MODERNIZATION OF THE PUBLIC ACCOUNTING SYSTEMS IN FRANCE

Overview of the approach using the 2015 accounts
Highlights

Fiscal year 2015 was marked by higher tax revenues than initially forecast and further control over State expenditure, reflected both in the budget accounts (fall in State standardised expenditure and improvement in the budget deficit) and the accrual accounts. The Central Government accounts were also marked by a series of measures to support the economy, with in particular the ramp-up of the tax credit for encouraging competitiveness and jobs (CICE) and payments to social security bodies to compensate for reductions in contributions.

The CICE, a major lever of the Responsibility and Solidarity Pact for Employment and Purchasing Power, represented corporate income tax reductions of €16.3 billion for companies, some €6.6 billion more than in 2014. A portion of these receivables has not yet been repaid or offset against corporate income tax and remains recorded in State liabilities.

Fiscal year 2015 was also marked by the reform of the Contribution to the Public Electricity Service (CSPE) and by the grant of new 700 MHz band frequencies, to four mobile telephone operators for a 20-year period.

The reform of the CSPE will stabilize the taxation of electricity in return for a greater contribution by fossil fuels to the financing of energy transition. It is reflected in 2015 by a State commitment to pay €5.9 billion over five years to complete compensation for the public service electricity expense borne by EDF since 2002.

The fixed fees for the use of the 700 MHz band frequencies represent a receivable of €2.8 billion payable in four instalments by the operators until 2018. This income is spread over 20 years in the Central Government accounts, corresponding to the operating licence period.

Finally, the certification of the Central Government accounts is a strong testament to the fair presentation and transparency of the French accounts. The Public Finances Directorate General teams work tirelessly to improve the quality and the accessibility of financial information, enabling France to be one of the few countries worldwide whose accounts are certified.

“Each citizen has the right to ascertain, by himself or through his representatives, the need for a public tax, to consent to it freely, to know the uses to which it is put, and to determine the proportion, basis, collection, and duration”

(Article 14 of the Declaration of the Rights of Man and of the Citizen of 1789)
Overview of the principal changes of the period

Change in the State Balance Sheet

The fall in State assets mainly concerns the decrease in fixed assets (€10,848 million) and particularly tangible assets and financial assets. This decrease was slightly offset by an increase in other assets including cash (+€6,121 million) at 31 December 2015.

State financial debt is €1,601,614 million, compared with €1,551,080 million in 2014. This increase (+€50,534 million) is significantly less than that recorded in 2014 (+€70,400 million) and is consistent with the trajectory for putting the public accounts in order. Liabilities (excluding financial debt) increased €39,040 million. This increase concerns prepaid revenue for €19,635 million, additional accrued expenses in respect of the tax credit for encouraging competitiveness and jobs (CICE) for €5,905 million and intervention liabilities for €5,872 million, following the recognition by the State of a liability to EDF in respect of CSPE compensation.
### Principal changes in fixed assets

<table>
<thead>
<tr>
<th>Fixed asset category</th>
<th>31/12/2014</th>
<th>31/12/2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>26,683</td>
<td>26,991</td>
<td>312</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>472,768</td>
<td>466,791</td>
<td>-5,977</td>
</tr>
<tr>
<td>Financial assets</td>
<td>330,034</td>
<td>324,854</td>
<td>-5,180</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td><strong>829,484</strong></td>
<td><strong>818,637</strong></td>
<td><strong>-10,848</strong></td>
</tr>
</tbody>
</table>

**Intangible assets**

Intangible assets represent 3% of fixed assets and are stable on 2014. They mainly consist of development costs (down €1,685 million), broadcasting frequencies and intangible assets in progress. The grant in 2015 of the 700 MHz band frequencies led to a €1,612 million increase in the value of broadcasting frequencies.

**Tangible assets**

Tangible assets represent the majority of State assets (48%) with a net value of €466,791 million.

Concession assets also represent a substantial percentage of State assets with a net value of €205,542 million. They mainly include motorways, hydraulic structures, tunnels and engineering works, as well as rail and airport installations.

Concessions are contracts under which the State entrusts a natural person or legal entity – generally governed by private law – with the task of performing a public service, with the concession holder assuming all risk and liability, for a limited term and in exchange for the right to levy and collect a charge from users of the public service.

The net value of tangible assets is down on 2015 (€5,977 million).

State assets include land and buildings with a net value of €188,011 million, comprising road infrastructures (67%), non-specific State property assets (27%) and buildings specific to the State's activities (4%) and primarily penitentiary institutions.
The main movements concern:

- tangible assets in progress (+€3,336 million) including:
  - +€1,552 million for military equipment in progress, relating to the maintenance in operating condition of naval forces (including +€666 million for submarines, +€307 million for information and communication systems and +€255 million for strategic missiles),
  - +€831 million for land and buildings in progress, including €896 million for non-specific buildings;

- the reduction in concession assets (-€4,592 million), mainly due to the decrease in the index used to value motorway concessions (-€3,410 million);

- a decrease in land and buildings over the year (-€3,100 million), mainly as a result of the reduction in the value of road infrastructures (-€4,856 million) following a decrease in the index used to value these assets. This decrease was partially offset by an increase in non-specific property assets (+€1,741 million), primarily following the delivery of assets acquired through public-private partnerships or lease financing, such as the new Balard Defence Ministry building.

- **Financial assets**

Financial assets mainly comprise investments held by the State in 1,958 entities, including 1,036 entities not controlled (primarily companies, international institutions such as the International Monetary Fund and national entities such as Caisse des dépôts et consignations (CDC), as well as public healthcare institutions). They also include receivables from these investments as well as loans and advances, particularly to foreign States.

Financial assets have a net value of €324,854 million at 31 December 2015 (compared with €330,034 million one year previously, that is -€5,180 million) and represent 33% of State assets.

The increase in investment-related receivables (+€1,211 million) includes an increase in the IMF receivable (+€847 million) and the ASP receivable (+€621 million), offset by the use of funds to finance “investments for the future” in the amount of €467 million.

The fall in the net value of investments (-€6,725 million) is due to the increase in impairment of certain entities in 2015, leading to a decrease in their net value:

- the concurrent decrease in SNCF Mobilités (formerly SNCF) and SNCF Réseau (formerly RFF) equity method valuation differences of €2,429 million and €9,733 million, respectively, following the marked drop in their 2015 net income due to the recognition of additional impairment in both entities;

- a €1,113 million decrease in the EDF equity method valuation difference in line with the dividend distribution voted in 2014, the balance of which was paid in 2015;

Nonetheless, the increase in impairment was slightly offset by an increase in the equity of certain entities as follows:
- the acquisition of 14 million Renault shares for €1,212 million, increasing the State’s share in Renault to 19.7%;
- the payment to the State, in respect of its 84.5% shareholding in EDF, of a dividend of €896 million in the form of shares;
- a €840 million increase in Agence Française de Développement’s (AFD) equity to comply with required banking ratios;
- the improved results of certain entities (particularly RATP and La Poste) contributed to an increase in the value of these investments.

**Principal changes in current and other assets**

<table>
<thead>
<tr>
<th>Current and other assets</th>
<th>31/12/2014</th>
<th>31/12/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>33,684</td>
<td>33,555</td>
</tr>
<tr>
<td>Receivables</td>
<td>88,388</td>
<td>89,152</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>11,435</td>
<td>11,782</td>
</tr>
<tr>
<td><strong>Sub-total current assets</strong></td>
<td><strong>133,507</strong></td>
<td><strong>134,489</strong></td>
</tr>
<tr>
<td>Cash</td>
<td>22,722</td>
<td>28,843</td>
</tr>
<tr>
<td>Deferred expenses</td>
<td>304</td>
<td>327</td>
</tr>
<tr>
<td><strong>Sub-total other assets</strong></td>
<td><strong>23,026</strong></td>
<td><strong>29,170</strong></td>
</tr>
<tr>
<td><strong>Total current and other assets</strong></td>
<td><strong>156,533</strong></td>
<td><strong>163,659</strong></td>
</tr>
</tbody>
</table>

- **Receivables**
  - Receivables consist of taxpayer receivables (74%), other receivables (19%) and customer receivables (7%).

**Taxpayer receivables** mainly concern VAT (40%) and income tax and other taxes collected on behalf of the State (28%).

Receivables are impaired based on a classification reflecting their risk level or category. The average impairment rate remained stable in 2015 at 30.7% compared with 30.3% in 2014.
The increase in taxpayer receivables (+€1,488 million) is mainly attributable to receivables collected on behalf of third parties (+€1,928 million).

These mainly consist of accrued income in respect of various tax and duties collected by the State and then paid to other bodies (primarily local authorities and social security bodies). Accrued expenses of an equivalent amount are recorded in non-financial debt.

The increase in receivables collected on behalf of third parties reflects an increase in housing tax and television licence receivables (+€414 million) as well as property tax receivables (+€442 million) and a decrease in impairment (-€868 million). The average impairment rate for these receivables is 10% in 2015 compared with 17% in 2014. This decrease in impairment is mainly due to new impairment rate calculation methods as part of the harmonisation of impairment methods for tax receivables.

Other receivables

Other receivables mainly consist of amounts receivable from intermediary bodies managing “investments for the future” funds of €7,434 million (compared with €9,280 million in 2014). These receivables are down €1,845 million, notably following the recognition of grants recorded in intervention expenses in the income statement.

Customer receivables

Customer receivables are up €1,493 million year-on-year. This increase is mainly due to the recognition of accrued income of €2,799 million in respect of fees payable for the use of the 700 MHz band frequencies following the delivery by ARCEP of operating licences for these frequencies on December 8, 2015.

- Inventories

Inventories are stable on 2014 and mainly comprise military equipment (spare parts, munitions, missiles, etc.).

- Cash

The increase in cash assets accounts for the majority of the increase in other assets between 2014 and 2015 (+€6,121 million). This rise is due to the greater than expected increase in Treasury correspondent deposits (particularly from local authorities), which could not be offset by a downward adjustment to short-term debt, leading to an increase in cash. This situation is due to the current low interest rates, which do not allow all available cash to be invested while respecting the financial interests of the State.

- Prepaid expenses

Prepaid expenses total €11,782 million and mainly consist of discounts on OAT and BTAN issues in the amount of €10,300 million, down on 2014 due to market conditions at the time of issue and prepaid expenses in respect of France’s participation in the European Union budget of €1,454 million.

- Deferred expenses

Deferred expenses (€327 million) mainly consist of adjustment accounts on foreign-currency denominated loans and forward financial instruments. They no longer include OAT and BTAN issue discounts, now recorded in prepaid expenses.
**Principal changes in financial debt**

<table>
<thead>
<tr>
<th>Financial debt categories</th>
<th>31/12/2014</th>
<th>31/12/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long- and medium-term negotiable securities</td>
<td>1,370,910</td>
<td>1,442,122</td>
</tr>
<tr>
<td>Short-term negotiable securities</td>
<td>175,274</td>
<td>152,785</td>
</tr>
<tr>
<td>Other borrowings</td>
<td>4,896</td>
<td>6,708</td>
</tr>
<tr>
<td><strong>Total financial debt</strong></td>
<td>1,551,080</td>
<td>1,601,614</td>
</tr>
</tbody>
</table>

Financial debt is the main component of State liabilities (€1,601,614 million, i.e. 76% of liabilities).

The increase in financial debt in 2015 (+€50,534 million) is significantly less than the increase in 2014 (+€70,400 million) and financing requirements of the year. This is due to the high amount of issue premiums collected in 2015 on medium- and long-term securities (€24,200 million), which enabled a reduction of around the same amount in short-term negotiable debt outstandings (€22,489 million). The share of the latter outstandings in total financial debt outstandings fell below 10% (from over 11% in 2014). Medium- and long-term negotiable debt increased €71,212 million in line with the objective of covering annual financing requirements.

As in 2014, State debt securities continued to enjoy strong investor demand in 2015, due to their market liquidity and confidence in the French State’s signature. In this context of continued confidence and strong demand, financing conditions remained extremely favourable for France in 2015: the weighted average rate for medium- and long-term fixed-rate issues fell yet again to 0.63% on average over the year compared with 1.31% on average in 2014.

Medium- and long-term negotiable securities comprise fungible Treasury bonds (Obligations Assimilables du Trésor, OAT) and Treasury bills paying annual interest (Bons du Trésor à intérêts annuels, BTAN), with a maturity of between 2 and 50 years. The scheduled maturity of the BTAN (no lines have been issued since 2013 and new medium-term lines are issued as OAT) automatically generates a marked reduction in these outstandings and their share of total financial debt.

Short-term negotiable securities comprise fixed-rate Treasury bills (Bons du Trésor à taux fixe, BTF). Bills totalling €353,735 million were issued by tender in 2015 and bills totalling €376,347 million were amortised or repurchased. With regards to financing conditions, BTF rates also reached a historically low level: the weighted average interest rate of issues, which was slightly positive in 2014 (0.07%), became negative in 2015 (-0.19%).
Total liabilities (excluding financial debt) increased year-on-year (+€39,040 million). The main changes concern non-financial debt (+€12,173 million) and prepaid revenue (+€19,635 million) and to a lesser extent short-term funding liabilities (+€6,676 million) and provisions for liabilities and charges (+€1,469 million).

Non-financial debt (excluding prepaid revenue)

Non-financial debt primarily comprises:

- accrued expenses of €51,973 million (see below);
- advance payments of corporate income tax (€45,610 million, stable on 2014);
- intervention debts and operating debts of €7,670 million and €3,240 million, respectively, excluding accrued expenses;
- income collected and payable to third parties (€5,396 million);
- advance payments of income tax as a result of mandatory flat-rate deductions (€4,510 million);
- investment-related debt (€3,527 million): up +€954 million following the acquisition by the State of investments in various entities such as Société pour le logement intermédiaire (SLI), Agence française de développement (AFD) and Laboratoire Français de fractionnement et des biotechnologies (LFB SA).

The €12,173 million increase in non-financial debt is attributable to:

- accrued expenses: the €4,671 million increase on 2014 mainly concerns corporate income tax obligations (+€5,195 million) (see below);
- the recognition by the State of a debt to EDF of €5,872 million, reflecting the State’s commitment to pay this amount over 5 years to compensate EDF for the deficit accumulated over the period 2002 to 2015 in respect of the contribution to the public electricity service;
- income collected and payable to third parties (+€1,215 million) and particularly State debt to bodies receiving the Exit tax. Amounts due to these bodies are now paid based on the effective collection of this contribution and no longer on amounts assessed.
These items were partially offset by a reduction in operating debts to State suppliers (-€1,174 million) and intervention debts to social security and other social welfare bodies (-€918 million).

**Accrued expenses**

Accrued expenses represent 38% of all non-financial debt and primarily consist of corporate income tax (43%) and VAT (33%) accrued expenses.

Accrued expenses relating to corporate income tax repayments (€22,397 million) are mainly the result of three measures:

- the tax credit for encouraging competitiveness and jobs (CICE) in the amount of €9,608 million, with the increase of €5,905 million attributable to the ramp-up of the regime in 2015;
- the research tax credit (CIR) in the amount of €8,484 million, up €726 million;
- the carry-back of tax losses in the amount of €2,300 million, down €815 million.

VAT accrued expenses (€17,214 million) consist of VAT credits for December, calculated based on repayment requests received from taxpayers as at 31 December 2015 and VAT returns filed in respect of December 2015 showing a VAT credit.

As regards sovereign revenue tax obligations, these accrued expenses do not represent amounts payable in the Central Government budget accounts, as commitment authorisations must equal payment credits. They nonetheless concern expenditure for which the service rendered is linked to fiscal year 2015 and payment will take place after 31 December 2015.

Accrued intervention expenses (€5,344 million) and other accrued expenses (€7,018 million), primarily operating expenses, are stable on 2014.

- **Prepaid revenue**

**Prepaid revenue** mainly comprises OAT and BTAN issue premiums (€52,004 million).

The increase in prepaid revenue (+€19,635 million) is mainly due to the increase in OAT and BTAN issue premiums following a decrease in interest rates combined with growth in volumes issued.

Furthermore, the increase in prepaid revenue (+€2,497 million) is also due to the issue by ARCEP of operating licences for the 700 MHz band frequencies in the amount of €2,790 million.

- **Provisions for liabilities and charges**

**Provisions for liabilities and charges** increased €1,469 million in 2015 and mainly comprise:

- provisions for transfers of €84,958 million, down €5,240 million on 2014. These provisions for transfers concern intervention measures managed directly by the State or through bodies responsible for paying funds to final recipients. The decrease in provisions for transfers mainly concerns military disability and war victim pensions (PMI-VG), and veteran pensions (-€2,689 million) primarily due to the reduction in the number of individuals concerned, as well as the National Agency guaranteeing the rights of miners (ANGDM) (-€1,014 million). The decrease in the latter provision is due to a reduction in the gross remeasurement rate for housing benefits in kind, from 3.42% in 2014 to 2.45% in 2015. Finally, the decrease in the State’s commitment to local authorities in respect of the VAT Compensation fund (-€984
million) also contributed to a decrease in provisions for transfers;

- provisions for tax-related litigation and disputes of €21,097 million, up €4,738 million over 2015;

- provisions for restoration of €16,530 million, up €2,306 million on 2014 and mainly comprising provisions for dismantling;

- provisions for staff costs of €9,040 million, stable on 2014. These provisions include provisions for Temporary invalidity benefits (ATI), Assistance and restructuring plans (PAR) and retraining assistance for Defence Ministry civilian and military personnel.

- **Other liability accounts**

  The increase in **other liability accounts** (+€5,763 million) mainly concerns the increase in short-term funding liabilities (+€6,676 million), which comprise Treasury correspondent deposits and equivalent broken down as follows:

  ![Chart](chart.png)

  The main increases in deposits concern Local public authorities and bodies (CEPL) in the amount of €5,051 million, national public bodies (EPN) in the amount of €690 million and the European Community in the amount of €690 million. The increase in local authority deposits is due to fluctuations in their investment expenditure and a change in local taxation.

- **State net debt to Social Security bodies**

  **State net debt** to Social Security bodies totalled €3,458 million at the end of 2015, stable on 2014. The volume of assets and liabilities was significantly reduced in 2015, by -33% and -13%, respectively, as a result of three exceptional transactions aimed at placing financial relations between the State and certain Social Security bodies on a sounder footing: the regrouping of old receivables and debts, adjustments to certain measures and the exceptional clearance of State net debts to certain bodies.

  ![Chart](chart.png)

  State **net debt** to Social Security bodies mainly comprises intervention debt and particularly accrued expenses. These consist of benefits or contribution exemptions, such as adult disability benefits (AAH), housing benefits, active solidarity income (ASH) and apprenticeship contracts. These measures are financed by transfers between the State and the various social security bodies responsible for their implementation, such as ACOSS, CNAVTS, CNAF and CNAMTS for the general regime. Receivables and debts recognised at the year-end reflect financing surpluses or deficits recognised with respect to benefits paid during the year or in the course of payment at the year-end.

  State assets and liabilities vis-à-vis social security bodies are inventoried with 26 social security bodies, managing both the general and special regimes. The general regime is the largest regime, accounting for 86% of State debts and 55% of State receivables with these bodies.
2015 net income is -€82,503 million, down €8,195 million on 2014.

This decrease is mainly due to an increase in net operating expenses (-€10,940 million), impacted by both higher charges net of reversals to provisions in 2015 (-€6,905 million) and a decrease in sundry operating income (-€4,019 million) following ALS and APL benefit funding reforms.

This decrease was accompanied by an increase in net financial expenses in 2015, due to a rise in charges net of reversals (-€8,978 million) following the impairment of certain State investments in 2015.

Net income for the year also benefits from an improvement in net sovereign revenues (+€3,153 million) and a reduction in net intervention expenses (+€6,738 million), due to a €11,750 million decrease in charges net of reversals to provisions and an increase in transfer expenses of €6,315 million.
Principal changes in net operating expenses

<table>
<thead>
<tr>
<th>Net operating expenses</th>
<th>31/12/2014</th>
<th>31/12/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs</td>
<td>136,916</td>
<td>137,694</td>
</tr>
<tr>
<td>Purchases, changes in inventories and external services</td>
<td>20,792</td>
<td>20,876</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>12,619</td>
<td>11,940</td>
</tr>
<tr>
<td>Subsidies for public service expenses</td>
<td>27,719</td>
<td>27,776</td>
</tr>
<tr>
<td>Charges net of reversals</td>
<td>10,048</td>
<td>16,953</td>
</tr>
<tr>
<td>(-) Sales of goods and services</td>
<td>3,293</td>
<td>3,395</td>
</tr>
<tr>
<td>(-) Increase in inventories of finished goods and work-in-progress and capitalised production</td>
<td>160</td>
<td>140</td>
</tr>
<tr>
<td>(-) Other operating income</td>
<td>26,664</td>
<td>22,786</td>
</tr>
<tr>
<td><strong>Net operating expenses</strong></td>
<td><strong>177,978</strong></td>
<td><strong>188,918</strong></td>
</tr>
</tbody>
</table>

**State net operating expenses** (operating expenses less operating income) totalled €188,918 million in 2015.

- **Net operating expenses, excluding charges net of reversals**

These net operating expenses, excluding charges net of reversals, comprise:

- staff costs of €137,694 million;
- purchases, changes in inventories and external services of €20,876 million, stable in 2015;
- other operating expenses of €11,940 million, primarily comprising write-offs, out-of-court decisions and clearance of debts and late payment interest;
- subsidies for public service expenses of €27,776 million (stable on 2014), paid by the State to operators providing a public service;
- operating income of €26,321 million, principally consisting of pension contributions of €14,522 million, stable on 2015 and sundry operating income of €6,016 million, down €4,019 million on 2014. This decrease is tied in particular to changes in the funding of the National Fund for Housing Assistance (FNAL) in 2015.

**Staff costs**

**Staff costs** mainly comprise remuneration (€71,444 million, i.e. 52% of staff costs) and pension costs (€53,495 million, i.e. 39% of staff costs). The slight increase on 2014 (+0.6%) was due to a rise in the number of pensioners and job creation in priority
sectors such as public primary and secondary education, justice and security.

- **Charges net of reversals**

Charges net of reversals (+€6,905 million) reflect movements in provisions for liabilities following primarily an increase in provisions for tax-related litigation and disputes, impairment of inventories and work-in-progress as well as tangible asset depreciation, the change in which is recorded in the balance sheet.

**Principal changes in net intervention expenses**

<table>
<thead>
<tr>
<th>Net intervention expenses</th>
<th>31/12/2014</th>
<th>31/12/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers</td>
<td>140,025</td>
<td>146,340</td>
</tr>
<tr>
<td>Charges net of reversals</td>
<td>5,478</td>
<td>-11,750</td>
</tr>
<tr>
<td>Expenses arising from State guarantees</td>
<td>11</td>
<td>20</td>
</tr>
<tr>
<td>(-) Contributions from third parties</td>
<td>2,025</td>
<td>3,336</td>
</tr>
<tr>
<td>Net intervention expenses</td>
<td>143,490</td>
<td>136,752</td>
</tr>
</tbody>
</table>

State net intervention expenses totalled €136,752 million and mainly comprise transfer expenses. They are down €6,738 million on 2014.

- **Transfer expenses**

State transfer expenses relating to its redistribution activities totalled €146,340 million in 2015 and concern four main categories of beneficiary.

**Local authorities**

Local authorities account for 48% of transfers, primarily through revenue deductions and particularly General operating grants, the VAT Compensation fund (FCTVA) and other compensation mechanisms. The share of transfers paid to local authorities fell in 2015 (48% in 2015 compared with 52% in 2014).

**Households**

Assistance to households (26% of transfer expenses) includes, for example, housing benefits (APL, ALS), adult disability benefits (AAH), invalidity pensions, measures in the fight against poverty (RSA, Back-to-work assistance) and student grants.
Other entities

The financing of other entities (17% of transfer expenses) encompasses contributions to special pension regimes (RATP, SNCF, Miner and Seafarer regimes, etc.), transfers to certain national, European (National Research Agency (ANR), European Space Agency, etc.) and international (UN) organisations, work-access and back-to-work assistance (assisted contracts), foreign country development assistance and grants awarded under “Investments for the Future” programmes.

Businesses

In 2015, business assistance measures (10% of transfer expenses) included, first and foremost, the compensation deficit recognized in favour of EDF in respect of the CSPE (no equivalent expense in 2014). Business transfers also include measures to accompany economic change and support employment.

The increase in transfer expenses (+€6,315 million) was due to:

- an increase in transfers to businesses (+€6,242 million), attributable to the compensation granted to EDF in respect of the Contribution to the Public Electricity Service (CSPE) in the amount of €5,872 million in 2015;
- an increase in transfers to households of €2,319 million, primarily relating to the FNSA and reflecting a change in the fund’s financing mechanism which no longer benefits from the solidarity deduction;
- a decrease in transfers to local authorities (-€2,363 million): this reduction must be considered alongside the decrease in revenue deductions (-€3,908 million, including -€3,472 million for General operating grants), in line with the contribution requested of local authorities to restore the public accounts under the “Confidence and responsibility pact”.

- Charges net of reversals

Charges net of reversals (-€11,750 million) reflect movements in provisions for transfers. The main movements concern European Development Fund measures (-€5,388 million), as well as military disability and war victim pensions (PMI-VG), veteran pensions and the National Agency guaranteeing the rights of miners (ANGDM). The ANGDM provision was remeasured in 2014 following a change in discount rates. No equivalent charge was recorded in 2015 (-€5,327 million).
Principal changes in net financial expenses

2015 was marked by an increase in net financial expenses (+€7,146 million, i.e. +22.7%).

- **Debt interest ratio**

The interest expense was almost stable on 2014 and 2013 and nearly entirely consists of interest on negotiable debt. It represents an annual charge of 2.6% of the debt (compared with 2.7% in 2014). This stability was achieved in a context of rising financial debt outstandings (+€50,534 million in 2015) and historically low average rates (2.61% for medium- and long-term outstandings and -0.19% for short-term issues in 2015).

- **Other financial expenses**

Other financial expenses fell €1,468 million in 2015. This decrease was mainly due to legislative clearings (losses on irrecoverable debts) which were €1,071 million lower in 2015, particularly due to the absence in 2015 of the C2D (debt reduction and development contract).

- **Charges net of reversals**

The increase in charges net of reversals (+€8,978 million) reflects the impairment of controlled entities in the amount of €11,412 million in 2015 (notably SNCF Mobilités et SNCF Réseau). This increase is mitigated by movements in premiums and discounts (-€1,335 million).

- **Revenue from financial assets**

Revenue from financial assets remained stable in 2015 and primarily consists of investment income (€5,922 million), including payments from EDF of €1,965 million and from CDC of €637 million and proceeds from asset disposals (€2,702 million) and particularly the sale of SAFRAN shares for €1,787 million.
Principal changes in net sovereign revenue

Net sovereign revenue totalled €281,834 million in 2015, up €3,153 million on 2014.

- Net tax revenues

Net tax revenues totalled €291,596 million in 2015, up €496 million. All tax revenue categories recorded an increase, except for corporate income tax.

Income tax

Income tax revenue was stable overall on 2014 (+€919 million, i.e. +1.3%). The increase in gross revenue was partly due to the effective anti-fraud measures implemented by the STDR (the department that processes voluntary disclosures).

Corporate income tax

Net corporate income tax revenue decreased €6,417 million on 2014, due to a ramp-up of the CICE tax credit in the amount of €6,554 million. This decrease was partially offset by the impact of a dispute which led to the recognition of additional revenue of €1,383 million.

Domestic tax on consumption of energy products (TICPE)

The increase in net TICPE revenue (+€622 million) was partly due to the inclusion of a carbon component in the domestic duty on consumption which came into effect on 1 April 2015. The introduction of this carbon tax on fuel represents stage two of the Climate Energy Tax (CCE).

VAT

Net VAT revenue increased in 2015 (+€3,377 million), boosted by consumption levels and reduced transfers of VAT revenue to social security bodies in 2015 compared with 2014.

Registration fees, stamp duty, other contributions and indirect taxes

Registration fees, stamp duty, other contributions and indirect taxes increased €1,062 million in 2015 as a result of an increase in revenue from other domestic taxes (+€459 million), following the suppression of exemptions previously granted to private individuals, in connection with the Climate Energy Tax. In addition, duties on transfers for nil consideration increased €439 million, as a result of the fight against tax fraud and measures introduced in 2015.

Other taxes and similar income

The increase in other taxes and similar income (+€933 million) followed the reform of apprenticeship financing and the withholding tax payable by companies on certain profit distributions.
• **Other sovereign revenue**

Other sovereign revenue, comprising fines, deductions and other penalties, increased €1,048 million in 2015, mainly due to a rise in revenue from financial penalties issued by independent administrative authorities (+€601 million).

• **Own resources of the European Union budget**

Own resources of the European Union budget paid over by the State fell €1,609 million in 2015. They primarily consist of own resources based on gross national income down €1,340 million on 2014, mainly following European Union budget amendments providing for a reduction in France's contribution.
State off-balance sheet commitments are presented in the notes to the Central Government accounts but do not impact either the State balance sheet or net income. They consist of contingent liabilities corresponding either to potential obligations of the State to third parties, or certain obligations not necessarily leading to an outflow of resources.

- **State pension commitments and equivalent**

State pension commitments and equivalent fell slightly by 1.8% in 2015, mainly due to an increase in the discount rate applied to determine their amount (0.18% in 2015 compared with 0.17% in 2014).

- **Regulated savings accounts**

Saver protection guarantees provided by the State cover all deposits made by savers in regulated savings accounts (Livret A, Livret bleu, Sustainable development and Épargne Populaire savings accounts). The decrease in these guarantees was due to the reduction in Livret A, Livret bleu and Sustainable development savings account deposits (‐€8 billion) and Épargne Populaire savings account deposits (‐€1 billion).

- **Commitments resulting from the State’s role as economic and social regulator**

The increase in commitments resulting from the State’s role as economic and social regulator (+€27 billion) mainly reflects the following:

- the measurement of the Family housing benefit (ALF) commitment. This benefit, which previously fell within the social security scope, will be financed by the State from 2016, generating an impact of +€21 billion;

- the creation in 2015 of a support fund with local authorities for the early repayment of high-risk structured finance contracts. Commitments in respect of these funds total €2.7 billion;

- adult disability benefits (+€2.4 billion), impacted by the extension of the payment period from 2 to 5 years (+€1.7 billion);

- the decrease in subsidies to pension regimes and to balance subsidised special pension regimes (‐€3.5 billion) following, in particular, a decrease in the discount rate applied to determine their amount (0.18% in 2015 compared with 0.17% in 2014).
• **Debt guaranteed by the State**

The decrease in debt guaranteed by the State (€7 billion) was mainly attributable to:

  o a €4 billion decrease in the guarantee granted by France to the European Financial Stability Fund (EFSF);

  o a decrease in Dexia (€5.4 billion) and Crédit Immobilier de France (€1.8 billion) guaranteed debt outstandings;

  o the overall increase in debt outstandings guaranteed in favour of UNEDIC (€3.4 billion) following the issue of 5 new bond lines in 2015 for a total amount of €6 billion. In addition, two bond lines of a total principal amount of €2.7 billion matured in 2015.