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- FINAL FINDINGS -

EDP dialogue visit to France

5 April 2006

Executive Summary

The EDP dialogue visit to France took place on 5 April 2006 with the aim to analyse the French April 2006 EDP notification and the questionnaire related to the notification tables. Besides, Eurostat intended to discuss and agree on the accounting treatment of several transactions impacting the EDP notification data for 2005, as well as to gather more information and analyse some operations planned for year 2006.

Concerning the transfer of pension liabilities to government of the employees of the electric and gas industries in year 2005, Eurostat agreed to the treatment proposed by the French statistical authorities of the lump sum actually paid in 2005 as government revenue. Nevertheless, during the discussion Eurostat enquired about the valuation of the remaining amount to be paid to government over 20 years and it was agreed that it would present its opinion on the accounting treatment of these payments in written shortly after the meeting.

Next, the accounting implications of a change in the taxation of the interests in the specific French saving scheme, according to which the tax should be paid each year from now on instead of at the time when the saving scheme is liquidated by the owner, were discussed. After the discussion it was possible to agree that the one-off revenue resulting from the change in the system can be recorded in year 2006 as government revenue.

As far as the planned operations for year 2006 are concerned, at first the recording of the exceptional dividend from the sale of motorways public companies was discussed. It was agreed that the French statistical authorities would provide Eurostat with the details of the transaction and, in particular the financial statement of the company Autoroutes de France (AdF) for the years 2004 and 2005. This will allow Eurostat to gather more information on this transaction in order to present to the French statistical authorities the assessment of its statistical treatment within a short delay.

Secondly, the liquidation of the guaranteeing scheme managed by a specific fund granting housing loans (Société de Gestion du Fonds de Garantie de l'Accession Sociale à la propriété - SGFGAS) was discussed. The French statistical authorities will transmit to Eurostat written documentation on the operation and, in particular the convention according to which the SGFGAS operates. Eurostat will then promptly assess the accounting implications of the transaction and transmit its opinion to the French statistical authorities.

Further, under the item of debt assumptions, the reclassification of the mining and chemical group (Entreprise Minière et Chimique – EMC) was discussed. It was agreed that according to the ESA95 5.16, referring to debt assumption of units which disappear, the accounting treatment of the reclassification in government is with no impact on the deficit (all related flows are treated as other change in volume)

As far as the analysis of the EDP April 2006 notification is concerned, Eurostat enquired in particular on the issue of capital injection to the railway company SNCF from the perspective of its financial situation. It was concluded, that the French statistical authorities would transmit to Eurostat the balance sheet and financial statements of SNCF for the last 4 years, in order to enable the assessment of the treatment of the operation of capital injection to SNCF Fret in national accounts.

Some other issues relative to the April 2006 EDP notification were also discussed: the decommissioning of nuclear installations (as a follow up of the EDP 2005 mission) and the recording of taxes, and in particular the treatment of the exceptional prepayment in the context of the change in the corporate tax system, and the time adjustment for VAT revenues and for taxes on gifts and inheritance.

Finally, concerning the *EDP questionnaire related to the notification tables*, the following items were discussed: treatment of distribution, in particular dividends from EADS in 2003 and from the National Central Bank (Banque de France), application of the Eurostat decisions of 9 March 2006 on the *Recording of military equipment expenditure*¹ and of 15 February 2005 on *The treatment of transfers from the EU budget to the Member States*², as well as the recording of government guarantees.

Final findings

Introduction

In accordance with article 8d of Council Regulation (EC) No 2103/2005 of 12 December 2005 amending Council Regulation (EC) No 3605/93 as regards the quality of statistical data in the context of the excessive deficit procedure (hereinafter the Regulation), Eurostat carried out an EDP dialogue visit in France on 5 April 2006.

The delegation of Eurostat was headed by Mr. Nørlund, director of National and European Accounts. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The French Statistical Authorities were represented by the National Statistical Institute (Institut National de la Statistique et des Études Économiques - INSEE), the National Central Bank (Banque de France - BdF) and the Ministry of Finance.

Eurostat carried out this EDP dialogue visit with the aim of analysing the French April 2006 EDP notification, as well as to discuss the accounting treatment of several transactions undertaken in the year 2005 and planned for 2006.

1 Transfer of pension liabilities to government

Introduction

It is recalled that the French government has transferred in 2005, against a lump sum, the pension obligations of a specific pension system of employees of the electric and gas industries (Industries Electriques et Gazières – IEG) now included into the regular pension system, within the social security sub-sector of general government. Two similar operations are planned for year 2006. These will involve: the postal services company (La Poste) and the Paris company for public metro and bus transportation (RATP).

¹ See: *Eurostat news release*, 31/2006 of 9 March 2006.

² See: *Eurostat news release*, 22/2005 of 15 February 2005.

Concerning the operation for IEG in 2005, the French government has transferred in 2005 the pension obligations of a specific pension system of employees of the electric and gas industries (Industries Electriques et Gazières – IEG) now included into the regular pension system, within the social security sub-sector of general government, against a lump sum paid in 2005 (3.06 bn € or 0.18 % GDP), as well as future payments scheduled over 20 years (indexed on inflation). The present value of the scheduled payments, discounted at a 2.5% (real) rate is 4.6 bn €. Another payment corresponding to 0.8 billion mostly paid in 2005 refer to complementary schemes also classified in the social security funds sub-sector.

Discussion and methodological analysis

In line with the Eurostat press release of 25 February 2004 *Payments to government by corporations in the context of the transfer to government of their pension obligations*³, the lump sum actually paid in 2005 would be considered as government revenue for 2005. The accounting treatment proposed by the French statistical authorities is thus compatible with this decision, but an uncertainty remained as to the recording of the part scheduled to be paid over the years.

Under the accrual principle, the time of cash flows should not be taken into account for the classification of operations or for their time of recording. In this respect, it would seem that no difference should be made between the two components involved in the transaction. *"According to the accrual principle, the capital transfer should be recorded at the time pension obligations are effectively transferred and not at the time of payments"*.

However, the staging of payments spread over such an extremely long period of time (20 years) would possibly seem to stretch the accrual principle to a limit. From an economic perspective it could be argued that such future payments could still be viewed as future social contribution payments into the social security pension scheme.

In addition the question of the appropriate discount rate was examined.

In relation to the operations planned for 2006, the following information was provided by the French statistical authorities:

- The RATP scheme involves government recapitalizing RATP, by way of a capital injection, associated with a lump sum paid back to government for the transfer of pension obligation. The operation is neutral on the government deficit;
- The operation involving La Poste would be broadly similar to that of IEG undertaken in 2005, although there was some uncertainty on whether the social contribution rate would be specific.

According to the documentation provided to Eurostat by the French statistical authorities, details of the operations planned to be conducted in 2006 have not been set up yet.

³ See: Eurostat news release, 26/2004 of 25 February 2004.

Findings and conclusions

Concerning the operation for 2005 of IEG, it was agreed that the accounting treatment in the EDP April 2006 notification was correct, with a question of valuation still pending.

Concerning the two known operations planned for year 2006, Eurostat will request the French statistical authorities to provide later in 2006 details of the actual agreement with RATP and La Poste that will be signed.

2 Payment in advance of social contributions for a specific saving scheme

Introduction

As from 1 January 2006 there has been a change in a specific French saving scheme, according to which a tax on interest should from now on be paid each year, instead of at the time when the saving scheme is liquidated by the owner, as was previously the case.

Discussion and methodological analysis

According to the information provided by the French authorities during the discussion, government will receive an exceptional one-off amount of revenue of ca. 865 mn € resulting from this change, because savings holders will have to pay in 2006 all the accrued tax obligations to date accumulated since inception of those contracts, some of which are rather old. The change in the system of the yearly payments of tax on accrued interest is not a temporary, but a definitive one.

As it is stated in the *ESA95 manual on government deficit and debt* concerning changes in the due for payment date, "*any change in the due for payment date resulting either from law or from a change expected to be permanent, and which affects the amounts cashed by the State, has an impact on the amounts recorded in non-financial accounts and thus on the general government net borrowing*".

Findings and conclusions

It was agreed that the amount of ca. 865 mn € can be recorded as government revenue, in 2006 as planned by the French authorities.

3 Exceptional dividend from the sale of motorways public companies

Introduction

It is recalled that three toll-motorway corporations have been privatised in 2006 by government. The value of the government equity disposed was 14.8 bn €. A part of this amount (roughly 2/3) was held directly by the State and the residual was held indirectly by government through a specific entity, Autoroutes de France (AdF) that is classified as a public corporation in French national accounts. The French budget for 2006 records as a receipt an imputed dividend from the motorway company of 950 mln € which relates to an estimate of the profit of 2005 of the motorway company.

Discussion and methodological analysis

During the discussion, Eurostat enquired about profits of the motorway company in 2004 and 2005, and about the dividend distributed in 2005 relating to the year 2004. The French statistical authorities could not provide the exact figure but informed Eurostat that the profit in 2004 was of ca. 800 mn €, whereas the dividend paid amounted to ca. 200 mn €.

It is recalled that the *ESA95 manual on government deficit and debt* clarifies that distributions of public corporations that derive from the disposal of assets, from holding gains or from distributions of reserves, cannot be recorded as government revenue, and that in general the latter cannot exceed the operational profits of the year other than for smoothing purposes. In particular, superdividends are to be viewed as withdrawal of equity and not as income in national accounts. In national accounts, distributions by subsidiaries are thus considered as income of the owner only under certain conditions. In particular, this can be income only if the distribution relates to a specific accounting period of activity, which in normal circumstances is equal to one year, and distributions related to many years of income are explicitly excluded from the income of the owner.

In addition, in derogation to the accrual principle, ESA95 foresees that dividends (D.42) are recorded when they are due to be paid as determined by the corporation (ESA 4.55) rather than when the economic event that underpins it (the profit) occurs. Thus, dividends are recorded in the year that follows the year of profit, after the accounts have been closed, the profit determined and the distribution policy decided. It would not be appropriate that two dividends related to two years of activity be recorded in the same year.

Findings and conclusions

It was agreed that the French statistical authorities will provide written details of the transaction. In particular the profit and loss accounts of AdF, at least for 2004 and 2005 will be sent. Eurostat will then evaluate this information within a short delay in order to assess the statistical treatment of the operation.

4 Liquidation of SGFGAS (Société de Gestion du Fonds de Garantie de l'Accession Sociale à la propriété)

Introduction

The French government has decided in 2006 to liquidate the guaranteeing scheme managed by SGFGAS, assuming the existing portfolio of guarantees granted by SGFAGS to date and taking over the liquidation proceeds of 1.4 bn € (0.1 % GDP). The French statistical authorities suggested that the liquidation proceeds will then be accounted for as deficit-reducing revenues.

Discussion and methodological analysis

According to the information received during the discussion and the written documentation provided by the French statistical authorities for the meeting, SGFGAS is an entity owned by banks, classified outside the general government sector, and which distributes financial guarantees for housing loans in the context of a specific convention of 29 March 1993

between banks and government. In the context of the latter, SGFGAS was regularly funded (partly) by government. From a legal perspective, the government does not have any participation in this fund, although it nominates the president of the board of SGFGAS.

Eurostat enquired on why, if government does not own SGFGAS, the fund can be liquidated by a decision of government and its net assets acquired by government instead of by the owner. The French statistical authorities pointed out to a convention of 29 March 1993 between the French government and the SGFGAS managing company, that foresees the liquidation of the fund by the transfer to the government of the whole amount collected by the guarantee fund. At the same time the government would take over all the actual or contingent liabilities of SGFGAS. Because the level of funding has noticeably exceeded the cost of guarantee calls, SGFGAS has accumulated reserves that well exceed the credit risks existing on its current portfolio of guarantees. Government liquidated this fund by activating clause 17 of the Convention.

To the extent that the funding of government to SGFGAS was recorded as a capital transfer (government expenditure), the French statistical authorities pointed out that the return of the excess could also be booked as a capital transfer, for reasons of symmetry, and also by analogy with the recording of guarantees.

However, Eurostat pointed out that the government funding reflected to a large extent an expected loss under the scheme, and it would seem appropriate that the surpluses originating from a better performance than expected (i.e. lower cost) of the guaranteeing scheme be recorded in the revaluation accounts in national accounts. Furthermore, in contrast to repayments on guarantees, the initiative of the liquidation decidedly lays in the hands of government.

The fact that government does not legally own SGFGAS does not prevent it to decide the liquidation of the guaranteeing scheme and the acquisition of its net assets. In this manner, government has a de facto ownership of SGFGAS. The position *shares and other equity* AF.5 (ESA 5.86) includes instruments that entitle the holder to the share in the net assets in the event of liquidation. It is also clear that banks being not holder of that part of net assets of SGFGAS covered by the convention, the only alternative to recognizing a government equity stakes would be to report a large net worth (B.90) in the financial accounts for SGFGAS, which would seem without plausible economic interpretation.

It is recalled that the Eurostat press release of 27 January 1998 *Payment to the State following the sale of monetary gold by Ufficio Italiano dei Cambi (UIC) to Banca d'Italia*⁴ ruled on the recognition of de facto government ownership in national accounts in entities legally owned by other parties. The SGFGAS case bears also close proximity with a more recent Eurostat press release of 21 August 2003 *Liquidation of the EFTA Industrial Development Fund for Portugal*⁵.

⁴ See: Eurostat news release, 05/98 of 27 January 1998.

⁵ See: Eurostat news release, 97/2003 of 21 August 2003.

Findings and conclusions

The discussion was concluded by the request to the French statistical authorities to provide to Eurostat the above-mentioned convention, in order to assess the accounting treatment of the liquidation proceeds of SGFGAS in government accounts.

5 Capital injections, debt assumptions and debt cancellations in 2005

5.1 EMC

Introduction

Prior to the meeting, the French statistical authorities provided a document on the accounting impact of the reclassification of the mining and chemical group (Entreprise Minière et Chimique - EMC) inside the general government sector.

Discussion and methodological analysis

The reclassification was justified by the French statistical authorities by the fact that the entity in which EMC holds directly 100% of participations (mines of potassium, Mines de Potasse d'Alsace – MDPA) stopped their production activities in the end of 2002 and should cease to exist by the end of 2009.

MDPA has a very degraded financial position, with negative own funds, and a gross debt of ca. 1 bn €. In the April 2006 notification this leads to an entry for year 2002 in the other change in volume in table 3B and 3A of this amount (0.06 % GDP).

According to paragraph 5.16 of ESA95 *"If government cancels or assumes debt from a public corporation which disappears as an institutional unit in the system, no transaction is recorded in the capital account or the financial account. In this case a flow is recorded in the other changes in the volume of assets account"*.

Findings and conclusions

It was agreed that ESA95 5.16, relating to debt assumption of unit that disappear would imply that the accounting treatment of the reclassification in government is with no impact on the deficit (all related flows are treated as other change in volume).

6 Analysis of the EDP April 2006 notification and questionnaire related to the notification tables

6.1 SNCF

Introduction

In the April 2006 EDP notification follow-up *Request for clarification*, Eurostat asked the French statistical authorities to provide the list of companies for which the largest capital injections were undertaken by government in years 2003-2005.

Discussion and methodological analysis

One of the companies listed in the answer of the French statistical authorities is the railway company SNCF, to which in all years under review (2002-2005) an amount of 677 mn € is injected each year by government (repayment of the debts of a company). In 2005, SNCF, the national railway company, received an amount of 250 mn € (0.01 % GDP) from government specifically dedicated to supporting the restructuring of the activity SNCF Fret (as a first tranche of a 1 bn € programme). It is noted that this amount, considered as "state aid" by the Commission services (DG-Competition), was considered compatible with the Internal Market by the European Commission in its decision C(2004) 3955 of 2 March 2005.

Eurostat enquired about the profitability of SNCF and its links to SNCF Fret. The French authorities informed that SNCF has been profitable for the past 4 years and that SNCF Fret accounts are consolidated within SNCF, as SNCF Fret is not treated as a separate unit. They also pointed out, that within SNCF the passenger transport is profitable, whereas cargo transport records losses. The French authorities felt that the aid was designed to restructure the latter, rather than aiming at economic policy objectives.

It is recalled that the *ESA95 manual on government deficit and debt* foresees that capital injections are to be treated as capital transfers when to cover past losses or when there is no reasonable expectation for a satisfactory return on the investment. In this respect, the fundamental criteria is whether government is acting similarly to a private investor, or differently, for instance in the context of the conduct of a specific economic policy with other objectives than purely financial ones.

Findings and conclusions

The French statistical authorities were requested to provide the balance sheet and the financial statements of SNCF for the last 4 years, in order to enable the assessment of the appropriate treatment of the operation in national accounts.

6.2 EADS dividend

Introduction

In 2003 the French statistical authorities had recorded as income of government the dividend from the European Aeronautic and Defence and Space Company (EADS) of around 125 mn €, whereas in 2002, the company showed a loss of -299 mn €.⁶

Discussion and methodological analysis

According to the *ESA95 manual on government deficit and debt*, "(dividends) apply to payments from the unit government that are funded from the unit's income. Dividends do not apply to payments funded by asset sales, capital gains, or reserves accumulated over several years (with the exception of those which are foreseen for smoothing of dividends),

⁶ It turned out later that the dividend had in fact been of 125 thousand €.

even if they are called dividends in the accounts of the unit. These should be treated as withdrawals of equity in F.5. The reason for this definition of dividends is because in national accounts dividends are property income, distributing to the owners the profit resulting from the entrepreneurial income".

Findings and conclusions

It was agreed that, unless new information would point otherwise, the amounts will be reclassified as a financial transaction (superdividend), not increasing the revenues of government, and a new EDP notification will be submitted.

6.3 Military expenditures

Introduction

The French statistical authorities indicated that there has been a very short time span between the publication of the Eurostat decision on recording of military expenditure on 9 March 2006 and the EDP notification deadline of 31 March. Some information on the value of payments made in 2005 and 2006 related to the expenditure for selected heavy military equipment to be delivered in 2005-2007 was nevertheless obtained by the French statistical authorities from the Ministry of Defence in March 2006 and handed out during the discussion. The French statistical authorities consider that this information allows a correct application of this decision of Eurostat, to the extent that it was correctly interpreted by the French statistical authorities.

Findings and conclusions

Eurostat took note of the explanations provided during the discussion by the French statistical authorities.

6.4 EDP request for clarification

Introduction

Within the process of the validation of the EDP data, on 3 April 2006 Eurostat submitted to the French statistical authorities the *EDP request for clarification* with questions arising from the analysis of the April 2006 EDP notification tables and of the *EDP questionnaire related to the notification tables*. The following issues raised in the request for clarification were discussed:

EDP table 3A:

Discussion

Eurostat took note that the entries in other changes in volumes included the statistical discrepancy in September 2005, which is now recorded as net incurrence in other liabilities. However, a question remained about the reasons for the remaining other volume change of +6.8 bn € (0.4 % of GDP) in 2004.

Findings and conclusions

The French statistical authorities agreed to further analyse this entry and provide explanations.

Recording of EU transactions:

Discussion

Eurostat enquired to what extent French statistical authorities were applying the Eurostat decision of 15 February 2005 on *The treatment of transfers from the EU budget to the Member States*.

According to information provided during the meeting, there were indeed difficulties in identifying all payables/receivables on behalf of the EU due to non-availability of source data from the Ministry of Finance. Exact information available on a large part of transactions showed that the time lag, whilst substantial at start of the programme, was much reduced in the middle of the programme. Thus, the French practice was currently to make adjustments at the beginning and end of the programmes only, which explained the nil transactions in payable/receivable reported for 2003-2005.

The French statistical authorities indicated that from 2006 onwards both receivables and payables of the EU flows will be better identified, due to the accounting reform pursued in the French public administration, and this information will be integrated in the reporting of public finance data.

Findings and conclusions

Eurostat took note of these explanations and expressed the hope for a better quality data in the near future.

Government guarantees:

Discussion and methodological analysis

Eurostat enquired whether there have been cases of guarantees provided by government that are called several years in a row.

The *ESA95 manual on government deficit and debt* states, that in case if the guarantee granted by government to public corporations is systematically exercised, *"the liability must then be recorded directly – as soon as at issuance – in the government financial account and balance sheet and not in the enterprise's. Its amount must be taken into account in the government debt"*.

Findings and conclusions

The French statistical authorities agreed to provide a disaggregated list of guarantees called, company by company if possible.

Distributions:

Discussion and methodological analysis

Eurostat asked why none of the distributions listed in the EDP questionnaire related to notification tables are treated as financial transaction. In particular Eurostat enquired about distributions from the National Central Bank (Banque de France - BdF).

It is recalled that the *ESA95 manual on government deficit and debt* foresees, that "all payments made by the central bank to general government, which stem from the fact that the central bank holds and manages reserve assets, occur because government has an equity in the central bank in respect of these reserve assets. They are thus to be treated as a withdrawal of shares and other equity (F.5)".

Findings and conclusions

The French statistical authorities assured that the BdF accounting can isolate such operations and consequently the treatment of dividends follows the national accounts rules. The representative of the BdF promised to check this information.

7 Actual data – Recording of specific government transactions

7.1 Decommissioning of nuclear installations (follow up of the EDP 2005 mission)

Introduction

The decommissioning of the nuclear site Marcoule agreed in December 2004 and financed by Commissariat à l'énergie atomique (CEA) involves the participation of two public companies Electricité de France (EDF) and Compagnie générale des matières nucléaires (Cogema). These two companies should contribute to the decommissioning of Marcoule site in their capacity of previous customer (EDF) and operator (Cogema). The total contribution of both companies accounts for 1.6 bn €.

The CEA is classified within the general government sector, whereas EDF and Cogema are classified in the sector of non-financial corporations. The statistical treatment proposed by INSEE treats the contributions of EDF and Cogema into the CEA as a capital transfer with a counterpart partly in currency and deposits, and partly in other accounts payables. Due to the fact CEA, as an entity within the public sector, this treatment reduces deficit of general government.

Discussion and methodological analysis

Eurostat enquired on the follow up of the Eurostat advice of 14 March 2005 that the lump sum received by CEA should not improve the deficit in 2004 and instead be treated as pre-payments for the purchase of services. Eurostat also asked whether similar operations were planned for the next years. The French statistical authorities responded that they have not followed this interpretation and have booked the revenue of government of ca. 1.6 bn € (0.1 % of GDP).

Findings and conclusions

Eurostat concluded that it would reflect further on the case, but at the current stage no wider consultation (e.g. a dedicated task force and the CMFB consultation) is necessary.

This might be nevertheless needed if other Member States would embark on similar operations or if the same case would arise in France in future years.

7.2 Payment of corporate tax in December 2005

Introduction

A law published on 31 December 2005 has changed the payments of the corporate taxes for those companies with a turnover of over 1 bn € which will now be obliged, from 2006 onwards, to base their prepayments not on the profits realised in year t-1, but on an estimation of their expected profits for the year t.

Nevertheless, as a transitory measure, the law also foresees that for December 2005, an exceptional payments (“acompte exceptionnel”) was to be made by companies that expect a significant increase in profits from 2004 to 2005, to be payable on 30 December 2005.

Discussion and methodological analysis

Eurostat enquired on the amounts of this pre-payment. The French statistical authorities informed that the amount of 2.3 bn € (0.1 % GDP) has been recorded as government revenue due to the exceptional pre-payment in December 2005.

As it is stated in the *ESA95 manual on government deficit and debt* concerning changes in the due for payment date, “any change in the due for payment date resulting either from law or from a change expected to be permanent, and which affects the amounts cashed by the State, has an impact on the amounts recorded in non-financial accounts and thus on the general government net borrowing”.

Findings and conclusions

Eurostat informed the French statistical authorities that it agrees with the treatment of the additional revenue due to the exceptional pre-payment of corporate tax in December 2005, despite its asymmetrical feature, as this measure is part of a broader change in the tax system that is considered as permanent.

7.3 Time adjustment for VAT revenue

Introduction

The issue of the change in the time adjustment for the recording of VAT reimbursements was discussed on the basis of a document provided by French statistical authorities prior to the meeting.

Discussion and methodological analysis

As explained during the discussion, the previous recording was based on a time adjustment of 1 month for receipts and of 2 months for reimbursements. This simple technique led to an anomalous effects in 2005, resulting from an acceleration of repayments that had been

promised by the Ministry of Finance (better efficiency of the French fiscal administration), starting from 2005. Thus a new method permanently applicable from January 2005 onwards is used, based on existing information on the stocks of claims.

Eurostat enquired whether previous years would be also recalculated on the basis of the change. The French statistical authorities informed that the available data does not allow the retrapolation the series in question

Findings and conclusions

Eurostat took note of the information provided.

7.4 Time adjustment on taxes on gifts and inheritance (DMGT)

Introduction

The French statistical authorities provided prior to the meeting some information on a one-off adjustment applied in 2005 (and symmetrically, with a reversed sign, in 2006) to the cash data designed to come closer to an accrual recording for some taxes on gifts and inheritance (DMGT).

Discussion and methodological analysis

Taxes on gifts and inheritance are traditionally recorded on a cash basis owing to the difficulty of measuring an accrual delay of a few weeks.

The French statistical authorities informed Eurostat that an exceptional one-off increase in the cash was recorded for DMGT in January 2006. This increase was a result of the indirect effect of a law expiring on 31 December 2005 that was designed to stimulate gifts, by providing partial fiscal exemptions. This may have stimulated taxable gifts.

The French statistical authorities indicated that, in national accounts, and notably for the purpose of the April 2006 EDP notification, it carried out a one-off adjustment applied in 2005 (and symmetrically in 2006) to the cash data designed to stay close to an accrual recording of the DMGT.

Findings and conclusions

Eurostat took note of this information and informed the French statistical authorities that it would provide its advice in writing after the meeting.