Explanations for methodological reconciliation table

Statistics Estonia compiles government financial statistics (GFS) according to the rules of European System of Accounts (ESA). Main indicators in GFS are government sector deficit and debt.

Three main data sources are used for the calculation of government sector deficit:

1) reports collected in the context of Estonian public sector accounting system (short: Public Sector Financial Statements, PSFS);
2) cash reports about tax revenues, transfers of taxes to other government sector units and interest on tax liabilities presented by Estonian Tax and Customs Board;
3) budget execution reports by local governments (are used in the calculation of local tax revenues).

The same lists of government sector and sub-sector units are used for the compilation of both the overall balance according the accounting rules and GFS according to the ESA. Therefore no adjustments are made to correct the sector classification of units.

Differences occur in which information about revenues and expenditures and how is used for the compilation of the overall balance in accounting and government sector deficit in GFS. The short overview of the differences is provided in the following table. The overview is based on the table of fiscal data for general government sector according to CD 2011/85/EU. In addition the third part is added to the table which contains information about data used from the balance sheets of the PSFS and which are not used for the calculation of overall balance in accounting.

For each type of revenue and expenditure it is indicated whether the data is used in completely ("Yes"), partially or not at all. In the comments it is explained shortly which part of the data is not used at all or what type of data is used as substitute.

In the case the cash data is used as substitute the information about the direct calendar period responding to the accounting period is used (eg. data from period January 2013 – December 2013 is used for the accounting period 2013). In some cases time adjusted cash data is used. In case of some taxes the adjustment step is one month, so the tax revenues for accounting period 2013 are calculated based on the cash data from period February 2013 – January 2014. The reason for such adjustment is that according to the ESA rules the tax revenue should be recorded in the period in which the tax liability was accruing (for instance VAT accruing in December is declared and paid in January).

Section	General government sector revenues, expenditures and balance sheet information	Is the data used in GFS for calculation of government deficit?	Explanations
1	**Total revenue**		
1.1	Taxes		
	of which income tax	No	Replaced with cash data.
	of which VAT	No	Replaced with cash data, time adjusted.
	of which excise duties	No	Replaced with cash data, time adjusted.
	of which other taxes	Yes/No	Replaced with cash data. Customs duties - the difference between revenue and amount transmitted to EU budget is recorded as revenue.
1.2	Social contributions	No	Replaced with cash data, social tax is time adjusted.
1.3	Sales	Yes	Data is used directly in GFS. Some amounts are consolidated as current transfers from other government sector units (the corresponding transactions are consolidated also in expenditure side).
1.4	Grants	Partially	The special treatment is used for transactions associated with EU grants. The

			amount associated with grants provided to non-government sector units are excluded from the GFS. Transactions between government sector units are consolidated.
1.5	Other current revenue	Partially	Accrual data is used for most part. The following changes are made: - Transactions associated with revenue from sale of fixed assets is used in GFS. Transactions used for derecognition of the asset are excluded. - Interest received on tax liabilities is replaced with cash data. - Fishing fees and pollutions fees are replaced with cash data. - Universal postal service fees are replaced with cash data.
1.6	Provision of non-collectable taxes and fines	Partially	Data for non-collectible fines are used to adjust the accrual information on revenues from fines. Data for non-collectible taxes is not used, as the tax revenues are calculated based on cash data.
1.7	Transfers of taxes, state fees and fines	Partially	Transfer of customs duties is used to adjust the revenues from custom duties.
1.8	Capital revenue	Partially	Transfers associated with the inflow of the dividends are used in GFS.
1.9	Revenues from bank deposits and operations in financial instruments	Partially	Non-collectible interest, interest on discounted claims and profit/losses from exchange rates are excluded.
2	**Total expenditure**		
2.1	Compensation of employees	Yes	
2.2	Purchase of goods and services	Yes	Part of the expenditures are consolidated as current transfers to other government sector units.
2.3	Social benefits	Partially	Social benefits to public sector employees: accrual information is replaced with cash payments, which are recorded on the balance sheets.
2.4	Other benefits	Partially	The special treatment is used for transactions associated with EU grants. The amount associated with grants provided to non-government sector units are excluded from the GFS. Transactions between government sector units are consolidated.
2.5	Other current expenditures	Yes	In financial statements the payable VAT is recorded separately from the expenditures it is associated with. In GFS calculations the amounts are reallocated and added to the purchase of goods and services and purchase of fixed assets.
2.6	Depreciation of assets	No	The depreciation of fixed assets used in GFS

			is calculated using methods approved by ESA methodology.
2.7	Interest costs and other financial costs	Partially	Interest costs on discounted liabilities and on derivatives are excluded in GFS.
3	**Additional revenues and expenditures recorded in GFS - information from balance sheets**		
3.1	Dividends outstanding*	Partially	Transfers associated with the inflow of the dividends are used in GFS.
3.2	Inventories	Yes	
3.3.	Investment property*	Partially	Transfers associated with the acquisition of the asset are used in GFS.
3.4	Tangible fixed assets*	Partially	Transfers associated with the acquisition of the asset are used in GFS.
3.5	Intangible fixed assets*	Partially	Transfers associated with the acquisition of the asset are used in GFS.
3.6	Biological assets*	Partially	Transfers associated with the acquisition of the asset are used in GFS.
3.7	Provisions for pensions*	Partially	Payments associated with social benefits to public sector employees are used in GFS.

* Special cash-flow codes are used to differentiate various transfers with assets and liabilities. For GFS purposes the transactions with appropriate codes are used.