Public finances

General government budget

State of public finances improved slightly in 2005

The public finance situation in Germany improved slightly in 2005. According to initial, provisional data, the general government deficit amounted to 3.5% of GDP.[1] This is slightly down on the previous year's deficit (3.7%) and markedly lower than had been expected by the Federal Government and other observers. As the relatively favourable budgetary developments at the end of the year have probably not yet been fully incorporated into the preliminary result, a further slight downward revision of the deficit is possible. Nevertheless, the 3% ceiling for the deficit ratio enshrined in the Maastricht Treaty was overshot for the fourth year in succession. The debt ratio, which has exceeded the reference value to an increasing degree for a number of years, grew again considerably.

Net cyclical and temporary effects had no notable impact

The general economic situation placed a marginally greater strain on the government budgets than it had done in 2004, while, on balance, temporary effects had almost no impact on the deficits. Overall, the structural fiscal balance, ie adjusted for cyclical and other temporary effects, improved slightly.

Revenue ratio largely unchanged

At 43¼%, the revenue ratio remained largely unchanged in 2005.[2] As in previous years, gross wages and salaries – the assessment basis for wage tax and social security contributions – developed less strongly than GDP and

1 The sale of Post Office pension fund claims was recorded in the national accounts as not affecting the deficit.
2 In the preliminary result for 2005, the Post Office pension fund has been assigned to the government sector. The resulting rise in revenue and expenditure compared with the (still unadjusted) figures for 2004 has been factored out here.

this, in particular, had a dampening effect. Moreover, shortfalls in consequence of the final stage of the income tax reform had a far greater impact than revenue-boosting measures elsewhere (profit-related taxes, tobacco tax, motor vehicle tax). Finally, consumer restraint in response to higher energy prices depressed receipts from mineral oil tax, which is a volume-based tax. By contrast, profit-related tax receipts and other revenue developed favourably. Subsidy repayments from the Landesbanks and, in particular, the motorway tolls for heavy goods vehicles that were introduced last year played a significant role in the positive development of other revenue.

Expenditure ratio down slightly

In 2005, expenditure in relation to GDP decreased slightly to 46¾%. As in the past few years, spending on compensation of employees and government investment fell in absolute terms. Moreover, there was scarcely any increase in expenditure on pensions. Finally, despite rapidly growing government debt, interest expenditure remained almost unchanged as the low level of interest rates continued to facilitate favourable refinancing terms for matured securities. On the other hand, healthcare expenditure and transfers to the EU budget went up considerably. There was also a significant rise in labour-market related expenditure. Both the unfavourable employment trend and – contrary to original expectations – the labour market reforms placed strains on government budgets. The year-on-year increase in additional expenditure by general government was, however, far surpassed by the scale to which central government exceeded its budgetary plans, the latter having recently been the focus of public debate.

Outlook for 2006: muted revenue trend

The revenue ratio could fall slightly in 2006 even though, in net terms, no further cuts in taxes and social security contributions are planned for this year in contrast to previous years. Non-tax revenue is likely to decline as the positive exceptional effects experienced in this area in 2005 will no longer be felt. The weak trend in wages and salaries subject to social security contributions is also likely to continue. As things now stand, given that contribution rates look set to remain almost unchanged, social security contributions may be expected to stagnate. The bringing forward of the transfer deadline for social security contributions will not influence the definition in the national accounts, which means that the absence of real consolidation measures will have a marked negative impact here.

Perceptible decline in expenditure ratio possible

The expenditure ratio could be reduced perceptibly in 2006 if a more economical course were pursued at all levels of government. Compensation of employees could, in turn, play a role here, particularly as spending in this area might decline further given continued staff cuts. There will also be only a limited increase in pension expenditure as a mid-year rise in the pension rate is not expected. In contrast to last year, labour-market related expenditure could go down. Interest expenditure will continue to be restrained by favourable refinancing conditions.

3% ceiling could be complied with in 2006 ...

All in all, a decline in the general government deficit can be expected this year provided stringent budget management is exercised and no new measures are introduced which would place a strain on public finances. The measures which were outlined under the coalition deal and have since been specified in detail should place only a slight burden on government budgets. Moreover, a restrained expenditure course is planned across the board. The momentum of economic activity should have a positive effect on the development of public finances. While, overall, only a moderate decline in the structural budget deficit can be expected in the absence of further relief measures, compliance with the 3% ceiling could be achieved this year.

... and should be aimed for

Against the backdrop of the European rules, the overshooting of the fiscal upper limits every year since 2002, the progress towards meeting the 3% criterion in 2005 and the favourable cyclical outlook, every effort should be made to comply with the deficit reference value in 2006. This is all the more urgent now that the amended Stability and Growth Pact prescribes that countries with an excessive deficit must achieve annual structural consolidation of at least 0.5% of GDP – something which has been emphasised as an important new aspect of the Pact. The current economic outlook poses no obstacles to a more even spread of the deficit reduction measures, which, at the moment, are not planned until 2007. If it does not make sufficient efforts, Germany may be faced with a tightening of the excessive deficit procedure.

Consolidation beyond the 3% ceiling is necessary

Compliance with the 3% ceiling will, however, by no means dispense with the need for further consolidation. On the contrary, the European and national budgetary rules require a swift reduction of the deficit beyond this mark. Both the Stability and Growth Pact and the German Budget Principles Act specify the obligation to achieve a close-to-balance budget and the Pact prescribes a further annual structural consolidation of 0.5% of GDP until this target is achieved. Moreover, even once the measures outlined in the coalition agreement have been implemented, central government and some state governments will still have to take additional measures beyond 2007 in order to comply with the constitutional budgetary principles. Ultimately, a reduction in the deficit and debt ratios is also essential if Germany is to be in a better position to tackle future budgetary burdens, particularly in the light of demographic developments. As well as boosting public confidence in a functioning fiscal policy, this would also create the scope to enable the automatic stabilisers to take effect during economic slowdowns. If, however, consolidation efforts were to be scaled back now in the expectation of additional revenue as a result of the more favourable economic outlook, this would, among other things, run counter to one of the most fundamental intentions behind the amended Stability and Growth pact, namely to step up the consolidation efforts during more favourable macroeconomic phases.

Budgetary development of central, state and local government

Tax revenue

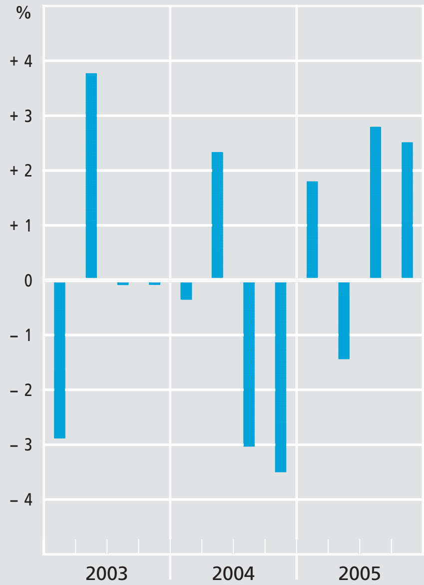
Rise in tax revenue in fourth quarter...

In the fourth quarter of 2005, tax revenue[3] was up by 2½% on the same period in 2004.

3 According to the definition used in the budgetary accounts. Including EU shares in German tax revenue but excluding receipts from local government taxes, which are not yet known for the fourth quarter.

Tax revenue*

Year-on-year change



* Including EU shares in German tax revenue, but excluding receipts from local government taxes, which are not yet known for the last quarter recorded.

Deutsche Bundesbank

The main factor behind this was the steep growth of 31% in revenue from assessed taxes and a 3% increase in turnover tax receipts. This was, however, accompanied by a fall in revenue from wage tax (-4½%) and mineral oil tax (-3½%), in particular.

... and in 2005 as a whole

In 2005 as a whole, tax receipts grew by 1½% (+€6 billion), which was the first significant increase since 2000. Revenue from assessed taxes increased by 41% (+€7½ billion) not least as a result of the favourable business earnings trend. Receipts from assessed income tax were up by 81% (+€4½ billion). This was due, firstly, to an increase in gross revenue despite the tax rate cut in 2005. Other factors included the decline – in particular, as a result of the measures introduced with the Act Accompanying the 2004 Budget – in grants paid out to home owners (-€½ billion) and the reduction in rebates to employees (-€2½ billion), which are both deducted from cash receipts from assessed income tax. Corporation tax receipts grew by 24½% (+€3 billion), which is probably due in part to the legislative measures taken to stabilise corporation tax revenue levels. Income from wage tax went down by 4% (-€5 billion) in the wake of a slight decrease in gross wages and salaries. This was due largely to the tax cuts although they appear to have had less of an impact than initially expected. Among the consumption-related taxes, revenue from turnover tax rose by just over 1½% (+€2½ billion) in the context of a weakly growing VAT assessment base. Mineral oil tax receipts went down by 4% (-€1½ billion) owing to a fall in petrol consumption. By contrast, tobacco tax increases led to a rise of just over 4½% (+€½ billion) in revenue from this source despite the persistent decline in consumption. A significant rise of 12% (+€1 billion) in motor vehicle tax revenue was recorded as tax breaks for low-pollutant passenger vehicles expired.

Tax revenue in 2005 higher than expected

Overall, tax revenue (including estimated figures for local government taxes) was roughly €1 billion higher than the official estimate in November 2004. The highly volatile profit-related taxes were, on balance, far higher than had been estimated. The significant margin of error with regard to the assessment base, the assessment lag and the impact of changes in tax legislation played a role in this, while the marked decline in rebates to employees, which are deducted from assessed income tax revenue, also surpassed expect-

Total tax revenue and receipts from major individual taxes

Type of tax	Year as a whole: 2004, € bn	Year as a whole: 2005, € bn	2005 Year-on-year change as %	2005 Year-on-year change in € bn	Estimate for 2005 [3] Year-on-year change in € bn	Q4: 2004, € bn	Q4: 2005, € bn	2005 Year-on-year change as %	2005 Year-on-year change in € bn
Total tax revenue [1]	409.5	415.4	+ 1.4	+ 5.8	[4] + 7.4	118.0	120.9	+ 2.5	+ 3.0
of which									
Wage tax	123.9	118.9	– 4.0	– 5.0	– 1.5	35.5	33.9	– 4.5	– 1.6
Assessed income tax	5.4	9.8	+ 81.1	+ 4.4	– 0.3	5.0	6.0	+ 20.4	+ 1.0
Investment income tax [2]	16.7	16.9	+ 1.5	+ 0.3	+ 0.4	2.1	2.7	+ 27.1	+ 0.6
Corporation tax	13.1	16.3	+ 24.5	+ 3.2	+ 4.1	3.7	5.4	+ 45.0	+ 1.7
Turnover tax	137.4	139.7	+ 1.7	+ 2.3	+ 3.2	35.5	36.5	+ 2.9	+ 1.0
Mineral oil tax	41.8	40.1	– 4.0	– 1.7	– 0.3	16.6	16.0	– 3.7	– 0.6
Tobacco tax	13.6	14.3	+ 4.7	+ 0.6	+ 1.1	4.3	4.2	– 1.8	– 0.1

1 Including EU shares in German tax revenue, but excluding receipts from local government taxes, which are not yet known for the last quarter recorded. — **2** Including receipts from withholding tax on interest income. — **3** According to the official tax estimate from November 2004. — **4** The tax revenue outturn including (still estimated) local government tax receipts was roughly €1 billion higher than the estimate.

Deutsche Bundesbank

ations. By contrast, revenue from wage tax and the most significant consumption-related taxes was less than had been forecast, mainly owing to the poor development of the assessment bases. The last official estimate from November 2005 was exceeded by +€3 billion. This was due largely to the strong growth in profit-related tax receipts in December. The overall tax ratio rose slightly to 20.1%.

In 2006 moderate effect on revenue from legislative changes

In 2006, the net impact of changes to tax legislation is likely to be fairly small. On the one hand, changes in tax law which were agreed in the preceding legislative periods are gradually having a revenue-boosting effect. On the other hand, measures approved or planned since the change of government will, on balance, place additional strains on government budgets. It is true that some of these measures are aimed at broadening the assessment base for direct taxes and reducing or abolishing tax concessions. However, the revenue trend in 2006 will be dominated by the creation of new and the expansion of existing tax concessions. It is hoped that this will have a beneficial effect on economic growth. However, it is questionable whether this can really improve the underlying economic conditions and, indeed, whether it is appropriate for the government to be taking action motivated by reasons of economic policy, particularly in the light of the decidedly favourable economic outlook for this year. It is all the more questionable given that the ultimate aim is to achieve a more simple, transparent and efficient tax system.

Further revenue growth expected in 2006

All in all, in 2006, it is to be expected that the tax revenue-yielding assessment bases (gross wages and salaries and modified domestic expenditure) will develop more positively than in 2005 and that the adjustments in the consumption of mineral oil products will not lead to another significant decline in revenue from mineral oil tax. Even if there is weaker growth in profit-related tax receipts, there will probably be a further rise in overall revenue. The most recent official estimate predicts an increase of 2.1% and a largely unchanged overall tax ratio. However, the additional measures announced so far are likely to curb revenue growth by almost ½ percentage point.

Central government budget

Central government budget records slightly lower surplus in Q4

Central government recorded a surplus of €6½ billion in the fourth quarter of 2005 compared with just over €7½ billion in the same period of 2004. Despite an increase of just under 1½% in tax revenue, overall revenue was down by more than ½% on the final quarter of 2004 when extensive asset disposals had been recorded. Expenditure rose by 1%. Spending in connection with the Hartz IV reform remained well above comparable outlays in the previous year. However, following the securitisation of Post Office pension fund claims, the cessation of payments to offset this fund's deficit resulted in an extensive reduction in spending. In addition, relief was provided by the improved financial position of the Federal Employment Agency and the relatively small Federal grant to the statutory pension insurance scheme after parts of the grant had been paid out in advance in September as liquidity assistance.

Deficit for the whole of 2005 lower than expected

According to the preliminary outturn, in 2005 the central government deficit, at €31½ billion, was more than €8 billion less than in 2004. This was largely owing to the use of central government assets and the sale of Post Office pension fund claims to provide additional relief of almost €12 billion on the previous year's position. Although the deficit of just under €22½ billion envisaged in the 2005 budget plan was significantly overshot, the result was more positive than the Federal Government had latterly indicated. A deficit of roughly €35 billion had been predicted, in particular, in the light of an €8½ billion budget overshoot in connection with the Hartz IV reform, the €2 billion revenue shortfall predicted in the last tax estimate and the fact that the Bundesbank profit fell short of the budgeted figure by almost €1½ billion. Ultimately, however, the smaller top-up grant required by the Federal Employment Agency, lower interest payments and much smaller tax revenue shortfalls provided perceptible relief and resulted in a more favourable full-year outturn.

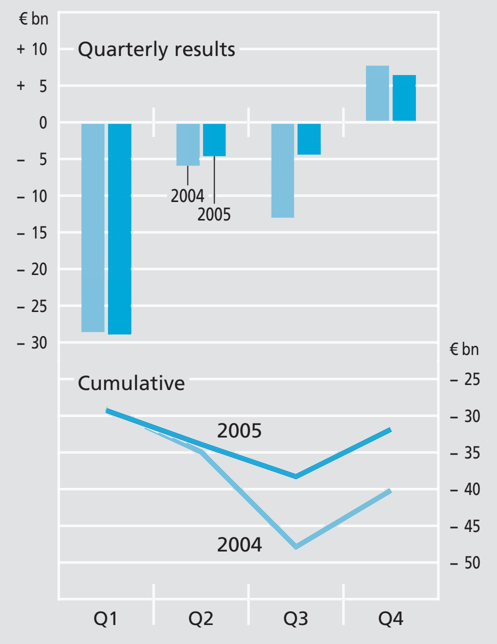
Deficit in 2006 much higher than anticipated in summer 2005

On 22 February, the Federal Cabinet is due to approve the revised draft of the 2006 budget. So far, no precise figures have been published. The deficit of nearly €22 billion envisaged in the government draft from July 2005 is likely to be increased considerably to somewhere in the region of €38 billion and €39 billion. Evidently, the main reason for this is a significant reduction in estimates for asset disposals – as the latter are now to be distributed more evenly across the entire new legislative period – in contrast to the original plans from summer 2005. This is compounded by additional burdens from higher-than-projected expenditure on unemployment benefit II and ongoing contributions to local government towards accommodation costs for benefit recipients. Moreover, the growth package, which was finalised in January, will increase the strain. More intensive promotion of renovation measures to reduce CO_2 emissions in buildings, greater investment in transport systems and increased backing for research, as well as tax shortfalls resulting from planned measures for stimulating economic growth, are likely to increase the deficit in the 2006 Federal budget. On the other hand, a certain counterweight is provided by the more favourable basic situation concerning tax revenue and interest payments. The coalition agreements also envisage savings in administrative costs to be financed mainly by cutting Christmas bonuses but also by extending weekly working hours for Federal civil servants. While the Federal Government's planned adjustments to the Hartz IV reform are intended to provide relief of €3 billion for the Federal budget in 2006, it now seems unlikely that this can be achieved given the delays in implementing these amendments.

Overshooting of the constitutional borrowing limit

All in all, a significant overshooting of the constitutional upper limits for new borrowing pursuant to article 115 of the Basic Law now appears unavoidable. Such a breach is problematic in the light of the widely expected buoyant cyclical trend. The need for fiscal consolidation by central government is further underscored by the fact that sizeable asset disposals are to some extent masking the structural financing deficit. It should not be overlooked that even if the 3% criterion prescribed by the Maastricht Treaty is met, considerable further efforts will be required to achieve structural compliance with the constitutional borrowing limits.

Central government balance of revenue and expenditure in 2004 and 2005



Deutsche Bundesbank

Special funds record higher surpluses

The Federal special funds recorded a much higher surplus of €4 billion in 2005 (2004: €2 billion). This was due largely to the fact that loan repayments to the ERP Special Fund outweighed new loans by far more than they had done in 2004. A surplus could be generated this year, too.

Net borrowing in the market by central, state and local government

€ billion

Period	Total	of which Securities [1]	of which Loans against borrowers' notes [2]	Memo item Acquisition by non-residents
2004	+ 72.3	+ 70.7	− 16.8	+ 66.8
Q1	+ 45.3	+ 34.6	+ 4.1	+ 26.6
Q2	+ 8.2	+ 14.6	− 9.6	+ 1.5
Q3	+ 17.6	+ 17.1	− 0.9	+ 24.4
Q4	+ 1.2	+ 4.4	− 10.4	+ 14.3
2005 pe	+ 58.6	+ 63.9	− 11.1	...
Q1	+ 26.7	+ 17.3	+ 7.5	+ 24.8
Q2	+ 8.2	+ 13.4	− 6.3	+ 26.9
Q3	+ 14.7	+ 15.3	− 1.3	+ 13.2
Q4 pe	+ 8.9	+ 17.8	− 10.9	...

1 Excluding equalisation claims. — 2 Including cash advances and money market loans.

Deutsche Bundesbank

State government and local government budgets

Unexpected decline in state government deficit in 2005

In the fourth quarter of 2005, state government recorded a deficit of €6 billion compared with €4½ billion in the fourth quarter of 2004. In 2005 as a whole, the deficit amounted to just over €24 billion. This was less than the previous year's figure of €25 billion – in contradiction with the most recent plans, which had envisaged an increase. With an increase of 2%, overall revenue grew more sharply than the tax revenue of state government (½%). This was due mainly to higher income from subsidy repayments from Landesbanks and extensive asset disposals. Expenditure rose by almost 1½%. While compensation of employees declined, there was a notable rise in other spending, which was probably largely the result of the recapitalisation of state-owned enterprises.

Hardly any progress towards consolidation planned in 2006

For the most part, the current plans for 2006 do not yet reflect the better result of 2005, which should provide a positive baseline effect for this year. A total deficit of roughly €23½ billion is envisaged with a slight reduction in spending which, however, on balance merely reflects the discontinuance of capital injections to state-owned enterprises. While some state governments have already presented adjustments to these plans, they appear to be restricted to an extrapolation of the favourable developments in 2005. Many state governments are still finding it difficult to observe the constitutional limits for new borrowing or, in the case of the east German states, are often unable to demonstrate, as required, that special supplementary Federal grants are being used to ease burdens resulting from the former partition of Germany. Thus, a more significant reduction of the high state deficits should be aimed at, particularly in view of the more positive cyclical trend now expected.

Marked improvement in local government budgets in 2005

For local government, figures are currently available only for the first three quarters of 2005.[4] The €1 billion year-on-year decline in the deficit recorded during this period could be even higher in the last quarter given the expected ongoing sharp growth in revenue from local business tax. Thus, the annual result could be significantly more favourable than that of 2004 (-€4 billion).

4 The development of local government finances is analysed in greater detail in the short articles in the Bundesbank Monthly Report of January 2006.

Social security funds

Statutory pension insurance scheme

Statutory pension insurance scheme showing smaller surplus in Q4

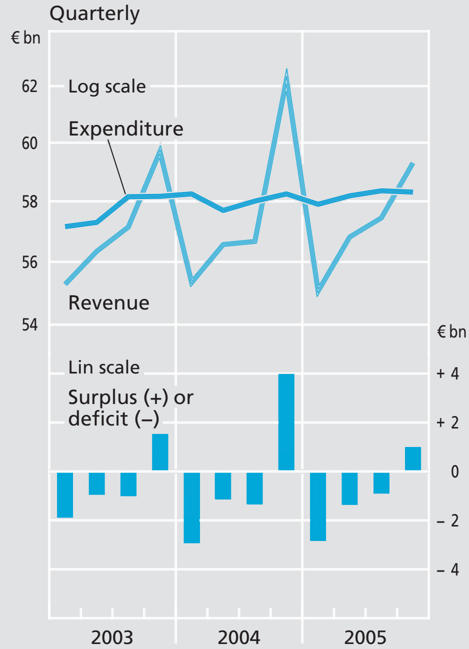
In 2005, the surplus usually recorded in the pension insurance scheme in the fourth quarter – as a result of contributions on bonuses paid at the end of the year – was, at just under €1 billion, considerably less than in the previous year (€4 billion). The result in the fourth quarter of 2004 had, however, been distorted by the sale of the GAGFAH housing company which produced a one-off revenue windfall of €2 billion. Furthermore, in the third quarter of 2005 Federal grants amounting to almost €1 billion had to be paid out in advance to cover current expenditure. Revenue from contributions increased by ¼%, which was a notable improvement on the trend throughout the earlier part of the year. Following the waiver of the pension adjustment in mid-2005, spending on pensions rose by only ½%. This increase was due entirely to the rise in the number of persons receiving pensions. By contrast, savings were made on contributions paid by the statutory pension insurance scheme to the statutory health insurance scheme for pensioners because, since 1 July 2005, pensioners – as well as employees – now pay a special contribution of 0.9%.

Reserves well below the statutory minimum

In 2005 as a whole, there was a deficit of just over €4 billion. Even allowing for the effect of the sale of GAGFAH in 2004, this signifies a discernible deterioration. At the end of the year, the reserves amounted to just 0.11 month's expenditure and thus fell well short of their minimum level of 0.2 month's expenditure. This indicates that the contribution rate of 19.5% was not high enough. To avoid raising the contribution rate in 2006, employers are now obliged to transfer social security contributions on earnings paid at the end of the month earlier than before. This means that, in most cases, 13 rather than 12 monthly contributions will be paid. For example, the contributions for December 2006 will be received and posted to the accounts at the end of that month (instead of mid-January 2007), thus inflating the reserve.

Finances of the German statutory pension insurance scheme

Quarterly



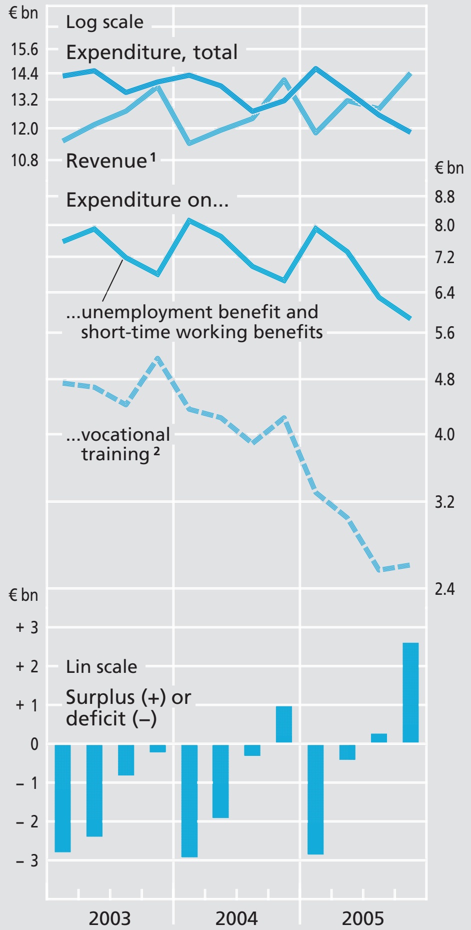
Deutsche Bundesbank

Rise in retirement age urgently needed

The resulting one-off improvement in the budgetary balance does not negate the need for comprehensive reform measures. In order to curb the levy burden in the future, a swift rise in the statutory retirement age appears essential, although, given the rising life ex-

Finances of the
Federal Employment Agency

Quarterly



1 Excluding central government liquidity assistance. — 2 Sharp decline in 2005 caused by shifting responsibility for training recipients of unemployment benefit II to central government.

Deutsche Bundesbank

pectancy, more extensive measures would also seem necessary in the long term, at least. A longer working life increases economic output and improves the financial situation of all public sector budgets and ultimately of households, too. Furthermore, the Federal Government is planning an early decision on the development of the statutory retirement age, which will create a reliable planning basis for both employees and employers and provide a clear signal about the urgent need to increase the participation of older persons in the labour force. The relief will, however, be limited by the fact that persons who have paid contributions for 45 years will still be entitled to claim a full pension at the age of 65. Thus, in the case of individuals who have contributed the same amount, some of them would receive preferential treatment simply because their contributions had been paid in over a longer period. Exceptions would, as a rule, reduce the financial effectiveness and require higher contribution rates.

Federal Employment Agency

Federal Employment Agency with large surplus at end of 2005

In the fourth quarter of 2005, the Federal Employment Agency recorded a deficit of €2½ billion, which was almost €1½ billion higher than in the same period of 2004. The improvement was partly due to a slight increase in revenue from contributions. The decisive factor behind this, however, was the sharper decline in expenditure on unemployment benefit (-12%) at the end of the reporting period, largely owing to the significant decline in the number of recipients. In addition to this, substantial savings were made in the area of active labour-market policy measures, although these were related to the fact that responsibility for financing payments in favour of recipients of unemployment benefit II was shifted to central government. The compensatory amount paid in return by the Federal Employment Agency was far less than the savings made on active labour market policy in the final quarter.

Grant required in 2005 well below budgeted figure

In 2005 as a whole, the Federal Employment Agency required a top-up grant from the central government budget of only €½ billion in contrast to the €4 billion provided for in the budget plan. This can be attributed both to the more positive financial trends in unemployment benefit and active labour-market policy measures. Moreover, the compensatory amount payable to central government was more than €2 billion less than planned.

Surplus in 2006 will facilitate contribution rate cut next year

The 2006 budget plan of the Federal Employment Agency envisages a surplus of almost €2 billion. This is based mainly on a sharp rise in revenue from contributions as well as further savings expected in connection with unemployment benefit. As in the case of the statutory pension insurance scheme, a considerable one-off revenue increase of almost one month's contribution receipts is expected in consequence of the earlier transfer of social security contributions. The plan is to use these reserves in 2007 to help finance a cut in the contribution rate from 6.5% to 4.5%. Further savings are to be achieved by shortening the maximum period of entitlement to unemployment benefit to 12 months (18 months for persons aged 55 and over) for individuals who register as unemployed after 31 January 2006. The deficit to be covered in 2007 will be balanced by grants from central government. According to the Federal Government, this will necessitate roughly 1 percentage point of the planned increase in the standard rate of VAT.

Statutory health insurance scheme and long-term care insurance scheme[5]

Lower surplus of statutory health insurance scheme

In all likelihood, the statutory health insurance institutions will have recorded a far less favourable outturn in 2005 than in the previous year. The positive balance of €4 billion achieved in 2004 may have fallen to half this amount. The "Act improving cost-efficiency in pharmaceuticals supply"[6] is now intended to curb pharmaceutical expenditure, which saw a particularly sharp rise in 2005.

Lower deficit of statutory long-term care insurance scheme

Despite a number of relief measures – the additional contribution for childless persons and increased revenue from contributions as a result of the Hartz IV reform – the statutory long-term care insurance scheme is likely to have remained in deficit in 2005 albeit to a lesser extent than in 2004. Thus, the reserves, which had stood at €3½ billion at the end of 2004, will have diminished further. This increases the pressure for reforms in this area, too.

5 The financial development of the statutory health and long-term care insurance schemes is analysed in greater detail in the short articles of the Bundesbank Monthly Report of December 2005.
6 In addition to a two-year price moratorium on all pharmaceuticals and an additional 10% discount on the price of generic drugs, manufacturers are to be prohibited from providing pharmacists with additional pharmaceuticals for sale purposes at no extra cost and the fixed-price regulation is to be tightened up.