Specifically, this refers to the local authorities included within the subjective scope of 2.1, Order HAP/2105/2012.

Lastly, before 31 October of the year t+1, the local entities must forward their General Accounts and the approved Annual Accounts of the entities within the scope of this Order. In other words, the Annual Accounts and General Accounts of all local units covered under articles 2.1 and 2.2 of the Order[7] should be forwarded, regardless of whether they are included in the local government subsector. Furthermore, local entities must submit their General Accounts to the Tribunal de Cuentas (Court of Auditors) before 15 October of the year following that to which it relates, and in case of Regional Court of Auditors before the date established in the regional law.

[7] 2.1. The Autonomous Communities and Local Corporations in accordance with the definition and delimitation of the European System of National and Regional Accounts…
2.2 The rest of the public business entities, mercantile companies and other entities dependent on the Autonomous Communities and Local Corporations, not included in the previous section, they will be subject to the provisions of the rules of this Order that specifically refer to them.

Social security funds

The management functions of public accounting in the scope of the entities comprising the Social Security System (Entidades Gestoras y Servicios Comunes plus MATEPSS) will be exercised by IGAE through the IGSS (Intervención General de la Seguridad Social, Article 125.3 LGP). The management functions of public accounting in the scope of the other entities comprising the social security funds subsector will be exercised by IGAE (Article 125.1 LGP).

The keeping of the accounting records of Entidades Gestoras y Servicios Comunes is exercised by IGAE through the IGSS. The keeping of the accounting records of MATEPSS, SEPE and FOGASA is exercised by each of them and provided to the IGSS and the IGAE.

For the social security funds subsector, the IGAE has access to the Sistema de Información Contable de la Seguridad Social (SICOSS), which includes all accounting records of the Social Security System.

By preparing monthly national accounts, it is possible to continuously monitor both the basic information and the transactions with specific treatment in the national accounts, which improves the quality of the annual data of the EDP.

To prepare the data for transmission in the first EDP notification of each year (April), information relating to December received before 31 January of the following year is used.

To prepare the data to be sent in the second EDP notification of each year (October), the updated information provided by the units classified in the subsector is used.

2.3.2 Publication of deficit and debt statistics

2.3.2.1 Publication of EDP data

The EDP notification tables are published in April and October on the IGAE website after their formal validation by Eurostat. The main aggregates of general government (and its subsectors) are published at the end of March and September. If the final/amended version of EDP data changes after the assessment process with impact on B.9, this publication is immediately updated.

Banco de España disseminates on its website information about the debt of General Government and the reconciliation between net borrowing and the change in debt, i.e. of the institutional units classified in the General Government sector and, separately, information on the debt of the units reporting to General Government (public producers) which are not classified as General Government. The public debt and an advanced calendar are published in a bilingual Spanish/English edition on the Banco de España website with a time-lag of 11-12 weeks in the case of quarterly information referred to general government and a time-lag of 1 month referred to monthly debt of State and 75 days referred to advanced monthly general government debt.

The Banco de España statistics provide General Government indebtedness both in absolute figures and in relative terms with respect to GDP. National GDP is used in respect of the total debt of the sector and its sub-sectors, and regional GDP is used to obtain the ratio corresponding to each regional (autonomous) government. In both cases, the source of GDP is the INE's publications of Spanish National Accounts and Spanish Regional Accounts. However, since the regional GDP data are updated with a lag in respect of the national GDP data, for the years in which data on regional GDP were not available, the procedure used to calculate each regional (autonomous) government's debt/GDP ratio comprises distributing national GDP according to Spanish National Accounts according to the structure of regional GDP for the last available year. Although, this procedure may generate distortions in regional aggregates since not all regional (autonomous) governments grow at the same rate, it is not considered that this limitation will significantly alter the ratios in respect of the GDP of each regional (autonomous) government.

2.3.2.2 Publication of underlying government ESA 2010 accounts

Non-financial accounts:

IGAE presents the non-financial transactions and balancing items of the general government sector in different formats and with different levels of detail during the accounting year.

The following information for general government sector and its subsectors is published:

- Non-financial transactions of general government sector and its subsectors: These tables present the information contained in Table 2 but in the form of revenue and expenditure, and the balancing items as pro-memoria.
  - Annual (Table 2): Published by 31 March and 30 September each year, consistent with the data included in the EDP notifications forwarded to Eurostat. In the event of corrections in the process of validation of data by Eurostat, this table is updated with the amended version of EDP data. In the case of S.1312 subsector, the information is disaggregated by autonomous community.

    The link to metadata is the following:

    https://www.igae.pap.hacienda.gob.es/sitios/igae/es-ES/Contabilidad/ContabilidadNacional/Paginas/InformeOperacionEstadisticaAnual.aspx
  - Quarterly data published (cumulatively) at the end of March (Q4), June (Q1), September (Q2) and December (Q3). In the case of S.1312, by autonomous community.

    The links to metadata and reports are the following:

    https://www.igae.pap.hacienda.gob.es/sitios/igae/es-ES/Contabilidad/ContabilidadNacional/Paginas/InformeOperacionEstadisticaTrimestral.aspx

    https://www.igae.pap.hacienda.gob.es/sitios/igae/es-ES/Contabilidad/ContabilidadNacional/Publicaciones/Paginas/itnofinancierasAAPP.aspx
  - Monthly: In addition, the non-financial transactions of S.1311, S.1312 and S.1314 subsectors are published monthly. In the case of S.1312 by autonomous community.
- Accounts of general government sector and its subsectors:
  - Annual accounts. Published at the end of the year, these accounts are consistent with the data included in the October EDP notification forwarded to Eurostat.

    The accounts corresponding to final data of year t (published in December t+2) incorporate detailed information on each transaction (main components). The details of the subsidies (D.31 and D.39) and current and capital transfers granted by the State, the central governments bodies and the subsectors state government and social security funds are also published.
  - Quarterly accounts (Table 25). Published at the end of March (Q1, Q2, Q3 and Q4), June (Q1), September (Q1 and Q2) and December (Q1, Q2 and Q3).
- Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Subsector (Table 9). Published in October.

  The link to metadata is the following:

  https://www.igae.pap.hacienda.gob.es/sitios/igae/es-ES/Contabilidad/ContabilidadNacional/Paginas/InformeOperacionEstadisticaImpuestos.aspx

- Expenditure of General Government by function, COFOG (Table 11).

  The links to metadata and reports are the following:

  https://www.igae.pap.hacienda.gob.es/sitios/igae/es-ES/Contabilidad/ContabilidadNacional/Paginas/InfomeOperacionEstadisticaCOFOC.aspx

  https://www.igae.pap.hacienda.gob.es/sitios/igae/es-ES/Contabilidad/ContabilidadNacional/Publicaciones/Paginas/iacogof.aspx

Among other publications related to the general government sector, the IGAE also publishes the inventory of units dependent on the subsectors that make up the general government sector.

All the information produced by the IGAE in the matter of national accounts is also published in the *Central de Información Económico-Financiera de las Administraciones Públicas* (Economic-Financial Information Centre), institutional portal of the Ministry of Finance.

https://www.hacienda.gob.es/es-ES/CDI/Paginas/centraldeinformacion.aspx

INE publishes non-financial accounts of general government in the context of institutional sectors accounts, both quarterly and annual, with the delays pointed out in the EU Regulations.

Financial accounts:

Banco de España publishes in its website the quarterly Financial Accounts of the Spanish Economy including the financial accounts of the General Government. This publication includes a breakdown by sector and sub-sectors, instruments according to ESA2010, stocks, transactions, other changes in volume and revaluations. This publication includes notes describing methodological issues:

https://www.bde.es/webbe/en/estadisticas/temas/cuentas-financieras.html

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 ESA 2010 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[8]: net borrowing(-)/net lending(+)(B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41) .

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

3.1.1 Compilation of Maastricht debt

3.1.1.1 Specification of debt instruments

The detail of debt instruments used to compile EDP debt distinguishes:

- Currency and deposits (coin issuance by State, -central government-)
- Debt securities by original maturity (in euro and currencies other than euro):
  - Short-term
  - Medium and long-term
- Loans and credits granted by resident credit institutions by original maturity (in euro and currencies other than the euro):
  - Short-term (12 months or less)
  - Medium and long-term (more than 12 months)
- Loans granted by non-residents, rest of the world (in euro and currencies other than the euro)

The valuation rules used are as follows: the short, medium and long-term debt securities are recorded at their nominal (face) value; credits only include the part drawn down. In both cases, where the currency in which the debt securities are issued or in which the credit is arranged is not the euro, they are converted into euro applying to the currency in which the debt securities were originally issued or in which the credit was arranged, the exchange rate of that currency at the end of the period to which the outstanding balance refers.

As regards long-term trade credit (at inception) on the liabilities side, they are classified as AF.4 when there is evidence of their existence. There are not deposits or bonds with capitalised interest carried out by general government.

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

3.1.1.2 Data sources used for the compilation of Maastricht debt

The scheme below shows the breakdown of instruments and data sources used:

<table>
<tr><th colspan="2">Instruments (liabilities)</th><th>Statistical source</th></tr>
<tr><td colspan="2">Currency and deposits: coin issuance</td><td>Banco de España.</td></tr>
<tr><td rowspan="3">Debt securities: marketable debt securities</td><td>Short-term securities issued in euro</td><td rowspan="3">Banco de España.
Information compiled by Banco de España through:
- General Secretariat of the Treasury and Financial Policy
- Official Gazettes of the State and Regional (autonomous) Governments
- National Securities Market Commission
- Stock exchanges
For issues in currencies other than the euro information from the balance of payments and data from specialist agencies, such as Reuters, are used.</td></tr>
<tr><td>Long-term securities issued in euro</td></tr>
<tr><td>Securities issued in currencies other than the euro</td></tr>
<tr><td colspan="2">Loans granted by resident financial institutions</td><td>Information compiled through the Banco de España's Central Credit Register, obtained from the data reported by lending credit institutions. For the State, the source is the General Secretariat of the Treasury and Financial Policy. The information on imputed loans by public-private partnerships and other infrastructure financing methods comes from the Spanish National Audit Office (IGAE). Since December 2012, non-recourse factoring is included, the source for which is the Central Credit Register.</td></tr>
<tr><td colspan="2">Loans granted by the rest of the world</td><td>Statistics on credits and loans granted by non-residents based on the data, which for statistical purposes, must be sent by general government units to the Banco de España's Statistics Department on economic transactions and external financial assets and liabilities (Circular 4/2012 of 25 April 2012). For the State, the source is the General Secretariat of the Treasury and Financial Policy.</td></tr>
</table>

Regarding the sources of information for central government and social security funds, the statistics on public debt are from direct sources. The data are monthly and are available with a time-lag of one month. For State (Regional) and Local Government the information is also monthly, available with a time-lag of 45 days and the sources are indirect (mainly: Book entry system for the public debt; Banco de España’s databank for stock markets; statements of the credit institutions, Central Credit Register of the Banco de España and statements of the Balance of payments and International investment position). Nevertheless, on a quarterly basis, for the State (Regional) government and the thirteen main municipalities (Local Governments), there is a quarterly process of checking with each of them in order to eliminate any discrepancy there might be with the internal records of these Governments. The process finishes around 75 days after the end of the quarter to which the figures refer and at this time that information is published.

3.1.1.3 Amendments to basic data sources

There are not amendments to basic data sources other than those dedicated to correct errors discovered. The data sources used provide data valuated at nominal (face) values and, therefore, it is not needed any adjustment to compile EDP debt.

Counterpart information is used to compile and check EDP debt and the financial accounts to elaborate the deficit-debt adjustment.

The information about other changes in volume due to reclassification of units and instruments is introduced directly at the time of the reclassification.

3.1.1.4 Consolidation of Maastricht debt

In the consolidated debt, the positions between the various subsectors have been eliminated (inter-flows and positions). This affects to:

- The outstanding amounts of debt securities issued by State (Central government) and hold by Social Security Funds.
- The loans granted by State (Central Government) to Other Central Government Bodies.
- The securities hold by Other Central Government Bodies of securities issued by State (Central government).
- The loans granted by State (Central Government) to Social Security Funds.
- The loans granted by the Fund for the Financing of Payments to Suppliers (FFPP), classified as central government, to Regional (Autonomous) state governments and local governments that have entailed a reduction in the other accounts payable by both these tiers of government.
- The loans granted by the Regional Liquidity Fund (FLA), classified as central government, to Regional (Autonomous) State Governments mainly used to refinance debt redemptions.
- The Financial Fund for the Financing of regional (Autonomous) governments and the Financial Fund for the Financing of local governments were created at the beginning of 2015 and have assumed the outstanding debt of the former FLA and FFPP funds until December 2014.

The information used to compile the positions between subsectors is provided by the units involved in managing the funds and there are not amendments to basic data. This information is cross checked.

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 ESA 2010.

3.2.1. 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 ESA 2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

The Working Balance (WB) of EDP T2A, defined as the State budget balance of non-financial operations, includes the following central budgetary organisations, as defined in section 1.1:

- The Administración General del Estado (AGE, -General Administration of the State-)
- The constitutional bodies with different sections in the Presupuestos Generales del Estado (PGE, -General State Budget-)

The operations of AGE-dependent funds without legal personality are not included in the WB; instead, they are recorded in the adjustment lines of the *Non-financial transactions not included in the working balance* heading.

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*
		T + days	*T+months*		*cross appropriate cells*		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	M	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
A	M	T+30	T+11	(6) Balance sheets		X	X
C	M	T+30	T+11	(7) Cash flow statement			X
				Other Reporting			
				(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 columns 1, 2, 3 and 4 mean that the data source does not exist.

As manager of the public accounts, the IGAE has direct access to the State Accounting Information System. This system provides daily reporting on State operations. However, for national accounts, only the monthly information is processed.

All the information available is used in the preparation of the data submitted in the notifications of April and October.

The starting point in Table 2A is the *State budget balance of non-financial transactions,* defined in paragraph 3.2.1.1. These data are obtained from the budgetary implementation of the year. In April (n+1) and October (n+1) EDP Notifications, the data of year n are provisional. The final data of year n are included in the October (n+2) EDP Notification.

Other basic sources used, in addition to budget information, are the following:

- Information included in the public accounting of "the State": accrued interests and operations registered in account 413 *Creditors by accrued operations.*
- Transactions undertaken on behalf of the State by ICO and CESCE.
- Information relative to the operations of the funds without legal personality.
- Information on military equipment deliveries.
- Transactions through public-private partnership (PPP´s) and others are also used.

3.2.1.1 Details of the basic data sources

Data sources used for compilation of national accounts

The WB, defined as the State budget balance of non-financial transactions, is the starting point for B.9 calculation. As explained above, the State budget includes transactions made by the Administración General del Estado and by the constitutional bodies with separate sections in the budget.

The IGAE, as manager of the public accounts has access to the most detailed level of the State Accounting Information System and to the data on implementation of the State budget. Therefore, for the development of the State accounts in terms of ESA, the following information is available and used:

Detailed information on the economic classification of revenues and expenditures

Resolution dated 19 January 2009 of the Directorate-General for Budget, setting the codes that define the economic classification, which comprise the operations contained in items 1-9 of the revenue budget and 1-9 of the expenditure budgets:

REVENUE BUDGET

Non-financial transactions:

Chapter 1. Direct taxes and social contributions
Chapter 2. Indirect taxes
Chapter 3. Public tariffs, charges and other income
Chapter 4. Current transfers
Chapter 5. Equity income
Chapter 6. Disposal of real investments
Chapter 7. Capital transfers

Financial transactions:

Chapter 8. Financial Assets
Chapter 9. Financial Liabilities

EXPENDITURE BUDGET

Non-financial transactions:

Chapter 1. Personnel costs
Chapter 2. Current expenditure on current goods and services
Chapter 3. Financial expenses

Chapter 4. Current transfers
Chapter 6. Real capital expenditure
Chapter 7. Capital transfers

Financial transactions:
Chapter 8. Financial Assets
Chapter 9. Financial Liabilities

Thus, the WB, defined as the State budget balance of non-financial transactions, does not include the financial transactions contained in Chapter 8 "Financial Assets" and Chapter 9 "Financial Liabilities" of the budget.

The economic classification of the budget allows:

(1) Prepare the various headings of revenue and expenditure for each category of the European System of Accounts.

(2) Identify the different categories of financial assets. The financial assets recorded in the budget are analysed and, where appropriate, reclassified as non-financial expenses in the national accounts, in the relevant adjustment lines of the EDP questionnaire.

(3) Identify transactions with specific treatment in the national accounts.

Detailed information on the functional classification of revenues and expenditures

This information is used to compile the classification of expenditure transactions using the Classification of the Functions of Government (COFOG).

Information on the beneficiaries of subsidies, grants, transfers and other payments made from the budget

In particular, detailed information is available on flows with the other units included in the general government sector. This information is used for proper consolidation of transactions between general government subsectors.

Working balance (WB)

As mentioned in section 3.2.1.1, the WB is the starting point for compilation of B.9 for main central government unit.

3.2.1.2 Statistical surveys used as a basic data source

Statistical surveys are not used to compile the State's non-financial accounts. All the information needed is available. This particular circumstance is favoured by the fact that the IGAE, the institution that completes the non-financial part of the EDP questionnaire, is also the managing centre of public accounting in this sector.

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 ESA 2010 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.

In addition to budgetary information, there is supplementary data sources from units that carry out certain transactions in which the State is involved. This information is generally available as part of the information submitted by units classified in other subsectors, especially the comunidades autónomas (state government subsector) for transfers between both levels of government, or is directly requested from specific units that relate to the general government sector, regardless of their classification in national accounts. This is the case for capital injections made by the State to corporations, included in National Accounts in the sector of non-financial corporations, to which we can request detailed information about these contributions in order to classify them as financial or non-financial transactions.

In the compiling process of the debt and financial transactions, information of financial institutions is used to check data.

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

The preparation of "the State" non-financial accounts in accordance with the methodology of ESA2010 require complementary information to that recorded in budget outturn. This is the case, for instance, of those transactions by the Treasury that, although at the time of being carried out imply items of expenditure and revenue, are temporarily recorded in the non-budgetary accounts, pending their incorporation into the budget at the end of the financial year. In accordance with the methodological criteria established in ESA2010, these expenditure and revenue transactions are recorded in the national accounts of the financial year in which they take place, and not in the financial year when they are allocated to the budget.

It can also be pointed out that a supplementary data source is the information supplied from the Treasury's current account at the Banco de España. Through this account the expenditure and revenue of the Spanish State is channelled, as well as certain special accounts in which some specific transactions are recorded.

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

For the preparation of "the State" financial accounts and debt, in practice, there are two sources of information for every instrument, and for certain instruments there is also a third source. This means that a ranking of sources must be established when compiling the data.

The criterion used gives, in principle, priority to primary (direct) information sources. In the financial assets side, the instruments for which complementary information has been used are Money and banking statistics for Currency and deposits, securities issues statistics and budgetary information for debt securities and the Central Balance Sheet Data Office for stocks and budgetary information for transactions for the item equity and investment fund shares. In the liabilities side, information from Banco de España tested with budgetary information has been used for the item Currency and deposits

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 that 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.

These are mainly the funds without legal personality regulated under Article 2.2 of the GBL. Given that they lack legal status, these funds are not considered institutional units in the national accounts and their transactions are recorded directly in "the State".

Non-financial flows recorded in EBA

Existing legislation establishes the accounting standards for these funds and the annual audit of its accounts by the IGAE. Thus, complete information is available on the operations performed by these funds.

The operations of funds without legal personality (whether revenue or expenditure) are not included in the WB and are entered instead in specific adjustment lines in Table 2A (section: *Non-financial transactions not included in the working balance*). The main non-financial revenue recorded in these funds are interest followed by taxes on production, other current transfers and capital transfers. On the expenditure side, and without particularly notable differences, intermediate consumption, interest, and current and capital transfers are the main transactions recorded.

In general, the potential economic flows between “the State” and these funds are recorded in the budget as financial transactions and, consequently, they are not included in the WB. In all events, these flows are known and consolidated, since the funds are considered as an integral part of “the State” for the purposes of national accounts.

Financial flows recorded in EBA

The operations carried out by these funds are not included in the "WB". These transactions are mainly loans (development loans, loans to other subsectors of general government, etc.) and some asset contributions. In the case of the FADE (Fondo para la Amortización del Déficit Eléctrico -Electricity Deficit Amortisation Fund-), sums due for collection generated and assigned by the original holders (the utility companies) are recorded as other accounts receivable (F.8).

In the preparation of the national accounts, these operations are recorded as financial or non-financial applying the same criteria used in operations performed directly by “the State” (see section 7.3 of this Inventory).

These funds do not generally incur liabilities on their own account other than possible accounts payable (F.8, liabilities), since they obtain funds from “the State” to finance their activity. The FADE is an exception to this as it makes bond issues (F.3, liabilities) that are included in government debt for the purposes of the Excessive Deficit Procedure (EDP).

The IGAE and the BE carry out the coordinated processing of the financial transactions performed by these funds for their inclusion in the financial statements and Table 3A/3B of the EDP Questionnaire.

3.2.2. Data sources for <u>other</u> 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).

In addition to “the State", the central government subsector includes the "other central government units", comprised of all bodies dependent on “the State”, with separate legal personality and classified as central government units for national accounting purposes. These bodies have different legal forms: agencies, autonomous bodies, consortia, other public organisations, corporations and foundations.

These units can be grouped under three main headings:

- Entities that constitute the administrative public sector: budgetary principles, and rules and principles established in General Public Accounting Plan. Section (3) in the Table 3.

- Entities that constitute the public corporations sector: accounting principles and rules established in the Business Code and the General Accounting Plan for Spanish Companies. Sections (5) and (6) in the Table 3.
- Foundations of the State public sector: accounting principles and rules collected within the adaptation of the General Accounting Plan to non-profit making entities. Sections (5) and (6) in the Table 3 below.

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*			
				Budget Reporting		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
A	M	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X
				(4) Balance sheets		
				Financial Statements		
A	M	T+30	T+11	(5) Profit and loss accounts	X	X
A	M	T+30	T+11	(6) Balance sheets	X	X
				(7) Cash flow statement		
				Other Reporting		
				(8) Statistical surveys		
				(9) Other:		

See notes to table 2, on the used abbreviations.

The recording criterion for other central government units is the accrual basis, as established in the General Public Accounting Plan and in the General Accounting Plan for Spanish companies. The accounting rules for the information provided by Financial Institutions depends on the administrative records of Banco de España but, normally, is that of the accrual basis for transactions and nominal/market values for stocks.

For organisations, public law entities, corporations and public foundations included in sub-sector S.1311, monthly information is received on these through electronic procedures (Order HAP/2161/2013 dated 14 November 2013). This information is used to prepare the monthly accounts of sub-sector S.1311 in national accounts terms.

By preparing monthly national accounts, it is possible to continuously monitor both the basic information and the operations with specific treatment in the national accounts, which improves the quality of the annual data of the EDP.

To prepare the data to be sent in the first EDP notification of each year (April), information on December received before 31 January of the following year is used.

To prepare the data to be sent in the second EDP notification of each year (October), the accounts drawn up by the units and sent electronically to the IGAE are used.

The final accounts of these units are included in the General Account of "the State" submitted before 31 October of the year following that to which it relates. This final information is used in the preparation of the final accounts reported in the second EDP notification of the following year.

All the information available at the time is used in the preparation of the data submitted in the notifications of April and October. As noted above, these units, which adjust their accounts to the General Accounting Plan for Spanish companies, have a period of six months to render the accounts of the previous financial year. Therefore, previously to the EDP April notification, they produce a preliminary report of their annual accounts that includes the differential of the balance sheets, the profit and loss account and additional information about relationships with the general government sector. These data are updated afterwards for compiling the information to be sent in October.

3.2.2.1 Details of the basic data sources

The information available for those units that make up the administrative public sector is similar to that available for the State.

The information submitted by the rest of the entities consists of the balance sheet, profit and loss account and specific questionnaires with the necessary breakdowns to prepare the national accounts.

The information submitted is used to:

- Prepare the various headings of revenue and expenditure for each category of the European System of Accounts.
- Identify the different categories of financial assets. The financial assets recorded on the balance sheet are analysed and, where appropriate, reclassified as non-financial expenditure in the national accounts, in the relevant adjustment line of the EDP questionnaire.
- Identify transactions subject to special treatment in the national accounts.
- Identify the beneficiaries of subsidies, grants, transfers and other payments made from the budget, particularly flows with other government units for consolidation.

3.2.2.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic data source (see 3.2.2.1).

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 ESA 2010 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.

For compiling non-financial accounts, the main information is obtained from the annual accounts of these units but is completed by data of the transactions undertaken by these units with other agents, mainly from the General Government sector.

The debt of these units is compiled using information provided by Financial Institutions to Banco de España in the framework of its duties and obligations. This information is also used to check the financial transactions.

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

For the preparation of the non-financial accounts of these units, the report of activities during the financial year is used as well as the annual accounts (balance sheets and profit and loss account). Also, the auditor’s report for the corporation is requested.

3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

For the preparation of the financial accounts, the additional information used in the financial assets side has been monetary and financial statistics for currency and deposits, securities issue statistics for debt securities and the Central Balance Sheet Data Office for equity and investment fund shares. In the liabilities side, the Central Credit Register has been used for loans granted by resident sectors and the Balance of Payments and International Investment Position for the loans granted by the Rest of the World.

3.2.3 EDP table 2A

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

3.2.3.1 Working balance - use for the compilation of national accounts

The "Working Balance" in Table 2A of the EDP questionnaire is defined as the “Balance of non-financial budget operations of the State”. It is the starting point for calculating the balancing item B.9. See 3.2.1.1.

3.2.3.2 Legal basis of the working balance

There is no specific regulation on the non-financial budget balance (WB). It is obtained from the difference between the non-financial revenue of the budget (Chapters 1-7) "recognised rights" and non-financial expenditure (Chapters 1-7) "recognised liabilities". These concepts are regulated in the General Budgetary Law, Articles 80.2 and 73.4, respectively:

- Recognised rights. Recognition of the right is the act that, in accordance with the regulations applicable to each specific resource, declares and settles a credit in favour of the General State Administration, its autonomous bodies or the management entities and common services of Social Security.
- Recognised liabilities. The recognition of the obligation is the act by which the existence of a demandable credit against the State Public Treasury or against Social Security is declared, derived from an approved and committed expense and that entails the corresponding payment proposal.

They are several publications recording the non-financial expenditure and the non-financial revenue of the State budget, in order to compile (by difference) the working balance (EDP Table 2A).

The initial budget (initial credits for covering expenditure and expected revenue) is approved by Parliament.

Budget implementation is subject to internal control by the IGAE. Control (audit) is extended to account *413 Creditors by accrued operations* in accordance with Article 159 of the GBL (see 2.2.2).

The result of the budget implementation, recorded in the General Account of the State, is subject to external control by the Tribunal de Cuentas (Court of Auditors).

In this regard, in accordance with the statutory time limits, the General Account of the State is submitted to the Court of Auditors before 31 October of the year following that to which it relates. The Court of Auditors has six months in which to review and verify the General Account.

Therefore, any gaps observed by the Court of Auditors in the general account of the year "n" can only be taken into account in the preparation of the final accounts, which are reported in the October (n+2) EDP notification.

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 ESA 2010 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 reported in the WB that must be excluded from the General Government sector (S.13).

There are no units reported in the WB belonging to another subsector of General Government sector (S.13).

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

The *Other central government bodies* comprise all bodies dependent on “the State”, with separate legal personality and considered government units for the purpose of national accounting.

Each of these units is treated individually. Therefore, in the framework of the ESA, all transactions and the balancing items of the accounts are available for each of them, and, in particular, the deficit or surplus (B.9).

The net lending/net borrowing (B.9) of all these units is included in Table 2A of the EDP questionnaire under the section *Net lending (+) / net borrowing (-) of other central government bodies*. Among these units, we can distinguish between:

(1) Units that are subject to a limited budget and that, according to the legislation in force, have to formulate their annual accounts in accordance with public accounting principles. These annual accounts include the current outturn of the budget, and separate detailed budgets for expenditure and for the revenue of the entity. The revenue budget is reflected in the *Revenue* line and the expenditure budget in the *Expenditure* line.

    A series of adjustments are made to the final budget balance based upon the application of the ruling principles of national accounts in order to obtain the net lending (+) / net borrowing (-) of these units. The total of these adjustments (included the reconciliation between transfers received with the data of the paying authority) is reflected in the *Adjustments* line.

(2) Units that are subject to the application of the accounting principles and rules detailed within the Business Code and the General Accounting Plan for Spanish companies, or the accounting principles and rules detailed in the adaptation of the General Accounting Plan for non-profit making entities. The sources used for calculating the net lending (+) / net borrowing (-) of these units are the annual accounts that according to the legislation in force have to be completed. This net lending/net borrowing is also reflected in the *Adjustments* line.

3.2.3.4 Accounting basis of the working balance

In general, the criterion for recording non-financial transactions is close to the accrual basis, so that budgetary expenditure (and revenue) are recorded when the obligation to pay (right to cash) arises and not when the payment is made. In this way, goods and services supplied by suppliers are imputed to the budget when they are delivered, provided that the goods and services meet the criteria set out in the contract.

According to this principle, expressed in the General Public Accounting Plan, the temporal allocation of the transactions should be made according to the real flow of goods and services implied, and not when the monetary or financial flow occurs. Therefore, it is understood that the expenditure and revenue transactions take place when the rights and obligations that they originate arise.

The budget obligations resulting from acquisitions, works, services, benefits or expenses shall be charged to the general budget of the year in which they are made and charged to the respective credits; the rights are charged to the budget of the year in which they recognize or settle.

However, the assignment of the rights and obligations to the corresponding budget will require that, previously, the administrative procedures be completed for acknowledging the right or obligation derived from the economic fact.

This last paragraph implies that, in some cases, in budgetary accounting the recording criteria applied do not fully coincide with the principle of the accrual basis. Such is the case of interest payments that are incorporated into the budget at the time of their maturity, which is when the administrative procedures are completed for acknowledging the right or obligation.

In addition, public accounting standards provide that, at least at the end of the financial year, although they were not concluded the administrative procedures for acknowledging the budgetary right or obligation, the income and expenses accrued until that date should also be recognized in the income statement and the balance sheet (not in the budgetary execution statement). In the case of expenses, the account 413 *Creditors by accrued operations* includes, for each year, the amount of accrued expenses but not charged to the budget. The change in the balance of this account is used to determine the adjustment line *Other non-financial operations not considered in the budget of the year* of Table 2A (see 3.2.3.5).

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

As mentioned in previous section, interest payments are incorporated into the budget at the time of their maturity, although according to the General Public Accounting Plan the amount accrued is recorded in the financial year.

The difference between the interest charged to the budget (based on a cash basis) and accrued interest (recognized in public accounting) leads to adjustments recorded in *Difference between interest paid (+) and accrued D.41 (-)* of Table 2A.

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

Other accounts receivable (+)

Two adjustments are recorded in this section:

- *Temporal adjustment in taxes.* Taxes recorded in the S.13 accounts are derived from cash receipts. Certain taxes are time-adjusted so that the cash is attributed when the activities took place to generate the tax liability (see section 6.1.1). In the financial accounts, this adjustment is recorded as other accounts receivable.
- *COVID Deferrals.* During 2020 and 2021, one of the tax measures introduced against the impact of the COVID-19 pandemic consisted of the temporary tax deferrals.

  These deferrals of tax obligations gave rise to making ad-hoc adjustments to annul the effect on the government revenue (and the deficit) that these deferrals of the payment of the tax implied in the period in which the activities, transactions, etc. took place to generate the tax liability. These ad-hoc adjustments were recorded in the financial accounts as other accounts receivable. These adjustments have ended in 2022.

Other accounts payable (-)

Two adjustments are recorded in this section:

- *Tax reimbursements*. This item reflects the correction of tax reimbursements due to the difference between the submission of claims and the payments of tax refunds. Income of the budget are reduced by the tax reimbursements when they are paid. In national accounts, tax reimbursements have to be recorded when they are requested. Therefore, at the end of each period, the amount of the unpaid refunds, which is deemed to be due, must be recorded as reduction of income of the corresponding tax.
- *Deferred Tax Assets (DTAs) recognized as payable pending payments.*
  In the WB, deferred tax assets are recorded as lower tax income when the payment is actually made. In national accounts, the lower income is recorded when requested by the taxpayer, that is, when obligation arises. If the period when the DTA becomes a claim does not coincide with that of its actual recovery by the taxpayer, it is necessary to make an adjustment to public revenue, reflected in the financial accounts as other accounts payable.

3.2.3.4.3 Other accrual adjustments in EDP T2

There is not any other accrual adjustments reported in EDP T2.

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

Under the adjustment *Non-financial transactions not included in the working balance* the following headings are included:

- The item *FONPRODE and FIEM Operations* captures operations chargeable to these funds. In national accounts, these operations are considered to be transactions directly undertaken by the Spanish State (see section 3.2.1.4).

  Prior to 2011, the operations currently carried out by the Fund for the Promotion of Development (FONPRODE) and the Fund for the Internationalisation of Enterprise (FIEM) were performed by the FAD (Fondo de Ayuda al Desarrollo -Development Aid Fund-).
- *FRRI: Risk on behalf of the State.* The Fondo de Reserva de los Riesgos de la Internacionalización (Internationalization Risk Reserve Fund) is a fund without legal personality that is responsible for covering, on behalf of the State, the risks of the internationalization of the Spanish economy. In national accounts, the operations made through this fund are considered to be carried out by the State (see section 3.2.1.4).

- *Other funds which are not institutional units* includes the operations carried out by funds that are not independent legal entities from “the State”, excluding those mentioned above (see section 3.2.1.4).
- *Other non-financial operations not considered in the budget of the year* includes Account 413 “Creditors by accrued operations”. It details the obligations derived from expenditure actually made, or from goods and services received, which have not yet been inserted in the budget, but that ultimately have to be.

  When it is necessary, this item also includes any other operations not reflected in the WB, or in any other adjustment items.
- The item *Transfers to Social Security* includes pending transfers to Social Security. The State contributes to the budget of the Social Security the amount related to benefits that, at all times and in accordance with current regulations, are included in the non-contributory social security. However, the mismatch between the costs incurred by such benefits and the funds provided by the State (in WB) produce gaps that should be financed and lead to positive or negative adjustments.

  This adjustment in “the State” does not involve variation in the deficit of General Government sector, since the more/less State expenditure is compensated by a higher/lower income in the Social Security Funds subsector.

3.2.3.6 Financial transactions included in the working balance

In general, the working balance does not include financial transactions. However, there is some exceptions recorded under *Equity, sales (-)* and *Other financial transactions (+/-)* of this section.

Equity, sales (-):

- In the WB, revenues from the distribution of business profits or accumulated reserves are included. For EDP purposes, only revenues coming from the distribution of ordinary results are considered dividends. Therefore, those dividends distributed charged to extraordinary income or accumulated reserves, must be excluded from the WB in order to obtain the B.9 balance. This adjustment is made in *Equity, sales* line.

  Public companies that distribute a significant volume of dividends are analysed annually for the purposes of determine whether these amounts should be recorded as dividends or super-dividend according to ESA 2010. If these incomes are super-dividends in the framework of ESA, the corresponding adjustment to the WB is made.
- When the capital gains from the sale of financial assets are entered in the working balance (as revenue), according to ESA 2010, these economic flows are no recorded in the non-financial accounts. Consequently, if this type of income occurs, it must be excluded from the WB through the corresponding adjustment

Other financial transactions (+/-)

- *Net settlement under swaps contracts (+)/(-).* The budget includes as income/expense the positive/negative result derived from SWAP contracts. The ESA states that payments resulting from any kind of swaps arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Consequently, this line includes the adjustment necessary to neutralize the corresponding entries included in the budget.
- *Premiums at issuance on public debt, including coupon sold.* Interest payments should be recorded according to the accrual criteria, and particularly those associated with public debt.

The latter (accrual basis) are estimated by the Sub-directorate General for Public Debt Financing and Management and are recorded in D.41p. Premiums at bonds issuance are recorded in the WB as budget revenue (cash basis). Therefore, they should be excluded since the estimate of D.41p includes them and in accordance with the criteria set up in the ESA 2010.

3.2.3.7 Other adjustments reported in EDP T2

This section includes the following adjustments:

- The item *Capital injections into public corporations and others* includes the adjustment made for capital injections of "the State" to corporations included in the general government sector as well as to units included in the sector of non-financial corporations, for compensating losses or for financing unprofitable investments. In public accounting, both transactions are recorded as financial transactions, whilst in national accounts they are recorded as non-financial transactions.
- The *Adjustments due to the differences with cash income in taxes and in other income* include both the differences between the cash of taxes and the recording in the WB of these taxes, as well as the cash adjustment of other income included in the WB. The latter relate to, among others, late payment interests, penalties, surcharges, transfer, sales, etc.
- The item *Re-routed items relating to SEPI* captures capital injections made by SEPI (Sociedad Estatal de Participaciones Industriales) to its companies for covering losses (financial stabilising) or for outsourcing labour engagements that are recorded in national accounts as non-financial transactions, affecting the government deficit.
- The item *Military equipment expenditure* includes the time-adjustment made for the difference between the budget recording and the deliveries of military equipment.
- The item *Advances to Comunidades Autónomas and Corporaciones Locales and others* are interim payments that the Spanish State makes to the state and local government subsectors, and which are not included in the budget of expenditure of the Spanish State (until the final amount of financing that corresponds to the different comunidades autónomas and corporaciones locales in each financial year is known). In relation to national accounts the net variation of the balances that are not inserted in the budget are detailed. This adjustment also includes other adjustments related to transfers between different subsectors of general government sector.
- The item *Other adjustments* correspond to different operations reflected in the WB on a different basis to that set out in the ESA 2010 and MGDD framework: auctioning of emissions allowances, EU own resources (VAT, GNI and plastics own resources), grants from EU budget, sale of mobile phone licences, reclassification of loans as non-financial transactions, etc.

  Specific operations that do not occur every year are also included in this item, such as reclassification in the sector of assets associated with PPPs, standardised guarantees or the MRR-RRF adjustments.

3.2.3.8 Net lending/net borrowing of central government

As mentioned above, the WB is the starting point for calculating the central government balance B.9. Subsequently, the preceding adjustments are made in order to apply the criteria of ESA to obtain the B.9 balancing item.

3.2.4 EDP table 3B

3.2.4.1 Transactions in financial assets and liabilities

EDP tables 3B are derived directly from the quarterly Financial Accounts of the Central Government sector compiled and published on the Internet by Banco de España in the framework of the Quarterly Financial Accounts of the Spanish Economy (FASE). Additional information about issuances above/below par, differences between interest (D.41) accrued and paid and redemptions of debt above/below par is included in these tables and the same information is used in Financial Accounts in market value calculations.

In the FASE, the financial transactions for the items loans and equity and investment fund shares are not split into those granted or acquisitions and repayments or sales and, for this reason, in EDP tables 3 this information is provided on the basis of budgetary information and estimates.

Table 4. 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.8**	**F.2**	**F.3**	**F.4**	**F.5**	**F.6**	**F.7**	**F.8**
	Calculation of transactions													
Transaction data (integrated in public accounts)	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Other transaction data	X	X						X	X	X				
Stock data														
	Calculation of stocks													
Transaction data			X				X				X			X
Stock data	X	X		X	X	X		X	X	X		X	X	

Direct information is the sole source data for Central Government. The sources used are not different for the annual and quarterly financial accounts (actually, the BdE only compiles quarterly financial accounts) and, summarizing, these sources, their frequency and timeliness are:

a. *Financial assets*:

F2. Currency and deposits: Budgetary information, Money and banking statistics and Banco de España, the frequency is monthly and the delay is one month.

F3. Debt securities: Budgetary information and Securities market statistics, the frequency is monthly and the delay is one month.

F4. Loans: Budgetary information, the frequency is monthly with one month of delay.

F5. Equity and investment fund shares: Budgetary information for transactions and Central Balance Sheet Data Office of the Statistics Department for stocks. The frequency is annual for stocks with four months of delay and for transactions the frequency is monthly with one month of delay.

F8. Other accounts receivable: Budgetary information, the frequency is monthly with one month of delay.

b. *Liabilities:*

F2. Currency and deposits: Information from Banco de España tested with budgetary information, the frequency is monthly and the delay one month.

F3. Debt securities: Securities market statistics (for the nominal values this information is tested with budgetary information). The frequency is monthly and the delay one month.

F4. Loans: Budgetary information, Central Credit Register (resident lenders) and Balance of Payments and International Investment Position (non-resident lenders). These statistics are compiled on a monthly basis with a delay of one month.

F8. Other accounts payable: Budgetary information, the frequency is monthly.

In relation to the valuation of financial instruments, ESA methodology establishes that the valuation of financial balance sheets or stocks of financial assets and liabilities shall be at market price. The items most affected by this type of valuation are equity and investment fund shares and, to a lesser extent, debt securities.

The practical application of this rule poses difficulties in the case of those instruments where said valuation cannot be calculated directly. Indeed, market price can only be accurately recorded in the case of securities quoted on IBERCLEAR (these are the bulk of debt securities in circulation) or on other organized markets, those with reasonable liquidity, and listed shares. Estimates have been made for the remaining securities. The valuation methods used for the main instruments affected by this rule are discussed below. Evidently, these valuations are identical for a financial instrument insofar as it is a financial asset and insofar as it is a liability; nonetheless, since the availability of sufficiently detailed information differs for securities issues and portfolios, the estimation procedure followed in each case shall be separately discussed.

a. Debt securities

All those securities with a high degree of liquidity (the case of State -Central Government issues), have been valued at market prices. Financial transactions have been obtained as the difference between issuance and redemptions at their respective issue and redemption prices. Accrued interest has been added in the case of issues at a discount and interest accrued less interest paid in the case of other issues.

b. Equity and investment fund shares

The ESA lays down the following valuation principles for equity and investment fund shares: a) general principle: valuation at current prices, which may be approximated by calculating the current, or discounted, value of future profits ; b) listed shares are valued at observed market prices; c) unlisted shares are valued with reference to the valuation of listed shares, taking into account the difference between these types of shares (basically their liquidity) and considering the sector and reserves accumulated; d) other equity is either valued at the value of own funds or at nominal value.

These valuation criteria have been applied in the following way: a) listed shares have been valued at the market prices observed on stock markets (market capitalization); b) in the case of unlisted shares, the valuation of listed shares in the same sector has been used as a reference, provided that the corporations whose shares are quoted are representative of such sector. When they are representative (e.g. in the case of banks), the market value of unlisted shares has been estimated by applying the capitalization/own funds ratio of listed shares to the own funds of unlisted shares. When they are not representative the discount rate implicit in the valuation of listed shares has been used as a reference to estimate the market value of unlisted shares and c) other equity has been valued at the value of own funds or book value.

In relation to the procedures followed, the value of unlisted shares issued by non-financial corporations has not been obtained by applying the ESA recommended ratio (capitalization/own funds ratio of quoted corporations of a similar size and activity) owing to the narrowness of the Spanish stock market, which prevents the valid application of this ratio to unquoted corporations. Discounted value of future income is used for valuation of unquoted equity. Following on from this, the value of unlisted shares in circulation issued by public limited companies classified in the sector non-financial corporations has been estimated taking the discounted current value of the flow of expected ordinary profits. The discount factor applied includes, implicitly, expected long-term interest rates, a risk premium (encompassing the risks associated with the possibility of these corporations going bankrupt, with the lack of liquidity of the shares involved and with other factors) and the expected nominal growth rate of profits. Anomalous cases are stripped out of these calculations. In practice, the discount rate used, inferred from the behaviour of the valuation of the quoted corporations, is equivalent to applying a market capitalization/expected profits ratio instead of market capitalization/own funds. This is warranted because in cases where the market is narrow, it is preferable to use a variable more closely correlated to the value of the corporation (such is the case of the ratio that takes expected profits rather than own funds into account).

There are some special cases. This group includes a) the shares of unquoted corporations - of whatsoever type- which incur systematic losses, whose value is recorded at the value of their paid up capital, and b) other equity issued by any institutional grouping whose own funds are negative, which is recorded at its paid-up capital.

The data on transactions for the period (issues) are calculated on the basis of the information on contributions of funds from budgetary information. The data on other changes in balance sheet accounts (revaluation or other changes in volume) for all equity and investment fund shares have been obtained by taking the difference between the change in positions (balance sheet), transactions and revaluations.

3.2.4.2 Other stock-flow adjustments

Consistency between stocks and flows is achieved for the General Government sector financial accounts.
For each of the financial instruments the following accounting identity must hold:

$$S1 = S0 + OF1 + R1 + OV1,$$

where S0 and S1 are the outstanding stocks at the beginning and end of the period, OF1, financial transactions of the period, R1 the revaluations and OV1, the changes recorded in stocks owing to other changes in volume (e.g. change in institutional units from one sector to another or unilateral loan write-offs).

The amounts in the Financial Accounts are, for most of the transactions, calculated directly from the basic supporting information, e.g. securities market, and only certain financial assets and liabilities transactions are obtained from the differences in financial assets and from the differences in liabilities over two consecutive quarters. These differences are adjusted for changes in stocks that do not correspond to actual transactions, namely capital gains and losses, changes in the exchange rate, write-offs etc., this information being drawn fundamentally from the budget execution of the units involved and the markets where assets and liabilities are exchanged.

In compiling the Financial Accounts, two types of revaluations of financial assets/liabilities have been identified. On one hand, there are revaluations arising from the change in market price of financial assets/liabilities quoted on the market, i.e. those corresponding to categories debt securities, listed shares, or, where applicable, estimated on the basis of the conditions prevailing on the markets (512. unlisted shares). On the other, there are those revaluations as a result of the change in the euro exchange rate, which affect financial assets/liabilities denominated in currencies other than the euro. These revaluations are introduced in the accounting identity described as R1.

As regards other changes in volume flows (OV1 in the accounting identity), the ESA indicates two types of other flows potentially affecting the financial categories. These are: a) other volume changes in financial assets and liabilities, which correspond, for example, to allocations and cancellations, among others and b) other flows due to changes in classification and structure, which are reflected in the financial categories owing, for instance, to reclassifications of institutional units from one sub-sector to another (in that case it would affect the entire balance sheet of the units affected) or reclassifications of certain financial instruments (e.g. shares of a company that are accepted for listing on the organized markets and which, therefore, come to be considered as listed shares instead of unlisted shares).

In relation to the implementation on the accrual accounting principle on the recording of interest, the recording of interest in financial transactions accounts on an accrual basis affects financial transactions accounts since it means that the interest accrued have been incorporated into the financial transaction up to the time of payment. Regarding the financial balance sheets, the outstanding stock of securities has been recorded at market prices, with accrued interest being precisely one of the market price components.

The incorporation of interest accrued into the financial account could, in principle, be done in the category other accounts receivable/payable, or in the very instrument generating the interest. However, in the case of securities categories, the ESA stipulates the second of these options. This has effectively been done, while for interest on deposits and loans both possibilities have been left open by the ESA, and the first option has been chosen. Therefore, in the case of securities, the interest accrued is treated as if it were re-invested in the same instrument from which it stands, with a disinvestment from the related instrument coming about at the time of payment of the accrued interest.

The debtor principle has been followed in the compilation of the Spanish financial accounts for the following reasons: a) it is considered the best interpretation of the references made in the ESA to the interest accrual criterion; b) it is the alternative Eurostat has opted for in its “Manual on Government Deficit and Debt”; and c) it is consistent with the recording of interest in the General Government deficit in the Excessive Deficit Procedure notifications.

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

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

Allocation of discrepancy B.9 vs B.9f

Establishing consistency between or reconciling the “net lending (+) or borrowing (-)” and “net financial transactions” of the General Government is difficult. This is because the calculations are made by different institutions, and they have been compiled, in most cases, on the basis of different underlying information and, often, at different points in time. To overcome these difficulties, the teams entrusted with this work at the INE, IGAE and at Banco de España have coordinated their compilation processes as far as possible. This allows financial-accounts compilers to be familiar with the characteristics of the non-financial accounts and vice versa. On this basis, it has been decided to adopt as balancing item of the annual financial accounts that obtained for the annual capital accounts. The process of compiling the financial accounts gives rise to initial estimates for the balancing item that does not coincide with this of the capital accounts. Thereafter, statistical adjustments are introduced in the transactions recorded among the net liabilities incurred by General Government, specifically in the category other accounts payable, except trade credits and advances (F.89), which equate the balancing item of the financial account with that of the capital account. Naturally, the introduction of these statistical adjustments is contingent upon an analysis of their amount. The amounts of the aforementioned discrepancies and statistical adjustments (whatever their sign) are analysed. Should these amounts be large and/or have very different profiles over time, this may be indicating the need to revise the estimates on which they are founded and, if they offset each other over successive periods, that may be indicating that it would be reasonable to consider them as lagged proceeds or payments and should be introduced in F.89.

Changes to intermediate data

Counterpart data is not used in the compilation process of the non-financial accounts. In the financial accounts elaboration, information provided by financial institutions is used without impact in B.9f and also to check primary data.

Complementary elements on stocks

Statistical discrepancies do not impact stocks on financial assets and liabilities.

Accruals

See answer to question on allocation of statistical discrepancies (3.2.4.3).

Ex-post monitoring

See answer to question on allocation of statistical discrepancies (3.2.4.3).

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

3.3.1 Data sources for State Government unit

The state government main units include the general administrations of each of the 17 autonomous communities, together their legislative and other bodies set out in their statutes of autonomy, and which are incorporated into their budgets, including, where applicable, dependent funds without legal personality.

The general administrations of the autonomous communities are organized in *consejerías* (regional ministries) following a similar structure to the ministerial departments of "the State" in the central government.

Table 5 – 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*
		T + days	*T+months*		*cross appropriate cells*		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	M	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			X
				Financial Statements			
				(5) Profit and loss accounts			
A	A	T+30	T+11	(6) Balance sheets		X	X
				(7) Cash flow statement			
				Other Reporting			
				(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

For state government subsector, the IGAE is empowered to request the necessary accounting information for the preparation of the national accounts (see section 2.3.1.2).

The autonomous communities are required to submit monthly information. The deadline for submission of the information related to December is 31 January of the following year.

To prepare the data on general government to be sent in the first EDP notification of each year (April), the information obtained from the standardised accounting information questionnaires is used. Subsequently, the autonomous communities are required to re-send this annual information in its updated form. This updated information is used to prepare the second EDP notification (October).

For the preparation of the final annual accounts in national accounts terms, the autonomous communities must also submit their General Accounts and Annual Accounts. This information relates to units forming part of the state government subsector (S.1312) and any regional public sector units that are not general government bodies in national accounts terms. This information must be submitted within fifteen days of sending it to the Parliament or Court of Auditors and, in any event, before 20 November of the year following that to which it relates.

In the compiling process of the debt and the deficit-debt adjustment, the sources of information used are those described in the table and a testing process has been established in order to compare the information compiled through these indirect sources with the information available in the internal records of the governments. This testing process is carried out on a quarterly basis and involves rectifications in data provided by original data sources.

3.3.1.2 Details of the basic data sources

Data sources used for compilation of national accounts

For the non-financial transactions of the state government subsector, direct sources derived from accounting documents are used.

For the compilation of the first notification and half-finalised accounts, a questionnaire of normalized accounting information for each autonomous community is available. This information is not consolidated.

The standardized accounting information questionnaire includes:

- Summary of the settlement of the general administration of the autonomous communities. This is referred to the main unit.
- Summary of the settlement of the universities of the autonomous communities.
- Summary of the settlement of the bodies and public entities of the autonomous communities, which are classified in this subsector.
- Summary of the profit and loss account and of the balance sheet of the trading companies of the autonomous communities, which are non-market producers and apply the General Accounting Plan for Spanish Companies, as well as the foundations controlled and financed by the autonomous communities.
- Summary of the settlement of the bodies that manage health and social services at the regional level.
- Several charts with the necessary information to comply with the methodological requirements established by ESA and the EDP regulation, as for example, interest accrued, guarantees implemented and reimbursed, operations made by public corporations on behalf

of the Autonomous Communities, the accounts off-budget records awaiting insertion into the budget, information about PPPs contracts, etc.

The finalised accounts take as a base the general account of each of the seventeen autonomous communities completed with information of the various flows in the subsector included in other accounting records, and with additional details requested for this purpose. In this sense, it should be pointed out that each autonomous community, through its Leyes Generales de Hacienda Pública, or Financial Laws, develops the structure of its public sector, establishes the applicable public accounting and budgetary regime, and approves its own public accounting plan. These plans have to be coherent with the General Public Accounting Plan of the public sector of the Spanish State as this is the framework for the different levels of government. Therefore, there are differences in the budgetary classification by programmes in the seventeen autonomous communities, and in the economic classification at the level of concept and sub-concept, but they coincide at the budgetary chapter, and in a lesser extent, at the level of article.

Working balance

The WB is the starting point for the calculation of the balance B.9 of units belonging to the state government subsector that are subject to their general public accounting plan. It includes the WB of the general administrations of the autonomous communities, the autonomous bodies and universities fundamentally.

The WB is defined as the result of the subtraction of non-financial revenue and expenditure of the budget.

3.3.1.3 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic data source for the compilation of non-financial accounts at the state government subsector.

3.3.1.4 Supplementary data sources and analytical information

There is supplementary information from units that carry out certain transactions in which the state government subsector is involved. This information is generally available as part of the information submitted by other subsectors, especially the central government for transfers between both levels of government, or is directly requested from specific units that relate to the general government sector, regardless of their classification in national accounts. This is the case of capital contributions made by the state government to corporations, included in national accounts in the sector of non-financial corporations, to which we can request detailed information about these contributions in order to classify them as financial or non-financial transactions. In the compiling process of the debt and financial transactions, information of financial institutions is used to check data.

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

In addition to the sources previously described, it should be added that it is necessary to use complementary information from other agents. For example, information about transfers given and received from the other units included in the general government sector, information on funding system of Comunidades Autónomas. Other sources are also used such as contracts and administrative data records.

3.3.1.4.2 Supplementary data sources used for the compilation of financial accounts

For the preparation of the financial accounts, the additional information used in the financial assets side has been money and banking statistics for currency and deposits, securities issue statistics for debt securities and the Central Balance Sheet Data Office for equity and investment fund shares. In the liabilities side, the Central Credit Register has been used for loans granted by resident sectors and the Balance of Payments and International Investment Position for the loans granted by the Rest of the World.

3.3.2 Data sources for other State Government units

In addition to the state government main units, this subsector includes other entities classified in this subsector. These entities have their own legal personality, and they may have different legal forms: agencies, autonomous bodies, universities, consortia, other public bodies, corporations and foundations.

They can be distinguished:

- Other entities that complete the administrative public sector of each autonomous community, included in the state government subsector (S.1312): accounting principles and rules are established according to their general public accounting plan. Autonomous bodies and universities are included
- Entities controlled by the autonomous communities that constitute the public corporations sector included in the state government subsector (S.1312): accounting principles and rules are established according to the Business Code and the General Accounting Plan for Spanish companies.
- Foundations controlled by the autonomous communities included in the state government subsector (S.1312): accounting principles and rules collected within the adaptation of the General Accounting Plan for Spanish companies to non-profit making entities.

Table 6 – 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*
		T + days	*T+months*		*cross appropriate cells*		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	M	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
A	M	T+30	T+11	(5) Profit and loss accounts		X	X
A	M	T+30	T+11	(6) Balance sheets		X	X
				(7) Cash flow statement			
				Other Reporting			
				(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

(See 3.3.1.2)

3.3.2.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic data source for the compilation of non-financial accounts at the state government subsector.

3.3.2.3 Supplementary data sources and analytical information

(See 3.3.1.4)

3.3.2.4 Extra-budgetary accounts

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

Funds without legal personality in the autonomous communities: They are not separate legal units integrated into the general administrations of the autonomous communities. They are mainly designed to provide loans to companies. The operations of these funds are not included in the WB of the general administration of the autonomous communities.

3.3.3 EDP table 2B

3.3.3.1 Working balance - use for the compilation of national accounts

The WB is the starting point for the calculation of the balance B.9 of units belonging to the state government subsector that are subject to their general public accounting plan. It includes the WB of the general administrations of the autonomous communities, the autonomous bodies and universities fundamentally.

The WB is defined as the result of the difference between the non-financial revenue and the non-financial expenditure of the budget. In general, non-financial transactions of the autonomous communities are classified into the following budget chapters:

REVENUE BUDGET

Non-financial transactions:

Chapter 1. Direct taxes and social contributions
Chapter 2. Indirect taxes
Chapter 3. Fees, public prices and other income
Chapter 4. Current transfers
Chapter 5. Property income
Chapter 6. Disposal of investments
Chapter 7. Capital transfers

EXPENDITURE BUDGET

Non-financial transactions:

Chapter 1. Compensation of employees
Chapter 2. Current expenditure on goods and services
Chapter 3. Financial expenditure
Chapter 4. Current transfers
Chapter 6. Real investments
Chapter 7. Capital transfers

Therefore, the WB does not include financial transactions. These are collected in Chapters 8 Financial assets and Chapter 9 Financial Liabilities of the budget.

The WB is not consolidated. The heading *Adjustments due to the differences at the moment of recording in the sources of data* (in Other Adjustments (+)/(-)) reflects, among others, the necessary adjustments to the consolidation of operations between the units included in the WB (see 3.3.3.7).

3.3.3.2 Legal basis of the working balance

Autonomous communities have jurisdiction for developing the structure of their public sector, determining the budgetary system and public accounting that are applicable, and approving their own general public accounting plan that must be compatible with the General Public Accounting Plan for the State Public sector, as this forms a framework for the different levels of government. This jurisdiction has been developed through the 'leyes generales de hacienda pública' (general treasury laws) and the financial laws of the different autonomous communities.

In relation to budgetary classifications, the classifications for programmes are not identical but in the economic classification there is homogeneity at the level of budgetary chapter but not at more detailed levels (budgetary sections and sub-sections).

The non-financial budget balance (WB) is obtained from the difference between the recognised rights and liabilities of the non-financial budget.

The recognition of a liability is the administrative act by which the competent authority formally accepts, under the budget, a debt to a third party as a consequence of performance by the latter of a service to which it had committed, according to the "service rendered" principle or, in the case of non-reciprocal liabilities, as a consequence of entitlement to such sums due by the third party under the legislation or an administrative act conferring it under current legislation.

The recognition of an asset is the act by which a credit is declared and settled in favour of public administration.

The budget of the autonomous communities is approved by their respective parliaments. The result of the budgetary execution, recorded in the general account of the autonomous community, is subject to the external control of the regional chambers of accounts or the Court of Auditors.

The deadlines for drawing up general accounts and submitting them to the regional chambers of accounts or the Court of Auditors for review and approval are regulated in the finance legislation of the autonomous communities.

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

There are not units 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

Units that are subject to a limited budget, and that according to the legislation in force have to formulate their annual accounts in accordance with public accounting principles are included in the WB.

Units subject to the General Accounting Plan for Spanish Companies or to the adaptation of the General Accounting Plan for non-profit making entities, which are included in this subsector, are not reported in the WB. The net lending (+) / net borrowing (-) of these units is included in the section *Net lending (+)/ net borrowing (+) of other state government bodies* of the EDP Table 2B.

3.3.3.4 Accounting basis of the working balance

Although the autonomous communities have jurisdiction for developing their own accounting systems and for approving their own general public accounting plans, these must be compatible with the General Public Accounting Plan. The reason is that the General Accounting Plan is the framework for the different levels of government. So, the principles of this plan are fully applicable in the state government subsector. One of those principles is the accrual criterion. In general, this criterion is the one for recording non-financial transactions.

According to this principle, expressed in the general public accounting plans, the temporal allocation of the transactions should be made according to the real flow of goods and services implied, and not when the monetary or financial flow occurs. Therefore, it is understood that the expenditure and revenue transactions take place when the rights and obligations that they originate arise.

However, the assignment of the rights and obligations to the corresponding budget will require that, previously, the administrative procedures be completed for acknowledging the right or obligation derived from the economic fact.

This last paragraph implies that in some cases, in budgetary accounting, the recording criteria applied do not fully coincide with the principle of the accrual basis. Such is the case of interest payments that are incorporated into the budget at the time of their maturity, which is when the administrative procedures are completed for acknowledging the right or obligation.

3.3.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2B

As mentioned in previous section, interest payments are incorporated into the budget at the time of their maturity, although according to the General Public Accounting Plan the amount accrued is recorded in the financial year.

The difference between the interest charged to the budget (based on a cash basis) and accrued interest (recognized in public accounting) leads to adjustments recorded in *Difference between interest paid (+) and accrued D.41 (-)* of Table 2B.

3.3.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2B

The adjustment line of *Tax reimbursements*, included in the item *Other accounts payable (-)*, reflects the correction of tax reimbursements due to the difference between the submission of claims and the payments of tax refunds. Income of the budget are reduced by the tax reimbursements when they are paid. In national accounts, tax reimbursements have to be recorded when they are requested. Therefore, at the end of each period, the amount of the unpaid refunds, which is deemed to be due, must be recorded as reduction of income of the corresponding tax.

3.3.3.4.3 Other accrual adjustments in EDP T2B

There are no other accrual adjustments in this table.

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

The item *Non-financial transactions not included in the working balance* comprises the adjustment *Other non-financial operations not considered in the budget of the year*. Public accounting standards provide that, at least at the close of the period, although they were not concluded the administrative procedures for acknowledging the budgetary right or obligation, the income and expenses accrued until that date should also be recognized in the economic outturn account or in the statement of changes in equity. In the case of expenditure, the account 409/413 or equivalent *Creditors by accrued operations* includes, for each year, the amount of accrued expenditure but not charged to the budget. The change in the balance of this account is used to determine this adjustment.

3.3.3.6 Financial transactions included in the working balance

As shown above (see section 3.3.3.1), the working balance is the result of subtracting non-financial revenue and expenditure. Therefore, financial transactions in budgetary terms are not included in the working balance.

However, there is a specific case to take into account, payment resulting of swap arrangement. The budget includes as income/expense the positive/negative result derived from SWAP contracts. The ESA states that payments resulting from any kind of swaps arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Consequently, the line *Net settlement under swaps contracts (+)/(-)* includes the adjustment necessary to neutralize the corresponding entries included in the budget.

In the central government subsector, there are adjustments in item *Equities sales* (-) (see 3.2.3.6). In the subsector (S.1312) the situation is similar, but taken into account that the amounts associated with the revenues from the distribution of business profits and revenues from the sales of financial assets are not significant or even nil throughout the series, the appropriate adjustments in this subsector are recorded in the section *Other adjustments*.

3.3.3.7 Other adjustments reported in EDP T2

Other adjustments to the non-financial budget balance not included in the previous sections are detailed in this section.

- The item *Adjustments due to the differences at the moment of recording in the sources of data* reflects the impact of the prioritisation of data sources. The working balance in table 2B is based on data reported by autonomous communities. These data include transfers received from other government bodies. However, government units paying those transfers ("the State" mainly) might have a different perception of the amounts and of the time of recording. Differences observed are considered to mainly originate from differences in time of recording and not from other issues (e.g. misclassification of transaction or of counterpart sector).

  On the other hand, transfers received from the State to finance MRR projects are to be recorded in NA as financial advance as long as the expenditure is not executed. This ensures the neutrality principle. In those cases where the transfer has been recorded in the WB without the corresponding associated expenditure, the appropriate adjustment is also included in this item.
- The item *Adjustment due to the differences with cash income* include both the differences between the cash of taxes and the recording in the WB of these taxes, as well as the cash adjustment of other income included in the WB. The latter relate to, among others, penalties, surcharges, transfers, sales, etc.
- The item *Capital injections into public corporations and others* is the adjustment made for capital injections of the Autonomous Communities to corporations included in the general government sector, as well as to other types of companies in the sector of non-financial corporations, for compensating losses or for financing unprofitable investments. In public accounting, capital injections are generally recorded as financial transactions. However, in national accounts, the aforementioned capital injections are recorded as non-financial transactions.
- *Re-routed operations made by public corporations*: Deal with transactions made by public companies on behalf of the autonomous communities that have to be recorded as transactions of the own autonomous community in each accounting year.

- *Deferred liquidation of the financial system:* Settlements of the financing system between the State and the Autonomous Communities are recorded in NA as revenue/expenditure in the year in which they are determined. In the case of negative settlements against the Autonomous Communities, the State may allow the payment to be deferred to the Autonomous Communities. The *Deferred liquidation of the financial system* adjustment in Table 2B reflects the difference between the budget recording (with the deferred payment) and in NA (time of settlement) of the flows associated with these settlements.
- The item *Other adjustments* correspond to different operations reflected in the WB on a different basis to that set out in the ESA 2010 and MGDD framework. It would be the case, for instance, of grants from the EU Budget, liquidation of the financing system, recording of the Public-Private Partnerships, guarantee calls, financial lease, court decisions, etc.

3.3.3.8 Net lending/net borrowing of state government

The working balance is the starting point for calculating the net lending/net borrowing of the state government sub-sector. Subsequently, the adjustments listed above are made in order to apply the criteria of ESA to obtain the B.9 balancing item.

3.3.4 EDP table 3C

3.3.4.1 Transactions in financial assets and liabilities

EDP tables 3C are derived directly from the quarterly Financial Accounts of the Central Government sector compiled and published on the Internet by Banco de España in the framework of the Quarterly Financial Accounts of the Spanish Economy (FASE). Additional information about issuances above/below par, differences between interest (EDP D.41) accrued and paid and redemptions of debt above/below par is included in these tables and the same information is used in Financial Accounts in market value calculations. Furthermore, the effect of interest payments from swap agreements is considered.

In the FASE, the financial transactions for the items loans and equity and investment fund shares are not split into those granted or acquisitions and repayments or sales and, for this reason, in EDP tables 3 this information is provided on the basis of budgetary information and estimates.

Table 7. 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.8**	**F.2**	**F.3**	**F.4**	**F.5**	**F.6**	**F.7**	**F.8**
	Calculation of transactions													
Transaction data (integrated in public accounts)	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Other transaction data	X	X						X	X	X				
Stock data														
	Calculation of stocks													
Transaction data			X				X				X			X
Stock data	X	X		X	X	X		X	X	X		X	X	

The sources used are not different for the annual and quarterly financial accounts (actually, the BdE only compiles quarterly financial accounts) and, summarizing, these sources, their frequency, and timeliness are:

a. *Financial assets*:

F2. Currency and deposits: Money and banking statistics and Banco de España, the frequency is quarterly, and the delay is 75 days.

F3. Debt securities: Budgetary information and Securities market statistics, the frequency is quarterly and the delay is 75 days.

F4. Loans: Budgetary information, the frequency is quarterly and the delay is 75 days.

F5. Equity and investment fund shares: Budgetary information for transactions and Central Balance Sheet Data Office of the Statistics Department for stocks. The frequency is annual for stocks with four months of delay and for transactions the frequency is quarterly, and the delay is 75 days.

F8. Other accounts receivable: Budgetary information, the frequency is quarterly and the delay is 75 days.

b. *Liabilities*:

F3. Debt securities: Securities market statistics (for the nominal values this information is tested with budgetary information). The frequency is monthly and the delay one month.

F4. Loans: Central Credit Register (resident lenders) and Balance of Payments and International Investment Position (non-resident lenders). This information is checked with the internal records of the public accounts. These statistics are compiled on a quarterly basis with a delay of 75 days.

F8. Other accounts payable: Budgetary information, the frequency is quarterly.

3.3.4.2 Other stock-flow adjustments

See answer to point 3.2.4.2.

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

3.4.1 Data sources for Local Government main unit: Local entities

The main units in the local government subsector are the following:

- Local entities regulated by the Local Government Regulation Act (Ley 7/1985), of 2 April 1985, or recognised by the autonomous communities in their statutes: municipalities, provinces, islands, metropolitan areas, groupings of municipalities, districts and other entities comprising several municipalities and entities whose scope is below municipal level.
- The autonomous cities of Ceuta and Melilla.

In 2021, there were 12 987 local entities.

Table 8 – 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*
		T + days	*T+months*		*cross appropriate cells*		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	Q	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
A	Q	T+30	T+11	(6) Balance sheets		X	X
				(7) Cash flow statement			
				Other Reporting			
				(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.

3.4.1.1 Details of the basic data sources

Ministerial Order HAP/2105/2012 sets out the obligations of units classified in S.1313 as regards the provision of information. Specifically, before the last day of the month following the end of each quarter[9], these units must submit standardised information whose content is comparable to that of the autonomous communities (see 2.3.1.2).

The annual information for year n sent by S.1313 units before 31 January of n+1 is used to complete the first Excessive Deficit Procedure notification [April (n+1) EDP notification].

This information is subsequently updated by the Local Corporations before 31 May of the year following the settlements and is used as the basis for preparing the data of the second EDP notification (October n+1).

The obligation to forward this information extends to units within the local government sub-sector in ESA terms.

Lastly, before 31 October of the year t+1, the local corporations must forward their general accounts and the approved annual accounts for year t. In other words, the annual accounts and general accounts of all local units should be forwarded, regardless of whether they are included in the local government subsector. Furthermore, local entities must submit their general accounts to the Tribunal de Cuentas (Court of Auditors) before 15 October of the year following that to which it relates and, in case of regional court of auditors before the date established in the regional law.

3.4.1.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic data source for the compilation of non-financial accounts of local government subsector.

3.4.1.3 Supplementary data sources and analytical information

Indeed, there is supplementary information from units that carry out certain transactions in which local entities are involved. This information is generally available as part of the information submitted by other subsectors, especially the central and the state government, for transfers between these levels of government and the local government or is directly requested from specific units that relate to the general government sector, regardless of their classification in national accounts. This is the case of capital contributions made by the local entities to units, classified in non-financial corporations sector, to which we can request detailed information about these contributions in order to classify them as financial or non-financial transactions. In the compiling process of the debt and financial transactions, information of financial institutions is used to check data.

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

The administrative report «Summary Report about the revenue from taxes ceded and agreed» in the field of taxable resources is used for the compilation of non-financial accounts. In this report information for the local government subsector is included for the agreed taxes corresponding to the Diputaciones Forales (Forales County Councils) of the País Vasco.

3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

There are not supplementary data sources for the compilation of financial accounts.

[9] With respect to the first three quarters of each year, Local Corporations with a population of no more than 5,000 inhabitants are excluded from submitting the information.

3.4.2 Data sources for other Local Government units

In addition to the Local entities (main units), this subsector includes other entities. These entities have their own legal personality and are included in the local government subsector. They may have different legal forms: agencies, autonomous bodies, consortiums, other public bodies, corporations and foundations. In 2021, there were 2 122 bodies. They can be distinguished:

- Other entities that complete the administrative public sector included in the local government subsector (S.1313): accounting principles and rules are established according to the General Public Accounting Plan. They are included: autonomous bodies and some consortia.
- Entities that constitute the public corporations sector included in the local government subsector (S.1313): accounting principles and rules are established according to the Business Code and the General Accounting Plan for Spanish companies.
- Foundations which are non-market producers and controlled by S.1313 units: accounting principles and rules collected within the adaptation of the General Accounting Plan to non-profit making entities.

Table 9 – 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*
		T + days	*T+months*		*cross appropriate cells*		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	Q	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
A	Q	T+30	T+11	(5) Profit and loss accounts		X	X
A	Q	T+30	T+11	(6) Balance sheets		X	X
				(7) Cash flow statement			
				Other Reporting			
				(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.

3.4.2.1 Details of the basic data sources

See 3.4.1.1.

3.4.2.2 Statistical surveys used as a basic data source

See 3.4.1.2.

3.4.2.3 Supplementary data sources and analytical information

See 3.4.1.3

3.4.3 EDP table 3C

3.4.3.1 Working balance - use for the compilation of national accounts

The WB is the starting point for the calculation of the balance B.9 of units belonging to the local government subsector that are subject to the General Public Accounting Plan. It includes the WB of the general administrations of the Local Entities, the autonomous bodies and some consortiums fundamentally.

The WB is defined as the result of the difference between the non-financial incomes and the non-financial expenses of the budget. The non-financial operations of the Local Entities are classified into the following budget chapters:

REVENUE BUDGET

Non-financial transactions:
- Chapter 1. Direct taxes and social contributions
- Chapter 2. Indirect taxes
- Chapter 3. Fees, public prices and other income
- Chapter 4. Current transfers
- Chapter 5. Property income
- Chapter 6. Disposal of investments
- Chapter 7. Capital transfers

EXPENDITURE BUDGET

Non-financial transactions:
- Chapter 1. Compensation of employees
- Chapter 2. Current expenditure on goods and services
- Chapter 3. Financial expenditure
- Chapter 4. Current transfers
- Chapter 6. Real investments
- Chapter 7. Capital transfers

Therefore, the WB does not include financial transactions collected in Chapters 8 *Financial assets* and Chapter 9 *Financial Liabilities* of the budget.

The WB is not consolidated. The heading *Adjustments due to the differences at the moment of recording in the sources of data* reflects (in *Other adjustments (+/-)*), among others, the necessary adjustments to the consolidation of transactions between the units included in the WB (see 3.4.3.7).

3.4.3.2 Legal basis of the working balance

The budgetary structure of Local Entities is similar to that of “the State”. The revised text of the Ley Reguladora de las Haciendas Locales (Law Regulating Local Finances, Legislative Royal Decree 2/2004, of the 5th of March) establishes the accounting system applicable to local entities. This accounting system is identical to that established in the General Budget Law for “the State”. The MoF, as proposed by the IGAE, approves the general accounting rules to which the accounting organization of the local entities, their independent bodies and the General Accounting Plan for Local Entities have to adjust. It also determines the structure and justification of the accounts, statements and other documents relating to public accounting. Moreover, it provides basic accounting procedures for local entities, the budgets of which are below 300.000 euros, and simplified accounting procedures for those municipalities which surpass this figure but have budgets below 3.000.000 euros and less than 5,000 inhabitants. Three Ministerial Orders from the Treasury regulate the current accounting system (Order EHA/4040/2004 of 23 November 2004, Orders HAP/1781/2013 and HAP/1782/2013 of 29 September 2013).

The WB is obtained from the difference between the non-financial revenue of the budget in the "recognised rights" phase and non-financial expenditure in the "recognised liabilities" phase:

- “Recognised liabilities”. The recognition of a liability is the administrative act by which the competent authority formally accepts, under the budget, a debt to a third party as a consequence of performance by the latter of a service to which it had committed, according to the "service rendered" principle or, in the case of non-reciprocal liabilities, as a consequence of entitlement to such sums due by the third party under the legislation or an administrative act conferring it under current legislation.
- “Recognised rights”. The recognition of an asset is the act by which a credit is declared and settled in favour of government.

The Local Entities budget is approved by the Plenary of the Local Corporation before the December 31 last year. It sends a copy of the budget to the Ministry of Finance and the corresponding Autonomous Community.

The result of budget execution, reflected in the General Account of the Local Entity is subjected to external control. External control is exercised by the Tribunal de Cuentas and the Regional Court of Auditors of their corresponding Autonomous Communities.

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 not units classified outside the subsector and reported in the WB.

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

Units that are subject to a limited budget, and that according to the legislation in force have to formulate their annual accounts in accordance with public accounting principles are included in the WB. They are always included in the local government subsector. The WB reveals the subtraction of non-financial income and expenditure budget. Those units are autonomous bodies and some consortiums.

Units subject to the General Accounting Plan for Spanish companies or to the adaptation of the General Accounting Plan for non-profit making entities, which are included in the local government subsector are not reported in the WB. The net lending (+) / net borrowing (-) of these units is included in the section *Net lending (+)/ net borrowing (+) of other local government bodies* of the EDP Table 2C.

3.4.3.4 Accounting basis of the working balance

In general, the criterion for recording non-financial transactions is that of the accrual basis. According to this principle, expressed in the General Public Accounting Plan, the temporal allocation of the transactions should be made according to the real flow of goods and services implied, and not when the monetary or financial flow occurs. Therefore, it is understood that the expenditure and revenue transactions take place when the rights and obligations that they originate arise.

The budget obligations resulting from acquisitions, works, services, benefits or expenses shall be charged to the general budget of the year in which they are made and charged to the respective credits; rights are charged to the budget of the year in which they recognize or settled.

However, the assignment of the rights and obligations to the corresponding budget will require that, previously, the administrative procedures be completed for acknowledging the right or obligation derived from the economic fact.

This last paragraph implies that, in some cases in budgetary accounting, the recording criteria applied do not fully coincide with the principle of the accrual basis. This is the case for interest payments that are incorporated into the budget at the time of their maturity, which is when the administrative procedures are completed for acknowledging the right or obligation, although according to the General Public Accounting Plan the interests are recorded in accrual basis.

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

As mentioned in previous section, interest payments are incorporated into the budget at the time of their maturity. The difference between the interest charged to the budget (based on a cash basis) and accrued interest (recognized in public accounting) leads to adjustments recorded in *Difference between interest paid (+) and accrued D.41 (-)* of Table 2C.

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

There are not accrual adjustments reported under these transactions.

3.4.3.4.3 Other accrual adjustments in EDP T2C

There are no other accrual adjustments.

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

The item *Non-financial transactions not included in the working balance* comprises the adjustment *Other non-financial operations not considered in the budget of the year*. Public accounting standards provide that, at least at the close of the period, although they were not concluded the administrative procedures for acknowledging the budgetary right or obligation, the income and expenses accrued until that date should also be recognized in the economic outturn account or in the statement of changes in equity. In the case of expenditure, the account 413 *Creditors by accrued operations* includes, for each year, the amount of accrued expenditure but not charged to the budget. The change in the balance of this account is used to determine this adjustment. When it is necessary, this item also includes any other expenses not reflected in the WB, or in any other adjustment items.

3.4.3.6 Financial transactions included in the working balance

As shown above (see section 3.4.3.1), the working balance is the result of subtracting non-financial revenue and expenditure. Therefore, financial transactions in budgetary terms are not included in the working balance.

However, there is a specific case to take into account, payment resulting of swap arrangement. The budget includes as income/expense the positive/negative result derived from SWAP contracts. The ESA states that payments resulting from any kind of swaps arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Consequently, the line *Net settlement under swaps contracts (+)/(-)* includes the adjustment necessary to neutralize the corresponding entries included in the budget.

3.4.3.7 Other adjustments reported in EDP T2C

- The item *Adjustments due to the differences at the moment of recording in the sources of data* reflects the impact of the prioritization of data sources. The working balance in Table 2C is based on data reported by Local Corporations. These data include transfers received from other government bodies. However, government units paying those transfers ("the State" mainly and Autonomous Communities in lower quantities) might have a different perception of the amounts and of the time of recording. Differences observed are considered to mainly originate from differences in time of recording and not from other issues (e.g. misclassification of transaction or of counterpart sector).

  On the other hand, transfers received from the State to finance RRF projects are to be recorded in NA as financial advance as long as the expenditure is not executed. This ensures the neutrality principle. In those cases where the transfer has been recorded in the WB without the corresponding associated expenditure, the appropriate adjustment is also included in this item.
- The item *Adjustment due to the differences with cash income* include both the differences between the cash of taxes and the recording in the WB of these taxes, as well as the cash adjustment of other income included in the WB. The latter relate to, among others, interests, penalties, surcharges, sales, etc.
- The item *Capital injections into public corporations* is the adjustment made for capital injections of the local corporations to companies included in the general government sector; as well as to other types of companies in the sector of non-financial corporations, for compensating losses or for financing unprofitable investments. In public accounting, capital injections are generally recorded as financial transactions. However, in national accounts, the aforementioned capital injections are recorded as non-financial transactions.
- The item *Others adjustments* corresponds to different operations reflected in the WB on a different basis to that set out in the ESA 2010 and MGDD framework. It would be the case, for instance, of grants from the EU Budget, liquidation of the financing system, recording of the Public-Private Partnerships, guarantee calls, financial lease, court decisions, etc.

3.4.3.8 Net lending/net borrowing of local government

The working balance is the starting point for calculating the net lending/net borrowing of the local government subsector. The previous sections have explained the different adjustments that need to be made to the WB in order to obtain the net lending/net borrowing of the subsector according to the methodology established in the ESA 2010.

3.4.4 EDP table 3D

3.4.4.1 Transactions in financial assets and liabilities

EDP tables 3D are derived directly from the quarterly Financial Accounts of the Local Government sector compiled and published on the Internet by Banco de España in the framework of the Quarterly Financial Accounts of the Spanish Economy (FASE). Additional information about issuances above/below par, differences between interest (D.41) accrued and paid and redemptions of debt above/below par is included in these tables and the same information is used in Financial Accounts in market value calculations. Furthermore, the effect of interest payments from swap agreements is considered.

In the FASE, the financial transactions for the items loans and equity and investment fund shares are not split into those granted or acquisitions and repayments or sales and, for this reason, in EDP tables 3 this information is provided on the basis of budgetary information and estimates.

Table 10. 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.8**	**F.2**	**F.3**	**F.4**	**F.5**	**F.6**	**F.7**	**F.8**
	Calculation of transactions													
Transaction data (integrated in public accounts)	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Other transaction data	X	X						X	X	X				
Stock data														
	Calculation of stocks													
Transaction data			X				X				X			X
Stock data	X	X		X	X	X		X	X	X		X	X	

The sources used are not different for the annual and quarterly financial accounts (actually, the BdE only compiles quarterly financial accounts) and, summarizing, these sources, their frequency, and timeliness are:

a. *Financial assets*:

F2. Currency and deposits: Money and banking statistics and Banco de España, the frequency is quarterly and the delay is 75 days.

F3. Debt securities: Budgetary information and Securities market statistics, the frequency is quarterly and the delay is 75 days.

F4. Loans: Budgetary information, the frequency is quarterly and the delay is 75 days.

F5. Equity and investment fund shares: Budgetary information for transactions and Central Balance Sheet Data Office of the Statistics Department for stocks. The frequency is annual for stocks with four months of delay and for transactions the frequency is quarterly and the delay is 75 days.

F8. Other accounts receivable: Budgetary information, the frequency is quarterly and the delay is 75 days.

b. *Liabilities*:

F3. Debt securities other than shares: Securities market statistics (for the nominal values this information is tested with budgetary information). The frequency is monthly and the delay one month.

F4. Loans: Central Credit Register (resident lenders) and Balance of Payments and International Investment Position (non-resident lenders). This information is checked with the internal records of the public accounts. These statistics are compiled on a quarterly basis with a delay of 75 days.

F8. Other accounts payable: Budgetary information, the frequency is quarterly.

3.4.4.2 Other stock-flow adjustments

See answer to point 3.2.4.2.

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

3.5.1 Data sources for Social Security Funds main unit

There is not only one main unit in the Social Security Funds subsector. As was mentioned before, this subsector includes:

- The Social Security System (consisting of the Social Security Management Bodies and Common Services, and Mutual Funds for Work Accidents and Occupational Illnesses of the Social Security System).
- The State Public Employment Service (SEPE)
- The Wage Guarantee Fund (FOGASA).

In total, 29 entities.

Table 11 – 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: First results	Time of availability of annual results for T-1: Final data		WB	B.9 (NFA)	B.9f (FA)
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*
		T + days	*T+months*		*cross appropriate cells*		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	M	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
A	A	T+30	T+11	(6) Balance sheets		X	X
				(7) Cash flow statement			
				Other Reporting			
				(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.

3.5.1.1 Details of the basic data sources

All entities that form the Social Security System and the autonomous bodies SEPE and FOGASA are subject to the General Budget Law. They are accountable of their operations, whatever their nature. As a result, complete data are always available. In particular, the economic classification of income and expenses and the functional classification of expenses are available.

The monthly preparation of information of units within the Social Security Funds subsector (S.1314), in national accounting terms, allows for continuous monitoring both the basic information and the transactions with specific treatment in the national accounts, which improves the quality of the annual data of the EDP.

All information available at each point in time is used in the preparation of the data presented in the April and October notifications. In the first EDP notification, information for the previous year received up to January of the current year is used. In the second notification (October), the available updated information is included in the half-finalized estimate.

In October t+2, the updated final data of year t are available.

3.5.1.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic data source for the compilation of non-financial accounts at the social security funds subsector.

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 sources previously described, it should be added that, for the first notification and half-finalised accounts as well as for the finalised accounts, it is necessary to use complementary information from other agents, such as, for example, the transfers given and received from the other units included in the general government sector or from funds received by the Servicio Público de Empleo Estatal of the European Social Fund (ESF).

This information is generally available as part of the information submitted by other subsectors, especially the central government, for transfers between both levels of government, or is directly requested from specific units that relate to the general government sector, regardless of their classification in national accounts.

3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

There are not supplementary data sources used for the compilation of financial accounts.

3.5.2 Data sources for other Social Security units

They are no other Social Security units.

3.5.3 EDP table 2D

3.5.3.1 Working balance - use for national accounts compilation

The WB is the starting point for the calculation of B9 of units belonging to the social security funds subsector. The WB concerns to all units included in this subsector.

The WB is defined as the result of the difference between the non-financial revenue and the non-financial expenditure of the budget. The non-financial operations of the Social Security are classified into the following budget chapters:

REVENUE BUDGET

Non-financial transactions:

Chapter 1. Social contributions
Chapter 3. Fees, and other income
Chapter 4. Current transfers
Chapter 5. Property income
Chapter 6. Disposal of investments
Chapter 7. Capital transfers

EXPENDITURE BUDGET

Non-financial transactions:

Chapter 1. Compensation of employees
Chapter 2. Current expenditure on goods and services
Chapter 3. Financial expenditure
Chapter 4. Current transfers
Chapter 6. Real investments
Chapter 7. Capital transfers

Therefore, the WB does not include financial transactions. These are collected in Chapters 8 Financial assets and Chapter 9 Financial Liabilities of the Budget.

The WB is not consolidated. The necessary adjustments to the consolidation of transactions between the units included in the WB are recorded in the heading *Adjustments due to the differences at the moment of recording in the sources of data.* This adjustment also includes other adjustments related to transfers between different subsectors of general government (see 3.5.3.7).

3.5.3.2 Legal basis of the working balance

There is no specific regulation on the non-financial budget balance (WB). It is obtained from the difference between the non-financial revenue of the budget (Chapters 1-7) "recognised rights" and non-financial expenditure (Chapters 1-7) "recognised liabilities". These concepts are regulated in the General Budgetary Law:

- Recognised rights. Recognition of the right is the act that, in accordance with the regulations applicable to each specific resource, declares and settles a credit in favour of the General State Administration, its autonomous bodies or the management entities and common services of Social Security. (Article 80.2)
- Recognised liabilities. The recognition of the obligation is the act by which the existence of a demandable credit against the State Public Treasury or against Social Security is declared by a third party, derived from an approved and committed expense and that entails the corresponding payment proposal. This is a consequence of performance by a third party of a service to which it had committed, according to the "service rendered" principle or, in the case of non-reciprocal liabilities, as a consequence of entitlement to such sums due by the third party under the legislation or an administrative act conferring it under current legislation. (Article 73.4 and 21).

The initial budget of the units comprising the Social Security Funds subsector (initial appropriations to cover expenditure and forecasted revenue) is approved by Parliament.

The result of the budget implementation, recorded in the General Social Security Account, is subject to external control by the Tribunal de Cuentas (Court of Auditors).

In this regard, in accordance with the statutory time limits, the General Social Security Account is submitted to the Tribunal de Cuentas before 31 October of the year following that to which it relates. The Tribunal de Cuentas has six months in which to review and verify the General Account.

Therefore, any gaps observed by the Tribunal de Cuentas in the General Account of the year "t" can only be taken into account in the preparation of the final accounts, which are reported in the EDP notification for the year "t+2".

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 not units classified outside the subsector and reported in the WB.

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

There are not units to be classified inside the subsector and not reported in the WB.

3.5.3.4 Accounting basis of the working balance

The General Public Accounting Plan establishes the accrual basis as one of the accounting principles. According to this principle, the temporal allocation of the transactions should be made according to the real flow of goods and services implied, and not when the monetary or financial flow occurs. Therefore, it is understood that the expenditure and revenue transactions take place when the rights and obligations that they originate arise.

The budget obligations resulting from acquisitions, works, services, benefits or expenses shall be charged to the general budget of the year in which they are made and charged to the respective credits; rights are charged to the budget of the year in which they recognize or settle.

However, the assignment of the rights and liabilities to the corresponding budget will require that, previously, the administrative procedures be completed for acknowledging the right or obligation derived from the economic fact.

In addition, public accounting standards provide that, at the accrual of the operation or at least at the end of each month, although they were not concluded the administrative procedures for acknowledging the budgetary right or obligation, the income and expenses accrued until that date should also be recognized in the economic outturn account or in the statement of changes in equity. In the case of expenses, the account 413 Creditors by accrued operations includes the amount of accrued expenses but not charged to the budget. The change in the balance of this account is used to determine the adjustment *Others non-financial operations not considered in the budget of the year* of Table 2D of EDP questionnaire (see 3.5.3.5).

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

In the case of this sub-sector, as there is hardly any interest to be paid, this adjustment is negligible.

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

Other accounts receivable (+)

- *Adjustment in social contributions*. This item includes the lag between the time that social contributions are accrued and the time they are recorded in the budget of the Social Security Funds. Social contributions are accrued at the end of every month. However, they are mostly recorded in the Budget the following month. Therefore, an adjustment is made in order to amend the delay in the time of recording social contribution amounts as revenue in the settlement of the income Budget of the Social Security.

- *COVID Deferrals.* During 2020 and 2021, one of the measures introduced against the impact of the COVID-19 pandemic consisted of the temporary social contributions deferrals. These ad-hoc adjustments were recorded in the financial accounts as other accounts receivable.

Other accounts payable (-)

The item *Adjustment in social benefits* includes the differences between the accrual and the budgetary recognition of the social benefits. These differences are due to the fact that in the budget (WB), the expenditure related to December is mainly recorded in January of the following year (in exceptional cases the time lag may be more than one month). For that reason, the expenditure, on accrual basis, is calculated subtracting the social benefits relating to January recording in the WB for the year and adding the social benefits recorded in January in the budget of the following year.

3.5.3.4.3 Other accrual adjustments in EDP T2D

There are no other accrual adjustments.

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

In section *Non-financial transactions not included in the working balance*, the adjustment *Other non-financial operations not considered in the budget of the year*, incorporates the obligations derived from expenditure actually made, or from goods and services received, which have not yet been inserted in the budget, but that ultimately have to be (*Account 413 Creditors by accrued operations or similar*). When it is necessary, this item also includes any other operations not reflected in the WB, or in any other adjustment items.

3.5.3.6 Financial transactions included in the working balance

In general, the working balance of social security funds subsector does not include financial transactions.

3.5.3.7 Other adjustments reported in EDP T2D

- The item *Adjustment due to the differences with cash income* includes the differences between the cash of social contributions and the recording in the WB of these social contributions, as well as the cash adjustment of other income included in the WB.
- The item *Adjustments due to the differences at the moment of recording in the sources of data* reflects the impact of the prioritisation of data sources. The working balance in table 2D is based on data reported by all units of social security funds subsector. These data include transfers received from other government bodies. However, government units paying those transfers ("the State" mainly) might have a different perception of the amounts and of the time of recording. Differences observed are considered mainly originate from differences in time of recording and not from other issues (e.g. misclassification of transaction or of counterpart sector).

  This line also records all adjustments related to RRF in S.1314.
- The item *Cash operations and other adjustments* includes different adjustments related to the differences between the data recorded in the budget and its registration in the national accounts. In particular, it affects grants from EU funds and other adjustments that are either exceptional or are adjustments with insignificant amounts.

3.5.3.8 Net lending/net borrowing of social security funds

The working balance is the starting point for calculating the net lending/net borrowing (B.9) of social security funds subsector. The above-mentioned adjustments explain the transition between the WB and the B.9 balancing item, as defined in ESA 2010.

3.5.4 EDP table 3E

3.5.4.1 Transactions in financial assets and liabilities

EDP tables 3D are derived directly from the quarterly Financial Accounts of the Social security funds sub-sector compiled and published on the Internet by Banco de España in the framework of the Quarterly Financial Accounts of the Spanish Economy (FASE). Additional information about issuances above/below par, differences between interest (EDP D.41) accrued and paid and redemptions of debt above/below par is included in these tables and the same information is used in Financial Accounts in market value calculations. Furthermore, the effect of interest payments from swap agreements is considered.

In the FASE, the financial transactions for the items loans and equity and investment fund shares are not split into those granted or acquisitions and repayments or sales and, for this reason, in EDP tables 3 this information is provided on the basis of budgetary information and estimates.

Table 12. 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.8**	**F.2**	**F.3**	**F.4**	**F.5**	**F.6**	**F.7**	**F.8**
	Calculation of transactions													
Transaction data (integrated in public accounts)	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Other transaction data	X	X						X	X	X				
Stock data														
	Calculation of stocks													
Transaction data			X				X				X			X
Stock data	X	X		X	X	X		X	X	X		X	X	

The sources used are not different for the annual and quarterly financial accounts (actually, the BdE only compiles quarterly financial accounts) and, summarizing, these sources, their frequency, and timeliness are:

a. *Financial assets*:

F2. Currency and deposits: Money and banking statistics and Banco de España, the frequency is monthly and the delay is one month.

F3. Debt securities: Budgetary information and Securities market statistics, the frequency is monthly and the delay is one month.

F4. Loans: Budgetary information, the frequency is monthly and the delay is one month.

F8. Other accounts receivable: Budgetary information, the frequency is monthly and the delay is one month.

b. *Liabilities*:

F4. Loans: Budgetary Information, Central Credit Register (resident lenders) and Balance of Payments and International Investment Position (non-resident lenders). This information is checked with the internal records of the public accounts. These statistics are compiled on a monthly and the delay is one month.

F8. Other accounts payable: Budgetary information, the frequency is monthly.

3.5.4.2 Other stock-flow adjustments

See answer to point 3.2.4.2.

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.8 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.8 reported in 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 they 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 same register of units is used for non-financial and financial accounts compilations, and for EDP Table 2. Therefore, the coverage of units reported in EDP table 2 and 3 is identical.

3.6.2 Financial transactions

There are not financial transactions excluded from the WB as reported in EDP T2.

3.6.3 Adjustments for accrued interest D.41

Table 2 of EDP questionnaire explains reconciliation between the deficit included in the working balance (budget deficit) and EDP deficit. The line *Difference between interest paid and accrued* includes differences between interest payments at the moment of the payment included in the budget deficit and accrued interests recorded in the deficit.

Table 3 questionnaire explains EDP reconciliation between annual variations of EDP debt and deficits. This implies that, as regards interest expenses, relevant flows are those which allow us to explain the annual changes in nominal values and, therefore, the relevant adjustment is the difference between the accrued interest and the paid interest along all the life of the instruments independently of its recording in the budget. The statistical source used to compile this item is the Securities Database of Banco de España. The amount has been calculated on a security-by-security basis and includes mainly two components: differences between interests accrued and paid in securities issued with coupon and accrued interests of treasury bills issued at discount.

3.6.4 Other accounts receivable/payable F.8

There are not differences in the figures reported in EDP T2 and T3 in accrual adjustments under other accounts receivable and other accounts payable. The accrual adjustments reflected in non-financial accounts are identical to those reported in financial accounts in F.8.

3.6.5 Other adjustments/imputations

The adjustments and imputations included in EDP T2 during the compilation process are also reported in EDP T3.

3.7. General comments on data sources

There are not relevant general comments on data sources.

3.8. EDP table 4

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

3.8.1 Trade credits and advances

The information included in this item is obtained in the compilation process of the Financial Accounts of the Spanish Economy. Therefore, consistency between this item and the trade credits and advances reported in the line "net incurrence of other accounts payable (F.8) is ensured. The main statistical sources used are dedicated surveys designed to control delays on payments over the legal provisions and also the budget outturns of the different General Government bodies. The coverage is complete.

The Eurostat's decision on the recording of some operations related to trade credits of 31 July 2012 has been implemented for all the subsectors. Information on the trade credits subject to factoring or restructuring without recourse is obtained from financial statements of the financial institution and checked with general government units. When long-term (at inception) trade credits are discovered, they are reclassified al loans (F.4).

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

The public corporations involved in debt undertakings are Red Nacional de Ferrocarriles Españoles (RENFE) and Administrador de Infraestructuras Ferroviarias (ADIF). The information on stocks is obtained from the Spanish Treasury (General Secretariat of the Treasury and Financial Policy).

4. Revision policy used for annual GFS

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

4.1. Existence of a revision policy in your country

The routine revision policy related to the EDP data and the underlying ESA 2010 government accounts covers a particular period from the first to the final estimate. These revisions are in principle based on the availability of new information, or more complete, from data sources used.

4.1.1 Relating to deficit and non-financial accounts

Routine revisions are mainly due to revisions in the data provided by government units. For a year n, the first estimate of the non-financial accounts of the general government sector is made for the April (n+1) EDP notification. These accounts are revised with the updated information received for the October (n+1) EDP notification.

In April (n+2) EDP notification, the estimates of the non-financial accounts of the year n are generally not revised.

Finally, in October (n+2) EDP notification, the non-financial accounts for year n are revised for the last time. These are the final accounts for year n (final data).

All these revisions may have a negative or positive impact on the deficit of year n.

4.1.2 Relating to debt and financial accounts

There is a revision policy established for EDP debt which, while ensuring that the modifications that occur and that generally affect the most recent quarters to a greater extent are incorporated, gives the published series a degree of stability.

As regards financial accounts, in April (n+2) EDP notification, the estimates of the year n are generally not revised while, in October (n+2) EDP notification, the financial accounts for the previous years are revised for the last time.

4.2. Reasons for other than ordinary revisions

As mentioned above, routine revisions are mainly due to revisions in the data. However, there are other types of revisions, coordinated major European revision, called benchmark revisions or major regular revisions. These revisions are the result of methodological changes in the conceptual framework (ESA revisions), changes in classifications (NACE revisions), and major changes in sources or in compilation methods or errors identified at an earlier stage.

The methodology currently in force is set out in the ESA 2010 regulation. The implementation of this methodology involved the benchmark revision of 2014. Subsequently, at five-year intervals, two major revisions have been carried out: the Statistical Revision of 2019 and that of 2024.

These revisions of macroeconomic statistics in Spain have been carried out in a coordinated manner by the entities responsible for these statistics (see 2.1).

In addition to the reasons stated above for other than ordinary revisions, the Manual on Government Deficit and Debt (MGDD) provides guidance on the appropriate statistical treatment of specific operations of government as well as classifications on the issues raised in the EU regarding government finance statistics. This manual is updated every two or three years and the retropolation of the changes introduced, for the years whose status is final, is carried out when a major revision is made.

In year t+1, the length of time series, with consistent data, encompass the period 1995 - t.

4.3. Timetable for finalising and revising the accounts

The annual non-financial accounts of all subsectors of general government sector have the same schedule for data review. The character of the data included in each notification for non-financial accounts is determined by the existing time periods for the accountability, according to the established rule applicable in each case.

	April (n)	October (n)
Year n-1	first estimate (advance)	half-finalised
Year n-2	half-finalised	final

For each PDE notification, the basic information available and processed at that time is used. There are differences in the breakdowns and level of detail of available information among sub-sectors, as it noted in section 2.3.1.2 and chapter 3 of this inventory.

The GFS non-financial accounts are published on the dates set in the release calendar; both can be found on IGAE's website.

The Financial Accounts of the Spanish Economy are disseminated in electronic form, available at www.bde.es. This edition is updated quarterly with a lag of approximately 110 calendar days (usually on the 20th of the fourth month after the latest quarter included in the Accounts) and is preceded by a brief note describing the changes introduced and contains all the available tables. The specific dates of the updates of the Accounts appear in a release calendar for the publication, which, along with other Banco de España statistics, is available at www.bde.es.

B. Methodological issues

5. Sector delimitation – practical aspects

5.1. Sector classification of units

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

It is necessary to determine:
a. if it is an institutional unit (ESA 2010 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 (ESA 2010 §20.18 and MGDD 1.2.3 – define the notion of control by the government over an entity as "the ability to determine the general policy or programme of that entity". According to the list of criteria listed in ESA 2010 §20.309)
c. if it is a non-market public institutional unit - reference to "Market-non-market delineation" (ESA 2010 §20.19 to §20.28 and MGDD 1.2.4)"

The general government sector (S.13) only includes institutional units considered as non-market producers under ESA 2010. Therefore, when the main purpose of a public unit is the redistribution of national income and wealth, the entity is included directly in sector S.13. Likewise, when a public unit acts as an instrument of the authority that controls it, carrying out actions in the name and on behalf of the latter or providing ancillary services, it is classified under sector S.13.

The process of establishing the institutional sector in which a public unit should be classified is described below.

A first analysis has to be made in order to decide if the unit is an institutional unit, in the sense of the criteria pointed out in ESA 2010 and MGDD. The autonomy of decision and the financial accounts (if they exists) of the unit are analysed.

Secondly, it is determined whether or not the institutional unit is controlled by government, based on ESA 2010 criteria. Some indicators are considered enough to determine government control: rights to appoint/remove the majority of officers, so as the key committees of the entity, or ownership of the majority of the voting interests. In case the former indicators are inconclusive, other indicators must by analysed (rights to appoint the key personnel; the existence of special shares/options; contractual agreements; permissions to borrow; excessive regulation; others).

Where private units exercise effective control, the unit is considered private and not included in S.13 sector.

For public financial entities in which the appointment of the majority of the management board is made with government officials, they are classified in general government sector (MGDD).

Subsequently, the destination of the output is analysed. The public producer is classified in S.13 if the output is sold only to government without competing with private units. Also, the unit is classified in S.13 if the output is sold to government and to third parties but the sales to government exceed the 50% threshold and no compete with the other producers through tendering for a contract with government.

Finally, having checked that the qualitative criteria in the previous paragraph do not determine the classification of the unit in sector S.13, it is proceeded to check the quantitative criterion (the 50 % criterion), using the ratio of sales to production costs. We can distinguish between:

- New businesses or those that change activity: the information for the classification of these businesses includes their creation decrees and articles, which detail the activity they are to engage in, together with the financial planning of revenues and expenditures for the medium and long term.
- Existing companies: their information consists of the financial statements for the financial years recently ended. Data from the past four years are generally considered. This information is obtained from the annual accounts of the unit provided by the government authority that exerts control over it.

In both cases, this information is supplemented by direct requests for the additional information needed to classify the unit according to ESA2010 rules. In particular, when a new unit is analysed, specific information is required in order to verify the market test.

When sales, as defined in ESA2010, exceed more than 50% of production costs, the unit is classified in the non-financial corporations sector (S.11). Conversely, if sales by the public unit do not exceed fifty per cent of its production costs, it is included in the general government sector (S.13). Within this sector, depending on the level of government controlling the unit, it may be included in subsector S.1311 (central government), S.1312 (state government), S.1313 (local government) or S.1314 (social security funds).

The production costs considered are the sum of intermediate consumption, compensation of employees, fixed capital consumption, other taxes on production plus costs of capital (ESA2010 §3.33.c). The consumption of fixed capital is approximated by the business accounting amortisation, provided that its value is not decisive in the inclusion/exclusion of the unit in the S.13 sector. In those entities in which the value of the assets is significant, the consumption of fixed capital is approximated by the linear depreciation method applied to the value of the updated assets (if the necessary information is available). The costs of capital are approximated by the net actual interest payments of the unit. When this value is negative, null is considered.

In Spain, besides central government, there are 17 autonomous communities and more than 9 000 territorial local authorities with powers to create new dependent entities, in accordance with the requirements set out in local and regional legislation.

Regarding the creation of new institutional public units, current legislation (Law 40/2015, of the public sector law regime) sets the obligation to register in the Inventory of Public Sector Entities (INVENTE) the creation, transformation or extinction of any entity that is part of the State, Autonomous and Local public sector (in administrative terms). This inventory provides updated information of the legal nature, purpose, sources of funding, activities, ownership, accountability status and the units classified in S.13. This inventory includes the public units which existed prior the current regulation and the new units created since the new law entered into force, and is divided in:

- Inventory of central-controlled public units.
- Inventory of regional-controlled public units.
- Inventory of local-controlled public units.

The management and publication of this inventory is carried out by the IGAE, and the compilation of data submitted by autonomous communities and local corporations is taken up by the Secretaría General de Financiación Autonómica y Local, both bodies inside the Ministry of Finance.

Thus, public entities dependent on the State, Autonomous Communities and Local Corporations are currently identified using information contained in the inventories of central, regional and local public sector entities that must, under current regulations, be kept updated at all times.

The information of the Inventories is supplemented by direct requests to the Autonomous Communities and Local Corporations for the additional information required to classify the institutional units according to ESA2010 rules. These governments must provide the information according to Ministerial Order HAP/2105/2012 on the development of the reporting requirements provided for in the Budgetary Stability and Financial Sustainability Act of 27 April 2012 (Ley Orgánica 2/2012).

Although the information of the Inventory of Public Units is complete, the information is compiled in budgetary terms, not wholly accomplishing the ESA 2010 perimeter of the public sector. For this reason, IGAE publish an exhaustive list of public units classified in general government sector (S.13), which is available in its website, and which is updated on a yearly basis[10].

Generally, IGAE analyse this information and submits a proposal for the classification of units for review by the CTCN. Banco de España has a special role in the classification of entities engaged in financial activities. Once said Committee analyses the unit's sectoral classification, the result is submitted to the concerned entity (Autonomous Community or Local Corporation) and the Inventory is updated accordingly.

Lastly, any public entity on which information is obtained through any other means is also analysed.

5.1.1 Criteria used for sector classification of new units

See previous section.

5.1.2 Updating of the register

The classification of public units is periodically revised. A number of scenarios are possible, namely:

- General revision of all public units when methodological changes are introduced or new statistical benchmarks are formulated. In benchmark revisions, the classification of all public units is revised. If changes have been made to the results of a public unit with the consideration of market producer (S.11), according to the market/non-market test, its classification is changed to sector S.13. So, it was carried out a comprehensive revision of the sectoral classification of public units by the time of the SEC 2010 implementation.

- Revision of the classification of specific public units in diverse circumstances:
  - Change in activity. When a public unit changes its activity, an analysis is conducted to determine the impact of this on its classification. In this case, specific information is requested to check future compliance with the market test.

[10] (https://www.igae.pap.hacienda.gob.es/sitios/igae/es-ES/Contabilidad/ContabilidadNacional/InformacionGeneral/Paginas/InformacionGeneral.aspx)

- Mergers and takeovers. When mergers or takeovers affecting public entities occur, the resulting unit is analysed to check whether it meets the market/non-market test, especially when the units involved in those operations are classified in different sectors. In this case, the financial statements of all units are aggregated (consolidating transaction if appropriate) to verify compliance with the test in the resulting unit.
- Failure to adhere to planning. For new units, an analysis is conducted to determine why the targets in the forecasts used for its initial classification were not met, which can result in the reclassification of the unit.
- Units are also reclassified when the 50% ratio is not met, without the need to wait for ordinary revisions or benchmark revisions. An analysis of units whose EDP debt exceeds 0.01% of GDP is carried out on a yearly basis. Likewise, non-financial public corporations with a significant output whose ratio is close to the 50% threshold are regularly checked.

5.1.3 Consistency between different data sources concerning classification of units

As mentioned earlier, the public units are classified by the Technical Committee of National Accounts, composed of representatives of IGAE, INE and Banco de España. Generally, IGAE submits a proposal for the classification of units for its analysis. Banco de España has a special role in the classification of entities engaged in financial activities.

To ensure that there are no differences in the classification of the public units, the three institutions work very closely. For this purpose, the list of public units, including their institutional classification in the framework of ESA, is periodically shared by Banco de España, INE and IGAE in order to reconcile the files of the institutions.

5.2. Existence and classification of specific units

Non-profit institutions (NPI)

Non-profit institutions (NPIs) are analysed when the government authorities are represented on the board ("Patronato", their governing body). Under ESA, NPIs whose boards are controlled by government representatives and whose main source of funding comes from government are classified into the General Government sector (S.13). Criteria for considering the public control of these units are described in ESA 2010 20.15§. In some cases, several indicators are considered to determine the public control of the unit.

Depending on the number of representatives on the board of each level of government, these units are classified as S.1311 (central government), S.1312 (state government) or S.1313 (local government). NPIs classified as S.13 are mainly foundations and consortia (composed of units of several public authorities of the same level or of different levels). In the list of general government units, these NPIs are included at the level of government on which they depend.

Quasi-corporations

There are no quasi-corporations in the general government sector.

Infrastructure companies

In general, public controlled infrastructure companies are analysed as any other institutional units, regarding their sectoral classification.

In all cases, the assets are recorded in their financial statements, and they apply the accountancy regulation of commercial enterprises. For the compilation of the market/non-market test, sales considered are those coming from the services charged to the users of the assets. No subsidies on products are included as sales.

Regarding the costs of production, those recorded in the Profit and Loss accounts are considered. In those entities in which the value of the assets is significant, the consumption of fixed capital is approximated by the linear depreciation method applied to the updated value of the assets.

From the point of view of their activity:

- *Railways*

  The units that build and manage railway assets are included in S.13, except the Administrador de Infraestructuras Ferroviarias-Alta Velocidad (Adif-AV) which fulfils the market/non-market test. For this unit, the consumption of fixed capital is also approximated by the linear depreciation method applied to the updated value of the assets. Any capital injection of the State in Adif-AV is recorded as a capital transfer in national accounts.

  Regarding the public units which provides the services to the users (railway operators), they are generally included in S.13 sector except the case of Renfe which fulfils the market/non-market test. In this case, the consumption of fixed capital is approximated by the linear depreciation method applied to the updated value of the assets. In sales (numerator of the ratio), government payments for the performance of public service obligations (subsidies on product) are not included.

- *Roads*

  Some highways which come from extinct concession contracts awarded by the State are managed by the public unit Seitt, S.A. (Sociedad de Infraestructuras del Transporte Terrestre), which is classified in S.13.

- *Metro*

  When these units fulfil the market/non-market test they are classified in S.11, as market producers. Currently, the most part of them are classified in S.13.

- *Public utility companies*

  These public institutional units usually carry on water provision and waste management activities and are generally controlled by local authorities (local governments). If these units comply with the 50% criteria, they are included in S.11 (Non-financial Corporations sector)

- *Ports and airports*

  These public units are generally included in S.11 (non-financial corporations sector), as they fulfil the market/non-market test.

  Ratio data of the main infrastructure companies classified in non-financial corporations sector (S.11) are provided in the questionnaire on liabilities of Public Corporations submitted to Eurostat at the end of each year, which includes some Railway, Roads, Metro, Ports, Airports and Public utility companies.

Public universities and schools, Public TV and radio, Public hospitals

Public units such as broadcasting companies, schools, universities and hospitals are fully integrated within the General Government sector (S.13). They are primarily funded by public transfers from the government to which they belong, so they do not fulfil the market test.

SPE/SPV

Currently, we have not any non-resident SPE that are directly controlled by government units.

Fondo de Amortización del Déficit Eléctrico (FADE). The FADE was set up under Royal Decree-Law 6/2009 of 30 April 2009 adopting certain measures in the energy sector and is classified under the general government sector, in the central government subsector. This legislation provides that settlement-related electricity system deficits give rise to financial claims consisting of the right to receive a part of the amount to be charged to consumers in the following years until those claims are satisfied in full. To finance these deficits, the related financial claims can be assigned to a FVC, these claims will be paid by electricity companies to FADE during the next 15 years. The liabilities of the FVC consist of the financial instruments issued via a competitive procedure, which is also regulated by Royal Decree.

Specific public units involved in financial activities

The main public units/groups of units involved in financial activities are:

- *Instituto de Crédito Oficial* (Official Credit Institute): public credit institution classified in the Financial Corporations sector, in deposit-taking corporations except the central bank (S.122).
- *Institutes of finance of the Autonomous Communities*: several agencies set up to manage the funding policy of the Autonomous Communities are currently classified in the general government sector, state government subsector (S.1312), except for the Catalan Institute of Finance (ICF) which, given its specific features, is classified in the financial corporations sector, in other financial intermediaries subsector.
- *Venture capital companies/funds and public mutual guarantee and re-guarantee companies*: in application of ESA 2010 (Chapter 2, units and groupings of units) and the Eurostat Manual on Government Deficit and Debt, some public financial institutions have been considered as entities with functions similar to captive financial institutions. The main difference between these units and the private financial institutions is that they do not seek to obtain a market rate of return, but to carry out a limited range of activities for public interest and in narrow conditions set by the government controlling unit. In fact, these entities represent an alternative to performing these tasks directly by the government. To summarize, these entities do not have independence of action, it is the government who bears the ultimate risk of their activity. This lack of independence of action is the underlying reason for classifying these units in the general government sector as clarifies ESA 2.20.
- *Sareb*: Asset Management Company from Bank Restructuring was created in 2012, and it is currently classified in general government sector (S.1311).
- *Consorcio de Compensación de Seguros* (CCS): It is a public business organisation that performs many functions within the insurance field, and amongst which those related to coverage of extraordinary risk, compulsory vehicle insurance, combined agricultural insurance and liquidation of insurance companies stand out. It is classified inside general government sector, specifically in central government subsector.
- *Compañía Española de Seguro de Crédito a la Exportación* (CESCE): CESCE is a public unit classified in the subsector insurance corporations (S.128). In addition, it is the Spanish ECA (Export Credit Agency). As such, it exclusively manages credit insurance on behalf of the State, covering political, commercial and extraordinary risks associated with the internationalization of Spanish companies. All activities of CESCE made on behalf of the State are recorded in central government accounts.

Protection funds

- *Fondo de Reestructuración Ordenada Bancaria* (FROB): created by Royal Decree-Law 9/2009, of 26 June 2009, with the purpose of managing the restructuring of credit institutions and helping to strengthen their equity. It is classified under the general government sector in the central government subsector (S.1311).

- *Deposit Guarantee Fund*: its function is to guarantee deposits in credit institutions, both in money and in securities, thus contributing to the stability of the financial system through the confidence of depositors. It is classified under the general government sector, central government subsector (S.1311).

Other specific units

Some units (funds without legal personality) are not considered institutional units and are included in the relevant subsector. These funds are included in the list supplied of public units.

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 ESA 2010 §1.101. 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

ESA 2010 states that taxes and social contributions are derived from two sources: amounts evidenced by assessment s and declarations or cash receipts.
If assessments and declarations are used, amounts should be adjusted by a coefficient reflecting assessed and declared amounts never collected. An alternative treatment foresees recording tax/social contribution revenue on a gross basis and adjusting this amount by a capital transfer to the relevant sectors equal to the amounts unlikely to be collected.
If cash receipts are used, the amounts should be time adjusted so that the cash is attributed to the time when the underlying activities, transactions or other events took place to generate the tax/social contribution liability, or when the amount of tax was determined, in the case of some income taxes.

6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording of taxes is defined in ESA 2010 §4.26 and §4.82 as the time "…when the activities, transactions or other events occur which create the liabilities to pay taxes".

The IGAE compiles the non-financial data for EDP purposes, and particularly the taxes in the framework of National Accounts.

The estimation of taxes is mainly based on different administrative sources. Budgetary information is available (recognised rights, recognised liabilities, budgetary implementation, etc.) for those units subject to budget. The AEAT (Agencia Estatal de Administración Tributaria, Tax Agency) manages the state tax and customs system, and collects the EU's own resources.

AEAT is also in charge of collecting revenue from autonomous communities and cities either by legal provision or by agreement. Additionally, the main units of subsectors S.1312 and S.1313 (autonomous communities and municipalities, respectively), within their respective administrations, also have bodies in charge of this matter.

Furthermore, the budgetary information includes revenues from emission allowances issued by the government, and which are recorded as taxes (D.29) in NA.

Exceptionally, some public entities (for example, the Deposit Guarantee Fund for Credit Institutions) subject to the General Accounting Plan for Spanish companies, which are classified in the general government sector, collect revenues that, in accordance with ESA criteria, should be recorded as taxes. In these cases, the information contained in the profit and loss account, cash flow statements and additional questionnaires are used.

In accordance with paragraph 1.78 of ESA 2010 (*A tax is attributed to the government unit that exercises the authority to impose the tax… and has final discretion to set and vary the rate of the tax)*, the allocation of taxes to the different subsectors of general government is as follows:

Tax allocation by subsector (%)

(average 2019-2023)

Transaction	S.13	S.1311	S.1312	S.1313
D.2	100,0%	70,2%	11,4%	18,4%
D.5	100,0%	56,5%	36,5%	7,0%
D.91	100,0%	5,6%	52,1%	42,3%
Total	**100,0%**	**62,3%**	**24,5%**	**13,2%**

The VAT, PIT, CIT, excise taxes and some other minor taxes accounts for about 84% of the total revenue taxes. The financing model determines the administration and collection of these taxes.

In Spain there are two models for financing the Autonomous Communities: the foral regime and the common regime.

- The foral regime is applicable to the Comunidad Autónoma del País Vasco and the Comunidad Foral de Navarra.

  The Comunidad Foral de Navarra is the management and collecting tax authority of nearly the whole taxes accrued. In the case of the Comunidad Autónoma del País Vasco, the management and collecting tax authorities are the three Diputaciones Forales (local entities within S.1313) in which the territory of the Comunidad Autónoma is divided into.

- The common regime is applicable to the rest of the Autonomous Communities.

  It is central government the management and collecting tax authority for VAT, CIT and excise taxes. In turn, within the common regime, the Comunidad Autónoma de Canarias has a special economic and fiscal regime for historical and geographical reasons. Thus, the management and collecting tax authorities for IGIC (Value added type tax) and most of the excise taxes, are the Comunidad Autónoma.

  As for PIT, about half of the rate is set by the Comunidades Autónomas which also have some power (within certain limits) to rule on allowances and reliefs. Hence, PIT revenue is attributed to both subsectors, state government and central government. Anyway, the collection of the whole PIT in the "common territory" is carried out by central government via AEAT.

There are a second group of taxes attributed to Comunidades Autónomas[11] which accounts for 5% of the whole tax revenues, being the most sizeable the following:

- Tax on transfers of assets and documented legal acts (D.21).
- Inheritance and gift tax (D.91).
- Wealth tax (D.59).
- Taxes and Surcharges on Betting and Gambling (D.21).

[11] Except for the Comunidad Autónoma of Basque Country in which the 3 Diputaciones Forales (S1313) are the Tax Authorities.
As a general rule, if the taxpayer is non resident in Spain, the the Tax Authority is Central Government.

There are a third group of taxes attributed to Local Corporations which accounts for about 6% of the whole tax revenues, being the most sizeable:

- Real Estate tax, recorded as D.29 and, to a minor extent, as D.59.
- Tax on mechanically propelled vehicles, recorded as D.59 and, to a minor extent, as D.29.
- Tax on business activity (D.29).
- Tax on the increase in value of urban terrains (D.9).
- Tax on building, equipment and works (D.21).

Allocation of taxes by transaction and subsector
(average 2019-2023)

Transaction	S.13	S.1311	S.1312	S.1313
D.2	49,0%	55,2%	22,8%	68,3%
D.5	49,2%	44,6%	73,3%	25,9%
D.91	1,8%	0,2%	3,8%	5,8%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**

ESA 2010 estates that taxes are recorded at the time when the activities, transactions or other events occur which create the liabilities to pay taxes. In the case where the source used is cash receipts, they shall be time-adjusted so that the cash is attributed when the activities, transactions or other events took place to generate the tax liability. Nevertheless, in the case of income taxes (D.5), when the tax liability can only be determined in a later accounting period than that in which the income accrues, any final tax liability on income can be recorded in the period in which the liability is determined.

It is precisely that deviation from the general rule which is applied when the tax liability is settled past the compilation of April PDE Notifications. So, for VAT, CIT and PIT collected by central government through AEAT, the revenue accrued in year T which is settled by the taxpayer in January and February of year T+1, is time adjusted by recording it in year T. On the contrary, when the tax liability accrued in year T is settled by the taxpayer later (as of March of year T+1), notably in June (PIT) and July (CIT), the recording follows the cash receipts.

The following table shows the percentage of taxes, by type of tax, recorded in the accounts of the general government sector according to the Time-Adjusted Cash (TAC) method or others.

Method used
(average 2019-2023)

Transaction	S.13	TAC	Others
D.2	100,0%	56,2%	43,8%
D.5	100,0%	94,7%	5,3%
D.91	100,0%	-	100,0%
Total	**100,0%**	**74,1%**	**25,9%**

TAC method

As mentioned above, the estimation of the amount of cash receipts to be recorded in a year n of the tax T according to the TAC method (C^{n}_{TAC}) is the following:

$$C^{n}_{TAC} = C^{n}_{Cash} - C^{n}_{n-1} + C^{n+1}_{n}$$

Where:

C^{n}_{Cash}: Cash receipts in year n
C^{n}_{n-1}: Cash receipts in year n relating to the preceding year (n-1)
C^{n+1}_{n}: Cash receipts collected in year n+1 relating to the preceding year (n)

After determining the total quantity of cash receipts to be recorded, the total value of the tax T in year n (T^{n}_{TAC}) is determined by the difference between adjusted cash receipts and any refunds made as a result of over-payments:

$$T^{n}_{TAC} = C^{n}_{TAC} - R^{n}$$

being R^n the refunds requested by the taxpayer in year n to which the tax authority recognizes the right of reimbursement (see below section *Reimbursements*…).

The TAC method has been applied to three types of taxes: Value Added Tax (D.2); Personal Income Tax (D.5); and Corporation Income Tax (D.5).

It is to be highlighted that the collection of taxes is made through financial entities to which the Tax Agency has awarded the corresponding service contracts. So, taxpayers have to submit the Tax Agency their tax self-assessment via financial entities within the period of time set out in the tax regulation. Once submitted, the payment is received by the financial entities on the deadline day (the last day of the time period) for PIT and CIT; and on the same day the tax return is presented (VAT). Then, some days later, the financial entities deposit the tax collected in the Treasury

VALUE ADDED TAX (VAT)

Large companies (their annual turnover is above 6 million euro) must present monthly tax declarations within the 30 calendar days following the month win which the VAT is accrued.

SMEs must present quarterly tax declaration. Declaration of Q4 of year T is due on 30th January T+1.

The whole payments made by taxpayers enter the accounts of the financial entities that provide the AEAT with the collecting service.

Government establishes mandatory time limits for the repayment to the public Treasury of the amounts collected by these financial entities. These deadlines depend on when the revenue has been realized in the collaborating entity by the taxpayer (between the 6th and 20th of the month or between the 21st of each month and the 5th of the following month) and the type of tax.

In the case of VAT, the amounts collected by the financial entities until 20th have to enter the Treasury accounts by the ultimate working day of the same month. For those taxpayers who file the VAT self-assessment from 21st to the limit (30th), the financial entities have to deposit the amounts collected by the 5th of the following month.

That is to say, for VAT November, the taxpayer files its tax outturn between 21st and 30th of December, entering the Treasury accounts by 5th of January. for VAT December, the taxpayer files its tax outturn between 21st and 30th of January, entering the Treasury accounts by 5th of February. In both cases the VAT revenue is recorded in accrual year, not in the year in which the cash enters the Treasury accounts.

PERSONAL INCOME TAX (PIT)

The deadline for the annual tax assessment of year t is the end of June of year t+1. No adjustment is made since as already commented, the tax revenue is determined past end February which is the time limit for the compilation of April PDE Notification. Here, we follow the deviation allowed by ESA 2010 which sets out that if the tax liability can only be determined in a later accounting period than that in which the income accrues, the final tax liability on income can be recorded in the period in which the liability is determined. Therefore, revenue (including tax refunds) stemming from the annual self-assessment of year T is recorded in year T+1; together with the tax refunds corresponding to year T (requested in T+1).

Nevertheless, income taxes deducted at source, such as PAYE taxes; and regular prepayment of income taxes (sole traders), are recorded, via TAC, in the year in which the tax event occurs. So, in the case of sole traders, they have to submit quarterly tax returns over the profit generated from 1st January to the end of que quarter. The deadline for submitting the tax returns are the first 20 calendar days following the end of the quarter; except for the fourth quarter which is until 30th January of year T+1. In the latter case, the cash enters the Treasury accounts by 18th February, but recorded, via TAC adjustment, in the fourth quarter of year T.

In the case of PIT withholding on workforce payroll, large employers (to this end, large is considered when the yearly turnover is over 6 million euro) have to submit monthly withholding tax returns by the 20 calendar days following the end of the month at which the payroll is referred. So, the PIT withholding on the December payroll have to be submitted by 20th January of year T+1, entering the treasury accounts by the penultimate working day of January. That revenue is time adjusted and, accordingly, is recorded in the fourth quarter of year T.

Small employers have to submit their PIT withholding on workforce payrolls in a quarterly basis. As it is the case of large employers, the deadline is the 20 calendar days of the month following the end of the quarter. The revenue from the fourth quarter tax returns is recorded in year T

Finally, some capital revenue, as dividends, financial interest and rents from property leases (other than housing properties), are also subject to tax withholding obligations. As a general rule, the corporates which pay this kind of income are large ones and, consequently, they have to submit to the Tax Agency, in a monthly basis, withholding tax assessments on account of recipient's PIT/CIT. The revenue from the 12 withholding tax assessments of year T is recorded in year T, including the one referred to December which is time adjusted

Finally, some capital revenue, as dividends, financial interests and rents from property leases (other than housing properties), are also subject to tax withholding obligations. As a general rule, the corporates which pay this kind of income are large ones and, consequently, they have to submit to the Tax Agency, in a monthly basis, withholding tax assessments on account of recipients PIT/CIT. The revenue from the 12 withholding tax assessments of year T is recorded in year T, including the one referred to December which is time adjusted

CORPORATION INCOME TAX (CIT)

The presentation of the annual CIT self- assessment must be made within 25 calendar days starting from the six months following the end of the accounting period, which is, for most taxpayers, the calendar year. Given that the time lag is over the deadline of the April PDE Notification, again, in application of the ESA, no adjustments are made to the amounts collected.

There are 3 prepayments during the calendar year. Taxpayers have to submit their prepayments tax returns in the 20 calendar days of the months of April, October and December. Cash from the latter enter the Treasury by the penultimate working day of December, so, no adjustment is needed.

In the case of some capital revenue subject to tax withholding obligation (see PIT above) the fourth quarter tax return of year T (small taxpayers) and the December of year T tax returns, and in some cases November too, (large taxpayers) are time adjusted and so, recorded in year T.

Other methods

Most of the remaining taxes are recorded on a cash basis. In some cases (tax on business activity, tax on mechanically propelled vehicles, etc.), cash receipts can approximate the accrual because the tax period coincides with the calendar year, and the tax payment(s) are made within the tax year. Other taxes become chargeable on a transaction basis. For those taxes there are short time lags between the taxable event and the date of payment. In general, tax revenues from previous years in a given financial year are similar to the amounts accrued in the year but entered in subsequent years, so, the cash tax receipts are a reliable proxy of the accrual of these taxes.
Finally, the contributions to the Deposit Guarantee Fund (DGF), unit classified inside general government, are considered as taxes. The information for their classification as D.29 or D.91, ordinary or extraordinary resource of DGF, comes from their annual reports. Similarly, the revenues from auctioning emissions allowances are classified as taxes (D.29) and its allocation to year of surrender of the allowance is taken according to the method described in the MGDD (see 7.9).

Reimbursements, interest on late payments, fines and penalties

Tax refunds are recorded as a reduction of the corresponding tax revenue.

For VAT, PIT and CIT, tax reimbursements are recorded based on the submission of the requests. At year-end, only for tax reimbursements requests pending of payment, the AEAT makes an estimate of those that will be right, and they are recorded as a reduction of tax revenue. This estimate is reviewed the following year, with actual data from the validation of the requests made by the Tax Office. Other taxes are recorded net of reimbursements where appropriate.

The interest charged on arrears of taxes due, as well as the payment of government late interest for tax refunds (in general when refund payment has not been ordered within 6 months following the request for reasons not attributable to the taxpayers), are recorded as D.41 (resources and uses, respectively).

Fines and penalties are recorded as miscellaneous current transfers (D.75).

Payable and non-payable tax credit

ESA 2010 regulation defines the tax credit as a tax relief which is directly subtracted from the tax liability otherwise due by the beneficiary, household or corporation. Payable tax credits (PTC) are tax credits for which any amount exceeding the amount of tax liability (otherwise due) is paid out to the beneficiary. If the amount to be refunded is limited to the amount of the tax liability, the tax credit is regarded as non-payable.

PTCs are not netted from tax revenue, being recorded as D.623p (PIT) or D.39p (CIT).

In PIT, the following tax reliefs are considered as PTC:

- Deduction for working mothers.
- Deduction for large families.
- Deductions for persons who take responsibility for disabled people.

In CIT the following tax reliefs are considered as PTC:

- Some R&D&i, deductions
- Some film productions

Rest of PIT and CIT reliefs are considered non-PTC and so are recorded as less D.5r
In CIT, the time of recording of payable tax credits is when the beneficiary request it, which coincides with the submission of the annual tax return (see CIT point). In the case of PIT's PTC, the beneficiaries who ask for it, receive monthly payments ordered by the Tax Agency. For those beneficiaries who do not receive monthly payments the time of recording is when they submit their PIT annual tax return, giving rise to a lower tax liability, or directly a tax refund. Anyway, as already commented, they are recorded as D.623p, not deducting them from tax revenue.

Changes in payment deadlines for tax declarations for which the accrual recording is implemented by using TAC method or approximated by cash receipts

Fiscal policy measures notably enacted in the context of the COVID-19 pandemic included, among other measures, the deferral of tax payment deadlines, but not the submission deadline for tax declarations.

For the three taxes to which the TAC method is applied (VAT, PIT and CIT), the debtor had to have a volume of transactions not exceeding 6 million euros. The extension of the deadlines was, at most, of 6 months. No interest was accrued during the first three months of the deferral.

There were also changes in payment deadlines for some of the other taxes within the remit of the State tax authority or taxes managed by autonomous communities and municipalities whose recording in NA is approximated by cash receipts. There were a wide variety of industries/taxpayers affected (self-employed and SMEs, HORECA, cultural activities, recreational activities, research in medical sciences, etc.).

In those taxes in which deferrals had been requested, an estimate of the amounts that were going to be entered was made. The estimates by tax were reviewed once the final data were available.

The final data of taxes for the year t become available in September t+2.

6.1.2 Social contributions

The time of recording of social contributions is defined in ESA 2010 §4.94 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 IGAE compiles the non-financial data for EDP purposes and, in particular, social contribution in the framework of NA.

The estimation of social contribution is mainly based on General Treasury of Social Security data. The budgetary information of Social Security, SEPE and FOGASA (recognised rights, recognised liabilities, budgetary implementation, etc.) is also used.

The methods used for the recording of social contributions as estate the ESA are time adjusted cash amounts and cash data.

The General Social Security Act provide that the employer is responsible for the payment of social security contributions (both, employer and employees). Social contributions shall be paid in monthly instalments during the month following the month in which they are due. The declaration of December year t, in January t+1.

The self-employed person is responsible for paying their contributions. The payment of contributions corresponding to a month is made within the same month. Consequently, at the end of the month, accrual is in line with the cash flow.

The social security contribution payable by the non-employed persons is deducted directly from the amount of the unemployment pays out to them. The SEPE deposits these amounts into the Social Security Treasury in the month following the withholding.

In view of the above, the only adjustments to be made to the cash data are the adjustments to the actual social contributions of the employer, the employee and the non-employed persons. The time lag is about one month and the information on the net recognised entitlements of these social contributions is used.

Reimbursements, interest on late payments, fines and penalties

In case of reimbursements of social contributions, the total social contributions of the source would reflect the net. The interest charged on arrears of social contributions due is recorded as D.41. Fines and penalties are recorded as miscellaneous current transfers (D.75).

The final data for the year t become available in September t+2.

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.
ESA 2010 paragraphs 20.294-20.300 foresee that when non-government units are beneficiaries from EU grants, all the flows to and from government should be recorded as financial transactions, without any impact on government net lending/borrowing (B.9).
When final beneficiary is a government unit, the neutrality of EU flows is ensured by matching the time of recording of government revenue from the EU and the time of recording of the government expenditure covered by the EU grant.
The ESA 2010 Manual on government deficit and debt Chapter 2.6 “*Grants from and contributions to the EU budget*” provide further details concerning the recording of these flows.

6.2.1 General questions

The Treasury (Ministry of Economy) channels most of the financial flows between the general government and the European Union. Here we refer to the EU Funds under the so named ‘shared management’. However, when the European Commission execute its budget under the so named “direct management” the Funds are not channelled through Treasury as they flow directly from the EU budget to the final beneficiaries.

Information is therefore available on financial flows with the EU. Payments include Spain's contributions to the European Union budget, the European Development Fund and the category of other payments to the European Union, which includes various items such as the provision of services, traditional own resources, penalties, etc. Revenue from the European Union includes contributions from structural funds and other instruments for financing actions in Spain, which are channelled through the Directorate-General of the Treasury and Financial Policy. These contributions are mainly made by the European Agricultural Guidance and Guarantee Fund, the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Economic Area Financial Mechanism from 2021 onwards and other Community aids.

From the Treasury accounts, the EU Funds under shared management are distributed to the intermediaries taking part in the management of the EU Funds, or, where applicable, directly to the beneficiaries. It is the management authority of each EU Fund which order the Treasury the payments that have to be made to beneficiaries and intermediary bodies.

The Directorate-General for European Funds of the Ministry of Finance is the management authority of the whole Operating Programs within ERDF. Therefore, this body within the Ministry of Finance, performs the functions set out in the Regulation (EU) 2021/1060, in particular those in article 72**.**

The Unidad Administradora del Fondo Social Europeo, UAFSE, is the Spain's ESF administration unit. It also administers the Fund for European Aid to the Most Deprived (FEAD) and the European Globalisation Adjustment Fund (EGF). This unit is attached to the Ministerio de Trabajo y Economía Social (Ministry of Labour and Social Economy) and is classified in S.1314.

The Fondo Español de Garantía Agraria (FEGA, -Spanish Agricultural Guarantee Fund-), is an autonomous body, attached to the Ministry of Agriculture, Fisheries and Food, classified in S.1311 subsector. This body is responsible for coordinating the implementation of the CAP Strategic Plan in Spain.

When a government unit makes an expenditure funded by the European funds, it submits the supporting settlements to the managing Authority, which reviews the submitted settlements and checks that they are eligible. Only if the expenditure meets the eligibility requirements it will be sent to the Commission for reimbursement.

Currently, in NA, the time of recording of government revenue from EU, other than Next Generation Funds, is the time of submission of claims by beneficiaries to the manager of EU funds. Hence, the source of information to record revenue from EU comes directly from the Managing Authorities (UAFSE, FEGA and the Directorate-General for European Funds), not the beneficiaries. Nevertheless, for the April 2025 EDP Notification, the recording criterion will be changed to the time at which the expenditure is incurred.

In case of EU Funds under direct management by the EU Commission, the source of data is, directly, the beneficiaries.

For Next Generation Funds which reimburse eligible cost incurred, notably REACT ERDF and ESF, the time of recording is the time at which the expenditure is incurred, not the time of submission of the claim by the beneficiary to the managing authority. Since for most of REACT Funds, the beneficiaries are the Comunidades Autónomas, as well as the Ministry of Health, specific questionnaires were developed that had to be filed by the 17 Comunidades Autónomas in order to match the actual expenditure accrued with the corresponding EU revenue.

For Next Generation Funds which provide financing not linked to costs incurred, notably RRF Funds, which constitute a "perform based" program, in accordance with Eurostat criteria and the 2022 version of the MGDD, the time of recording is the time at which the expenditure is incurred to achieve the different milestones and goals that give rise to the EU grants. As for the source of information on the time of expenditure, we can differentiate the following:

- In case of central government units under a limitative budget, the source is directly the IGAE, since it is the accountant itself of the AGE (Ministries). IGAE also has live access to the accounting records of the public entities because they use the same IT tool which is managed by IGAE. The latter also applies to SEPE[12], autonomous body within S.1314, which is the main body within S1314 managing RRF Funds

[12] SEPE is in charge of the management of employement policies and unemployment benefits

In case of central government units not subject to a limitative budget, specific questionnaires were developed to grasp the time of the expenditure incurred. Those questionnaires have to be sent to IGAE in a monthly basis.

- For the Comunidades Autónomas, the whole entities under their control belonging to S.1312 have to send IGAE specific standardised questionnaires. The questionnaires are different, depending on whether, or not, the entity is subject to a limitative budget. Those questionnaires have to be sent to IGAE in a monthly basis.
- For local entities the situation is similar to the Comunidades Autónomas commented above. The questionnaires have to be sent to IGAE in a quarterly basis.

As a general rule, income received by government units from European funds is included in the working balance of each beneficiary. The figures entered in the working balance are compared with those recorded in NA. Differences between the amounts of funds recorded in the working balance and those recorded, according to the MGDD, in the S.13 accounts are included in the "Other adjustments" section of tables 2A, 2B and 2D of the EDP Notification Tables.

In the framework of multi-annual programmes, the Commission makes advance payments, usually, though not always, at the start of the operating programmes. These advances are recorded as financial assets with no impact on government deficit. Only when the expenditure is certified, the advance is cancelled and the income from the European Union recorded.

Differences between the amounts of funds (EU own resource based on GNI included) entered in the working balance and those recorded, according to the MGDD, in the S.13 accounts are included in the “Other adjustments” section of tables 2A/D of the EDP Notifications Tables.

Finally, as already commented, for traditional EU Funds, other than Next Generation’s, we are now in the process of moving the time of recording, from the current time of submission off the claim to the Managing Authority, to the time the expenditure is accrued. The change will be implemented in the context of the April 2025 PDE Notification. Furthermore, under the new EU fiscal rules approved by Regulation (EU) 2024/ 1263 and 1264 it is necessary to clearly identify the national expenditure cofinancing EU programs. Given that this change entails that the main source of information will not be the managing authorities anymore, but the beneficiaries, we are devising the specific questionnaires needed to properly capture all this information.

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.

This facility does not apply to Spain.

6.2.3 EU financial instruments

The EU has been providing measures of financial support from EU structural and investment funds ‘financial instruments’ (FI). These instruments may be ‘equity or quasi equity investments, loans or guarantees’ and they are intended to support activities that will generate income, or result in saving on future expenditure. Unlike grants, they do not constitute a gift to the final recipient, which will typically be a small or medium-sized enterprise (SME) since, under normal circumstances, the funds are expected to be repaid to the creditor and produce a return on the investment (such as interest on the loan, or profit on subsequent sale of equity).

Time of recording – EU flows

EU legislation allows for a choice on how the financial instruments are implemented nationally: the Implementing Authorities can choose whether to assign the implementing task to a newly created entity or contract out the management to the EIF/EIB or to existing financial institutions.

Different EU financial instruments (FI) have been implemented to support specific objectives in European Regional Development Fund (ERDF) programs and, to a lesser extent, in European Agricultural Fund for Rural Development (EAFRD) and European Social Fund (ESF). The types of FIs used have been: Direct management, Fund of funds or Specific funds.

The 'beneficiary' units –i.e. units assigned to implement the FI and in whose accounts the recording of EU flows follows the B.9 neutrality principle– are classified in sectors S.12 and S.13.

The financial instrument programmes whose beneficiaries are units classified in S.13 are implemented through *Funds of funds* or *under Direct management*. The direct management of these FIs is, for instance, that carried out by CDTI (Centre for the Development of Industrial Technology), public business institution classified in S.1311, in which one of its activities is to act as a financing agent for business innovation.

The information for the recording of these FIs in NA comes from the fund management units and the entities managing these funds. When the beneficiary is a government unit, the only amounts recorded as government revenue with an impact on B.9 (no significant amount) are those relating to property income received (D.4).

The cash received from the EU together with the D.4 received, mentioned above, are recorded as payable towards the EU (F.89). In the case of the loans/guarantees/etc. granted by the FI to the entity receiving financial support are lost, the expenditure (capital transfer) recorded in the S.13 accounts are neutralised with a government revenue (capital transfer) from EU of the same amount and the payable decrease in the same amount.

6.2.4 EU Recovery and Resilience Facility (RRF)

The RRF entered into force on 19 February 2021. It finances reforms and investments in Member States from the start of the pandemic in February 2020 until 31 December 2026. To receive RRF funds, member states must present plans for major investments and reforms that promote economic recovery and strengthen social resilience. The funds provided via the RRF consist of grants and loans, and their disbursement is linked to the fulfilment of a number of milestones and targets.

Statistically, the RRF grants are to be treated similarly to the conventional EU grants, i.e., without impact on the net lending (+) /net borrowing (-) (B.9) of general government (see MGDD section 2.6.1). An exception to the neutrality rule exists for the year 2020 (due to the retroactive application of the RRF. Expenditure incurred in 2020 is not neutralised in 2020, the corresponding revenue is to be recorded when the plan is endorsed by the Council. In addition, in the case of the RRF, by convention, government is to be seen as the final beneficiary of all funds. Advance payments by the EU on RRF grants are to be recorded either in F.8 payables or a reduction in F.8 receivables to the extent that receivables exist. The expenditure financed by the RRF loans should accrue following ESA 2010 rules, and no expenditure neutralisation should take place. The recording of the FIs financed from the RRF grants should follow the same rules as for the FIs financed from the regular EU flows (see MGDD section 2.6.3), that is, be B.9 neutral for general government (as the beneficiary).

The information related to the RFF flows stems from the different general government units. Specifically, for the different sub-sectors, the information available is as follows:

Central government (S.1311)

a) The central State (AGE). Service 50 "Recovery and Resilience Facility" has been introduced in the budgetary structure. Therefore, information is available and recorded by IGAE.

b) Other Central Government Bodies (OCGB). If they are subject to a limitative and binding budget the information is directly available for IGAE since it has live access to their accounting records since these entities use an accounting IT tool devised and managed by IGAE. On the contrary, if they are not subject to a limitative budget, they are required to report monthly information through specific standardised questionnaires on RRF-related operations.

Regional government (S.1312)

Main units of this sub-sector must report monthly information, through specific standardised questionnaires, on the transactions linked to the RRF. These questionnaires are of two types, those for units subject to a restrictive and binding budget (they apply the General Public Accounting Plan) and those for units subject to the General Accounting Plan for Spanish companies.

Local government (S.1313)

Main units of this subsector must report quarterly, through specific standardised questionnaires on transactions linked to the RRF. There are specific questionnaires for units subject to a binding budget and for units subject to the General Accounting Plan for Spanish companies.

Social Security Funds (S.1314)

As in sub-sector S.1311, the S.1314 units also identify in their budgets the transactions linked to the FRR and provide this information to the IGAE.

Budget recording

The funds received from the RRF are channelled through the Government budgets. These funds, as a general rule, are recorded as revenue for amounts received, either from EU budget (Central State); or from Central State (OCGB, Comunidades Autónomas and local entities). The expenditure imputed to the budget correspond to those directly executed as final beneficiary, as well as the amounts transferred to the other government units to execute FRR actions

Recording in national accounts

RRF Funds constitute a "perform based" program since, unlike traditional EU Funds, provide financing not linked to costs incurred, but the achievement of goals and milestones. In accordance with Eurostat criteria and the 2022 version of the MGDD, the time of recording is the time at which the expenditure is incurred to achieve the different milestones and goals that are precisely which give rise to the EU grants.

In the framework of NA, initially, the amounts received from the EU are recorded as financial liabilities of the central State vis-à-vis the rest of the world. The amounts transferred by the central State to the other government units, notably OCGB, Comunidades Autónomas and local entities, to implement RRF actions are recorded as financial assets of the central State and financial liabilities of the corresponding recipient units.

For expenditure incurred from 2021 onwards, RRF revenue from the EU is recorded according to the principle of neutrality on the basis of the actions actually implemented in each year and recorded as expenditure in national accounts.

For expenditure incurred in 2020 and financed by the RRF, the corresponding revenue is recorded in 2021.

When the central State directly implements actions financed by the RRF, a revenue from the EU (with a decrease in the EU financial advance as a counterpart) is recorded for the amount of the expenditure incurred.

When other governments units monthly report the execution of the RRF expenditure, in order to comply with the RRF neutrality principle, the central State records a transfer (expenditure), which reduces the advance granted to the corresponding government (S.1312, S.1313 and S.1314), and simultaneously records revenue from EU which decreases the liability to EU[13]. The latter (unit reporting RRF expenditure) records a transfer revenue from central State, which reduces the advance received.

In EDP tables 2, the adjustments to reconcile the RRF flows in the WB with those included in the Net lending (-)/ net borrowing are recorded in *Other adjustments (+/-).*

In EDP tables 3, adjustments are introduced in the item other accounts receivable/payable necessary to make the financial and non-financial accounts consistent based on the same data sources.

Expenditure measures financed by RRF grants have mostly had the nature of capital expenditure: capital transfers and gross fixed capital formation. The amounts intended for revenue reduction measures or acquisition of financial assets, etc. have not been, so far, significant.

The original national recovery and resilience plan has been modified after the revision of the financial contribution, re-calculated in June 2022. This up-date has had no statistical implications on the RRF-related expenditure, and their neutralisation, recorded in the S.13 sector accounts up to that date.

6.2.5 Market Regulatory Agencies

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

The Fondo Español de Garantía Agraria (FEGA, -Spanish Agricultural Guarantee Fund-), is an

[13] As long as cash from EU exceeds the expenditure incurred, since, otherwise, a financial asset is recorded

autonomous body, attached to the Ministry of Agriculture, Fisheries and Food, classified in S.1311 subsector. This body is responsible for coordinating the implementation of the CAP Strategic Plan in Spain.

Its main purpose is to ensure that aid from the Common Agricultural Policy (CAP) is applied rigorously in order to achieve the objectives of this policy and effectively reach beneficiaries who meet the aid requirements, within the deadlines laid down in its regulations, thereby promoting the uniform application of CAP aid across Spain. CAP support is financed by the European agricultural funds, EAGF (European Agricultural Guarantee Fund) and EAFRD (European Agricultural Fund for Rural Development).

Operations carried out on behalf of the EU relating to management of the CAP are not recorded as FEGA revenue or expenditure in government accounts.

6.3. Military expenditure

The ESA 2010 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.

ESA 2010 paragraphs 20.190-20.192 define the rules for the statistical recording of military equipment. Chapter 2.5 in Part 2 of the ESA 2010 MGDD details the rules concerning the recording of military expenditure.

6.3.1 Types of contracts

Among the different types of contractual arrangements, those used by the Spanish military forces are of three types: Sales agreed in advance with industrial suppliers (with or without government pre-financing), Trade credits (payments after delivery) and Purchasing through an international special agency.

6.3.2 Borderline cases

There are no borderline cases relating to classification of military goods or other equipment used by military forces.

6.3.3 Recording in national accounts

ESA states that the time of recording of asset acquisition is the time of the transfer of the ownership of the asset. For military equipment this accrual principle is considered to be at the time of delivery.

The information for compilation of military equipment expenditure in the framework of NA is fully available. Financial details and the time of delivery are known: the Ministry of Defence provides information on supplies of military equipment to IGAE and IGAE has access to information on the financial flows associated with these contracts.

For those contracts where advance/post-delivery payments are made, these transactions are recorded in the financial account as *Other accounts receivables/payable (F.8)*, as *Trade credits and advances (F.81).*

6.4. Interest

This part aims at describing accrual adjustment for interest.

ESA 2010 paragraph 20.178 reads: "*In the system, interest is recorded on an accrual basis, i.e. interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding*"

ESA 2010 MGDD part 2, chapter 2.4 is dealing with some practical aspects of the recording of interest.

6.4.1 Interest expenditure

Table 13 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)	M	M	M	M	M	M	M	M
Debt Securities (AF.3)	C/Accrual	Accrual	C/Accrual	Accrual	C/Accrual	Accrual	M	M
Loans (AF.4)	C/Accrual	Accrual	C/Accrual	Accrual	C/Accrual	Accrual	Accrual	M
Other accounts receivable (AF.8)	M	M	M	M	M	M	M	M

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

In the case of interest payments, the budgetary recording takes place when they fall due, which under normal circumstances is really close to the date of payment. Interest expenditure, on an accrual basis, for the central State, which accounts for about 80% of the whole S.13 interest expenditure, is valued, instrument by instrument, by the Directorate-General of the Treasury and Financial Policy (Ministry of Economy) according to the ESA rules. In addition, main units of S.1312 and S.1313 provide standardised accounting information (see sections 3.3.1 and 3.4.1). In particular, this information contains a table showing budgetary interest expenditure (cash basis) and the right amount under an accrual basis. In the case of S.1314, interest expenditure is close to zero.

For units classified in S.13 sector and subject to the General Accounting Plan for Spanish companies, in their accounts, interest is recorded on an accrual basis.

The difference between interest charged to the budget (based on a cash basis) and accrued interest leads to adjustments recorded in the line *Difference between interest paid (+) and accrued (D.41) (-)* of Tables 2A/D of EDP questionnaire.

In EDP table 3, adjustments are introduced in the item other accounts receivable/payable necessary to make the financial and non-financial accounts consistent.

6.4.2 Interest revenue

The interest received by the government units is recorded on an accrual basis, except when only budget information is available, in which case the interest recorded in the budget is entered. In the case of interest charged on arrears of taxes due is always recorded on a cash basis.

The source data for interest revenue are similar to those used for interest expenditure:

- Information on interest received on State funds is available on a cash and accrual basis (see 6.4.3).
- Interest received by the main units of subsectors S.1312 and S.1313 is available on a cash and accruals basis (see sections 3.3.1 and 3.4.1).

- Interest received by the Social Security Reserve Fund from public debt securities is recorded on an accrual basis and, when it is derived from “the State” public debt securities, it is consolidated with these costs (see below).
- Interest received by entities subject to the General Accounting Plan for Spanish Companies and its adaptation for non-profit organisations. Interest is recorded on an accrual basis.

6.4.3 Consolidation

Consolidation on interest applies to those interest flows that arise on intergovernmental holdings of financial assets and liabilities.

Consolidation between subsectors takes place in the following transactions:

- Interest received by central government (S.1311) from the state government (S.1312) and local government (S.1313). The State has granted loans to autonomous communities and local entities mainly through the Fondo de Financiación a Comunidades Autónomas and the Fondo de Financiación a Entidades Locales. These loans accrue interest in favour of the central government (S.1311) and against the state and local government subsectors (S.1312 and S.1313). The information which is recorded as interest (resources/uses) in the respective subsectors, and subsequently consolidated in the general government sector (S.13), is that contained in the accounts of the above funds (on accrual basis).
- Interest received by social security funds (S.1314) from central government (S.1311). The Social Security Reserve Fund, "Reserve Fund", was established in order to establish special funds for the stabilization and reserve destined to cover future requirements in matter of contributory benefits originated from deviations between income and Social Security expenses. This fund has invested its resources primarily in Spanish public debt. Therefore, part of the interest paid by central government (S.1311) for Public Debt is entered in social security funds (S.1314). The recording of this interest is similar in the accounts of S.1311 and S.1314.
- Interest on other financial operations. Occasionally, and always by no significant amounts, other interest payment is made between subsectors of the general government sector. These amounts are also subject to consolidation.

Consolidation within subsectors:

Interest received/paid between government units belonging to the same subsector are also consolidated.

Consolidation does not affect balancing item of S.13, leaving unchanged the B.9 of general government sector. The interest flows to be consolidated, recorded on an accrual basis, between the different subsectors have been recorded for the same amount in the accounts of each subsector.

6.4.4 Recording of discounts and premiums on government securities

In the EDP notifications, flows associated to premiums and discounts enter the working balance of EDP tables 2 on a cash basis. In the budget, the repayment of discount is identifiable from the repayment of debt.

In table 2A, these flows are neutralised in line *Premiums at issuance on public debt, including coupon sold (Other financial transactions (+/-)).*

In table 2B, premiums/discounts are not significant for state government and, in Table 2C, the amounts for local government subsector are null/practically null every year. The corresponding adjustment for these subsectors, if applicable, is recorded under item *Difference between* *interest paid (+) and accrued (D.41)(-).* The social security funds subsector does not issue debt securities.

Premiums and discounts are spread over the life of the instrument. This implies that, in the national accounts, amortized premiums are recorded as negative expenditure.

6.4.5 Recording of interest accrued on intergovernmental loans in dispute and interest accrued on intergovernmental loans unlikely to be repaid

There are no cases of intergovernmental loans that are in dispute or intergovernmental loans that are unlikely to be repaid.

6.4.6 Recording of interest on on-lending's from supranational entities

Supranational entities may borrow on the markets at more favourable rates than many Member State governments can achieve and on-lend the amounts to national governments in the form of loans. An example is the SURE instrument, established by the European Commission in 2020. Under the SURE instrument, the European Commission uses the capital markets to raise funds and then on-lends them to national governments in the form of loans.

In Spain, financial support has been requested under the SURE instrument. The recording in NA of the transactions associated with this support has been carried out in accordance with the methodology established in the ESA 2010 and the MGDD**.**

In the context of on-lending arrangements, the amounts provided by the supranational entity have been recorded as loan liabilities at their nominal value as defined in the ESA (at the ESA 2010 nominal value of the corresponding bonds). The difference between this nominal value (amount received) and the amount to be repaid for the loan at maturity is recorded as interest expenditure. The recording of the premium/discount as interest (negative/positive interest) is spread over the lifetime of the loan.

Consequently, the interest payable on these loans (D.41), calculated on a loan-by-loan basis, can present the following components, if applicable: the effective interest (determined by the interest on the bond issue of the supranational authority) and the interest associated with the issue premiums/discounts. Interest is recorded on an accrual basis.

These loans are included in the EDP data as EDP debt. The government debt, as state the Council Regulation (EC) No 478/2009, is valued at face value (in financial accounts at nominal value). Consequently, these loans being funded by bonds their face value is determined by the face value of the corresponding instrument issued by the supranational entity.

6.5 Time of recording of other transactions

As noted above along this Inventory, both in the General Public Accounting Plan and the General Accounting Plan for the Spanish companies, the basic approach is to record transactions on an accrual basis (paragraphs 2.2, 3.2.3, 3.3.3. 3.4.3 and 3.5.3). Therefore, most of the transactions made by the general government sector are already recorded on an accrual basis, as the accounting rules on this principle generally are similar with the criteria of the European System of Accounts.

However, in those specific cases where there are differences between the criteria of public or private accounting and the European System of Accounts, as to the application of the accrual basis, appropriate adjustments are made, which have been discussed throughout this Inventory. There are specific sections for the recording of taxes and social contributions (6.1, 3.2.3.4.2 and 3.5.3.7); funds received from the European Union (6.2); military expenditure (6.3 and 3.2.3.7);

interest (6.4 and 3.2.3.4.1, 3.3.3.4.1, 3.4.3.4.1 and 3.5.3.4.1) and dividends (7.4). For other headings:

- Subsidies payable, current and capital transfers payable. It is recorded as an expense, the amount recognized in the 409-413 account "*Creditors by accrued operations*" or equivalent account, and in the financial statements of the units subject to the General Accounting Plan for the Spanish companies.
- Gross capital formation. It is recorded as an expense, the amount recognized in the 409-413 account "*Creditors by accrued operations*" or equivalent, and in the financial statements of the units subject to the General Accounting Plan for Spanish companies. However, regarding construction contracts in the form of full payment of the price, acquisitions through capital leases or acquisitions with deferred payment, adjustments pointed out in paragraphs 3.2.3.7, 3.3.3.7 and 3.4.3.7 will apply. In the case of public-private partnerships, the treatment pointed out in section 7.6 is followed, carrying out, where appropriate, adjustments indicated in paragraphs 3.2.3.7, 3.3.3.7 and 3.4.3.7.
- Social benefits payable. It is recorded as an expense, the amount recognized in the 409-413 account "*Creditors by accrued operations*" or equivalent, and in the financial statements of the units subject to the General Accounting Plan for Spanish companies. Where necessary, adjustments in paragraph 3.5.3.7 refers to are made.
- Other non-financial transactions. It is recorded as an expense, the amount recognized in the 409-413 account "*Creditors by accrued operations*" or equivalent, and in the financial statements of the units subject to the General Accounting Plan for Spanish companies.
- Financial transactions. In principle, all transactions included in financial accounts are recorded when the agreement between parties involved takes place. That means transactions are recorded even when payments are delayed. Differences between the amounts recorded in every instrument and the related payments are included in "other accounts receivable/payable (F.8)". In practice, there are two sources of information for every instrument, namely the two parties thereto, and for certain instruments there is also a third source, namely administrative records of the transactions (i.e. the Central Credit Register for government loans). This means that a ranking of sources must be established when compiling the accounts. The criterion used gives, in principle, priority to primary (direct) information sources (not to those derived or inferred indirectly), normally indicating the counterpart sectors of such transactions.

7 Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA 2010), 2022 edition[14].

7.1 Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt, as well as of deficit. The accounting rules are explained in the Chapter 7.4 on Government guarantees of the ESA 2010 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 are mainly provided by the central State and, to a lesser extent, by autonomous communities and local entities.

The legal system of guarantees granted by Administración General del Estado (S.1311) is set out in Chapter V of Title IV of the GBL. This chapter states that obligations derived from credit operations arranged in the interior or abroad by natural or legal persons, public or private, may be secured by granting the corresponding guarantee. The granting of guarantees must be authorised in legislation or by the Council of Ministers and must not in any event exceed the limit set each year in the GBL.

The guarantees granted are included in the General State Account. The website of the "Secretaría General del Tesoro y Política Financiera" also contains information on "the State" guarantees

Guarantees granted by regional and local authorities (S.1312 and S.1313) are governed by Resolutions of September 9, 2015, of the General Secretariat for Regional and Local Coordination, which define the principle of financial prudence of the autonomous communities/local entities of financial operations that have financial assets or the granting of guarantees or other kinds of public guarantees or extra budgetary support measures. Unless expressly authorised by the State:

- The total amount of guarantees authorized by each autonomous community may not exceed 1.5% of its regional GDP. Furthermore, an individual operation cannot be arranged if, for whatever reason, the guarantee exceeds 25 million euros or 0.1% of the community's GDP.
- The total amount of guarantees authorized by each local entity may not exceed 30% of its current income settled or accrued in the immediately preceding fiscal year. Furthermore, an

[14] https://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/manuals

individual operation cannot be arranged when, for whatever reason, the guarantee is greater than 15% of current income.

Recording in national accounts

In general, guarantees granted by government authorities are treated as contingent liabilities and, therefore, are not recorded in the general government accounts.

When the guarantee is activated, a capital transfer is recorded for the amount called, with impact on net lending/net borrowing.

Nonetheless, where there is evidence that the government will take responsibility for payment of the guaranteed debt, a debt assumption will be recorded whose offsetting entry will be a capital transfer with impact on government deficit.

7.1.1.2 Treatment of guarantees called

Recording in public accounts

In public accounts, the call of guarantees is recorded in the expenditure budget, non-financial transactions. As a general rule, no claim is recorded as consequence of the activation of a guarantee.

Recording in national accounts

In national accounts, after the guarantee has been activated, a capital transfer (payable) is recorded for the full amount of the enforced guarantee (cash payment). No financial asset is recorded as a result of a guarantee call. Depending on the terms of the guarantees, we can distinguish between:

- Cases in which the creditor demand enforcement of the guarantee for the full guaranteed amount (full call) due to debtor default. In national accounts, the total amount enforced is recorded as expenditure. The government unit does not assume any debt.
- Cases in which the creditor can only demand enforcement of the guarantee only for the amount of each maturity (partial calls), due to debtor default. Each partial enforcement is recorded as a capital transfer for the enforced amount. These cases are monitored to identify the possibility of three successive enforcements. In national accounts, if there are three enforcements, a capital transfer payable is recorded for the amount of the unmatured secured debt.

7.1.1.3 Treatment of repayments related to guarantees called

Recording in public accounts

Repayments related to guarantees called have an impact in the budgetary accounting. Guarantee recoveries are recorded in revenue budget, non-financial transactions, in *Chapter 3 Public tariffs, charges and other income*.

Recording in national accounts

In national accounts, if a guarantee previously enforced is recovered, it is recorded as capital transfer received.

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

As mentioned in section 7.1.1.2, in public accounts, calls on guarantees are recorded as current expenditure. No financial assets are recorded and thus no write-offs are possible.

7.1.1.5 Data sources

As explained above, guarantees granted by the State are recorded in the public accounts and included in the General State Account. The website of the "Secretaría General del Tesoro y Política Financiera" also contains information on State guarantees. Itemised information is available on operations guaranteed by the State.

At local and regional level, information on guarantees is received in the relevant questionnaires of standardised information.

7.1.2 Guarantees on assets

The types of guarantees on assets are as follows:

- Export credit insurance. The risks whose coverage can assume the Spanish State are the risks of losses or economic damage derived from foreign trade, of foreign investments and of economic transactions abroad, caused by political risks and commercial risks, as well as the sale or acceptance of reinsurance.

  The financial statements (balance sheet and income statements) of the risks insured by the State are reflected in a system of separate accounts (of those of the manager of this insurance) following the accounting principles and schemes formulation that determines the applicable law to insurance companies.

  The treatment of these transactions has been the treatment established in the SEC 2010 for non-life insurance.

- Deposits. The Fondo de Garantía de Depósitos de Entidades de Crédito (FGD) was created by Royal Decree-Law 16/2011. The aim of this Fund is to guarantee clients' deposits when they are held by the affiliated credit institutions in accordance with the provisions of the regulations, thus contributing to the stability of the financial system as a whole. The FGD is classified inside government sector (in S.1311 subsector). This entity provides the information required to compile the accounts of the sub-sector S.1311 on a monthly basis.

  The FGD prepares the annual accounts, which are published on its website. The recording of the specific operations of the FGD in national accounting is as follows:

  - Annual contributions of credit institutions affiliated to the FGD. Income received from regular contributions of credit institutions is recorded as *Other taxes on production* (D.29).
  - Supplementary and extraordinary contributions of credit institutions affiliated to the FGD. They are recognised when the decision to levy them is made and, in NA, recorded as Capital taxes (D.91).
  - The amounts associated with the enforcement of guarantees granted by the FGD are recorded in CN as capital transfers (payable).

7.1.3 Standardized Guarantees

Until 2021, no standardised guarantees scheme had been recorded in the S.13 accounts.

In 2020, a line of guarantees was created for financing granted by financial institutions to facilitate access to credit and liquidity for companies and the self-employed, in order to address the economic and social impact of COVID-19. In the case of the self-employed and SMEs, the guarantee covers 80% of the principal of new financing operations and renewals. For other companies that are not considered SMEs, the guarantee covers 70% in the case of new loan operations and 60% in the case of renewals. The guarantee does not cover items other than the principal of the loan, such as interest payments, commissions or other expenses inherent to the operations. The guarantor is the central State through the Ministerio de Economía and the programmes are managed by the Official Credit Institute (ICO).

They are the financial institutions which grant guaranteed financing to their customers, companies and the self-employed, in accordance with their internal admission policies and risk analysis based on financial, internal and external, regulations. The guarantees are subject to an annual fee payable to the central State on the amount outstanding of the guaranteed loans. Although the government charges fees, these are not economically significant and not sufficient to cover the expected losses.

At the end of 2021 the deadline for granting guarantees has been extended to June 2022.

The initial maturity period ranged from 1 (representing approximately 1.2 percent of the total loan portfolio) to 5 years, with, upon request, a one-year grace period. Subsequently, a series of measures allowed the possibility of requesting an extension of the maturity and/or grace period up to a maximum of 3 additional years of the maturity period (1 further year for grace periods) with respect to the initially agreed maturity periods, provided that the total guaranteed operation does not exceed, as a general rule, 8 years from the date of the initial formalisation of the operation.

Recording in public accounts

Provisions associated with these guarantees are incorporated in the 2020 State General Account (prepared by October 30, 2021) in accordance with the general public accounting plan. Provisions were calculated on the basis of an initial estimate by the Bank of Spain based on a sectoral sensitivity analysis. In this analysis, a segmentation of the corporate loan portfolio according to size and NACE is carried out, assigning increases in the doubtful assets' ratio according to the risk of the different categories. Specifically, it is assumed that the overall portfolio of loans to firms with ICO guarantees reaches a NPL ratio similar to that of the 2013 crisis, except for real estate development firms. Given that a budget appropriation was approved in 2021 to subsidise companies affected by the economic crisis, an estimate was made of the possible impact of this measure on activation of COVID 19 loan guarantees, reducing the initially estimated value of provisions.

As far as fees income is concerned, public accounting records it as revenue, so, not affecting the balance of the provision.

Recording in national accounts

In March 2021, guarantees granted in 2020 were not recorded as standardised guarantees due to the high level of uncertainty to measure reliably the loss estimate.

For the preparation of the 2021 data, public provisions for this scheme of guarantees on loans were already available since the 2020 consolidated public accounts is compiled by IGAE on late October 2021. Hence, with effect from 2021, the Covid-19 guarantees granted from April 2020 have been recorded as standardised guarantees.

The recording of the operations/stocks of this scheme follows the guidelines in section 7.4.3 of the MGDD:

- For the impact at inception in government accounts:

  AF.66 (L) Provisions for calls under standardised guarantees for the amount recorded as provisions in the public accounts. This only reflects the expected calls net of expected recoveries (gross recording).

  AF.2 (A) Currency and deposits for the annual fee paid to the State by financial institutions.

  AF.8 (A) Other accounts receivable for the expected future fees.

D.9 (P) Capital transfers counterpart for the F.66 liability amount net of any fees collected or collectable.

The impact on B.9 is equal to the amount recorded as D.9.

- Subsequently, the treatment is similar for new loans granted. In the financial account, F.66 is recorded for the part estimated as non-recoverable, F.2 for the commissions corresponding to the year and F.8 for those pending collection in subsequent years. In non-financial accounts, the counterpart of all these transactions is recorded as capital transfers (D.9) with impact on deficit.
- Calls on guarantees. These calls results in a decrease of AF.66 and cash (AF.2) for the same amount, without impacting on deficit.

On the other hand, the extension of the term of the loans, as mentioned above, has resulted in annual fee income for more years than initially foreseen, i.e., fees income higher than the initially expected. This increase in future revenues (F.8) has been matched by an increase in provisions (F.66) so that the deficit is not affected.

7.2 Claims, debt cancellations and debt write-offs

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA 2010 and further clarified in the Chapter 3.2 on Capital injections and Chapter 7.2 on Debt assumption and cancellation of the ESA 2010 Manual on government deficit and debt.

7.2.1 New lending

The main financing lines granted by government and its beneficiaries are:

- Loans granted by CDTI and ENISA (S.1312) to private corporations (S.11).
- Loans granted to Greek government.
- Loans to the European Financial Stability Facility (EFSF).
- Loans granted by FONPRODE, FIEM and other funds (classified into S.1311) to foreign countries and others.
- Loans granted to autonomous communities and local entities through the *Fondo de* Financiación *a Comunidades Autónomas and Fondo de Financiación a Entidades Locales*.
- Loans granted to the Treasury of the Social Security
- Loans granted by various ministries for various purposes: loans for R&D; loans for industrial development and competitiveness; restructuring and reindustrialization loans; loans for the promotion of tourism and commerce, education and other loans.

These loans are generally granted at a rate of interest. However, there are also specific lines with reduced interest rates, or even zero interest.

The information available on loans granted by central government depends on the Accounting Plan applicable to the unit granting the loan:

- For loans granted through the State budget, information is available on the loans granted in each fiscal year, their beneficiaries and repayments.
- For loans granted by units subject to the General Accounting Plan for Spanish companies, in principle only net flows calculated by balance sheet differences are available. Nevertheless,

when reports are available, information broken down by loans granted and repayments can be obtained.

Loans granted by the central State to other government authorities (Autonomous Communities, Public Universities and Local Authorities) and loans granted by and among these units are treated as financial assets. Repayments are also treated as financial transactions. These transactions are consolidated when the aggregate accounts of the sector S.13 are drawn up.

In general, loans –and their repayments– granted to public or private units not included in the general government sector are recorded as financial transactions, with the exception of loans with a low probability of repayment, which are recorded as capital transfers payable. In the latter case, any repayment will be recorded as capital transfers received.

The criteria for the treatment of loans granted by the Autonomous Communities and Local Corporations are the same as for central government. In these scenarios, the information is received in the standardised accounting information questionnaires they have to provide IGAE in a monthly basis.

7.2.2 Debt cancellations

In general, under the current legislation, debts can only be cancelled in cases where cancellation is provided for by the law. In national accounts, debt cancellations are recorded as capital transfers.

7.2.3 Repayments of claims

Repayments of claims in ESA 2010 accounts are generally recorded as financial transactions. However, if the claim was previously recorded as a capital transfer, the eventual receipts from repayment of this claim are recorded as a capital transfer receivable.

7.2.4 Debt write-offs

In national accounts, debt write-offs are recorded as *Other changes in assets* and have no impacts on government deficit.

7.2.5 Sale of claims

There have been no sales of bad loans, well-performing loans or claims in recent years.

If an asset (financial or non-financial) is sold, this must be recorded in the budget and/or accounts of the unit that made the sale.

7.2.6 Income contingent loans

Up to now there have not been cases of income contingent loans granted by public units.

7.2.7 Recording of loans not expected to be fully repaid

This section refers to loans that are not expected to be repaid in full at the outset. When a "loan" is at inception not expected to be fully repaid, a capital transfer is to be recorded at inception for the part expected to be lost. For such loans significant net losses are expected at inception, i.e. for amounts far in excess of the usual losses on loans and with no compensatory interest.

As a general rule, around 20% of the whole loans granted by the central State are considered non repayable and, accordingly, a capital transfer for this amount is recorded. The 20% ratio comes from the historic rate of default.

Moreover, in the context of Covid-19 pandemic, the Central State opened 2 lines of senior and subordinated loans to companies in liquidity and temporary financial stress situations. Contrary to the normal treatment of loans described in the paragraph above, in these cases a specific recording was made for loans granted in 2020 and 2021. A case-by-case analysis was carried out in order to assess those borrowers whose financial situation had deteriorated so much as to assume a very low probability of repayment of the loans. When amounts recorded as capital transfers are fully or partially repaid, a capital transfer, D.9r, is recorded.

For the loans granted in 2022, although the same case-by-case analysis was carried out, it was finally considered more appropriate to apply a global treatment. A default rate of 20% was therefore considered for the entire loan portfolio and a loss given default of 80%. If the losses are ultimately lower, a D.9r is recoded, otherwise further D.9p are recorded.

7.3 Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA 2010 paragraphs 20.197-20.203 and clarified in the Chapter 3.2 on Capital injections of the ESA 2010 Manual on government deficit and debt. These chapters 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, and to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD 3.2.3.2.3.

Identification of capital injections in cash

Capital injections in cash are recorded in the budget of the government authority that granted them. Therefore, the identification of these capital injections for public units is carried out by analysing the budget operations (transfers, capital contributions and loans) and their recipients. There are two types of transactions:

- Operations recorded in the budget as "transfers". These are also recorded as “transfers” in the national accounts.
- Operations recorded in the budget as “financial operations”. ESA Manual criteria are applied, so they are recorded in the national accounts as financial transactions or reclassified as non-financial transactions on a case-by-case basis.

Identification of capital injections in kind

Capital injections in kind are not recorded in the budget. They are therefore generally identified by analysing the accounts of the beneficiary institutions. In the case of assumptions of debt by government, they must be authorised by law, which is used to obtain knowledge of these assumptions.

Moreover, with regard to central government (S.1311), Article 66 of Tax, Administrative and Social Measures Act (Ley 62/2003), of 30 December 2003, regulates the issuance of a mandatory report on the effects on the national accounts of capital injections under the State budget. The procedure for issuance of this report involves identifying, prior to drafting, the capital contributions and characteristics of the operation, in order to determine its treatment in the national accounts.

Capital injection test

The capital contributions made by government units are analysed according to the requirements of the ESA MGDD. They are therefore reclassified as non-financial expenditure:

- Contributions to units included in the general government sector (S.13).
- Contributions to Foundations.
- Contributions to units included in the non-financial corporations sector (S.11) to clean up losses or fund unprofitable investments.

Only contributions to profitable companies or certain international financial institutions are treated as financial operations.

Practical application of these criteria requires the reclassification of most capital contributions made by Spanish general government as non-financial expenditure.

The analysis is performed by IGAE prior to the preparation of the general government accounts for inclusion in the relevant EDP notifications. All contributions are analysed. For central government (S.1311) and under Article 66 of the Tax, Administrative and Social Measures Act (Ley 62/2003), an analysis of capital contributions is also conducted prior to preparation.

For existing companies, the information used in this analysis includes the latest available annual accounts of the unit and any other relevant information available or requested to this effect. For contributions to new units, a financial study indicating the expected return of the contribution is requested from the responsible authority.

Besides the accounts of general government (S.13), IGAE also prepares the accounts of public companies in the non-financial corporations sector (S.11). Information (annual accounts) is available to prepare these accounts and is also used both to identify the contributions received from public authorities and to determine their treatment in the national accounts.

7.3.1 Capital increases in multilateral development banks

When Multilateral Development Banks (MDB) extend concessional loans and grants to low-income countries, the resources for such activities become systematically depleted. In this context, the donor countries meet periodically to replenish those resources. The donor countries contributions to such MDBs are therefore to be recorded in the non-financial accounts.

The national accounting recording of capital injections to MDBs depends on the type of loans it provides. In the case of government capital injections in MDBs that are intended to provide loans mainly on market terms, these injections are recorded as a financial transaction (F.5). However, when the Spanish contribution to MDBs is primarily for the purpose of providing concessional loans, the recording in NA is a capital transfer.

The time of recording of these capital transfers is determined by the conditions set. The government normally signs commitment instruments in which an initial amount is determined and the remainder to be paid over a number of years depending on national contingencies (qualified instrument of commitment). In NA, the initial amount is recorded at the time of signing, irrespective of whether there has been cash flow or not. The remainder of the agreed amount is recorded when the necessary appropriations are obtained.

In general, there are no participations paid in advance of the commitment.

7.3.2 Government capital injections in non-resident corporations

Sometimes government carries out capital injections in corporations that are resident in foreign countries. If government holds at least 10% of the equity capital/ voting power of the non-resident corporation reinvested earnings on foreign direct investment are recorded, i.e., retained earnings of the non-resident corporation are deemed to be distributed to the government and then reinvested through the financial accounts. In cases where the reinvested earnings recording is applied, government capital injections are usually recorded in the financial accounts, unless the capital injections are used to cover holding losses or write-offs not included in the reinvested earnings. The latter requires the recording of a non-financial transaction (see MGDD 3.5).

Not applicable.

7.4 Dividends

The accounting rules are set out in ESA 2010 paragraphs 20.205-20.207. It is recalled, that the ESA 2010 Manual on Government Deficit and Debt chapter 3.5 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). It also sets out that the resource available for distribution by a unit (a corporation) is the *distributable income* of the unit, as defined in the ESA 2010, paragraph 4.55. Total distributions could therefore comprise one part recorded as distributed income of corporations, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA 2010 table 2 and table 8 within “other property income” category, and the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

The basic source of information for the identification of "dividends received" by main units are the amounts recorded in the revenue budget of the various levels of general government (central, state and local). For units subject to the General Accounting Plan, or its respective sectoral adaptations, the corporate accounts are used.

After identifying the dividends, they are checked to ensure that they were obtained from the ordinary profit of the unit distributing them. In particular, it is checked the following:

1. That dividends are not based in retained earnings, other than the profit generated in the last year; or generated in the current year the dividend is accorded (interim dividends)
2. That the amount of the dividend, D.42r, is less than the profit for the year adjusted by those accounting revenue and expenditure that are not part of the entrepreneurial rent in NA terms, which, among other, are the following:
    - Losses, impairments and variation of provision for trade receivables.
    - Imputation to the profit and loss of capital grants.
    - Excess of provisions
    - Margin on the sale of non-financial assets
    - Impairment net of reversals in non-financial assets.
    - Change in the fair value of financial assets recorded in the income statement.
    - Revenue and expenditure from changes in exchange rates.
    - Margin on the sale of financial assets.
    - Impairment net of reversals in financial assets.
    - Any other revenue and expenditure when according to the information available is considered not to be part of the entrepreneurial rent.

So, the chart of the income statement of a standard corporation is the following:

CUENTA DE PÉRDIDAS Y GANANCIAS CORRESPONDIENTE AL EJERCICIO TERMINADO EL .... DE 200X

Nº CUENTAS		Nota	(Debe) Haber 200X	200X-1
	A) OPERACIONES CONTINUADAS			
	1. Importe neto de la cifra de negocios.			
700,701,702,703,704,(706),(708),(709)	a) Ventas.			
705	b) Prestaciones de servicios.			
(6930), 71 *,7930	**2. Variación de existencias de productos terminados y en curso de fabricación.**			
73	**3. Trabajos realizados por la empresa para su activo.**			
	4. Aprovisionamientos.			
(600), 6060,6080,6090, 610*	a) Consumo de mercaderías.			
(601),(602),6061,6062,6081,6082,6091,6092,611*,612*	b) Consumo de materias primas y otras materias consumibles.			
(607)	c) Trabajos realizados por otras empresas.			
(6931),(6932),(6933),7931,7932,7933	d) Deterioro de mercaderías, materias primas y otros aprovisionamientos.			
	5. Otros ingresos de explotación.			
75	a) Ingresos accesorios y otros de gestión corriente.			
740, 747	b) Subvenciones de explotación incorporadas al resultado del ejercicio.			
	6. Gastos de personal.			
(640),(641),(6450)	a) Sueldos, salarios y asimilados.			
(642),(643),(649)	b) Cargas sociales.			
(644),(6457),7950,7957	c) Provisiones.			
	7. Otros gastos de explotación.			
(62)	a) Servicios exteriores.			
(631),(634),636,639	b) Tributos.			
(650),(694),(695),794,7954	c) Pérdidas, deterioro y variación de provisiones por operaciones comerciales.			
(651),(659)	d) Otros gastos de gestión corriente			
(68)	**8. Amortización del inmovilizado.**			
746	**9. Imputación de subvenciones de inmovilizado no financiero y otras.**			
7951,7952,7955,7956	**10. Excesos de provisiones.**			
	11. Deterioro y resultado por enajenaciones del inmovilizado.			
(690),(691),(692),790,791,792	a) Deterioros y pérdidas.			
(670),(671),(672),770,771,772	b) Resultados por enajenaciones y otras.			
	A.1) RESULTADO DE EXPLOTACIÓN (1+2+3+4+5+6+7+8+9+10+11)			
	12. Ingresos financieros.			
	a) De participaciones en instrumentos de patrimonio.			
7600, 7601	a_1) En empresas del grupo y asociadas.			
7602,7603	a_2) En terceros.			
	b) De valores negociables y otros instrumentos financieros.			
7610,7611,76200,76201,76210,76211	b_1) De empresas del grupo y asociadas.			
7612,7613,76202,76203,76212,76213,767,769	b_2) De terceros.			
	13. Gastos financieros.			
(6610),(6611),(6615),(6616),(6620),(6621),(6640), (6641),(6650),(6651), (6654), (6655)	a) Por deudas con empresas del grupo y asociadas.			
(6612),(6613),(6617),(6618),(6622),(6623),	b) Por deudas con terceros.			
(6624),(6642),(6643),(6652),(6653),(6656), (6657),(669)				
(660)	c) Por actualización de provisiones			
	14. Variación de valor razonable en instrumentos financieros.			
(6630),(6631),(6633),7630,7631,7633	a) Cartera de negociación y otros.			
(6632),7632	b) Imputación al resultado del ejercicio por activos financieros disponibles para la venta.			
(668),768	**15. Diferencias de cambio.**			
	16. Deterioro y resultado por enajenaciones de instrumentos financieros.			
(696),(697),(698),(699),796,797,798,799	a) Deterioros y pérdidas.			
(666),(667),(673),(675),766,773,775	b) Resultados por enajenaciones y otras.			
	A.2) RESULTADO FINANCIERO (12+13+14+15+16)			
	A.3) RESULTADO ANTES DE IMPUESTOS (A.1+A.2)			
(6300)*,6301*,(633),638	**17. Impuestos sobre beneficios.**			
	A.4) RESULTADO DEL EJERCICIO PROCEDENTE DE OPERACIONES CONTINUADAS (A. 3+17)			
	B) OPERACIONES INTERRUMPIDAS			
	18. Resultado del ejercicio procedente de operaciones interrumpidas neto de impuestos.			
	A.5) RESULTADO DEL EJERCICIO (A.4+18)			

For the superdividend test purposes, the following items are excluded: 4d, 6c[15], 7c, 9, 10, 11, 13c, 14, 15 and 16

With particular regard to Banco de España, dividends are checked to ensure that they do not include capital gains from the extraordinary sale of assets, routine intervention in foreign exchange markets, or operations to revalue monetary gold and reserves. For other companies,

[15] When the provision is applied to its end, giving rise to a disbursement, it does not transit the income statement, but an expenditure in NA is recorded.

the corporate report is used to verify that the distributed dividends are charged to ordinary profit, and not to extraordinary profit or accumulated reserves.

Some units pay interim dividends to government. For non-financial corporations, the distribution of interim dividends must fulfil the requirements of the commercial legislation applicable to all public and private limited companies. In this sense, according to article 277 of the “Ley de Sociedades de Capital” interim dividends can only be paid if, since the beginning of the accounting period until the date the interim payment is agreed, the profit after income tax, net of past losses and the contribution to the legal reserve, exceeds the interim payment. So, the Board of directors of any corporation can only approve an interim dividend as long as the net profit, at least, exceeds the dividend to pay.

The annual profits of the “Banco de España” are paid into the Public Treasury in three instalments, which are set out in Royal Decree 2059/2008 of 12 December 2008 on the transfer to the Treasury of the Banco de España's profits.

- The first instalment is paid in December and consists of a down payment of 70% of the profit generated up to September of that year.
- The second instalment is paid in March of the following year and amounts to 90% of the profit generated in the previous year less the first down payment made in December.
- The final settlement for the fiscal year is paid in August and amounts to the 10% remaining profit.

These dividends are recorded as revenue, D42r, in the year in which they are received.

7.5 Privatization

The accounting rules are set out in ESA 2010 paragraphs 20.210-20.213. The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter 5.2 indicates that such indirect privatization proceeds are not government revenue. MGDD chapters 5.3 and chapters 5.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter 5.3.1 of the ESA 2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set- up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity been considered as taking place on behalf of the government?

In the recent years no privatization has taken place other than the sale in 2015 of 49% of the stake, indirectly held by central State in AENA, which is the administrator of the Spanish airport network. The direct parent company of AENA is the enterprise public entity ENAIRE, 100% owned by the central State and classified in S.11. The 49% stake in AENA capital was sold by ENAIRE, being recorded as F5 withdrawal. Since then, no material privatisation has taken place.

7.6. Public Private Partnerships

The term "Public-Private Partnerships" (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific "dedicated assets", such that the non-government unit builds a specifically designed asset to supply the service. The accounting rules are set out in ESA 2010 paragraphs 20.276-20.282 and clarified in the Chapter 6.4 of the ESA 2010 Manual on government deficit and debt.

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 Chapter 15 of ESA 2010.

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.

In Spain, PPP projects have been frequently used for the procurement of public services by the different levels of government. For 2022, the contractual value of PPPs in force amounts to 21 billion (10% awarded by central government; 68% awarded by regional government and 22% awarded by local government).

In the last years, due to budgetary constraints, PPPs have been reduced, so, most part of them are in the mid or final stage of execution.

On considering the contracts as PPPs, according to ESA2010 and MGDD, the following factors are taken into account:

- The nature of the assets involved: PPPs mainly relates to fixed assets.
- The length of the contract. Whether a PPP, the contact must cover the most part of the economic life. In other case, the contract may be considered an operating lease.
- The source of the remuneration of the contractor: in PPPs the mainly source comes from the government payments; in concessions the users fees are the main source of the contractor remuneration.

- Specific clauses of the contract: reversion of assets, economic duties of the parties, guarantees provided, financing scheme, etc.

In Spain, the CTCN (IGAE, BdE, INE) gives its appraisal on the PPP contracts following the risks and rewards approach set by ESA2010 and MGDD and report to the awarding governments the result of the analysis and their implications for their financial stability according to the Ley Orgánica 2/2012 de Estabilidad Presupuestaria y Sostenibilidad Financiera (budgetary stability and financial sustainability Act), which is the main budgetary framework which rules the public finances.

Regarding the assessment of the PPPs in force, in 2022, 72% of contractual value of PPPs belong to on-balance PPPs (recorded in S.13 accounts) and the remaining 28% belong to off-balance PPPs.

The source of information of the PPPs are the governments that award the contracts. These governments have to send the CTCN the following information:

- In the case of central government, before the contract is awarded, it has to send the contractual documents of the tendering in order to get the appraisal of the contract in terms of the stability of the public finances (Ley Orgánica 2/2012).
- In case of regional and local governments, they have to send the signed contracts to the CTCN which ask for the additional information required to give the assessment if needed.

In all cases, the contracts to be send to the CTCN are the concession contracts in terms of the Ley 9/2017 de Contratos del Sector Público (public sector contracts Act), which transposes to the internal regulation the European directives of public procurement. A threshold is established as the concession contracts to be send to the CTCN are those with a deemed contractual value higher than 12 million € or, whatever their value, if the government gives grants or guarantees.

Once the information is received, CTCN makes its appraisal of the recording in national accounts of the operations of the contract following the risks and rewards approach set by ESA2010 and MGDD: construction risk, demand risk (whether payment is based on the use of the asset), availability risk; financing clauses (investment grants, guarantees); etc.

Financing clauses are specially analysed as they may imply a higher risk assumption of the government and lead to the on-balance sheet recording of the assets. Since the enter into force of the Ley 9/2017 de Contratos del Sector Público, the number of PPPs which receives public financing is minor as, according to the law, the operational risk has to be transferred to the contractor and this legal clause limits the public financial support (by financing or providing guarantees) to may be given to the contractor in order that the operational risk is assumed by it.

7.7 Financial derivatives

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

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union does not distinguish between the ESA and EDP definition of interest. The Regulation No 549/2013 paragraph 4.47 reads: *Payment resulting from any kind of swap arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Transactions under forward rate agreements are recorded as transactions in financial derivatives in the financial account, and not recorded as property income*.

ESA 2010 paragraph 20.133 specifies the treatment of so called of market swaps: "*Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum* *is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, 'at-the-money' swap component.*"

7.7.1 Types of derivatives used

The most common type of derivative used is currency swaps. These transactions are recorded as financial transactions in national accounts in the item F7 Financial derivatives and employee stock options and affecting to interest expenditure and deficit in EDP reporting. In relation to EDP debt, this variable includes the effect of currency swaps transactions. This treatment follows strictly the current methodology of EDP statistics.

Other central government bodies use swaps between fixed or variable interest rates for variable interest rates and, also, interest swaps.

There are not any occurrences of lump sum payments on swap cancellations, swaptions and/or options on interest, off-market interest rate swaps (IRS), FOREX swaps, off-market currency swaps or swaps with embedded options

7.7.2 Data sources

The information is obtained from Spanish Treasury (General Secretariat of the Treasury and Financial Policy), state governments, local governments and Banco de España Securities data base.

7.7.3 Recording

Payments resulting from any kind of swap arrangement are entering the working balances of the EDP tables 2A-2C. The relevant neutralisation adjustments are made under line "of which: net settlements under swap contracts (+/-)", in section *Other financial transactions (+/-).*

7.8 Payments for the use of roads

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

At present, there is no vignettes system for the use of government roads and, in general, road network owned by public units are free to use.

Nevertheless, during 2018 and 2019, a number of bankrupt toll roads, where the concessionaires were private producers, reverted to the State. The public company Sociedad Estatal de Infraestructuras del Transporte Terrestre (Seittsa, State company of land transport infrastructure), classified in S.1311, is responsible for the direct management, operation and maintenance of these motorways. Toll revenues are recorded as market output (P.11) in the S.1311 subsector.

7.9 Emission permits

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty, which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

The ESA 2010 MGDD part 6, chapter 6.5 is dealing with the statistical recording of the emission trading allowances.

Up to 2012, Spanish government allocated emission allowances on a no-charge basis. It has not therefore posted any transaction in the general government accounts for their assignment.

From 2013, with the auctions of emission allowances, the statistical recording of the payments related to emission allowances issued by governments should be recorded as other taxes on production (D.29) in the year of surrendered of the allowances.

Monetary information on emission permits sold by the government is included in the budget. Data on emissions trading are published by the Ministerio para la Transición Ecológica (Ministry of Ecological Transition).

The statistical recording as D.29 of revenues obtained from the auctioning of emission allowances is carried out using method 2.b described in chapter 6.5 of ESA 2010 MGDD.

In national accounts, the time of recording of the tax revenue gives rise to a financial liability, accounts payable (AF.89), for government. The AF.89 amounts to the ETS auctioning revenue that have not yet been recorded as fiscal income in the non-financial accounts.

In the past (2008-2012 period), Spanish government purchased emission quotas (AAUs) from other countries. These payments are recorded as acquisitions of non-financial non-produced assets.

7.10 Sale and leaseback operations

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD part 6, chapter 6.2 is dealing with sale and lease back operations

The established procedures for the provision of information require main general government sector units (State, Autonomous Communities and Local Corporations) to report on any ‘sale and leaseback’ operation that they have carried out or plan to carry out.

Between 2010 and 2014 there were four ‘sale and leaseback’ operations, all of them in the S.1312 subsector. The assets involved in these operations were buildings and its total value amounted to 0.9 billion euro.

These contracts have been analysed by the CTCN and it has been considered that, in all cases, it was an actual sale of the buildings, and the leaseback was an operating lease.

Consequently, in national accounts, these transactions have been recorded as a sale of buildings (P.5) and a subsequent operating lease (P.2).

7.11 Securitisation

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. In addition, 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.

ESA 2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part 5, chapter 5.5 is dealing with securitisation operations.

There have been no "securitisation" operations in recent years. The established procedures for the provision of information require public sector units (central government, Autonomous Communities and Local Corporations) to report on any "securitisation" operations that they have carried out or plan to carry out.

7.11.1 Securitisation of NPLs with government guarantees

Government might help financial institutions to dispose of their impaired assets via securitisation. In such cases, government support takes the form of a guarantee on the senior debt issued by an entity (a special purpose vehicle (SPV)) specifically created to purchase the NPLs.

Not applicable.

7.12 Mobile phone licenses

The receipts of government following the allocation of mobile phone licenses to operators are to be recorded as rent (D.45) over the whole time of the licence.
In cases when licenses are sold in advance of their actual availability, any prepayment collected by government should be recorded as other accounts payable (F.8).

The ESA 2010 MGDD part 6, chapter 6.1 is dealing with the sale of mobile phone licenses.

Since 2000, sale of mobile phone licence has taken place in 2000, 2005, 2011, 2013, 2014, 2016, 2018, 2021 and 2023.

In accordance with the methodology set out in ESA 2010 MGDD, proceeds from the auction of mobile phone licences are recorded as rent (D.45), rent for the use of a non-produced asset (radio spectrum), and spread over the lifetime of the licence, i.e. between the date of availability of the licence and the end date of use.

In most cases, the availability of the licence coincides with, or is very close to, the sale. However, a significant proportion of the licence sales made in 2011 were not available until 2015, 1.6 billion out of 2 billion. In 2013, the availability of all licences sold started in later years, although the total value of sales in this year was not significant, €85 million. The advance revenues are recorded in other accounts payable.

7.13 Transactions with the Central Bank

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes may generate capital gains for central banks, which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions. It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses cannot be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

Distribution of profits by Banco de España. As explained in section about the recording of Dividends, the distribution of benefits from Banco de España is recorded as dividends received (D.42R) by central government. The dividends are checked first to ensure that they do not include capital gains from the extraordinary sale of assets, routine intervention in foreign exchange markets, or operations to revalue monetary gold and reserves.

7.14 Lump sum pension payments

ESA 2010 paragraphs 20.273-20.275 define the accounting rules for recording of the lump sum pension payments. The related accounting rules are further described in the ESA 2010 MGDD and debt Part 3.6 Impact on government accounts of transfer of pension obligations.

No "lump sum payments" have been made to general government in exchange for taking over some of their pension obligations.

7.15 Pension schemes

ESA 2010 defines, in paragraph 17.40, *social insurance pensions* as *benefits which beneficiaries receive upon retirement, usually under predetermined legal or contractual terms and typically in the form of a guaranteed annuity*. It subsequently explains "*All event that give rise to payments because the income earner is no longer able, through death or incapacity, to provide an income for himself or herself and dependants are treated as pensions".*

Unemployment benefits are no included as pensions, but as social benefits.

Pension schemes can be public or privates:

- The pension schemes classified in general government sector are the social security pension schemes and the State civil service pension scheme.

  Social security pension schemes

  The pensions granted by the social security funds sub-sector may be contributory (occupational pensions) or non-contributory.

  Occupational pensions (funded on a pay-as-you-go-basis) consist of financial benefits of indefinite duration, the granting of which is generally subject to a prior legal relationship with the social security system (proof of a minimum contribution period in certain cases), provided that the other requirements are met.

The amount is determined on the basis of the contributions made by the worker and the employer, in the case of employees, during the period taken into account for the purposes of the regulatory basis of the pension in question.

The following pensions are included within the protective action of the General Scheme and the Special Social Security Schemes: retirement, permanent disability and death (widowhood, orphan hood and in favour of family members).

Within the protective action of the Compulsory Old Age and Disability Insurance (SOVI), pensions are included: old age, invalidity and widowhood.

Non-contributory pensions are financial benefits granted to citizens who, being in a situation of protectable need, lack sufficient resources for their subsistence under the legally established terms, even if they have never paid contributions or have not paid contributions for long enough to qualify for contributory benefits. This category includes disability and retirement pensions.

State civil service pension scheme

The personnel included in this scheme are the civil servants of the General State Administration, of the Justice Administration and the personnel in the army. At the time of retirement or at the time of death shall be entitled, in their favour or in that of their families, to benefits exclusively of a financial nature and periodical payment, which shall take the form of retirement pensions, widows' and widowers' pensions, orphans' and parents' pensions.

Since 1 January 2011, newly recruited civil servants are compulsorily included in and pay contributions to the General Social Security Scheme, which is the scheme under which they and their family members are entitled to a retirement pension.

- All other pension schemes are private and are classified in the financial institutions sector.

There are no borderline cases between public and private pension systems.

7.16 Rearranged transactions

The transactions rearranged in general government accounts are:

- Loans granted by ICO on behalf of the State to tourism corporations affected by Thomas Cook bankruptcy.
- Aid that SEPI grants to its companies under non-market criteria is reallocated as State expenditure, impacting on the public deficit.
- In addition to ICF operations carried out explicitly on behalf of Generalitat which are identified in ICF accounts and regularly assigned to Generalitat, some financial transactions of ICF in the context of COVID pandemic have been rerouted to government accounts. In accordance with the agreement between the Generalitat and ICF called "Conveni de collaboració entre el Departament de la Vicepresidència i d'Economia i Hisenda i l'Institut Català de Finances, pel qual es regula el fons associat al finançament ICF-COVID-19" it has been agreed to create the "ICF-COVID-19" line for the granting by ICF of direct loans to companies with a limit of 700 M€ and with a guarantee from the Generalitat itself that reaches 80% of the risk. Exceptionally, ICF may also grant guarantees of financing operations of companies with credit institutions, with the backing of the Generalitat and a limit of 80% of the outstanding amount (20% of the risk is borne by credit institutions). Loan operations granted by ICF under the terms of this agreement are considered to be carried out on behalf of the Generalitat and, in accordance with the

provisions of ESA 2010 paragraph 1.78, have been recorded in national accounts in the Generalitat's accounts.

7.17 Decommissioning costs

The Empresa Nacional de Residuos Radiactivos (ENRESA, National Company of Radioactive Waste) was created in 1984 as a public, non-profit organisation responsible for the management of radioactive waste produced throughout the Spanish state. Its functions are currently regulated in Royal Decree 102/2014, of 21 February, for the responsible and safe management of spent nuclear fuel and radioactive waste. This public company was originally classified in the non-financial corporations sector. Since 2010, ENRESA has been reclassified in the government sector.

In addition to carrying out the technical aspects of radioactive waste management, the company manages and administers the economic resources obtained to finance the tasks for which it was set up. A specific system of financing cost to manage radioactive waste has been established regardless of the State's General Budget with the aim of avoiding high costs in radioactive waste management and dismantling of nuclear facilities. The Law 11/2009, of 26 October, established that the management of radioactive waste, including spent nuclear fuel, and the decommissioning of nuclear facilities shall be charged to the *Fondo para la financiación de las actividades del Plan General de Residuos Radioactivos* (Fund for the financing of activities included in the General Radioactive Waste Plan).

This fund is made up of the amounts deriving from the collection of four types of fees, also regulated in the aforesaid law, as well as any consideration or income derived from the provision of the aforementioned services. This fund also draws on financial yields obtained from the management of temporary financial investments held by the fund. With this financing model there is a significant time lag between the collection of resources and their definitive application. For this reason, the *Fondo para la financiación de las actividades del Plan General de Residuos Radioactivos* is constituted as a result of the difference between Enresa's income and expenditure.

In NA, the revenues of the fund are recorded as financial transaction (F.2) with a matching entry in other accounts payable (F.8). On the other hand, due to the costs incurred by the company to carry out its activity, this expenditure is neutralised either with a current transfer (D.75) or a capital transfer (D.99) receivable, as appropriate, via a reduction of the other accounts payable (F.8).

7.18 Concessions

Concessions are arrangements for the 'development' of infrastructure (e.g., buildings, roads, bridges, tunnels airports, ports), with payments made by end-users. Concessions are long-term arrangements between a government unit and a concessionaire (which may be a public or a private unit) in which the government grants the concessionaire the legal right to exploit a specific asset (or even several assets) which is/are constructed, substantially renovated or expanded under the concession arrangement. At the end of the concession arrangement, all assets are returned to the government for no consideration. If the assets are not returned to the government at the end of concession, the arrangement is not a concession.

In the case of central government subsector, the source of information of these contracts is the awarding ministries which must submit, prior the approval of the expenditure, all concession contracts whose appraised value is more than twelve million euros or if the government give, whatsoever their value, any grants or loans to the concessionaire (article 324.6 of the Ley 9/2017, de Contratos del Sector Público, -Public Sector Contracts Law-). In these cases, Ministry of Finance, Banco de España and INE (CTCN) make a report about the implications of these contracts in national accounts (NA).

Since the entry into force of Ley 9/2017 in March 2018, all concessions contracts awarded by regional (S.1312) and local (S.1313) governments whose appraised value is higher than twelve million euros, or when government give them any loan or advances, must be sent to the CTCN for it to make an analysis about the effects of their operations on national accounts (NA) of the contracting unit (additional provisions 45 and 46 of the Ley 9/2017). Thus, the primary sources of information relating to these concession contracts are the awarding governments.

For concession contracts awarded before the new chapter on concessions in the 2022 MGGD edition, analysis carried out consisted about whether they were PPPs or concessions following the existing rules. In case the contracts complied with the features of concessions, they were recorded off-balance.

Once the new chapter of concessions in the MGDD (2022 edition) has been updated, all the new concession arrangements of the government units which comply with the features described above (appraised value higher than twelve million euros or which receive any public funding) are analysed taking into account the risk and rewards approach specified in the MGDD (2022 edition).

When a major part of the funding of the concession assets come from government units or when it (government) guarantees a major part of the concessionaire debt, the economic property of the assets is considered belonged to the general government, with a recording in Gross Capital Formation (influencing deficit) with EDP debt as offset. The same outcome is reached when the government is entitled in more than one third of the refinancing gains.

When government provides a minimum revenue guarantee and its size is significantly high, the government is considered the economic owner of the assets.

The lump sums given by the concessionaire to the government, if any, are properly accrued along the duration of the contract.

Regarding the bankruptcy of the concessionaire, with the liquidation of the contracts the assets revert to the government. For concession contracts awarded prior the entry into force of Ley 9/2017, the concessionaire is entitled for a compensation according to the accounting value of the reverted assets. The market value of reverted assets is recorded as Gross Capital Formation and the difference between this value (market value) and the payment to the concessionaire is recorded as capital transfer (positive whether the compensation is lower than the market value; negative otherwise).

For the contracts awarded after the entry into force of Ley 9/2017, in cases of resolution because the bankruptcy of the concessionaire, a new tendering is carried out in order to award the concession contract to a new concessionaire. The amount received in the new tendering is given to the former bankrupt concessionaire as a compensation. No guarantee of reimbursement of the outstanding stock of debt of the concessionaire is set in the law.

7.19 Energy Performance Contracts

In an Energy Performance Contracts an EPC-contractor finances and carries out an initial capital investment in order to improve the energy efficiency of an existing facility. The EPC-contractor is remunerated via the energy savings achieved through the upgraded equipment and structures. The equipment and structures provided by the EPC-contractor are treated collectively as EPC assets and are recorded on the balance sheet of the EPC-contractor if it ultimately bears the majority of the risks and rewards associated with the use of the EPC assets. A detailed approach to the risks and rewards to be analysed is provided in the Eurostat/ EIB “Guide to the statistical treatment of Energy Performance Contracts” published on 8 May 2018.

The recording of Energy Performance Contracts (EPCs) follows the guidance note provided by Eurostat in 2017 and the common guidance of Eurostat and EIB in 2018. So, the guide describes the features to be accomplished by an EPC for it receives the statistical treatment specified in the guide (definition of EPC in NA).

When a contract fits the definition of EPC, the initial capital investment of the assets is recorded in the non-financial corporation sector (S.11) only when the provided savings are higher than the operative costs. If it is not the case (operative costs are higher than savings in energy costs), the assets are recorded as Gross Fixed Capital Formation of the general government, with impact on net lending/net borrowing (B.9).

The Energy Performance Contracts, as defined in the guide, are not a special legal type. They usually combine a service component (relating to the maintenance service and renovation facility) with a supply component (energy bills), so they are mixed contracts and are difficult to identify because they are awarded according to the rules of a supply or a service contract (main categories of contracts awarded by government).

As a practical approach, given the huge amount of contracts with minor investments which could meet the features of EPCs, for EPCs which comprise an investment fewer a certain threshold (12 million €), the recording of the assets follows the financial recording of the governments, which are currently aligned with IPSAS (International Public Sector Accounting Standards).

When the asset of the contract exceeds the threshold (12 million €), the analysis described in the Guide of EPCs is applied in order to record the assets either in S.13 or in S.11, regardless the financial recording made by the government unit. In these cases, the information requested to the government includes all the administrative information (clauses, offer by the contractor) in order to give an assessment about the economic ownership of the assets. One of the clauses analysed is the factoring recourse, if included.

When contracts impose caps on the contractor’s revenue, the assets are recorded in the government accounts (S.13).

7.20 Government interventions to support financial institutions: financial bailouts and defeasance

As a consequence of the global financial crisis unleashed in 2008, in 2012, as a result of the commitments signed between the Spanish Government and the EU authorities, Sareb (Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria) was created to purchase problematic assets held by distressed banks, and then to implement an asset divestment program over a period of fifteen years (until 2027),

Sareb was set up on November 28, 2012. On December 21, 2012, the Company and six distressed credit entities, signed the corresponding asset transfer agreements. Afterwards, on February 28, 2013, Sareb purchased assets from another four banks.

The assets were transferred to Sareb after the application of a discount on the gross value of such assets in the balance sheet of the transferor entities. This discount was set by resolution of the Bank of Spain. The book value of the assets in the distressed bank´s balance sheets amounted to 107,4 billion euro. The transfer value at which Sareb purchased the assets amounted to 50,8 billion euro (average haircut by 52,7%) and so they were recorded in Sareb balance sheet (reset value).

The price was determined administratively by resolution of the Bank of Spain. To this end, in accordance with the stipulations of Article 13 of the RD 1559/2012 and also, with the literal of paragraph 21 of the MoU signed between the kingdom of Spain and the EU Commission, the

price was set on the long-term economic value of the assets in a manner consistent with the results of the valuation carried out by the independent entity Oliver Wyman. So, the whole process was monitored by the EU Commission, which stated the compliance with the State Aid Rules, in particular the agreed price transfer.
Capital shareholding of Sareb at June 2024:

- The public entity FROB[2] held 50,14%
- The remainder 45,86% was held by a set of private banks.

All shares enjoy equal political and economic rights. This minority public shareholding structure is maintained until 2021, and it is in 2022 when FROB purchase further shares up to a stake of 50,14%, turning Sareb into a public controlled entity.

From inception, Sareb´s debt is guaranteed by the Spanish Treasury. So far, September 2023 there has not been any guarantee call. The volume of Sareb’s debt has decreased by 19 billion euro since 2013 to end 2022

In July 2009, Eurostat published *The statistical recording of public interventions to support financial institutions and financial markets during the financial crisis* guidance note, which will be valid until the end of the financial crisis.

In 2012-2013, several meetings were held with Eurostat to discuss the classification of this unit in the national accounts. The result of these meetings was that Sareb was considered a unit controlled by the private sector and, therefore, the FROB's participation in this company was recorded in the general government accounts as a "financial asset" with no impact on the public deficit.

Therefore, Sareb was classified in the financial corporations sector (S.12).

Reclassification of Sareb in the general government sector

In 2022, Sareb was reclassified to S.13 with effect from its creation, i.e. from 2012. The transactions carried out by Sareb were recorded in the accounts of S.13.

The main transactions and their components are the following:

- GROSS CAPITAL FORMATION (P.5) AND ACQUISITIONS LESS DISPOSALS OF NON-PRODUCED ASSETS (NP)

P.5 + NP =		Initial assets acquisitions, net of returns (1)
	plus	Conversion of financial assets (2)
	plus	Works in property assets (3)
	plus	Non-recoverable VAT (4)
	plus	Others (5)
	minus	Disposal of property assets and inventories (6)

Where:

(1) Value of the initial property assets transferred to SAREB from the distressed banks in the year of set-up of SAREB (2012) and the following year (reset value).

(2) Until 2022, in case of foreclosures and redemption of loans in kind, with property assets, they are recorded at the gross value of the loan, without deducting any subsequent eventual impairment. This means that the property assets are recorded at the transfer value at which SAREB purchased the loan at the time of its creation, plus the

[2] Fondo de Reestructuración Ordenada Bancaria (FROB) is the executive resolution authority. The purpose of the FROB is to manage the resolution processes of credit institutions and investment service companies. This unit has been classified in S.13 since its creation in 2009

expenditure incurred in the conversion. From 2023, the recording of the property asset is at the book value of the loan net of impairment.

(3) Works carried out in in property assets, specially, those that are being developed by SAREB.

(4) Non-recoverable VAT on property purchases.

(5) It comprises the purchase and improvement of tangible (not property held for sale or lease) and intangible assets owned by SAREB.

(6) Proceeds from the sale of property assets, at the sale price.

- CAPITAL TRANSFERS (D.9p)

The most significant taxes recorded as capital taxes (D.91p) are the local tax that levy the increase in value of land since its acquisition to its sale. The main component of other capital transfers (D.99p) until 2022 by an amount of 6 113 million € stems from the impairment of financial assets.