

**Reconciliation table showing the methodology
of transition between cash-based data
and data based on the ESA standard**

(Article 3(2)(b) of the 2011/85/EU Council Directive)

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Introduction

The 2011/85/UE Council Directive, of 8 November 2011, on the requirements for budgetary frameworks of the Member States, lays down detailed rules concerning the characteristics of the budgetary frameworks of the Member States.

Thus, Article 3(2) stipulates that Member States shall ensure timely and regular public availability of fiscal data for all sub-sectors of general government as defined in the European System of Accounts (ESA). In particular, Member States shall publish:

(a) cash-based fiscal data (or the equivalent figures from public accounting if cash-based data are non-available)

(b) a detailed reconciliation table showing the methodology of transition between cash-based data (or the equivalent figures from public accounting if cash-based data are not available) and data based on the ESA standard.

Recital 7 specifies *"The cash-based fiscal data (or equivalent figures from public accounting if cash-based data are not available) to be published should at least include an overall balance, total revenue and total expenditure"*. Accordingly, pursuant to Article 3(2)(a), the availability of Spanish fiscal data for all sub-sectors of general government is as follows:

1. Monthly fiscal data (since January 2014)¹

	S.1311 Central government	S.1312 State government	S.1313 Local government	S.1314 Social security funds
Overall balance (1-2)	X	X	-	X
Total revenue/inflows (1)	X	X	-	X
Total expenditure/outflows (2)	X	X	-	X

2. Quarterly fiscal data (since 2014 Q1)¹

	S.1311 Central government	S.1312 State government	S.1313 Local government	S.1314 Social security funds
Overall balance (1-2)	X	X	X	X
Total revenue/inflows (1)	X	X	X	X
Total expenditure/outflows (2)	X	X	X	X

The purpose of the current document is to present the reconciliation table showing the methodology of transition between published data under the terms of the Directive and data based on ESA standard (Article 3(2)(b)).

¹ <http://www.igae.pap.minhap.gob.es/sitios/igae/es-ES/ContabilidadNacional/InformacionGeneral/Paginas/Informaciongeneral.aspx>

1. Sources used to prepare the fiscal data, estimates and revision policy

The main sources for preparing fiscal data are budgetary sources and the financial statements of those units that are classified in the general government sector and that follow the accounting rules and standards of the General Accounting Plan for Spanish companies.

In general, the main unit/units of each sub-sector of general government have a limited budget. The economic classification by chapters of the budget is as follows:

Income 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: 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 expenditure
- Chapter 2: Current expenditure in goods and services
- Chapter 3: Financial expenditure
- Chapter 4: Current transfers
- Chapter 6: Real Investments
- Chapter 7: Capital transfers

Financial transactions:

- Chapter 8: Financial assets
- Chapter 9: Financial liabilities

Thus, under Article 3(2)(a), fiscal data published for units with limited budget comprise:

- *Total revenue/inflows:*

The recognised rights in each of the chapters 1 to 9 of the Income Budget. The recognition of the right is the act by which a credit is declared and settled in favour of the government unit.

- *Total expenditure/outflows:*

The recognised liabilities in each of the chapters 1 to 9 of the Expenditure Budget. The recognition of the liability is the administrative act by which the competent authority formally accepts 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 result of the birth of the right of such third party because of a law or an administrative act.

Moreover, for the other units of general government sector 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, income and expenses of the Profit and Loss Account, and also the flows arising from variations of Balance sheet with incidence in national accounts, have been recorded in *Total revenue* and *Total expenditure*, respectively.

As previously mentioned, recital 7 of the 2011/85 / EU Council Directive states that fiscal data to be published should at least include:

Overall balance (1-2)

1. Total revenue/inflows
2. Total expenditure/outflows

As a result, the *Overall balance* includes:

- Balance of financial and non-financial transactions of units subject to a limited Budget
- Balance of income and expenditure in the Profit and Loss Account and also the flows arising from variations of Balance sheet with incidence in national accounts for the rest of entities included in the different sub-sectors which apply the General Accounting Plan for Spanish companies.

Furthermore, in relation to the availability of quarterly (and monthly) fiscal data or if it is necessary to be carried out additional estimates, as well as the revision policy, an overview of the state of play is shown in the table below.

Table 1. Published fiscal data

Published fiscal data in the meaning of Article 3(2) of Council Directive 2015/85/EU									
	S.1311 Central government		S.1312 State government		S.1313 Local government		S.1314 Social security funds		
	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Monthly	Quarterly	
Sources of units subject to:									
-Budgetary accounting	A	A	A	A	NA	A/E	A	A	
-General accounting systems	A/E	A/E	A/E	A/E	NA	A/E	NA	NA	
Revision policy of units subject to:									
-Budgetary accounting	NR	NR	NR	NR	NA	NR	NR	NR	
-General accounting systems	NR	NR	NR	NR	NA	NR	NA	NA	

A: Available
 E: Estimate
 NR: Not revision
 NA: Not applicable

- Estimates

• *Units subject to budgetary accounting*

In the Local government subsector (S.1313), municipalities with fewer than 5,000 inhabitants do not provide quarterly information on their budgets nor on their dependent units subject to private accounting for the first three quarters of the year. But, these entities are required to submit information in the fourth quarter on an annual basis. Accordingly, in February of year $t+1$, information of the year t is available.

The estimate of fiscal data of said units, for each of the first three quarters of the year, is performed on the basis of information available from the immediately preceding year, taking into account the evolution of data from local entities exceeding population 5,000 inhabitants, entities that provide quarterly information.

The total revenue and expenditure of local authorities (units subject to budgetary/non-budgetary accounting) with less than 5,000 inhabitants represent about 8% of total revenue and expenditure of subsector S.1313.

• *Units subject to general accounting systems*

The current legislation requires the units subject to the general accounting plan to submit monthly data, with the exception mentioned in the previous section.

However, in the event of not having the monthly information of some unit, it is estimated based on the latest available data (annual or monthly).

- Revision policy

• *Units subject to budgetary accounting*

In general, the budgetary execution data are not revised. Nevertheless, if a posteriori a change is introduced in these data for a given period, it would proceed to the review of published fiscal data.

- *Units subject to general accounting systems*

In general, monthly and quarterly data are not revised. Nevertheless, if a posteriori a change is introduced in these data for a given period, it would proceed to the review of published fiscal data.

2. Reconciliation table showing the methodology of transition between cash-based data and data based on the ESA standard

In the Spanish case, quarterly fiscal data are used to produce the data under the EDP procedures and national accounts. In order to get the Net lending (+) / net borrowing (-) (B.9) of ESA, the Overall balance has to be modified. The methodology of transition between the data obtained as indicated in Part 2 and data based on the ESA standard rely on a number of adjustments. This overview leaves aside those not significant adjustments.

The following reconciliation table shows the most significant adjustments, and sub-sectors that may be affected by each of them.

Table 2. **Reconciliation table of Article 3(2) of Directive 2011/85 on budgetary frameworks**

	S.1311 Central government	S.1312 State government	S.1313 Local government	S.1314 Social security funds
Overall balance (1) (fiscal data)				
Adjustments to the Overall balance (2):				
A.1 Financial transactions included in the <i>Overall balance</i>	X	X	X	X
A.2 Capital injections into public corporations recorded as capital transfers	X	X	X	X
A.3 Loans reclassified as non-financial transactions	X	X	X	X
A.4 Transactions related to funds (no legal entities) that depend on units classified in S.13 sector	X	X		
A.5 Non-financial transactions not included in the <i>Overall balance</i>	X	X	X	X
A.6 Difference between accrual interests and those registered in the budget	X	X	X	X
A.7 Adjustments of income taxes for temporary differences	X	X	X	
A.8 Adjustment of the budgetary recording of the investment	X	X	X	X
A.9 Adjustment of the budgetary recording of the intermediate consumption	X	X	X	X
A.10 Adjustments due to differences at the moment of recording in the sources of data	X	X	X	X
A.11 Cancellation of taxes and others	X	X	X	X
A.12 Re-routed transactions carried out by public corporations	X	X	X	
A.13 Military expenditure	X			
A.14 Private use of radio spectrum public domain	X			
A.15 Guarantees fees	X			
A.16 Project contracts with a single gross payment	X	X		
A.17 Public-Private Partnerships (PPPs)	X	X	X	
A.18 Financial leasing	X	X	X	X
A.19 Purchases with deferred payment	X	X	X	X
A.20 Transfers from the European Union	X	X	X	X
A.21 Difference between the accrual principle and the record of some social contributions and social benefits				X
Net lending/net borrowing (1+2) (ESA standard)				

ADJUSTMENTS (A)

A.1 Financial transactions included in the *Overall balance*

In general, transactions related to financial assets and liabilities (chapters 8 and 9) have to be excluded.

A.2 Capital injections into public corporations recorded as capital transfers

In spite of mentioned in point A.1, government payments are treated as an acquisition of equity only if there is sufficient evidence of the corporation's future profitability and its ability to pay dividends.

According to ESA and Manual on Government Deficit and Debt (hereinafter "the Manual"), a payment to cover accumulated, exceptional or future losses, or provided for public policy purposes, is recorded as a capital transfer, and not as a financial transaction in shares. Therefore, if some of the financial transactions excluded through point A.1 meets these conditions, this transaction have to be incorporated to obtain net lending/net borrowing of S.13 sector. In other words, this capital injection will have impact on the deficit.

A.3 Loans reclassified as non-financial transactions

In spite of mentioned in point A.1, loans granted by government not likely to be repaid are recorded in the ESA as capital transfers.

Therefore, if some of the loans excluded through point A.1 meets these conditions, this loan have to be incorporated for calculating the *Net lending (+) /net borrowing (-)* (B.9). In other words, this loan will have impact on the deficit.

A.4 Transactions related to funds (no legal entities) that depend on units classified in general government sector (S.13)

Transactions (both financial and non-financial) carried out by funds (not legal entities) are not included in the *Overall balance*. However, for national accounts, these transactions have to be recorded in the general government sector.

So, those non-financial transactions in national accounts terms undertaken by these funds, have to be considered to get the Net lending (+) /net borrowing (-) (B.9). This is the case of interest of income, interest of expenditure or capital transfers, among others.

A.5 Non-financial transactions not included in the *Overall balance*

The account *Creditors from transactions awaiting insertion into the budget*, or similar, 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 they must be considered for the calculation of the *Net lending/net borrowing*.

A.6 Difference between accrual interests and those registered in the budget

Interest payments are incorporated into the budget at the time of their maturity, which is when the administrative procedures are completed for declaring the expenditure or obligation.

The difference between the interest charged to the budget (based on a cash basis) and accrued interest (recognised in public accounting) leads to adjustments in the *Overall balance* to calculate the *Net lending (+)/net borrowing (-)*.

These criteria also apply in the case of interest income.

A.7 Adjustments of income taxes for temporary differences

➤ *Temporal adjustment in taxes*

This adjustment is specific to the central government subsector (S.1311).

In general, the time of accrual of taxes and the time of budgetary registration and cash deposit are coincident, due to the system of withholding and payment on account.

However, in the case of big companies, withholding tax on labour and capital accrued in December (last quarter in the case of SMEs) are collected and imputed to the budget in January of the following year. As well, VAT incomes of big companies related to transactions that had taken place in December of each year (last quarter in the case of SMEs) are collected and imputed to the budget in January-February of the following year. To impute these revenues to the economic year an adjustment is done, consisting in:

- Removing from the revenues the effective collection of January-February corresponding to the taxes accrued the previous year
- Adding to the revenues the effective collection of January-February corresponding to the taxes accrued the reference year

Therefore, this adjustment can be positive or negative for each year.

Besides, this adjustment implies the generation, at the end of every year, of a financial asset in the item *Other accounts receivable/payable (AF.8)* by the amount of taxes that are accrued in the reference year but collected in January-February of the following year. This financial asset is cancelled the year after the accrual at the latest.

➤ *Tax reimbursements*

This adjustment is made in the S.1311, S.1312 and S.1313 subsectors.

Income of the budget are reduced by the tax reimbursements when they are paid. In national accounts, tax reimbursements have to be registered 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.

This item reflects the correction of tax reimbursements due to the difference of tax refunds between the submission of claims and the payments.

A.8 Adjustment of the budgetary recording of the investment

Public investment is registered in the Budget when the obligation is recognised and it is included in the *Overall balance*. The majority of investment expenditure is recorded in the last quarter of the year, so monthly and quarterly Budget data present a seasonality that is not real.

In national accounts, this seasonality of public investment expenditure in the Budget is revised in order to register the construction expenditure in accordance with the rules established in the ESA for the fixed capital formation². This adjustment is done monthly and quarterly. It is not necessary to do so with the annual data.

A.9 Adjustment of the budgetary recording of the intermediate consumption

Goods and services, excluded fixed assets, consumed by units subject to budgetary accounting are recorded when the obligation is recognised and it is included in the *Overall balance*. A large part of the expenditure in goods and services is recorded in the last quarter of the year, so monthly and quarterly Budget data present a seasonality that is not real.

In national accounts, this seasonality of intermediate consumption expenditure in the Budget is revised in order to register this transaction in accordance with the rules established in the ESA³. This adjustment is done monthly and quarterly. It is not necessary to do so with the annual data.

A.10 Adjustment due to differences at the moment of recording in the sources of data

This item reflects the impact of the prioritisation of data sources. The *Overall balance* reported includes transfers received from other general government units, for the amounts and at the time this units perceive their accrued revenue. However, government units paying those transfers might have a different perception of the amounts and of the time of recording. Differences observed are considered, in Spain,

² In ESA, in the case of the construction of a building or other structure extending over several accounting periods, the output is treated as being sold to the government in stages.

³ In national accounts, products used for intermediate consumption are recorded at the time they are consumed.

coming mainly from differences in time of recording and not from other issues (e.g. misclassification of transaction or of counterpart sector). In national accounts, the unit registers the received transfer at the same time and for the same amount as the unit that satisfies it.

A.11 Cancellation of taxes and others

This item corresponds to adjustments made for taxes and social contributions that are unlikely to be collected, in accordance with Regulation (EU) 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.

A.12 Rerouted transactions carried out by public corporations

Transactions carried out by public companies, classified outside the general government sector, on behalf of government units and not included in the *Overall balance* should be rerouted to government units for the correct assessment of the Net lending/net borrowing.

The rerouted transactions in Central government are mainly related to capital injections made by SEPI (Sociedad Estatal de Participaciones Industriales) for public policy purposes to its companies or others. These transactions are recorded in national accounts as non-financial expenditure, affecting the government deficit.

A.13 Military expenditure

This item includes the time-adjustment made for the difference between the budget recording and the deliveries of military equipment.

A.14 Private use of radio spectrum public domain

The revenue from mobile phone licences have to be recorded at the moment when the frequency becomes available. As a result, revenues from auction of mobile phone licences, recorded in the Budget when is paid, they would be moved from this year to the year in which frequency is actually available.

A.15 Guarantees fees

As a general principle, fees for one-off guarantees received by government in its role of guarantor are classified as service fees, i.e. payments for non-market output. According to the accrual principle, this revenue should be spread over the life of the guarantee.

A.16 Project contracts with a single gross payment

This type of contract was first governed by the Law 13/1996, regarding Fiscal, Administrative and Social Order Measures considers project contracts with a single gross payment, in which the total price of the contract will be paid by the government when the work is finished (by a single payment or in instalments, obliging the contractor to

finance the construction and make all the necessary payments in advance, until the work is completed and delivered). It is currently governed by the law of the consolidated text of the Law of Public Sector Contracts RD Leg 3/2011.

In ESA, in the case of the construction of a building or other structure extending over several accounting periods, the output is treated as being sold to the government in stages. Consequently, the amounts registered or unregistered in the *Overall balance* must be adjusted for the correct assessment of the *Net lending/net borrowing*.

A.17 Public-Private Partnerships (PPPs)

This adjustment includes as a negative amount (higher expenditure) the investment carried out by private units under contracts with the government units that, following the criteria of the ESA and Manual, have to be recorded as public investment, due to an insufficient transmission of the risks to the private partner. Moreover, it includes as positive amounts (lesser expenditure) the amounts included in the *Overall balance* as non-financial expenditure related to the redemption of the imputed loan (counterpart of the investment carried out).

A.18 Financial leasing

This kind of contract implies the recording as gross fixed capital formation the cash price of the leased good to the government unit at the time of the sign. The difference between this price and the redemption recorded in the budget implies a higher non-financial expenditure in the year when the contract is signed. In the following years, the amounts included in the budget will be reduced by the redemptions of the imputed loan (counterpart of the initial investment). The interests will be recorded as an expenditure in the accrued year.

A.19 Purchases with deferred payment

Acquisitions of goods with deferred price are recorded at its price in cash when the delivery is produced irrespective of the time in which the payment is agreed. The difference between this price and the amount recorded in the budget implies a higher non-financial expenditure in the year when the contract is signed. In the following years, the amounts included in the budget will be reduced by the redemptions of the imputed loan (counterpart of the initial investment). The interests will be recorded as an expenditure in the accrued year. This treatment is similar to that described previously on the financial leasing transactions.

A.20 Transfers from the European Union

As a general rule, EU transfers shall have no impact on *government net lending/net borrowing (B.9)* at the moment in which they are made. In other words, possible time lags observed between the revenue and expenditure flows should not result in national

accounts in improving (or worsening) the *Net lending/net borrowing* of the general government.

The final beneficiary of these EU-transfers could be a government unit or a non-government unit. The adjustments to be made in each case are as follows:

- The beneficiary is not a government unit

The amounts recorded in the budget (income and expenditure), if any, related to these transfers should be eliminated.

- The beneficiary is a government unit

In national accounts, for S.1311, S.1312 y S.1314 subsectors, the income recorded is the amount resulting from applying the co-financing rate to the amounts that have been certified to the administrators units of the EU-funds. The difference between that amount and the figure recorded in the budget has to be adjusted.

However, in the case of the beneficiary is a unit classified in the local government subsector, the amounts actually paid (cash-basis) by the European Union each year are considered income for national accounting purposes.

A.21 Difference between the accrual principle and the record of some social contributions and social benefits

In national accounts, social contributions are recorded on an accrual basis (when the work that gives rise to the liability to pay the contributions is carried out). However, in the Budget, they are recorded with a lag of one month. Therefore, to calculate the Net lending (+)/ net borrowing (-) (B.9), it is necessary to make an adjustment to correct these differences in recording.

In the case of social benefits, in national accounts they are recorded when the claims on the benefits are established. This time of recording, in general, is the same as that of the Budget. However, certain social benefits have a time lag of one or two months (these amounts are not very important). In this case, it is also necessary to make the related adjustment.