

EXPLANATORY NOTE

to the April 2026 reporting on government deficit and debt levels for the excessive deficit procedure

22.04.2026

This document provides information on the first Estonian reporting for 2026 on government deficit and debt levels.

Please note that Statistics Estonia (SE) is responsible for the historical data for 2022–2025, while the Ministry of Finance (MoF) provided forecasts for 2026. The cut-off date for the preparation of the forecast was 10.12.2025.

Data for the years 2022-2024 has been revised compared to the data provided in the October 2025 EDP notification due to the change of recording corporate income tax, i.e. cash-based recording has been changed to one-month time adjusted cash, following the discussion with Eurostat during the current EDP notification.

EDP tables

Comments on EDP T.2A

The working balance (WB) in central government accounts is derived from state budget implementation report provided by State Shared Service Centre (SSSC) on 03.02.2026.

Superdividends. Eurostat requested SE to calculate superdividend tests already in the April EDP notifications. No dividends were reclassified from dividend revenues to financial transactions following superdividend test.

Non-financial transactions in non-financial assets. Non-financial transaction in non-financial assets are not included in WB but are included in B.9. Therefore, adjustment has been made in EDP T.2A

Rerouting. The detail includes adjustment for rerouting of AS Kredex Krediidikindlustus as well as rerouting of renewable energy charge.

Reclassification. The detail includes adjustment for reclassification of SmartCap Venture Capital Fund and Green Fund.

Adjustment associated with the sale of ETS. According to the Manual on Government Deficit and Debt (MGDD) 2022, the time of recording should be accrual basis, therefore the recording of revenue differs for WB and B.9 purposes, and an adjustment has been made in EDP T.2A.

Adjustment associated with the sale of 5g licenses. According to MGDD2022, the time of recording should be accrual basis, therefore the recording of revenue differs for WB and B.9 purposes, and an adjustment has been made in EDP T.2A.

Net lending/net borrowing of other central government bodies. Details are added because these units are classified inside the subsector but not reported in the WB compiled by SSSC. B.9 figures of groups of other central government sector units are reported specifically for EDP purposes.

Capital injections. The adjustment includes expense not included in the WB or difference in recording of the expense between WB and B.9.

Losses from doubtful receivables. Doubtful receivables are recorded as an expenditure in WB if the bills are not paid by deadline and predefined amount of time has passed. These movements are not included in expenditures in B.9.

Revaluations in assets. Revaluations (profit/loss from revaluation of shares, revaluation due to change in currency exchange rate, revaluation in inventories) are reported in WB whereas not recorded in B.9 and therefore adjusted accordingly.

Difference between accrual-based tax interest and cash figures. Adjustment for difference between accrual-based tax interest and cash figures is made because tax interest in WB is accrual based. In government finance statistics (GFS) tax interests are recorded as cash-based amounts. No time-adjustment is implemented because data is available only for tax interest as total and not for each tax separately.

Removal of consolidation and adjustment figures imputed by the SSSC. SSSC makes consolidation entries to achieve the necessary consolidation logic for the Public Sector Financial Statements (PSFS) and WB. However, the amounts are included as revenue/expenditure in B.9 compiled by SE and therefore the adjustment has been made.

Change in pension and other provisions. Expenditures from actuarial changes in pension and other provisions are replaced with actual pay out amounts and therefore adjustment has been made.

Provisions for the temporary suspension of second pension pillar payments (4%). Expenditures from actuarial changes in pension provisions for the temporary suspension of second pension pillar payments (4%) are adjusted.

Depreciation. Depreciation is eliminated from the WB.

Changes in inventories. Changes in inventories are not included in WB but are included in B.9. Therefore, adjustment has been made in EDP T.2A.

Residual value of assets sold. Residual value of assets sold is not included in the WB but according to MGDD2022 the amounts to be recorded in non-financial account are the full amounts of the proceeds of the sale.

Difference in recording loans not expected to be repaid. Delayed revenue approach (MGDD2022 chapter 4.9.2) was applied to the expected losses on loans and therefore an adjustment is made in EDP T.2A for 2020-2022.

Difference in recording provisions for standardised guarantees. Delayed revenue approach (MGDD2022 chapter 7.4.3) was applied to the provisions for standardised guarantees and therefore an adjustment is made in EDP T.2A for 2020-2022.

Difference in recording interest on suspension of second pension pillar payments. According to MGDD2022, the time of recording should be accrual basis, therefore the recording of expenditure differs for WB and B.9 purposes for 2020-2023 and an adjustment has been made in EDP T.2A.

Difference in the recording of military expenditure. The recording of expenditure differs for WB and B.9 purposes as of 2023 and an adjustment has been made in EDP T.2A.

Foreign grant revenue for financial transactions. The adjustment has been added to eliminate the 10.5 EUR million grant revenue from WB in 2024 and 3.7 EUR million grant revenue from WB in 2025 as the revenue is not recorded among the foreign grant revenue for B.9.

Discrepancy. This line includes various amounts of adjustments which are not included in other details. Therefore, this amount represents unexplained difference (residual).

Comments on EDP T.2C

The working balance in local government accounts is derived from local government budget report¹.

Superdividends. Eurostat requested SE to calculate superdividend tests already in the April EDP notifications. Financial transactions included in the working balance, Equities (+/-) also include adjustment for superdividends, 0.1 EUR million was reclassified from dividend revenues to financial transactions following superdividend test in 2025. The amount is also included in EDPQ T2.2.

Net lending/net borrowing of other local government bodies. Details are added because these units are classified inside the subsector but not reported in the WB of local government accounts. B.9 figures of groups of other local government sector units are reported specifically for EDP purposes.

Capital injections. The adjustment includes expense not included in the WB or difference in recording of the expense between WB and B.9.

Difference between the accrual-based working balance and cash-based D.5 (transfer to local government). Please see the explanation for EDP T.2A.

Discrepancy. This line includes various amounts of adjustments which are not included in other details. Therefore, this amount represents unexplained difference (residual).

Comments on EDP T.2D

The working balance in social security accounts is derived from social security budget reports.

Gross capital formation. The adjustment includes the part of gross capital formation recorded only on balance sheets and not in profit-loss accounts.

¹ <https://www.agri.ee/regionaalareng-uhistransport/kohalikud-omavalitsused/finantskorraldus#eelarved-ja-eelarves>

Differences between taxes recorded as social contribution. The adjustment shows the difference in government sector accounts and tax revenues recorded in the reports of units included into current subsector.

Depreciation. Depreciation is eliminated from the WB.

Discrepancy. This line includes various amounts of adjustments which are not included in other details. Therefore, this amount represents unexplained difference (residual).

Compared to EDP October 2025 notification, two adjustments were added to the block "Other adjustments (+/-)" for which amounts are included in working balance but not in the compilation of B.9:

1. Losses from doubtful receivables,
2. Revaluations in assets.

Comments on EDPQ T.10.1

For 2022, the distributions from public corporations to the central government subsector included in the State's public accounts (WB of EDP T2A) were revised 0.9 EUR million upwards as due to technical error, the amount related to the distribution of central bank was excluded (and included in the line other distributions instead). Therefore, 0.9 EUR million was moved from item A_2.2 to item A_2.1.1.1.

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