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Justification for the methodological change on the property income

In the course of the spring EDP notification of the general government deficit and debt, the calculation of property income from government-owned corporations was adjusted on the basis of Eurostat's opinion. The change concerned the 2023 general government income from the 2022 corporate profit and the 2021 general government income from the 2020 corporate profit.

Eurostat based on the clarification of property incomes received, which covered also the online meeting with concerned unit, maintain the positon that these gains and losses should not affect the distributable income of the accounting period. This is because the main objective of derivatives trading is to trade on the price movements of a commodity without having to buy/sell the commodity itself. Consequently, any gains and losses arising from derivatives trading are to be treated as holding gains/losses and not as income in the government statistics.

The exclusion of this item from the operating surplus of the unit concerned resulted in a significant reduction in distributable income, which was therefore significantly less than the dividend paid. The difference between the dividend paid and the distributable income (superdividend) was excluded from governmental income, and moved to the financial account as a transaction of equity.

For the production of government statistics, the international methodology is binding, which is anchored in EU legislation (in particular Regulation 479/2009 and Regulation 549/2013).Several paragraphs of Regulation 549/2013 (ESA 2010 standard) are relevant for the calculation of property incomes. In the paragraph 4.55 is stated: „ *In order to assess whether the dividends are large, the concept of distributable income is used.* ***Distributable income of a corporation is equal to entrepreneurial income plus all current transfers receivable less all current transfers payable*** *and less the adjustment for the change in pension entitlements. The ratio of dividends to distributable income over the recent past is used to assess the plausibility of the current level of dividends.* ***If the level of dividends declared is greatly in excess, the dividends causing the excess are treated as financial transactions and classified as 'super-dividends'.*** *Such super-dividends are treated as the withdrawal of owners' equity from the corporation (F.5). “*

Operating surplus is operating income minus operating expenses. The entrepreneurial income represents operating surplus adjusted for property income received and paid, excluding dividends and other property income. In preparing the EDP notification, the CZSO also included the result from trading in commodity derivatives in the operating surplus, as reported in the annual report and following consultation with the relevant unit. At the same time, any super-dividend would not be reflected in a decrease in accumulated reserves or a sale of assets because none of the above events occurred (see paragraph 20.206).

*20.206 Large and irregular payments or payments that exceed the entrepreneurial income of the year are called super- dividends. They are* ***funded from accumulated reserves or sale of assets****, and are recorded as withdrawal of equity equal to the difference between the payment and the entrepreneurial income of the relevant accounting period. In the absence of a measure of entrepreneurial income, the operating profit in business accounts is used as a proxy.*

Financial derivatives are financial instruments linked to a specified financial instrument or indicator or commodity, through which specific financial risks can be traded in financial markets in their own right.

Based on the opinion of Eurostat, commodity forwards as well as futures are classified under ESA 2010 under financial derivatives, and as a result their settlement enters the financial accounts while their periodic change in value enters the revaluation accounts, such that any entry related to them in the business accounting within the profit/loss income (either within sales or within other income) needs to be excluded for the national accounts purposes. This correspond to paragraph 4.47: “*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.*”[[1]](#footnote-1)

1. *This notes was not edited for language.* [↑](#footnote-ref-1)