Federal Ministry
of Finance

German Draft Budgetary Plan 2019

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German Draft Budgetary Plan 2019

German Draft Budgetary Plan of the General Government
(Federation, *Länder*, local authorities and social security funds)
in accordance with EU-Regulation No. 473/2013

October 201ч

Contents

Public finances in Germany

Information on the draft budgetary plan in accordance with Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 and in accordance with the related Code of Conduct

Germany's 2019 draft budgetary plan presents the fiscal projections for the budgets of the Federation, *Länder*, local authorities and social security funds (including their off-budget entities) on the basis of current trends and planning. Sources used as the basis for making these fiscal projections are the draft 2019 federal budget (adopted by the federal government on 6 July 2018) and the financial plan to 2022 (likewise adopted by the federal government on 6 July 2018). Decisions that will have an impact on public finances were taken into account insofar as such decisions were taken by 19 September 2018. In addition, this draft budgetary plan also takes into account the federal government's autumn projection, which forecasts a real growth rate of 1.8% in both 2018 and 2019. This means that Germany's economy is expected to keep growing at a pace that slightly exceeds potential output.

Germany is in compliance with the requirements of the Stability and Growth Pact.

The draft 2019 federal budget and the financial plan to 2022, which were both adopted by the federal government on 6 July 2018, implement the priority measures contained in the Coalition Agreement between the governing parties, and they do so without taking on new debt. The Coalition Agreement includes priority measures in policy areas that are crucial for Germany's future, including education, research, universities and digital technology. It also provides for an improvement in childcare services and for extensive tax reductions benefiting private citizens, especially families (see Table 8). In addition to the priority measures agreed upon by the governing coalition, the draft budgetary plan presented here includes further measures: these include tax relief also for low- and middle-income earners (adjustments to the basic personal allowance, measures to offset bracket creep, etc.); the reintroduction of the rule requiring employers and employees to pay equal contributions to statutory health insurance; measures to improve skills development opportunities and to enhance the protection provided by unemployment insurance; a 0.5 percentage point reduction in the unemployment insurance contribution rate; measures to improve statutory pension insurance benefits and to stabilise the scheme's finances; and measures to support caregiving staff.

Taken together, all of these additional measures are expected to reduce the general government budget surplus by a total of roughly 4 percentage points of GDP during the projection period from 2018 to 2022 (see Tables 1 and 8). In 2019, Germany's fiscal policy will be distinctly expansionary in terms of the change in the cyclically-adjusted primary balance (see Table 5a); at the same time, the German economy's positive output gap will rise from the current level of 0.5% of potential output to 0.7% in 2020. Despite considerable increases in spending and reductions in revenue, the general government budget will not take on additional debt.

Table 1: Impact of Coalition Agreement's priority measures and other quantifiable measures on the general government budget balance

(reduced revenue (–) / additional expenditure (+))

	2018	2019	2020	2021	2022	Cumulative impact for the 2018 – 2022 period
	– in % of GDP–					
Revenue	0.0	-0.2	-0.3	-0.5	-0.5	-1.4
Expenditure	0.1	0.5	0.6	0.7	0.6	2.5
Current expenditure	0.0	0.4	0.4	0.5	0.5	1.9
Investment expenditure	0.0	0.2	0.2	0.2	0.1	0.6
Change in Budget surplus	-0.1	-0.7	-0.8	-1.2	-1.1	-4.0

Any discrepancies in totals are due to rounding.

Forecast for public finances

- **The 2019 general government budget encompassing the Federation, *Länder*, local authorities and social security funds will run a smaller surplus:** The general government budget surplus will fall from roughly 1½% of GDP in 2018 to roughly 1% of GDP in 2019. In 2019 and subsequent years, a fiscal impact will be made in particular by the priority measures contained in the Coalition Agreement and other measures. The implementation of these measures will reduce the federal budget surplus in particular. As a result, it is mainly the budgets of the *Länder* and local authorities that will see surpluses in the coming years..

- **Compliance with medium-term budgetary objective:** Germany expects to post a structural balance (i.e. the fiscal balance adjusted for cyclical and one-off effects) of +0.5% of GDP in 2019. This means that Germany will achieve its medium-term budgetary objective – i.e. a structural deficit no greater than 0.5% of GDP – with a considerable safety margin.

- **Steady reduction of the debt-to-GDP ratio:** Thanks to the general government budget surplus and the strong performance of the economy, Germany's debt-to-GDP ratio (Maastricht definition) is expected to fall to 61% in the current year. The continued healthy state of public finances and the ongoing winding down of resolution authority portfolios are helping to reduce the debt ratio. Germany's debt level will fall below the 60% upper limit in 2019 at the latest. This will further secure the sustainability of public finances in the face of various risks and the budgetary effects of demographic change.

Implementation of the country-specific recommendations

Germany's draft budgetary plan for 2019 includes key measures that aim to implement the Council's country-specific recommendations of 13 July 2018. The measures will have effect in 2018 and the years that follow. The federal government will report further on the implementation of the country-specific recommendations over the course of the coming European semester.

Table 2: General government budget balance and debt

	2017	2018	2019
		- in % of GDP -	
Budget balance	1.0	1½	1
Structural balance	1.1	1½	½
Maastricht debt-to-GDP ratio	63.9	61	58

Figures for the projection period are rounded to quarter percentage points of GDP.

Basis for the 2019 draft budgetary plan

The 2019 draft budgetary plan is based in particular on the following sources and information:

- Act Adopting the Federal Budget for the 2018 Fiscal Year (*Gesetz über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2018*) of 12 July 2018
- Draft federal budget for 2019 and the financial plan to 2022, adopted by the federal government on 6 July 2018
- Draft Act to Reduce Statutory Health Insurance Contributions Paid by Insured Persons (*Gesetz zur Beitragsentlastung der Versicherten in der gesetzlichen Krankenversicherung*), adopted by the federal government on 6 June 2018
- Draft Act to Reduce Family Tax Burdens and to Modify Additional Tax Regulations (*Gesetz zur steuerlichen Entlastung der Familien sowie zur Anpassung weiterer steuerlicher Regelungen*), adopted by the federal government on 27 June 2018
- Draft Care Staff Support Act (*Gesetz zur Stärkung des Pflegepersonals*), adopted by the federal government on 1 August 2018
- Draft Act to Improve Benefits in and Stabilise the Statutory Pension Insurance Scheme (*Gesetz über Leistungsverbesserungen und Stabilisierung in der gesetzlichen Rentenversicherung*), adopted by the federal government on 29 August 2018
- Draft Act to Enhance Skills Development Opportunities and the Protection Provided by Unemployment Insurance (*Gesetz zur Stärkung der Chancen für Qualifizierung und für mehr Schutz in der Arbeitslosenversicherung*), adopted by the federal government on 19 September 2018
- Results for the general government budget in the national accounts, published 24 August 2018 (Federal Statistical Office)
- Federal government autumn projection on macroeconomic developments, dated 11 October 2018, which was endorsed by the Joint Economic Forecast group as an independent body in accordance with the Forecasting Act (*Vorausschätzungsgesetz*) and the Forecasting Ordinance (*Vorausschätzungsverordnung*)

Table 3: Technical assumptions

	2017	2018	2019
Short-term interest rate (annual average in %)	0.00	0.00	0.00
USD/€ exchange rate (annual average)	1.13	1.19	1.16
Growth of German sales markets (in %)[1]	4.8	3¾	3¾
Oil price (Brent, USD/barrel)	54.3	74	76

1) Figure for the projection period is rounded to quarter percentage points.
Federal government autumn projection on macroeconomic developments, October 2018.

Table 4a: Forecast of macroeconomic developments

	ESA Code	2017 Index (2010=100)	2017	2018	2019	2020	2021	2022
			Year-on-year change in %					
1. Real GDP, chain index	B1*g	113.66	2.2	1.8	1.8	1.8	1.3	1.3
2. Potential GDP (€bn)		2,919.2	1.7	1.7	1.7	1.7	1.7	1.5
contributions (percentage points):								
- labour			0.5	0.5	0.5	0.4	0.3	0.1
- capital			0.4	0.4	0.4	0.5	0.5	0.5
- total factor productivity			0.7	0.8	0.8	0.8	0.9	0.9
3. Nominal GDP (€bn)	B1*g	3,277.3	3.7	3.5	3.8	3.7	3.2	3.2
Components of real GDP, chain index								
4. Private consumption expenditure[1]	P.3	110.26	1.8	1.6	2.0			
5. Government consumption expenditure	P.3	114.11	1.6	1.4	2.5			
6. Gross fixed capital formation	P.51g	118.21	2.9	3.0	2.7			
7. Changes in inventories (contribution to GDP growth)	P.52 + P.53	-	0.1	0.1	0.0			
8. Exports	P.6	133.72	4.6	2.8	3.7			
9. Imports	P.7	131.61	4.8	3.6	4.9			
Contribution to real GDP growth			- in percentage points -					
10. Domestic demand (excluding stocks)		-	1.8	1.8	2.1			
11. Changes in inventories	P.52 + P.53	-	0.1	0.1	0.0			
12. External balance of goods and services	B.11	-	0.3	-0.1	-0.2			

2017: Federal Statistical Office, August 2018.
2018 to 2022: Federal government autumn projection on macroeconomic developments, October 2018.

1) Including private non-profit organisations serving households.

Table 4b: Price developments - deflators

	2017	2017	2018	2019	2020	2021	2022
	Index (2010=100)	Year-on-year change in %					
1. GDP	111.76	1.5	1.7	2.0	1.9	1.9	1.9
2. Private consumption expenditure[1)]	108.63	1.6	1.7	1.9			
3. HICP	-	-	-	-			
4. Government consumption expenditure	113.49	2.2	2.3	2.1			
5. Gross capital formation	114.67	2.7	2.7	2.5			
6. Exports	105.78	1.6	1.2	0.8			
7. Imports	102.86	2.6	1.9	1.0			

2017: Federal Statistical Office, August 2018.
2018 to 2022: Federal government autumn projection on macroeconomic developments, October 2018.

1) Including private non-profit organisations serving households.

Table 4c: Labour market developments

	ESA Code	2017	2017	2018	2019
		Level	Year-on-year change in %		
1. Employment - persons[1)] (in millions)		44.27	1.4	1.3	0.9
2. Employment - hours worked[2)] (bn hours)		60.22	1.3	1.4	0.8
3. Unemployment rate (%)[3)]		-	3.5	3.2	2.9
4. Labour productivity - persons[4)]		105.3	0.7	0.4	0.9
5. Labour productivity - hours worked[5)]		107.6	0.9	0.3	1.0
6. Compensation of employees (€bn)	D.1	1,667.6	4.3	4.6	4.2
7. Compensation per employee (thousand €)		41.7	2.6	2.9	3.1

2017: Federal Statistical Office, August 2018.
2018 and 2019: Federal government autumn projection on macroeconomic developments, October 2018.

1) Persons employed, domestic concept, national accounts definition.
2) National accounts definition.
3) Unemployed (ILO) / economically active population.
4) Real GDP per person employed (domestic); 2010=100.
5) Real GDP per hour worked; 2010=100.

Table 4d: Sectoral balances

	ESA Code	2017	2018	2019
			- in % of GDP -	
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	8.5	7.5	7.4
of which:				
- Balance on goods and services		7.6	7.0	6.5
- Balance of primary incomes and transfers		0.6	1.0	0.9
2. Net lending/net borrowing of households	B.9	5.1	5.0	4.7
3. Net lending/net borrowing of general government[1)]	B.9	1.0	1½	1
4. Statistical discrepancy			-	-

2017: Federal Statistical Office, August 2018.
2018 and 2019: Federal government autumn projection on macroeconomic developments, October 2018.

1) Figures for the projection period are rounded to quarter percentage points of GDP.

Table 5a: General government budgetary targets broken down by subsector

	ESA Code	2018	2019	2020	2021	2022
		- in % of GDP -				
Net lending (+)/net borrowing (-) (B.9) by subsector 1)						
1. General government	S.13	1½	1	½	½	½
2. Central government	S.1311	½	¼	0	0	¼
3. State government	S.1312	¼	¼	¼	¼	¼
4. Local government	S.1313	½	¼	¼	¼	¼
5. Social security funds	S.1314	¼	0	0	-¼	-¼
General government (S.13)						
6. Interest expenditure	D.41	1	¾	¾	¾	¾
7. Primary balance 2)		2½	1¾	1½	1¼	1½
8. One-off and other temporary measures 3)		0	0	0	0	0
9. Real GDP growth (% change yoy)		1.8	1.8	1.8	1.3	1.3
10. Potential GDP growth (% change yoy)		1.7	1.7	1.7	1.7	1.5
contributions (percentage points):						
-labour		0.5	0.5	0.4	0.3	0.1
-capital		0.4	0.4	0.5	0.5	0.5
-total factor productivity		0.8	0.8	0.8	0.9	0.9
in % of potential GDP						
11. Output gap		0.5	0.6	0.7	0.3	0.1
12. Cyclical budgetary component		¼	¼	½	¼	0
13. Cyclically adjusted balance (1 - 12)		1¼	½	¼	¼	½
14. Cyclically adjusted primary balance (13 + 6)		2¼	1½	1	1	1¼
15. Structural balance (13 - 8) 4)		1½	½	¼	¼	½

1) TR - TE = B.9.
2) The primary balance is calculated as (B.9, item 1) plus (D.41, item 6).
3) A plus sign means deficit-reducing one-off measures.
4) The increase in the structural surplus in 2022 is partly the result of technical factors. The assumption (according to EU procedures) of an output gap closed at the end of the projection period implies a narrowing of the current positive output gap and thus a declining cyclical budgetary component. For a given budget balance, this in itself leads to an increase in the structural balance.

Figures for the projection period are rounded to quarter percentage points of GDP.
Any discrepancies in totals are due to rounding.

Table 5b: General government debt developments (Maastricht definition)

	ESA Code	2018	2019	2020	2021	2022
		- in % of GDP -				
1. Gross debt		61	58	55¾	54	52
2. Change in gross debt ratio		-2¾	-3			
Contributions to changes in gross debt						
3. Primary balance		2½	1¾			
4. Interest expenditure	D.41	-1	-¾			
5. Other adjustments		1¼	2	1½	1½	1½
p.m.: Implicit interest rate on debt[1)]		1½	1½			

1) Approximated as interest expenditure divided by previous year's debt level.

Figures for the projection period are rounded to quarter percentage points of GDP.
Any discrepancies in totals are due to rounding.

Table 6: Expenditure and revenue projections under the no-policy-change scenario*

General government (S. 13)	ESA Code	2018	2019
		- in % of GDP -	
1. Total revenue with no change in policy	TR	45½	45¼
of which:			
1.1. Taxes on production and imports	D.2	10½	10½
1.2. Current taxes on income, wealth, etc.	D.5	13¼	13¼
1.3. Capital taxes	D.91	0	0
1.4. Social contributions	D.61	16¾	16¾
1.5. Property income	D.4	½	½
1.6. Other[1)]		4¼	4¼
p.m.: **Tax burden** (D.2+D.5+D.61+D.91-D.995)[2)]		40½	40½
2. Total expenditure with no change in policy	TE[3)]	43¾	43¾
of which:			
2.1. Compensation of employees	D.1	7½	7½
2.2. Intermediate consumption	P.2	4¾	4¾
2.3. Social payments	D.62 +D.632	24	23¾
of which: **Unemployment benefits[4)]**		1¼	1
2.4. Interest expenditure	D.41	1	¾
2.5. Subsidies	D.3	¾	1
2.6. Gross fixed capital formation	P.51	2¼	2½
2.7. Capital transfers	D.9	1¼	1
2.8. Other[5)]		2¼	2¼

* Please note that the no-policy-change scenario involves the extrapolation of revenue and expenditure trends before adding the impact of the measures included in the forthcoming year's budget.

1) P.11 + P.12 + P.131 + D.39rec + D.7rec + D.9rec (excluding D.91rec).
2) Including those collected by the EU and including an adjustment for uncollected taxes and social contributions (D.995), if appropriate.
3) TR - TE = B.9.
4) Includes social benefits other than social transfers in kind (D.62) and social transfers in kind via market producers (D.632) related to unemployment benefits.
5) D.29pay + D.4pay (excluding D.41pay) + D.5pay + D.7pay + P.52 + P.53 + NP + D.8.

Figures for the projection period are rounded to quarter percentage points of GDP.
Any discrepancies in totals are due to rounding.

Table 7a: General government expenditure and revenue targets

General government (S. 13)	ESA Code	2018	2019
		- in % of GDP -	
1. Total revenue	TR	45½	45¼
of which:			
1.1. Taxes on production and imports	D.2	10½	10½
1.2. Current taxes on income, wealth, etc	D.5	13¼	13¼
1.3. Capital taxes	D.91	0	0
1.4. Social contributions	D.61	16¾	16¾
1.5. Property income	D.4	½	½
1.6. Other[1)]		4¼	4¼
p.m.: **Tax burden** (D.2+D.5+D.61+D.91-D.995)[2)]		40½	40½
2. Total expenditure	TE[3)]	43¾	44¼
of which:			
2.1. Compensation of employees	D.1	7½	7½
2.2. Intermediate consumption	P.2	4¾	4¾
2.3. Social payments	D.62 + D.632	24	24¼
of which: **Unemployment benefits**[4)]		1¼	1
2.4. Interest expenditure	D.41	1	¾
2.5. Subsidies	D.3	¾	1
2.6. Gross fixed capital formation	P.51	2¼	2½
2.7. Capital transfers	D.9	1¼	1
2.8. Other[5)]		2¼	2½

1) P.11 + P.12 + P.131 + D.39rec + D.7rec + D.9rec (excluding D.91rec).
2) Including those collected by the EU and including an adjustment for uncollected taxes and social contributions (D.995), if appropriate.
3) TR - TE = B.9.
4) Includes social benefits other than social transfers in kind (D.62) and social transfers in kind via market producers (D.632) related to unemployment benefits.
5) D.29pay + D.4pay (excluding D.41pay) + D.5pay + D.7pay + P.52 + P.53 + NP + D.8.

Figures for the projection period are rounded to quarter percentage points of GDP.
Any discrepancies in totals are due to rounding.

Table 7b: Amounts to be excluded from the expenditure benchmark

	2017	2017	2018	2019
	€bn	- in % of GDP -		
1. Expenditure on EU programmes fully matched by EU funds revenue	3.3	0.1	0	0
2. Cyclical unemployment benefit expenditure	1.9	0.1	0	0
3. Effect of discretionary revenue measures	-0.8	0.0	0	-¼
4. Revenue changes mandated by law	0.0	0.0	0	0

Figures for the projection period are rounded to quarter percentage points of GDP.

Table 8: Discretionary measures at the general government and federal level

Actions	Detailed description	ESA code	Accounting principle	Adoption status / entry into force	Budgetary impact 2018	2019	2020	2021	2022	2018-2022
					– in % of GDP –					
Priority expenditures laid down in the Coalition Agreement, in the following key policy areas:[1)]					**-0.1**	**-0.3**	**-0.4**	**-0.7**	**-0.7**	**-2.2**
Investing in the future: Education, research, universities, digital technology	Increases in investments, grants for investment, other current transfers, and social benefits other than social transfers in kind.	P.5 D.62 D.7 D.92	Cash	Each of these separate categories encompasses a number of measures that are taking effect at various points in time. The inclusion of these measures in this forecast, and how they are accounted for, is based on how the Coalition Agreement's implementation is delineated in the 2018 federal budget, the 2019 draft federal budget and the financial plan to 2022.	0.0	-0.1	-0.1	-0.1	-0.1	-0.4
Family, children and social policy	Tax reductions; increases in human resources expenditure, social benefits other than social transfers in kind, and other current transfers.	D.1 D.51 D.62 D.7	Cash		0.0	-0.1	-0.1	-0.2	-0.2	-0.7
Building and housing	Tax reductions, increases in investment grants	D.51 D.92	Cash		0.0	0.0	-0.1	-0.1	0.0	-0.2
Equitable living conditions, agriculture, transport and local communities	Increases in investment grants	D.92	Cash		0.0	-0.1	-0.1	-0.1	0.0	-0.2
International responsibility for security and development	Increases in current expenditure and investment expenditure; increases in transfers to foreign recipients	P.2 P.5 D.74 D.92	Cash		0.0	-0.1	0.0	0.0	0.0	-0.2
Tax relief for individuals	Reduction in the solidarity surcharge	D.51	Cash		0.0	0.0	0.0	-0.2	-0.3	-0.5

Table 8: continuation

Actions	Detailed description	ESA code	Accounting principle	Adoption status / entry into force	Budgetary impact 2018	2019	2020	2021	2022	2018-2022
					– in % of GDP –					
Additional measures:					**0.0**	**-0.3**	**-0.5**	**-0.5**	**-0.5**	**-1.8**
Family Tax Burden Reduction Act (*Familien-entlastungsgesetz*) (modifications of additional tax regulations to offset bracket creep)[2)]	Tax reduction through an increase in the basic personal allowance, an increase in the maximum deduction for maintenance payments, and modifications to tax bracket thresholds	D.51	Cash	in the parliamentary process	0.0	-0.1	-0.2	-0.2	-0.2	-0.7
Act to Reduce Insured Persons' Costs (*Versichertenentlastungs-gesetz*) in the area of statutory health insurance	Higher contributions by the state; reduced social security contributions resulting from, among other things, (a) the reintroduction of the rule requiring employers and employees to pay equal contributions to statutory health insurance and (b) a reduction by half of the basis for assessing contributions from self-employed persons	D.1 D.61 D.62	Cash	in the parliamentary process	0.0	-0.1	-0.1	-0.1	-0.1	-0.3
Skills Development Opportunities Act (*Qualifizierungschancenge-setz*) in the area of unemployment insurance	In particular, increased support for advanced education and training, and a 0.5 percentage point reduction in the unemployment insurance contribution rate	D.1 D.61 D.62	Cash	in the parliamentary process	0.0	-0.2	-0.2	-0.2	-0.2	-0.7

Table 8: continuation

Actions	Detailed description	ESA code	Accounting principle	Adoption status / entry into force	Budgetary impact 2018	2019	2020	2021	2022	2018-2022
					– in % of GDP –					
Additional measures:										
Act to Improve Benefits in and Stabilise the Statutory Pension Insurance Scheme (*Leistungsverbesserungs- und Stabilisierungs-gesetz*)	Includes dual safety parameters (minimum benefit rate and maximum contribution rate); extends the supplementary periods that are added in calculating pensions for persons with reduced earning capacity; expands pension benefits for mothers of children born before 1992; reduces costs for low income earners; 18.6% minimum contribution rate	D.61 D.62	Cash	in the parliamentary process	0.0	-0.1	-0.1	-0.1	-0.1	-0.3
Care Staff Support Act (*Pflegepersonal-Stärkungsgesetz*)	Improves staffing and working conditions in the field of caregiving3)	D.61 D.63	Cash	in the parliamentary process	0.0	0.1	0.1	0.1	0.1	0.2

1 Any discrepancies in totals are due to rounding.
2 The increase in child benefit and the increase in the tax allowance for children are already accounted for under “Family, children and social policy” above.
3) The figures listed here include (as a technical assumption) a 0.3 percentage point increase in the contribution rate from 1 January 2019 onwards.

Table 9: Divergence from April 2018 Stability Programme

	ESA code	2017	2018	2019
Target general government net lending/net borrowing (% of GDP)	B.9			
Stability Programme - April 2018		1.1	1	1¼
Draft Budgetary Plan		1.0	1½	1
Difference		-0.1	¾	-½
General government net lending/nnet borrowing with unchanged policies (% of GDP)				
Stability Programme - April 2018		1.1	1	1¼
Draft Budgetary Plan		-	1¾	1½
Difference		-	¾	¼

Figures for the projection period are rounded to quarter percentage points of GDP.
Any discrepancies in totals are due to rounding.

Table 10: Implementation of the 2018 country-specific recommendations (CSR)

The Council of the European Union recommends that Germany in 2018 and 2019 **Recommendation 1: Public investment and competition**	**Title of measure**	**Description and expected impact of measure**	**Status and timetable**
while respecting the medium-term objective, uses **fiscal and structural policies** to achieve a sustained **upward trend in public and private investment**, and in particular on **education, research and innovation at all levels of government, in particular** at **regional and local levels**;	2018 federal budget	The 2018 federal budget once again sets out a balanced budget without net borrowing. In 2018, a first set of priority measures set out in the Coalition Agreement are to be implemented, including measures in research and development. Overall, the areas of education, science, and research, which are key to the future, will continue to be given high priority, with around €23.0 billion set aside for education and research spending (actual amount in 2017: around €21.9 billion). Federal investment spending is increasing (excl. investment allocation to the investment fund for digital infrastructure of €2.4 billion) to €37.4 billion (up around €3.4 billion over the actual amount in 2017). In 2018, investment in transport alone has increased to €14.1 billion.	2018 Budget Act has been in effect since 1 January 2018.
	2019 federal budget	The draft 2019 federal budget provides for a balanced budget without net borrowing. This represents a continuation of Germany's course of sound budgetary and fiscal policy which is focused on growth and social equity and which invests in the future. Germany's investment spending target for 2019 (€37.9 billion) is higher than in 2018 (€37.4 billion) (excl. investment allocation to the special fund for digital infrastructure of €2.4 billion). A priority is being placed on transport infrastructure, funding for the construction of social housing, and a new grant that aims to help families with children buy or build owner-occupied housing. A total of €23.9 7 billion have been earmarked for education and research spending in 2019, some €0.8 billion more than the target amount for 2018. In addition, the burden on the *Länder* and local authorities is to be considerably reduced, enabling additional investment measures to be taken at these levels, thereby boosting education and research.	Cabinet decision of 6 July 2018 (changes in parliamentary procedure possible). Enters into force on 1 January 2019.
	Promoting investment by financially weak municipalities	The volume of the Local Authority Investment Promotion Fund has been doubled to €7 billion. From 1 July 2017 to the end of 2022, the federal government is providing financial assistance amounting to €3.5 billion for the modernisation, rebuilding and expansion of school buildings in financially weak municipalities. The first funding programme, which was launched in mid-2015 with a budget of €3.5 billion, will still be available to financially weak municipalities until the end of 2020 for infrastructure investment in areas such as noise control, hospitals and urban development.	Amendment to the Act establishing a Local Authority Investment Promotion Fund and the amendment of the Local Authority Investment Promotion Act of 14 August 2017.

Table 10: continuation

The Council of the European Union recommends that Germany in 2018 and 2019 **Recommendation 1: Public investment and competition**	Title of measure	Description and expected impact of measure	Status and timetable
		According to the reports submitted by the *Länder* as of 30 June 2018, approx. 94% of the funding provided by the federal government for this programme has already been earmarked for specific investment measures.	
	Restructuring of the financial relationships between the Federation and the *Länder*	The restructuring of federal-*Länder* fiscal relations will bring the *Länder* annual fiscal relief of just over €9.7 billion from 2020. The reform will also serve to modernise the way in which tasks are performed by the *Länder* and to strengthen the role of the federal government. The restructuring of fiscal relations between the Federation and the *Länder* establishes the framework for long-term sound budgets at federal and *Länder* level and for long-term compliance with borrowing limits. This will ensure that the various levels of government are able to function and will increase the responsibility of the territorial authorities for their respective budgets. This not least improves the framework for sustainable investment, which – in a country with a federal structure – is the responsibility of the respective competent authorities at the federal, regional and local level.	Act amending the Basic Law (promulgated on 19 July 2017); Act on the restructuring of the national fiscal equalisation system as from 2020 and on the modification of budgetary provisions (promulgated on 17 August 2017).
		The revision of constitutional rules on public finances gives the Federation more possibilities to support *Länder* and local authority investment in areas that are relevant for the country as a whole, such as in local educational infrastructure, social housing construction, and public rail transport.	Draft of an Act Amending the German Basic Law (Articles 104c, 104d, 125c, 143e); Cabinet decision of 2 May 2018; legislative process ongoing.
	Compliance with the medium-term budgetary objective (MTO)	Since 2012, Germany has complied with its medium-term budgetary objective of a general government structural deficit no higher than 0.5% of GDP and will also be able to meet this objective in the coming years (projection period up to 2022).	

Table 10: continuation

The Council of the European Union recommends that Germany in 2018 and 2019 **Recommendation 1: Public investment and competition**	**Title of measure**	**Description and expected impact of measure**	**Status and timetable**
steps up efforts to ensure the **availability of very high-capacity broadband infrastructure nationwide;**	Re-design of the federal government's broadband funding programme towards a greater focus on gigabit networks.	In the 2018 Coalition Agreement, the federal government has set itself the target of creating a nationwide infrastructure of gigabit networks by 2025. This involves switching over to the use of glass-fibre technology. As a first step, the existing funding guidelines which provide for broadband funding in areas where the market is not active (known as 'white zones') have been adapted to take account of the gigabit target. Submission of applications has been possible since 1 August 2018. Up until the end of the year, municipalities whose funding projects have hitherto focused on vectoring technology have the opportunity to upgrade and switch to promoting glass-fibre technology. In a second step, gigabit funding will also be extended to areas that are already supplied with 30 Mbit/s internet but where privately funded gigabit networks are not set to be built in the foreseeable future. In 2018, the Digital Infrastructure fund was launched, with pre-financing of €2.4 million. It has been set up to finance the expansion of the gigabit network and implement the digital package for schools. In 2019, revenue from the allocation of 5G frequencies is to be pumped into the fund.	The current guidelines were amended in July 2018. Funding is to be extended to schools etc. from autumn 2018. Notification of a new funding framework for what are known as 'grey zones' is to be given at the end of 2018/beginning of 2019.
improves the **efficiency and investment-friendliness of the tax system**;	Act to Modernise Taxation Procedures	The Act to Modernise Taxation Procedures aims to make tax procedures more efficient and economical by increasing the use of IT and ensuring the more targeted use of tax revenue. This will ensure fair and equal tax enforcement and strengthen Germany's position as a centre for business and investment. Collecting taxes will become easier, faster and more efficient.	Broadly entered into force on 1 January 2017 (Federal Law Gazette I, 2016 no. 35, p. 1679).
	Act to Combat Harmful Tax Practices in Connection with the Transfer of Rights	This Act introduced a new Section 4j in the Income Tax Act (Einkommensteuergesetz) with effect from 2018. Under the new provisions, expenses in connection with the licensing of rights to a related party as defined in Section 1 (2) of the External Tax Relations Act (Außensteuergesetz) may not be deducted, or may only be deducted in part, if the recipient of the payment is not taxed for this payment, or is only taxed at a low rate, on account of a preferential treatment regime (known as "IP boxes", "license boxes" or "patent boxes").	Section 4j of the Income Tax Act is effective for expenses incurred after 31 December 2017.

Table 10: continuation

The Council of the European Union recommends that Germany in 2018 and 2019 **Recommendation 1: Public investment and competition**	**Title of measure**	**Description and expected impact of measure**	**Status and timetable**
	(*Gesetz gegen schädliche Steuerpraktiken im Zusammenhang mit Rechteüberlassungen*)	Preferential treatment regimes that meet the substantial activity requirement and thereby comply with the “nexus approach” agreed by the OECD and G20 are not deemed harmful and therefore do not fall within the scope of this rule. In addition, the threshold for immediate depreciation of low-value assets has been raised from €410 to €800, the lower threshold for the formation of a collective item has been increased from €150 to €250 and the tax exemption for the INVEST grant (Section 3, Number 71 of the Income Tax Act) has been adapted to the new funding guidelines that apply with effect from 1 January 2017.	
	Act to Reform Investment Taxation (*Gesetz zur Reform der Investmentbesteuerung*)	The reform of investment taxation pursues the following goals in particular: • Eliminate risks relating to EU law. • Prevent individual aggressive tax arrangements and reduce the overall susceptibility of investment taxation law to creative tax structures. • Considerably reduce the effort that businesses and individuals must make to determine tax bases on the one hand, and the administrative burdens of tax administrations on the other, in mass tax procedures for mutual investment funds and their investors. • Eliminate the practice of avoiding taxes on dividends by engaging in dividend-arbitrage transactions (cum-cum deals).	In force since 27 July 2016. Rules essentially apply from 1 January 2018.
strengthens **competition in business services and regulated professions**;	Review of the European Commission’s reform recommendations regarding regulation in professional services	The federal government is taking the European Commission’s recommendations for regulation in professional services as an opportunity to again examine the regulations in professional services addressed in the communication.	Review in this legislative term with due regard to the process for tracking the reform recommendations at EU level.

Table 10: continuation

The Council of the European Union recommends that Germany in 2018 and 2019 **Recommendation 1: Public investment and competition**	**Title of measure**	**Description and expected impact of measure**	**Status and timetable**
		The following recommendations have been implemented so far: Implementation of Directive 2013/55/EU for patent attorneys; the recommendation regarding transparency and legal certainty in the provision of tax advisory services by businesses established in other Member States has been implemented in the amended Act to Combat Tax Avoidance (*Steuerumgehungsbekämpfungsgesetz*) of 23 June 2017; decision not to regulate the real estate agent profession (only introduction of a requirement for regular continuing training).	
	Fee scale ordinance for tax advisers and the statutory fee schedule for architects and engineers	The federal government is also taking into account the fact that the European Commission launched infringement proceedings against Germany on 18 June 2015 in view of the stipulation of minimum fees in the ordinance on fees for tax advisers and the statutory fee schedule for architects and engineers. The provisions laid down in the ordinance on fees for tax advisers have since been adapted accordingly. With regard to the statutory fee schedule for architects and engineers (HOAI), which is currently only applicable to domestic service providers, the European Commission has brought legal action before the European Court of Justice. The statement of claim was transmitted to Germany on 28 June 2017. On 7 September 2017, the federal government stated in its defence that it cannot perceive any violation of freedom of establishment, and that it is legitimate to fix fees for reasons such as consumer protection and quality assurance. The oral hearing in these proceedings will take place at the European Court of Justice on 7 November 2018.	The provisions of the ordinance on fees for tax advisers were amended by Article 9 of the Third Ordinance Amending Tax Regulations of 18 July 2016 (Federal Law Gazette I, p. 1722).

Table 10: continuation

The Council of the European Union recommends that Germany in 2018 and 2019 **Recommendation 2: Labour participation and labour market**	**Title of measure**	**Description and expected impact of measure**	**Status and timetable**
reduces **disincentives to work more hours, including the high tax wedge**, in particular for **low-wage and second earners**;	Act to Combat Tax Avoidance (*Steuerumgehungs-bekämpfungsgesetz*)	In the area of taxation, further work is being done to raise the profile of the factor-based method used in tax bracket IV. By distributing the tax relief between both earners, the factor-based method helps to expand the supply of labour. With effect from 1 January 2019, the factor can be set, on request, for two years instead of just for one year. Since the start of 2018, the IV/IV tax bracket combination has become the standard tax bracket for married couples and it is possible to change from the optional III/V tax bracket combination to the IV/IV tax bracket combination at the request of only one spouse.	Effective as from 1 January 2018 (Federal Law Gazette I, p. 1682).
	Pay Transparency Act (*Entgelt-transparenzgesetz*)	Introduction of the individual right to be informed and of reporting requirements for large companies to allow for greater transparency on gender-specific remuneration structures. The aim is to help enforce the principle of equal pay for equal or equivalent work.	The Act entered into force on 6 July 2017. The first evaluation report will be presented in July 2019.
	Family Tax Burden Reduction Act (*Familien-entlastungsgesetz*)	Reductions in taxes and contributions serve to increase incentives to work and raise disposable incomes, especially for families and lower and middle income groups. The measures envisaged in the Family Tax Burden Reduction Act for 2019/2020 (increases in the basic allowance, child allowance and child benefit; offsetting of bracket creep) will generate tax relief of around €9.8 billion per year in total. With regard to the procedure to reduce bracket creep and the significant rises in family benefits in particular, the tax measures go beyond what was required to make the system comply with constitutional law. Taxable persons with lower and middle incomes will receive a much higher level of tax relief than taxable persons with higher incomes.	Cabinet decision: 27 June 2018.
	2018 Ordinance on the Contribution Rate for Statutory Pension Insurance (*Beitragssatz-verordnung 2018 für GRV*)	The contribution rate to the statutory pension insurance system dropped by 0.1 percentage points to 18.6% with effect from 1 January 2018. Also, the arithmetical average additional contribution rate of the statutory health insurance funds fell in 2018 to 1.07%.	Cabinet decision (statutory pension insurance): 22 November 2017.

Table 10: continuation

The Council of the European Union recommends that Germany in 2018 and 2019 **Recommendation 2: Labour participation and labour market**	**Title of measure**	**Description and expected impact of measure**	**Status and timetable**
	and reduction in the additional contribution rate for statutory health insurance		
	Draft Act to Reduce Statutory Health Insurance Contributions Paid by Insured Persons (*GKV-Versichertenentlastungsgesetz, GKV-VEG*)	The GKV-VEG provides for an average reduction of 0.5 percentage points in contributions for employees and pensioners through the reintroduction of the rule requiring employers and employees to pay equal contributions to statutory health insurance (equal financing of the additional contribution; see above regarding the average additional contribution rate in 2018). This will relieve the burden on both employees and pensioners by just under €7 billion from 1 January 2019.	Planned entry into force: 1 January 2019.
	Act to Improve Benefits in and Stabilise the Statutory Pension Insurance Scheme (*RV-Leistungsverbesserungs- und Stabilisierungsgesetz*)	Low-income earners are granted greater reductions in social security contributions/granted reductions for the first time: from 1 January 2019, the existing sliding scale will be expanded to include wages from €450.01 to €1,300 (previously €850) and act as a transitional scale for employment subject to social security contributions. In addition, the reduced pension contributions will no longer lead to lower pension entitlements. Up to 3.5 million employees will benefit from this. For example, an employee with a gross monthly wage of €850 will in future be better off by €22.51 per month or around €270 per year. Under this act, the contribution rate to the statutory pension insurance scheme of 18.6% will continue to apply in 2019.	Cabinet decision: 29 August 2018. Planned entry into force: 1 January 2019.
	Skills Development Opportunities Act and Ordinance on the contribution rate for statutory pension insurance to reduce the contribution rates to unemployment insurance	The contribution rate to unemployment insurance is to be reduced by 0.5 percentage points as of 1 January 2019.	Cabinet decision: 19 September 2018. Subject to parliamentary procedure, entry into force on 1 January 2019.

Table 10: continuation

The Council of the European Union recommends that Germany in 2018 and 2019 Recommendation 2: Labour participation and labour market	Title of measure	Description and expected impact of measure	Status and timetable
		Calls to reduce social security contributions must bear in mind that contributions to social security funds are counterbalanced by corresponding services, some of which are equivalent to the contributions, from the social security systems (principle that contributions must be equal to benefits), and that it is necessary to avoid reduced benefit entitlements for low income earners in particular. Nevertheless, limiting the burden of taxes and social security contributions on labour in a way that is pro-growth and pro-employment remains an important overall policy goal for the federal government. In the interest of employees and employers, the federal government seeks to keep social security contributions stable at under 40% of income liable to social security contributions.	
takes measures to promote **longer working lives**;		The positive development of the labour force participation rate amongst older people in the last decade shows that there are very effective incentives for later retirement. These incentives will be kept in place as they are needed – not least against the background of the far-reaching demographic change – in order to maintain the stability of the pension insurance. The raising of the statutory retirement age to 67 and the raising of the retirement age for other types of pension are showing an impact. The Act to Flexibilise the Transition from Working Life to Retirement and to Strengthen Prevention and Rehabilitation in Working Life (Gesetz zur Flexibilisierung des Übergangs vom Erwerbsleben in den Ruhestand und zur Stärkung von Prävention und Rehabilitation im Erwerbsleben), which entered into force in 2017, can help to ensure that the positive employment trend amongst older workers continues. Thanks to the introduction of a new rule for supplementary earnings to be counted progressively, it is now possible to combine gainful activity and partial pension more flexibly than before. The extent to which the new act is leading the labour force participation among older people to rise will be assessed after 5 years.	
creates conditions to promote **higher wage growth**, while respecting the **role of the social partners**;		Germany has a system of free collective bargaining, i.e. the parties to free collective bargaining are responsible for stipulating wages and salaries. In principle, the state does not influence this.	

Table 10: continuation

The Council of the European Union recommends that Germany in 2018 and 2019 **Recommendation 2: Labour participation and labour market**	**Title of measure**	**Description and expected impact of measure**	**Status and timetable**
		Regarding the development of real wages in Germany: The real wage index of the Federal Statistical Office indicates an annual average increase of 1.3% for the 2010-2016 period, based on gross monthly wages; in 2015, the low inflation rate meant that the growth in real wages was as high as 2.4%; the 2016 figure was 1.8%.	
	Third Ordinance on a minimum wage for temporary workers	The ordinance was enacted on the basis of a proposal by the parties to free collective bargaining in the field of temporary workers in accordance with Section 3a of the Act on Temporary Employment. The minimum wages stipulated in the ordinance apply to all employers and temporary workers covered by the ordinance.	The ordinance entered into force on 1 June 2017 (expires: 31 December 2019).
	Third Ordinance on working conditions in long-term care (Long-term care minimum wage ordinance)	The ordinance was enacted on the basis of a proposal by the long-term care minimum wage commission, consisting of trade unions, employers' associations and representatives of providers and recipients of social services provided by the Churches. The new Long-term care minimum wage ordinance defines a lowest wage level in a sector in which, due to special structural features, the working conditions are in many cases not covered by collective agreements; this lowest wage level applies to all providers of long-term care and may not be undercut in any circumstances.	The ordinance entered into force on 1 November 2017 (expires: 30 April 2020).
improves **educational outcomes and skills levels of disadvantaged groups.**	Draft Skills Development Opportunities Act	The Skills Development Opportunities Act aims to improve access to vocational education and training and to boost the level of support provided. The Act's objective is to provide employees whose professional activities can be replaced by technology, who are affected by structural change, or who seek training in occupations affected by skills shortages with access to training support from the Federal Employment Agency, irrespective of the size of the company they work for. Support can be provided for employees and employers alike. In the case of unemployed persons, support can be provided for the acquisition of 'extension' qualifications, helping to improve chances of integrating into the labour market.	Cabinet decision of 19 September 2018. Subject to parliamentary procedure for the provision on advanced vocational training, entry into force on 1 January 2019.
	National strategy for advanced education and training	The Federal Ministry of Labour and Social Affairs and the Federal Ministry of Education and Research are currently preparing to establish a new committee to develop a national strategy for advanced education and training. The opening conference, involving the social partners and the *Länder*, will take place on 12 November 2018. One of the aims is to pool all federal and Land advanced education and training programmes, to gear them towards employee and company needs, and to establish a new culture of advanced education and training.	Opening conference on 12 November 2018 (duration: whole of the current legislative term).

Table 11: Targets of the EU's strategy for growth and jobs

National headline targets for 2020	List of actions*	Description of the direct relevance to the target
Employment rate among persons aged 20–64: 77%** Employment rate among older persons aged 55–64: 60%** Employment rate among women: 73%**	No changes compared with the 2018 NRP.	
R&D expenditure: 3% of GDP (two-thirds from the private sector and one-third from the public sector)	The "High-Tech Strategy 2025" is an interdepartmental research and innovation strategy that was adopted by the federal cabinet on 5 September 2018. By linking funding for technology with education and training opportunities, it aims to help people prepare for impending technology-related changes. Targeted measures will facilitate the transfer of basic research into the application phase. To this end, the High-Tech Strategy 2025 aims to establish an open culture of innovation that integrates new knowledge and new stakeholders into cutting-edge projects and that provides space for creative ideas. In addition, on 29 August 2018, the federal government took the decision to establish an agency to promote breakthrough innovations. This agency's approach to innovation promotion will be people-centred in a way that has never been tried before in Germany: specifically, it will place a resolute focus on making the shift from R&D to application, providing innovators from the fields of science and business with the trust and independence to turn highly innovative ideas into application-ready products, processes and services.	
Reduce greenhouse gas emissions by at least 40% by 2020 by 80–95% by 2050, compared with 1990 levels Increase share of renewable energy to 18% of gross final energy consumption by 2020, to 60% by 2050 and to at least 80% in the electricity sector	An efficient power grid is an essential part of Germany's Energiewende and needs to be better coordinated with the expansion of renewable energy. Germany is pursuing a dual strategy that aims to (a) optimise existing networks and get them to operate at maximum capacity while simultaneously (b) making faster progress in expanding and upgrading the power grid.	The Coalition Agreement aims to increase the share of electricity from renewable energy sources (from 50% currently) to 65% of gross electricity consumption by 2030. This can only be achieved if renewable energy continues to be expanded in an ambitious, efficient, increasingly market-oriented manner and with grid synchronisation. The challenge consists in ensuring improved synchronisation between renewable energy and grid capacities.

Table 11: continuation

National headline targets for 2020	List of actions*	Description of the direct relevance to the target
National energy efficiency goals under the Federal Government's energy strategy of 28 September 2010: reduce primary energy consumption by 20% by 2020 and by 50% by 2050, compared with 2008 levels	The Federation and *Länder* have agreed on a package of measures to expedite grid expansion: • revision of the Grid Expansion Acceleration Act (*Netzausbaubeschleunigungsgesetz*) with the aim of simplifying and streamlining procedures • targets for concluding licensing procedures • forward-looking control procedures In the area of energy efficiency, the Federation intends to: • formulate a long-term, cross-sectoral energy efficiency strategy and update Germany's National Energy Efficiency Action Plan • simplify regulatory law and make it less bureaucratic; this includes merging the provisions of the Energy Conservation Act, the Energy Conservation Ordinance and the Renewable Energies Heat Act into a state-of-the-art Building Energy Act (*Gebäudeenergiegesetz*) • continue implementing its support strategy • continue its successful support for energy efficiency measures and for the use of renewable energy in the building sector (including the CO_2 Building Refurbishment Programme, the Market Incentives Programme, and other programmes in other sectors) • the Coalition Agreement calls for a supplementary tax incentive to promote energy-efficient building refurbishment; a decision on this issue has not yet been taken	A 50% reduction of primary energy consumption by 2050, compared with 2008 levels, would allow for climate targets to be achieved at an affordable cost. In order to achieve this extremely challenging goal, significant progress must be made in all relevant sectors. For this reason, Germany's energy efficiency strategy will take a cross-sectoral approach and will identify and pool the necessary measures and instruments. The strategy will be oriented towards an overall vision for the period until 2050, though it will first focus on the medium term, planning for the period until 2030. In this, compiling effective, cost-efficient instruments in a National Action Plan on Energy Efficiency 2.0 will play a central role. In addition, it is intended that the "efficiency first" principle be firmly established. With the Building Energy Act, the requirements of the EU Buildings Directive will be implemented for public non-residential buildings as of 1 January 2019 and for all buildings as of 1 January 2021; the current energy requirements will continue to apply to new and existing buildings. A neighbourhood-based approach will be introduced.
Increase in the share of persons aged 30-34 who have completed tertiary education or equivalent- to 42%**	The third phase of the Higher Education Pact will see the Federation and the *Länder* provide courses for an additional 760,033 new students (compared to the 2005 figures) by 2020.	The goal of the 2020 Higher Education Pact is to protect study opportunities for young people and to ensure that the new generation of academics and researchers that is needed can form.

Table 11: continuation

National headline targets for 2020	**List of actions***	**Description of the direct relevance to the target**
	In total, and including financing until 2023, higher education institutions will receive over €20 billion from the Federation and €18 billion from the *Länder* over the entire course of all three phases of the Higher Education Pact, which began in 2007. The Quality Pact for Teaching is currently helping 156 higher education institutions improve support for students as well as the quality of teaching. The Federation has provided €1 billion for this programme for the 2011-2020 period. In the fiscal years 2019-2021, the Federation will provide an additional €1 billion in total for the revision of the Federal Education and Training Assistance Act (*Bundesausbildungsförderungsgesetz*).	In this, the aim is to meet the labour market's growing demand for skilled workers and to ensure high-quality higher education. The Quality Pact for Teaching makes a contribution to lowering dropout rates in higher education.
Reduce the number of long-term unemployed persons by 20% by 2020 compared with 2008 levels**	Inclusion Act (*Teilhabechancengesetz*) with two new instruments – "Integrating the long-term unemployed" (section 16e-amended) and "Inclusion in the labour market" (section 16i) – introduced into Book II of the Social Code. Cabinet decision: 18 July 2018 Planned entry into force: 1 January 2019	The goal is to give the long-term unemployed specific employment options on the general and social labour markets. Jobs subject to social security contributions, with all types of employers, are promoted with the help of a subsidy for wages costs. Over the 2018-2022 period, the overall approach in which these two new instruments are embedded will receive an additional €4 billion from the Federation as part of the reintegration budget. The 2019 tranche is €900 million.

* The 2018 NRP, which was sent to the European Commission in April 2018, includes a comprehensive overview of the state of play regarding the implementation of the Europe 2020 strategy in Germany, including a detailed table of actions (including description of action, anticipated impact, status and schedule), p. 54 et seqq. The overview in this table is limited to new actions (planned, adopted, in force), especially actions affecting public finances, which will take effect in 2019 and the following years.
** Target already met.

Table 12: Methodological aspects

Relevant step of the budgetary process	Relevant features of the model/technique used	Assumptions	Assumptions
Macroeconomic forecast	Before each tax estimation	Iterative-analytic approach: several partial models are used in the system of national accounts. Potential GDP is estimated on the basis of models developed and recommended by the Output Gap Working Group of the European Union's Economic Policy Committee (EPC).	Technical assumptions (for oil and commodity prices, exchange rates and interest).
Tax revenue estimate	Basis for drafting and finalising budget	Estimate based on macroeconomic forecast and time series analysis	Macroeconomic forecast, estimates on the fiscal impact of discretionary tax measures
Fiscal impact of discretionary tax measures	Basis for tax revenue estimate and for drafting and finalising budget	Microsimulation models based on tax statistics; calculations based on macroeconomic assumptions	Macroeconomic forecast

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