

Purpose of table 3.107

Table 3.107 provides a reconciliation between two key-figures of central government finances: **The budget balance of the Finance Act** and **State deficit according to the Maastricht definition**. The first aggregate is a budgetary result approved by the Parliament when voting the Finance act. The second is a statistics computed by Insee in national accounts, according to the principles of the European System of Accounts 2010 (ESA 2010). These balances differ on two main aspects:

1) The perimeter covered by the State Maastricht deficit is slightly wider than the one of the Finance Act. The institutional sector defined as "The State" in national accounting includes some extra-budgetary funds.

2) Principles for recording expenditures and revenues are different in the two aggregates. The balance of the Finance Act is the balance of State budgetary accounts. Budgetary accounts record actual cash flows: for instance, taxes recorded as revenues of the year N are those actually received during the year, and the supply purchases are those actually paid. Similarly, a loan granted to a foreign State is considered as a budgetary expenditure, and a disposal of financial assets as a receipt. This is the reason why budgetary accounting is also known as "cash" accounting.

Conversely, the State deficit according to the Maastricht definition is compiled within the framework of the European System of Accounts according to the accrual principle. In accrual accounting, expenditures and revenues are assessed at the time of the event creating an obligation to pay, which may differ from the time of actual payment. For instance, VAT revenues of the year N are adjusted to match the economic activity of the year, rather than the payments. Equipment purchases correspond to the time of delivery and billing, even if payments are made afterwards. The European System of Accounts (ESA) also introduces the notion of **financial transaction**. For instance, a loan to a foreign State entails, symmetrically to the cash payment, the acquisition of a claim. Because these two transactions are balanced, the loan has no impact on the Maastricht deficit. Likewise, in a privatization, the disposal of shares by the State causes an increase of treasury and a decrease of equities for the same amount, which do not affect the deficit.

Finally, economic considerations lead to the inclusion in the State account according to ESA 2010 of some transactions that are not legally made by the State, but are in fact carried on its behalf. For instance, long-term leasing or Public-Private Partnerships (PPP) are considered, for the calculation of the Maastricht deficit, as State investments. Though it is not the legal owner of the assets, the State has indeed their economic ownership according to the ESA. Similarly, loans to financially distressed Europeans countries granted by the European Financial Stability Fund (EFSF) are consolidated in the State account up to its commitment to guarantee this mechanism.

Knowing more on table 3.107

- 1) Table 3.107 offers a more detailed view of a similar table notified twice a year by Insee to Eurostat within the framework of the excessive deficit procedure (EDP). This table is available at the following address: http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/excessive_deficit/edp_notification_tables
- 2) All the budgetary documents describing the State expenditures are available at the following address: <http://www.performance-publique.budget.gouv.fr/>

Describing lines of table 3.107

The budget balance of the Finance Act (excluding transactions with the IMF) - BB

Balance of the general budget

It is the difference between revenues and expenditures of the general budget. The balance is thus negative when expenditures exceed revenues.

Balance of special accounts (excluding transactions with the IMF)

Special accounts are recorded apart from the general budget, to run specific transactions. Are distinguished special allocation accounts (ex: management of the State financial equity investments or civil servant retirement pensions), financial transaction accounts (ex: loans to foreign States), trade accounts (ex: management of the State debt) and monetary transactions accounts (ex: foreign exchange losses and gains).

Budgetary transactions recorded as financial transactions (1)

These corrections correspond to transactions which, although they generate cash flows, are not considered as public expenditures or public revenues in the European System of Accounts. For instance, extension or repayment of loans, acquisition or disposal of shares are purely financial transactions that do not affect the Maastricht deficit.

Loans granted by the State, less repayments

Equity acquisitions, less disposals

Other financial transactions

of which non-consumable funds of the program "Investing for the future"

of which public debt reimbursement

Accrual corrections (2)

Taxes : IRPP, ISF, TVA, TIPP, TTF and local taxes relieves
Pending penalties and fiscal litigations
Transfer to the funds managed by the CDC in the context of the program "Inv€ CDC = Caisse des Dépôts et Consignations
Settlement of the State - Social security debt
Time-lag between payment and delivery of military equipments
Time-lag between assessment and liquidation of tax credits
Time-lag related to exemptions of social contributions
Time-lag related to the compensation of saving premiums
Time-lag related to the transfer of CVAE to local governments
Time-lag related to the transfer of fines revenues to local government
Time-lag related to transfers to other central government bodies
Time-lag related to amending budgets of the European Union
Spreading of lump-sum payments related to retirement pensions
Spreading of SFEF guarantee fee payments
Spreading of BDF payments for Greece's debt reduction
Other

These corrections correspond to the gap between the time of payment of some expenditures or revenues on the one hand, and the time of "generating events" chosen to record these expenditures or revenues in the European System of Accounts on the other hand.

CVAE = contribution on value added of entreprises

SFEF = Société de financement de l'économie française

BDF = Banque de France

Non-budgetary transactions impacting net-borrowing (3)

Foreign States debt cancellation
Difference between interest accrued and paid
Dividends received in shares
Net-borrowing of funds included within the State in national accounting
Consolidation of Public-Private Partnerships (PPP)
Allocation of tobacco duties related to the State - Social security debt
Transfer of securities from ERAP to the State
Assumption of the EPFR debt (Crédit Lyonnais defeasance)
Other

These corrections relate to transactions included in the State account in national accounts, but that do not have any budgetary equivalent. For instance, receiving dividends in shares does not entail a budgetary receipt but is really a revenue according to the European System of Accounts.

ERAP = Entreprise de recherches et d'activités pétrolières

EPFR = Etablissement public de financement et de restructuration

The State deficit according to the Maastricht definition = BB + (1) + (2) + (3)