German Draft Budgetary Plan 2024

Federal Ministry of Finance

Staatshaushalt

German Draft Budgetary Plan 2024

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 2023

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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

Status of the projections

Germany's Draft Budgetary Plan 2024 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. The projections were issued on 28 September 2023.

Sources used as the basis for making the fiscal projections include the 2023 federal budget of December 2022 as well as the draft 2024 federal budget and the fiscal plan to 2027, both of which were adopted by the federal government in July 2023.

The federal government's budgetary and fiscal planning is based on the results of the Working Party on Tax Revenue Estimates of May 2023, which, in turn, are based on the federal government's spring projection on macroeconomic trends of April 2023. Once the federal government's draft budget has been forwarded to the parliament, the executive branch's responsibility for the budget preparation process ends, and the legislative branch takes over. On 11 October 2023, while the parliamentary deliberations were under way, the federal government published its autumn projection on macroeconomic trends. This projection could not be taken into account in the present Draft Budgetary Plan 2024. It will form the basis of the next tax estimate, the results of which are due to be issued on 26 October 2023. These results will be taken into consideration in the final parliamentary deliberations on the 2024 federal budget. According to current plans, the 2024 federal budget will be adopted by the German Bundestag on 1 December 2023.

Forecast for public finances

Gradual reduction of the general government deficit

According to the projection, the general government deficit will be 2½% of GDP in 2023, roughly the same as in 2022. The deficit is expected to be reduced gradually in subsequent years. This return to fiscal normality is at the core of Germany's fiscal policy strategy. The general government deficit is forecast to decline to 2% of GDP in 2024 and to 1¼% of GDP by the end of the projection period, in line with the aim of a gradual and sustainable consolidation.

The deficit forecast for 2023 has improved significantly since the last projection in April, from 4¼% to 2½% of GDP. This is due primarily to a decline in the anticipated expenditures of the Economic Stabilisation Fund (Energy), which finances measures to mitigate the economic impact on households and businesses of high energy prices resulting from Russia's war of aggression against Ukraine. The measures of the Economic Stabilisation Fund (Energy) were deliberately designed in such a way as to adapt automatically to contractually agreed energy prices for end users – and thus to the economic environment.

Table 1: General government budget balance and debt

	2022	2023	2024	2025	2026	2027
	in % of GDP					
Budget balance	-2.5	-2½	-2	-1½	-1¼	-1¼
Structural balance	-1.8	-2	-1¾	-1½	-1¼	-1¼
Maastricht debt-to-GDP ratio	66.1	65¼	64¾	64¾	64¾	64¼

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

The fund's expenditures are likely to be lower than originally anticipated because energy price trends have been significantly more favourable than expected. While in April, the fund's spending for 2023 was calculated at 3% of GDP, in line with the budgeted amount, the projection presented here is based on a technical assumption of approximately 1¼% of GDP. Because future energy price trends are uncertain and the relief measures are designed to adapt to price trends in a dynamic way, the estimated expenditures of the Economic Stabilisation Fund (Energy) – and thus the budget balances for 2023 and 2024 – are subject to a high level of uncertainty.

The German government's fiscal plan, on which the projection is based, complies with the national debt rule throughout the projection period. From 2025 onwards, however, fiscal adjustments will be necessary in order to remain below the regular borrowing limit stipulated in Germany's debt rule. According to the federal government's fiscal plan, these adjustments are calculated at approximately 0.1% of GDP per year in 2025, 2026 and 2027. Without the adjustments, the projected general budget deficits for the years in question would be slightly higher.

Reduction of the debt-to-GDP ratio

Germany's return to fiscal normality is also reflected in the Maastricht debt-to-GDP ratio. Having stood at 66.1% in 2022, it is projected to decline to 65¼% this year and to approximately 64¾% in 2024, after which the curve is expected to flatten out. By the end of the projection period, the debt-to-GDP ratio is forecast to be approximately 64¼%.

Reduction of the structural deficit from 2024 onwards

The structural balance for 2023 (i.e. the fiscal balance adjusted for cyclical and one-off effects) is projected to deteriorate slightly in year-on-year terms, to approximately -2% of GDP, even though, as described above, the unadjusted fiscal balance is set to remain roughly unchanged. This disparity is due to the fact that the 2022 structural balance was adjusted to account for the capital injections into the energy companies Uniper and SEFE. This effect of more than €20bn is absent in 2023.

The projection for 2024 shows an improvement of the structural balance to -1¾% of GDP. The gradual normalisation is expected to continue in subsequent years, with the projected structural deficit declining steadily in 2025 and 2026. The projected structural deficit for 2026 and 2027 is 1¼% of GDP.

Germany is complying with the rules of the Stability and Growth Pact

In the 2020–2023 period, the quantitative requirements under the preventive arm of the Stability and Growth Pact were suspended on the basis of the general escape clause. The 2024 country-specific recommendations once again include quantitative targets. The European Commission recommends that Germany should improve its structural balance by 0.3% of GDP. Based on the projection presented here, Germany is more or less on track to meet this target, with an anticipated reduction in the structural deficit of approximately ¼% of GDP in 2024.

A net primary expenditure[1)] target was calculated on the basis of the target for improving the structural balance: according to the country-specific recommendations, net primary expenditures must not increase by more than 2.5% in nominal terms in 2024 compared with 2023. Germany will most likely comply with this requirement, too, with projected net primary expenditure growth of approximately 2¼% in 2024. In this way, Germany is pursuing a prudent fiscal policy, in line with the country-specific recommendations.

Higher investments in areas that are crucial for the future

Investment levels have increased significantly in recent years. According to the national accounts, government gross fixed capital formation increased by 8.5% in 2022 compared with 2021, and by more than 20% compared with the pre-crisis year of 2019. Further increases are expected in the coming years, with government gross fixed capital formation predicted to increase by a geometric annual average rate of approximately 6% over the 2022–2027 period.

Government investment grants promote private investment, which makes up approximately 90% of total investments. In 2022, investment grants were more than 80% higher than they were in 2019, before the crisis. In the coming years, increases of more than 5% per year are expected, as a geometric average.

Table 2: Government net primary expenditure trends

	2023	2024	2025	2026	2027
			in %		
Net primary expenditure growth rate	5¾	2¼	2¼	2¾	2¾

Figures are rounded to quarter percentage points.

1) Government spending, adjusted in particular for interest expenditure and discretionary revenue measures.

Basis for the present Draft Budgetary Plan 2024

The Draft Budgetary Plan 2024 is based in particular on the following sources and information:

- **Macroeconomic basis**
  - Federal government spring projection of 26 April 2023
  - Results relating to the general government budget in the national accounts, published by the Federal Statistical Office on 25 August 2023
- **Results of the Working Party on Tax Revenue Estimates of 11 May 2023**
- **Budgetary plans**
  - Act Adopting the Federal Budget for the 2023 Fiscal Year (*Gesetz über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2023*) of 19 December 2022
  - Government draft of the Act Adopting the Federal Budget for the 2024 Fiscal Year and Fiscal Plan to 2027 (*Gesetz über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2024 und Finanzplan des Bundes bis 2027*), adopted by the federal government on 5 July 2023
  - Economic and fiscal plan of the special Climate and Transformation Fund, adopted by the federal government on 9 August 2023
- **Other legislation and measures in chronological order**
  - Act to Compensate for Inflation through a Fair Income Tax Schedule and to Modify Additional Tax Regulations (*Gesetz zum Ausgleich der Inflation durch einen fairen Einkommensteuertarif sowie zur Anpassung weiterer steuerlicher Regelungen*) of 8 December 2022
  - 2022 Annual Tax Act (*Jahressteuergesetz 2022*) of 16 December 2022
  - Eighth Act Amending the Local Public Transport Act and the Income Tax Act (*Achtes Gesetz zur Änderung des Regionalisierungsgesetzes und zur Änderung des Einkommensteuergesetzes*) of 16 December 2022
  - Act Amending the Energy Duty Act and the Electricity Duty Act to Extend the “Equalisation Scheme” (*Gesetz zur Änderung des Energiesteuer- und des Stromsteuergesetzes zur Verlängerung des sogenannten Spitzenausgleichs*) of 19 December 2022
  - Second Act to Improve Quality in and Access to Child Day Care (*Zweites Gesetz zur Weiterentwicklung der Qualität und zur Teilhabe in der Kindertagesbetreuung*) of 20 December 2022
  - Saxony’s Act on the Determination of the Tax Rate for Real Property Transfer Tax (*Sächsisches Gesetz über die Bestimmung des Steuersatzes bei der Grunderwerbsteuer*) of 20 December 2022
  - Ninth Act Amending the Local Public Transport Act (*Neuntes Gesetz zur Änderung des Regionalisierungsgesetzes*) of 20 April 2023
  - Government draft of a Fourth Act Amending the Federal Railways Expansion Act (*Viertes Gesetz zur Änderung des Bundesschienenwegeausbaugesetzes*) of 7 June 2023
  - Government draft of a Third Act Amending Toll Provisions (*Drittes Gesetz zur Änderung mautrechtlicher Vorschriften*) of 14 June 2023

- Long-Term Care Support and Relief Act (*Gesetz zur Unterstützung und Entlastung in der Pflege*) of 19 June 2023
- Act to Combat Supply Shortages of Off-Patent Medicines and to Improve the Supply of Paediatric Medicines (*Gesetz zur Bekämpfung von Lieferengpässen bei patentfreien Arzneimitteln und zur Verbesserung der Versorgung mit Kinderarzneimitteln*) of 19 July 2023
- Government draft of an Act Implementing Council Directive (EU) 2022/2523 on Ensuring a Global Minimum Level of Taxation and Other Accompanying Measures (*Gesetz zur Umsetzung der Richtlinie (EU) 2022/2523 des Rates zur Gewährleistung einer globalen Mindestbesteuerung und weiterer Begleitmaßnahmen*) of 11 August 2023
- Government draft of a Budget Financing Act (*Haushaltsfinanzierungsgesetz*) of 16 August 2023
- Government draft of an Act Introducing Long-Term Block Grants for the *Länder* in Connection with Refugee Flows and Amending the Wall Site Act (*Gesetz zur Einführung einer langfristigen Pauschalentlastung der Länder im Zusammenhang mit Fluchtmigration und zur Änderung des Mauergrundstücksgesetzes*) of 16 August 2023
- Government draft of an Act to Enhance Growth Opportunities, Investment, and Innovation and to Simplify the Tax System and Increase Tax Fairness (*Gesetz zur Stärkung von Wachstumschancen, Investitionen und Innovation sowie Steuervereinfachung und Steuerfairness*) of 30 August 2023
- Government draft of an Act Introducing Basic Income Support for Children and Amending Other Provisions (*Gesetz zur Einführung einer Kindergrundsicherung und zur Änderung weiterer Bestimmungen*) of 27 September 2023
- Bundesrat decision on the Act Amending the Building Energy Act, the Heating Costs Ordinance, and the Sweeping and Inspection Ordinance (*Gesetz zur Änderung des Gebäudeenergiegesetzes, zur Änderung der Heizkostenverordnung und zur Änderung der Kehr- und Überprüfungsordnung*) of 29 September 2023

Table 3: Technical assumptions

	2022	2023	2024
Short-term interest rate (annual average in %)	0.70	3.90	3.70
Long-term interest rate (annual average in %)	1.20	2.30	2.30
USD/€ exchange rate (annual average)	1.18	1.07	1.07
Nominal effective exchange rate	106.70	107.00	107.50
World GDP growth rate (excluding EU)	3.40	3.20	3.30
EU GDP growth rate	3.70	0.80	1.60
Growth of German sales markets (% change yoy)[1)]	6.5	2½	3
World import volumes (excluding EU)	6.10	2.30	2.90
Oil price (Brent, USD/barrel)	99.0	82	78

2023 and 2024: federal government spring projection on macroeconomic trends, April 2023.

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

Table 4a: Macroeconomic prospects

	ESA code	2022	2022	2023	2024	2025	2026	2027
		€ billion	Year-on-year change in %					
1. Real GDP	B1*g	3,274.9	1.8	0.4	1.6	0.8	0.8	0.8
2. Potential GDP[1)]		3,273.1	0.8	0.9	1.0	0.8	0.7	0.7
contributions (percentage points):								
- labour			0.1	0.2	0.2	-0.1	-0.2	-0.2
- capital			0.4	0.4	0.4	0.4	0.4	0.4
- total factor productivity			0.3	0.3	0.4	0.5	0.5	0.5
3. Nominal GDP (in €bn)	B1*g	3,876.8	7.2	6.1	4.0	2.8	2.8	2.8
Components of real GDP								
4. Private final consumption expenditure[2)]	P.3	106.4	3.9	-0.1	2.1			
5. Government final consumption expenditure	P.3	119.3	1.6	-0.1	1.2			
6. Gross fixed capital formation	P.51g	109.2	0.1	-1.0	1.3			
7.Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	-	0.7	0.4	0.0			
8. Exports of goods and services	P.6	115.5	3.3	1.3	3.3			
9. Imports of goods and services	P.7	125.9	6.6	0.6	3.5			
Contributions to real GDP growth			in percentage points					
10. Final domestic demand (excluding inventories)		-	2.3	-0.3	1.6			
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	-	0.7	0.4	0.0			
12. External balance of goods and services	B.11	-	-1.2	0.4	0.0			

2022: Federal Statistical Office, August 2023.
2023 to 2027: federal government spring projection on macroeconomic trends, April 2023.

1) 2022 figure calculated as the difference between GDP (August 2023) and output gap (spring projection).
2) Including private non-profit organisations serving households.

Table 4b: Price developments – deflators

	2022	2022	2023	2024	2025	2026	2027
	Index (2015=100)	Year-on-year change in %					
1. GDP	118.40	5.3	5.7	2.3	2.0	2.0	2.0
2. Private consumption expenditure[1]	116.10	6.7	5.5	2.2			
3. Government final consumption expenditure	119.70	5.1	2.6	2.8			
4. Gross investment	136.80	12.0	5.6	2.6			
5. Exports	120.30	11.7	1.1	1.6			
6. Imports	126.70	17.5	-0.8	1.7			

2022: Federal Statistical Office, August 2023.
2023 to 2027: federal government spring projection on macroeconomic trends, April 2023.

1) Including private non-profit organisations serving households.

Table 4c: Labour market developments

	ESA code	2022	2022	2023	2024
		Level	Year-on-year change in %		
1. Employment, persons[1] (in millions)		45.60	1.4	0.8	0.2
2. Employment, hours worked[2] (in billions)		61.40	1.3	1.2	1.0
3. Unemployment rate[3] (%)		-	2.9	2.7	2.6
4. Labour productivity, persons[4]		102.3	0.4	-0.4	1.4
5. Labour productivity, hours worked[5]		106.5	0.5	-0.8	0.6
6. Compensation of employees (€ billion, domestic)	D.1	2,019.8	5.5	6.5	5.5
7. Compensation per employee (€ thousand, domestic)		48.5	3.9	5.5	5.3

2022: Federal Statistical Office, August 2023.
2023 and 2024: federal government spring projection on macroeconomic trends, April 2023.

1) Occupied population, domestic concept, national accounts definition.
2) National accounts definition.
3) Unemployed (ILO) / economically active population.
4) Real GDP per person employed (domestic); 2015=100.
5) Real GDP per hour worked; 2015=100.

Table 4d: Sectoral balances

	ESA code	2022	2023	2024
		in % of GDP		
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	3.7	5.1	4.9
of which:				
- Balance on goods and services		2.0	3.2	3.0
- Balance of primary incomes and transfers		2.4	2.2	2.1
- Capital account		-0.7	-0.3	-0.2
2. Net lending/net borrowing of households	B.9	5.6	5.0	5.3
3. Net lending/net borrowing of general government[1)]	B.9	-2.5	-2½	-2
4. Statistical discrepancy			-	-

2022: Federal Statistical Office, August 2023.
2023 and 2024: federal government spring projection on macroeconomic trends, April 2023.

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	2023	2024	2025	2026	2027
		in % of GDP				
Net lending (+) / net borrowing (-) (B.9) by subsector[1]						
1. General government	S.13	-2½	-2	-1½	-1¼	-1¼
2. Central government	S.1311	-2½	-1¾	-1¼	-1	-¾
3. State government	S.1312	-¼	-¼	-¼	-¼	-¼
4. Local government	S.1313	¼	0	0	0	0
5. Social security funds	S.1314	0	0	0	-¼	-¼
General government (S.13)						
6. Interest expenditure	D.41	¾	1	1	1	1¼
7. Primary balance[2]		-1¾	-1	-½	-¼	¼
8. One-off and other temporary measures[3]		0	0	0	0	0
9. Real GDP growth (% change yoy)		0.4	1.6	0.8	0.8	0.8
10. Potential GDP growth (% change yoy)		0.9	1.0	0.8	0.7	0.7
contributions (percentage points):						
- labour		0.2	0.2	-0.1	-0.2	-0.2
- capital		0.4	0.4	0.4	0.4	0.4
- total factor productivity		0.3	0.4	0.5	0.5	0.5
in % of potential GDP						
11. Output gap		-0.9	-0.3	-0.2	-0.1	0.0
12. Cyclical budgetary component		-½	-¼	0	0	0
13. Cyclically adjusted balance (1-12)		-2	-1¾	-1½	-1¼	-1¼
14. Cyclically adjusted primary balance (13+6)		-1¼	-¾	-¼	0	¼
15. Structural fiscal balance (13-8)		-2	-1¾	-1½	-1¼	-1¼

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

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.

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

	ESA code	2023	2024	2025	2026	2027
		in % of GDP				
1. Gross debt		65¼	64¾	64¾	64¾	64¼
2. Change in gross debt ratio		-¾	-½	0	0	-½
Contribution to changes in gross debt						
3. Primary balance		1¾	1	½	¼	-¼
4. Interest expenditure	D.41	¾	1	1	1	1¼
5. Stock-flow adjustment		-3¼	-2½	-1½	-1¼	-1¾
p.m.: Implicit interest rate on debt[1]		1	1½	1¾	1¾	2

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

Any discrepancies in totals are due to rounding.

1) Proxied by interest expenditure divided by the debt level of the previous year.

Table 5c: GDP sensitivity of the general government budget balance projection

	2022	2023	2024	2025	2026	2027
	General government budget balance in % of GDP					
GDP trends according to						
– Baseline scenario	**-2.5**	**-2½**	**-2**	**-1½**	**-1¼**	**-1¼**
– Alternative scenarios						
Real GDP, rate of change -½ percentage point p.a. compared with baseline scenario		-2¾	-2½	-2¼	-2¼	-2½
Real GDP, rate of change +½ percentage point p.a. compared with baseline scenario		-2¼	-1½	-¾	-¼	0

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

Table 5d: Interest-rate sensitivity of the general government budget balance projection

	2022	2023	2024	2025	2026	2027
	General government budget balance in % of GDP					
Interest rate trends according to						
– Baseline scenario	**-2.5**	**-2½**	**-2**	**-1½**	**-1¼**	**-1¼**
– Alternative scenarios						
Interest rate +50 basis points p.a. compared with baseline scenario		-2½	-2	-1¾	-1½	-1¼
Interest rate -50 basis points p.a. compared with baseline scenario		-2½	-1¾	-1½	-1¼	-1

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

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

General government (S.13)	ESA Code	2023	2024
		in % of GDP	
1. Total revenue at unchanged policies*	TR	46¼	46½
of which:			
1.1. Taxes on production and imports	D.2	10½	10¾
1.2. Current taxes on income, wealth, etc.	D.5	13¼	13¼
1.3. Capital taxes	D.91	¼	¼
1.4. Social contributions	D.61	17¼	17½
1.5. Property income	D.4	½	½
1.6. Other[1)]		4½	4¼
p.m.: **Tax burden** (D.2+D.5+D.61+D.91-D.995)[2)]		41	41¾
2. Total expenditure with no change in policies*	TE[3)]	47¼	47½
of which:			
2.1. Compensation of employees	D.1	7¾	8
2.2. Intermediate consumption	P.2	5¾	6
2.3. Social payments	D.62 + D.632	24¾	24¾
of which: Unemployment benefits[4)]		1½	1½
2.4. Interest expenditure	D.41	¾	1
2.5. Subsidies	D.3	1¼	1¼
2.6. Gross fixed capital formation	P.51	2¾	3
2.7. Capital transfers	D.9	2	1¾
2.8. Other[5)]		2¼	2

* The projections under the no-policy change scenario represent the anticipated revenue and expenditure excluding the discretionary measures shown in Table 8.

1) P.11 + P.12 + P.131 + D.39rec + D.7rec + D.9rec (other than 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 (other than 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	2023	2024
		in % of GDP	
1. Total revenue	TR	46	46½
of which:			
1.1. Taxes on production and imports	D.2	10½	10¾
1.2. Current taxes on income, wealth, etc.	D.5	13	13
1.3. Capital taxes	D.91	¼	¼
1.4. Social contributions	D.61	17¼	17¾
1.5. Property income	D.4	½	½
1.6. Other[1)]		4½	4½
p.m.: **Tax burden** (D.2+D.5+D.61+D.91-D.995)[2)]		41	41½
2. Total expenditure target	TE[3)]	48½	48¼
of which:			
2.1. Compensation of employees	D.1	7¾	8
2.2. Intermediate consumption	P.2	5¾	6
2.3. Social payments	D.62 + D.632	24¾	24¾
of which: **Unemployment benefits**[4)]		1½	1½
2.4. Interest expenditure	D.41	¾	1
2.5. Subsidies	D.3	2¼	1½
2.6. Gross fixed capital formation	P.51	2¾	3
2.7. Capital transfers	D.9	2	2¼
2.8. Other[5)]		2¼	2

1) P.11 + P.12 + P.131 + D.39rec + D.7rec + D.9rec (other than 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 (other than 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

	2022	2022	2023	2024
	€bn	in % of GDP		
1. Expenditure on EU programmes fully matched by EU funds revenue	8.9	0.2	¼	¼
2. Cyclical unemployment benefit expenditure	-1.8	0.0	- ¼	- ¼
3. Effect of discretionary revenue measures	-27.7	-0.7	- ¼	½
4. Revenue increases 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 level (including discretionary measures at the federal level)

List of new measures*	Detailed description	ESA code	Adoption status / entry into force	2023	2024	2025	2026	2027
				Budgetary impact (in % of GDP)				
Act to Reduce Bracket Creep to Ensure a Fair Income Tax Schedule and Modify Additional Tax Regulations (*Gesetz zum Abbau der kalten Progression für einen fairen Einkommensteuertarif sowie zur Anpassung weiterer steuerlicher Regelungen*)[1)]	Increase in the basic personal allowance, adjustment of tax bracket thresholds, child benefit increase, increase in tax allowances for children, increase in the maximum deduction rate for maintenance payments	D.51	Entry into force on different dates for different provisions	-0.16	-0.32	-0.34	-0.34	-0.34
Creation of a capital stock to stabilise the rise of contributions in the statutory pension insurance system (pension reserve fund)[2)]	Creation of a "generational capital fund" to bolster the statutory pension insurance system using capital market yields	F.51	With the implementation of the legislation for the generational capital fund	-0.24				
Economic defence shield to mitigate the impact of Russia's war of aggression[3)]			With the entry into force of the 2023 Budget Act (*Haushaltsgesetz 2023*) on 1 January 2023	-1.2	-0.5			
	of which:							
	Financing the gas price brake	D.31		-0.5	-0.2			
	Liquidity and grants for the electricity price brake	D.31		-0.5	-0.2			
	Financing further support measures and compensation payments	D.31		-0.2	-0.1			
	Government holdings in the area of gas and energy supply	D.99			0.0			
Long-Term Care Support and Relief Act (*Gesetz zur Unterstützung und Entlastung in der Pflege*)[4)]	Increase of 0.35 percentage points in the contribution rate in the long-term care insurance system as of 1 July 2023, increase of 5% in long-term care benefit and payments for benefits in kind for people receiving care in their own homes as of 1 January 2024	D.61, D.62, D.63	1 July 2023	0.06	0.13	0.09	0.09	0.08

Table 8: continuation

List of new measures*	Detailed description	ESA code	Adoption status / entry into force	2023	2024	2025	2026	2027
				% of GDP				
Government draft of a Third Act Amending Toll Provisions (*Drittes Gesetz zur Änderung mautrechtlicher Vorschriften*)[5)]	CO_2-based toll structure for HGVs, expansion of the toll to cover vehicles with a technically permissible maximum laden mass of more than 3.5 tonnes	P.13	1 December 2023	0.01	0.17	0.18	0.17	0.17
Enhancing security, defence and stability in partner countries[6)] – here: changes compared with the 2023 government draft	Support for Ukraine in the form of military equipment, replacement of Bundeswehr materials that were provided to Ukraine, German contributions to the European Peace Facility (EPF), bilateral capacity-building projects	D.92	With the entry into force of the 2023 Budget Act on 1 January 2023 and the adoption of the 2024 federal budget	-0.04	-0.08	-0.08	-0.08	-0.08
Government draft of an Act to Enhance Growth Opportunities, Investment, and Innovation and to Simplify the Tax System and Increase Tax Fairness (*Gesetz zur Stärkung von Wachstumschancen, Investitionen und Innovation sowie Steuervereinfachung und Steuerfairness*)[7)]	Introduction of an investment premium to promote the transformation of the economy towards more climate action in particular, increase tax incentives for research, and improve the tax rules for loss deductions	D.51	Entry into force on different dates for different provisions		-0.06	-0.18	-0.22	-0.16
Additional measures for future technologies and climate action via the Climate and Transformation Fund (KTF)[8)]	Support for efficient buildings, financing of the Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz*), transformation programmes in the area of microelectronics and transformational technologies, hydrogen strategy and decarbonisation of industry	D.92	Upon adoption of the 2024 federal budget	-0.01	-0.18	-0.23	-0.09	

Table 8: continuation

* Compared with the Finance Ministry forecast of October 2022

1) The figures show the expansion of relief measures for taxpayers adopted in the parliamentary procedure, compared with the federal government's draft act of 14 September 2022. For details (in German), please see: https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Schlaglichter/Entlastungen/inflationsausgleichsgesetz.html
2) Affects debt-to-GDP ratio only. For details (in German), please see: https://www.bundesfinanzministerium.de/Web/DE/Themen/Internationales_Finanzmarkt/Generationenkapital/generationenkapital.html
3) Technical assumptions, as of 30 August 2023. For details (in German), please see: https://www.bundesfinanzministerium.de/Content/DE/Downloads/Schlaglichter/Entlastungen/abwehrschirm-gegen-folgen-des-russischen-angriffskrieges.pdf?__blob=publicationFile&v=5
4) For details (in German), please see: https://www.bundesgesundheitsministerium.de/service/gesetze-und-verordnungen/detail/pflegeunterstuetzungs-und-entlastungsgesetz-pueg.html
5) For details (in German), please see: https://bmdv.bund.de/SharedDocs/DE/Gesetze-20/entwurf-eines-dritten-gesetzes-aenderung-mautrechtlicher-vorschriften.html?nn=508840
6) For details of the government draft of the 2024 federal budget and the fiscal plan to 2027 (in German), please see: https://www.bundesfinanzministerium.de/Content/DE/Pressemitteilungen/Finanzpolitik/2023/07/2023-07-05-regierungsentwurf-bundeshaushalt-2024.html
7) For details (in German), please see https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/20_Legislaturperiode/2023-09-08-WtChancenG/0-Gesetz.html
8) What is shown here is the change in the Climate and Transformation Fund's programme expenditure based on the 2023 Budget Act and the government draft for 2024, compared with the government draft for 2023. For details (in German), please see: https://www.bmwk.de/Redaktion/DE/Pressemitteilungen/2023/08/20230809-bundeskabinett-beschliesst-wirtschaftsplan-des-ktf.html

Table 9: Divergence from April 2023 Stability Programme

	ESA Code	2022	2023	2024
Target general government net lending/net borrowing (in % of GDP)	B.9			
Stability Programme – April 2023		-2.6	-4¼	-1¾
Draft Budgetary Plan		-2.5	-2½	-2
Difference		0.1	1¾	-¼
General government net lending/net borrowing projection at unchanged policies* (in % of GDP)				
Stability Programme – April 2023		-2.6	-1	-¾
Draft Budgetary Plan		-	-1	-1
Difference		-	0	-¼

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

* The projections under the no-policy change scenario represent the anticipated revenue and expenditure excluding the discretionary measures shown in Table 8.

Table 10a: Impact of the Recovery and Resilience Facility (RRF) on the projection - grants

	2020	2021	2022	2023	2024	2025	2026
Revenue from RRF grants (in % of GDP)							
RRF grants as included in the revenue projections	0.00	0.18	0.10	0.12	0.11	0.09	0.06
Cash disbursements of RRF grants from EU	0.00	0.06	0.00	0.10	0.31	0.08	0.08
Expenditure financed by RRF grants (in % of GDP)							
Total current expenditure	0.00	0.11	0.05	0.04	0.02	0.01	0.01
Gross fixed capital formation (P.51g)	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Capital transfers (D.9)	0.00	0.05	0.05	0.07	0.08	0.07	0.04
Total capital expenditure	0.02	0.05	0.05	0.08	0.08	0.07	0.04
Other costs financed by RRF grants (in % of GDP)							
Reduction in tax revenue	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Other costs with impact on revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial transactions							

Any discrepancies in totals are due to rounding.

Table 10b: Guarantees

Description	Entry into force of legislation	Guarantee framework	Utilisation
		in % of GDP	
In response to the COVID-19 pandemic			
Federation: guarantees under the Budget Act (*Haushaltsgesetz*), here: expansion of guarantee framework (following entry into force of the first supplementary budget for 2020) in the 2022 Budget Act pursuant to section 3 (1) sentence 1 no...[1)]	retroactively from 1 January 2022	**6.4**	
1. Exports (export guarantees)		0.1	
2. Loans to foreign debtors, foreign direct investment, EIB loans		0.1	
3. Financial cooperation projects		0.1	
4. Market regulation and stockpiling measures		0.0	
5. Domestic guarantees		5.9	
6. International financing institutions		0.3	
7. *Treuhandanstalt* successor organisations		0.0	
8. Interest compensation guarantees		0.0	
Federation: Guarantees under other laws			
Guarantees under the Act on the Assumption of Guarantees within the Framework of the European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE) (*SURE-Gewährleistungsgesetz*)	10 July 2020	0.2	0.2
German contribution to the Pan-European Guarantee Fund	2020[2)]	0.1	0.1
Federation: Guarantees by special funds			
Guarantees by the Economic Stabilisation Fund under section 21 of the Stabilisation Fund Act (*Stabilisierungsfondsgesetz*)[3)]	28 March 2020[4)]	2.6	0.0
Länder*: Expansion of guarantee framework provided by the *Länder	tbd	2.0	0.0
Other federal guarantees			
Federation: Total guarantees under the Budget Act pursuant to section 3 (1) sentence 1 no...[5)]	1 January 2020	**23.4**	**16.1**
1. Exports (export guarantees)		3.9	3.1
2. Loans to foreign debtors, foreign direct investment, EIB loans		1.6	1.0
3. Financial cooperation projects		1.0	0.8
4. Market regulation and stockpiling measures		0.0	0.0
5. Domestic guarantees		14.2	8.8
6. International financing institutions		2.3	2.0
7. *Treuhandanstalt* successor organisations		0.0	0.0
8. Interest compensation guarantees		0.4	0.4

Table 10b: continuation

Description	Entry into force of legislation	Guarantee framework	Utilisation
		in % of GDP	
Federation: guarantees under other laws			
Guarantees for loans to Greece under the Act on Financial Stability within the Monetary Union (*Währungsunion-Finanzstabilitätsgesetz*)	7 May 2010	0.6	0.6
Guarantees under the Act on the Assumption of Guarantees within the Framework of a European Stabilisation Mechanism (*Gesetz zur Übernahme von Gewährleistungen im Rahmen eines europäischen Stabilisierungsmechanismus*)	23 May 2010[6)]	5.5	2.3
Travel Insolvency Fund	25 June 2021	0.0	0.0
Federation: guarantees by special funds			
Guarantees by the Federal Railways Fund (*Bundeseisenbahnvermögen*)		0.0	0.0
Guarantees by the ERP Special Fund		0.1	0.1
Guarantees by the Financial Stabilisation Fund under sections 6 and 8a of the Stabilisation Fund Act	18 October 2008[7)]	10.4	0.0

1) Utilisation levels can be shown only for total guarantees under the Budget Act (see below).
2) Decision by EIB Board of Directors: 26 May 2020; date of Germany's signature confirming participation in fund: 7 July 2020
3) As of 31 December 2022 (for both guarantee framework and utilisation level)
4) Reduced to €100bn under the Act Amending the Stabilisation Fund Act and the Economic Stabilisation Acceleration Act (*Gesetz zur Änderung des Stabilisierungsfondsgesetzes und des Wirtschaftsstabilisierungsbeschleunigungsgesetzes*) of 20 December 2021
5) Including the expansion of the guarantee framework cited above
6) Entry into force of most recent amendment: 1 June 2012
7) Entry into force of most recent amendment: 29 December 2020

Utilisation levels as of 31 December 2022 (except where otherwise specified)

Table 11: Implementation of the country-specific recommendations (CSRs) of 2023/2024

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
1.1[1] Phase out the energy support measures by the end of 2023 and use the related savings to reduce public deficit.	Energy support measures (Economic Stabilisation Fund (Energy), support packages)	The electricity, gas and heating price brakes financed by the Economic Stabilisation Fund (Energy), which are temporary by design, are helping to cushion price spikes and mitigating the impact of higher energy costs for consumers. They are specifically designed to maintain market incentives to save energy, as price signals remain undistorted. The energy price brake subsidies vary depending on the contractually agreed end-consumer prices for energy. This means that effective fiscal costs are reduced if, and to the extent that, the contractually agreed energy prices fall. Thanks to their flexible adaptation to market conditions, which has been deliberately built into the price brakes' design, this central relief instrument remains cost-efficient and in line with the goal of fiscal stability. Energy price brake payments have been significantly lower in 2023 and have continued to decline over the course of the year.	The energy price brakes will be phased out by the end of 2024 at the latest.
	Reduce the public deficit	The general government deficit is expected to remain more or less unchanged at around 2½% of GDP in 2023 before decreasing to around 2% of GDP in 2024, partly due to the phasing out of energy support measures, especially the energy price brakes.	2024
1.2 If renewed energy price increases require the implementation of support measures, these should be targeted at protecting vulnerable households and companies, be fiscally affordable, and maintain incentives to save energy.			
1.3 Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally-financed net primary expenditure in 2024 to not more than 2.5%.	The federal government's fiscal policy	The federal government is continuing to pursue a prudent fiscal policy with a core focus on fiscal resilience. In order to maintain fiscal capacity in the event of future crises, and in light of the major medium-term challenges facing the German economy, the general government deficit and the debt-to-GDP ratio will be gradually reduced over the coming years. This approach marks a return to fiscal normality, which is reflected in the draft federal budget for 2024. In addition, the federal government is pursuing a supply-side economic and fiscal policy aimed at kick-starting self-sustaining economic growth and preventing additional inflationary pressures.	

1) The CSRs have been subdivided for reasons of clarity; the subdivisions are not part of the official CSRs.

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Net primary expenditure	Germany expects to comply with the recommendation regarding net primary expenditure growth, with growth of approximately 2¼% projected for 2024.	2024
1.4 Preserve nationally-financed public investment and ensure the effective absorption of RRF grants and other EU funds, in particular to foster the green and digital transitions.	2023 federal budget; draft 2024 federal budget and medium-term fiscal plan to 2027	Investment levels have increased significantly in recent years. According to the national accounts, government gross fixed capital formation increased by 8.5% in 2022 compared with 2021, and by more than 20% compared with the pre-crisis year of 2019. Further increases are expected in the coming years, with a projected annual increase of 6%, as a geometric average, in the period 2022–2027. In addition to government investment, investment grants also play an important role. The level of investment grants is well above the pre-crisis level in 2019 and a further significant increase is expected in the coming years, in particular through the Climate and Transformation Fund (see below). The federal government's ongoing commitment to investing in the future is also reflected in the federal budget and the fiscal plan. Despite the significant fiscal burden of Russia's war of aggression against Ukraine and the sharp rise in interest expenditure, the federal budget and the fiscal plan include investment spending (according to the budgetary definition) of well over €50bn a year in all years – far above the pre-crisis level of €38bn in 2019.	The draft 2024 federal budget and medium-term fiscal plan to 2027 were adopted by the federal cabinet in July 2023. The federal budget is due to be approved by the Bundestag on 1 December 2023.
	Climate and Transformation Fund	The federal budget will be supplemented in the period 2023 to 2027 by the Climate and Transformation Fund's programme expenditures of almost €250bn. Some of these programme expenditures provide strong investment incentives for the private sector. Further detailed information on how the Climate and Transformation Fund is being used can be found in the Federal Ministry of Finance's 2024 financial report (pp. 51-52), which is available at: https://www.bundesfinanzministerium.de/Content/DE/Downloads/Broschueren_Bestellservice/finanzbericht-2024.pdf?__blob=publicationFile&v=5	2023–2027

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Measures to promote local authority investment	As part of the joint task “Improvement of regional economic structures”, the federal government and the *Länder* are supporting measures such as the expansion of local business-related infrastructure. This also applies to 2023 and 2024.	Ongoing
	DARP component 6.2.2.	Within the framework of the DARP, the consultancy firm “PD - Berater der öffentlichen Hand GmbH” is tasked by the federal government with helping local authorities, in particular, to integrate funding into public investment projects. This can boost public investment activity overall and at the same time strengthens the public administration’s project management capabilities. Findings that can be applied more generally are incorporated into guidelines for improving funding programmes.	Until 2026
	Ensure the effective absorption of RRF grants	An initial payment request for €4.37bn (€3.97bn net, taking into account the prepayment that was already made in 2021) was submitted by Germany on 15 September 2023.	EU bodies now have to review and reach a decision on the request. A payment at the end of 2023 is expected.
	Ensure the effective absorption of other EU funds	The federal programme ESF Plus 2021–2027, which was approved by the Commission in May 2022, is set to include a total of 28 individual ESF Plus programmes. By October 2023, 25 of these projects had been launched and 28 proposals had been published.	Status: ongoing Funding period 2021–2027
1.5 Implement public investment initiatives as planned. For the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, to achieve a prudent medium-term fiscal position.	Special fund for the Bundeswehr	The special fund for the Bundeswehr provides a one-time allocation of €100bn to maintain and strengthen Germany’s defence and alliance capabilities in the coming years. The special fund will be deemed dissolved on 31 December of the year when its line of credit is fully used up.	The fund is currently expected to be fully disbursed by the end of 2027.
	Medium-term fiscal strategy	According to the federal government’s projection, the general government deficit will continue to be reduced incrementally in the coming years. It is expected to decline from 2½% of GDP in 2023 to 2% of BIP in 2024, 1½% of GDP in 2025, and 1¼% of GDP in 2026 and 2027.	2023–2027

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Growth Opportunities Act (*Wachstumschancengesetz*)	The Growth Opportunities Act enhances the German economy's competitiveness and growth potential. The legislation contains a range of measures that improve business liquidity and provide incentives for more investment and innovation. It will help companies overcome crisis-related challenges and also constitutes a step towards a supply-side tax policy. Key measures include improved rules for loss deductions and the renewal of accelerated depreciation options for movable assets. Both of these instruments are necessary in light of structural challenges and the current weakness of the economy. These are measures that will give a direct boost to economic competitiveness because they provide stronger incentives for more investment and innovation in Germany. They take a targeted approach rather than offering blanket relief. They reduce the effective tax burden, which in turn will have a positive impact on investment decisions as well as decisions about where to do business.	The draft Growth Opportunities Act was adopted by the federal cabinet on 30 August 2023. Timeline going forward: Bundesrat (first passage): 20 October 2023 Bundestag (first reading): 12 October 2023 Bundestag (second and third readings): 17 November 2023 Bundesrat (second passage): 15 December 2023
	Financing for the Future Act (*Zukunftsfinanzierungsgesetz*)	The Financing for the Future Act aims to provide key support to mobilise more private capital, make Germany a stronger magnet for the financial sector, and lift Germany's capital market to the next level. The legislation pursues a comprehensive approach with measures that target the three overarching priorities of (a) modifying financial market legislation, (b) further developing company law and (c) improving tax law provisions. In the areas of financial market and company law legislation, this includes (a) reduced minimum capital requirements, (b) the option to introduce multiple-vote shares and (c) rules to facilitate capital increases.	The draft Financing for the Future Act was adopted by the federal cabinet on 16 August 2023. The bill's first reading in the Bundestag took place on 21 September 2023, and its first passage in the Bundesrat took place on 29 September 2023.

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
		Measures to promote further digitalisation and internationalisation and to further reduce red tape will make the German financial market more attractive and strengthen Germany's position as a magnet for business – for both domestic and international companies and investors. The legislation also contains key tax provisions that aim to promote employee share ownership, including (a) an increase in the annual tax allowance for employee shares (from €1,440 to €5,000) and (b) new options that allow start-ups and high-growth companies and their employees to benefit from deferred taxation rules on employee shares.	The second and third readings in the Bundestag will take place on 17 November. The second deliberation in the Bundesrat will take place on 15 December.
	Act and Ordinance on the Further Development of Skilled Migration (*Gesetz und Verordnung zur Weiterentwicklung der Fachkräfte-einwanderung*)	By making it easier for skilled workers to immigrate to Germany, the federal government is addressing the country's skilled labour shortage and thereby helping to boost economic growth. A continuous increase in the immigration of skilled workers is also vital to ensure the sustainability and viability of Germany's social security systems. Assuming that the additional skilled workers who immigrate to Germany as a result of this legislation will (a) earn the same, on average, as people already working in an equivalent job and (b) be required to pay social security contributions, this would result in additional annual social security revenues of approximately €164m per 10,000 additional employees.	Entering into force incrementally between 18 November 2023 and 1 June 2024
1.6 Improve the tax mix for more inclusive and sustainable growth, in particular by improving tax incentives in order to increase hours worked.	Citizen's benefit (*Bürgergeld*): Increased basic allowance for school and university students, trainees and volunteers; increased allowances for benefit recipients who are gainfully employed	The basic allowance for young citizen's benefit recipients up to the age of 25 who are in education, training or doing voluntary service has been raised to the minimum income limit of €520, and the allowance for citizen's benefit recipients who earn between €520-1,000 per month has been increased from 20% to 30%. This gives young people and citizen's benefit recipients more of an incentive to take on jobs subject to social security contributions or to extend the hours they work.	These provisions entered into force on 1 July 2023.

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 1: In 2023, maintain neutral policy stance, expand investment, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	For spouses: replacement of tax class combination III and V with the factor-based method under tax class IV	To enhance mutual responsibility between spouses, Germany's governing parties declared in their coalition agreement that the combination of tax classes III and V for spouses would be replaced with the factor-based method under tax class IV. This will make it possible to distribute the tax burden between spouses more evenly, based on each individual's own wages, which in turn will provide low-income earners and second earners with a stronger incentive to enter employment or increase their working hours.	To implement this objective in law, the Federal Ministry of Finance is working on legislative amendments. These are to be included in an upcoming tax legislation initiative.
1.7 Safeguard the long-term sustainability of the pension system.	Pensions Package II (*Rentenpaket II*); reforms to the occupational and private pension systems	The Pensions Package II includes a "generational capital fund" that aims to expand the funding base for the statutory pension insurance system while simultaneously stabilising pension levels over the long term. In addition to regular pension contributions and federal subsidies, proceeds from the capital fund – which will be managed by a public body – will help secure long-term financing for the statutory system. By financing part of the statutory system, the fund will help to mitigate future increases in pension contribution rates. In addition, the federal government plans to enact legislation that will strengthen the occupational and private pension systems. The legislative process will take recommendations into account that were put forward in the first half of 2023 by an "expert group on occupational pensions" and a "focus group on private pensions" whose members included representatives from social partners, associations and the research community. One of the shared objectives of these three initiatives is to make greater use of the opportunities presented by international capital markets in order to safeguard the long-term sustainability of pension systems.	The federal government is currently in the process of deliberating on and preparing draft legislation, and aims to submit legislative proposals by the beginning of 2024.

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 2: Proceed with implementation of recovery and resilience plan, finalise the negotiations with the Commission on the 2021–2027 cohesion policy programming	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
2.1 Significantly accelerate the implementation of its revised recovery and resilience plan, also by ensuring sufficient resources, and swiftly finalise the addendum and the REPowerEU chapter with a view to rapidly starting its implementation.	Implementation of the recovery and resilience plan (DARP)	Germany is making progress in implementing the DARP. The following completed objectives can be highlighted as examples: To promote electric mobility, charging infrastructure for electric vehicles has been expanded, and the 10-year tax exemption for all-electric vehicles has been adopted. In the area of education policy, teachers have been provided with an extensive range of mobile devices such as laptops. Hydrogen projects, including the expansion of green hydrogen production facilities with over 2 GW of electrolysis capacity, are making progress. The programme to promote climate-friendly timber construction supports innovation clusters and consultancy activities, with the aim of expediting development.	Germany plans to submit its second and third payment requests in 2024.
	RePowerEU	Germany will draw down the approximately €2.3bn in allocated funding from the RePowerEU initiative.	Interministerial consultations on specific measures to promote renewable energy and improve energy efficiency are ongoing. Germany plans to submit its funding request to the Commission by the end of November 2023.
2.2 Proceed with the speedy implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.	German cohesion policy programmes in the European Regional Development Fund (ERDF), Just Transition Fund (JTF), European Social Fund Plus (ESF+), European Maritime, Fisheries and Aquaculture Fund (EMFAF) and Interreg	The 56 programmes in the 2021-2027 programming period (totalling €23.3 billion) were approved in 2022 and most are now being implemented. Implementation chiefly by the *Länder* (except for ESF+ federal programme and EMFAF). Some calls for proposals have been launched, some are under preparation. The structural funds and the Recovery and Resilience Facility complement one another in the rebuilding of Europe's economy. In terms of the interaction of the structural funds and the Recovery and Resilience Plan, it is possible either to fence off the individual structural funds via the GRRP or to mutually complement them. The programming authorities undertook coherence and compatibility checks in the programming phase to see whether it makes sense for the structural fund programmes to complement the GRRP and whether there will be any negative repercussions, e.g. in terms of fund absorption. The dialogue between the Federation and the *Länder* is continued in the context of the ongoing implementation of the structural funds in order to further progress complementarity, synergies and coherence.	Status: ongoing Programmes must be completed by 2029, i.e. two years after the end of the programming period (n+2 rule).

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 3: Remove barriers to investment and promote digital communications networks	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
3.1 Speed up the digitalisation of the entire service chain for public services and improve people's digital skills.	Implementation of the Online Access Act by the Federation, *Länder* and municipalities; adoption of the Act Amending the Online Access Act	The Online Access Act entered into force in 2017 and states that all relevant administrative services provided by the Federation and the *Länder*, including their municipalities, must also be offered online. Hundreds of administrative services offered by the Federation and the *Länder* are therefore being digitalised in the course of implementing the act. Numerous services (a total exceeding 200 services covered by the act) can already be applied for online across the country, e.g. applications for federal educational assistance, child supplement, participation in integration courses, parental allowance. Also, some services are already available online in certain *Länder*, but not yet nation-wide, e.g. applications for housing allowance and for building permits. A revision of the Online Access Act was adopted by the Federal Cabinet in May 2023, the Act Amending the Online Access Act. This act is rooted in the experience gained in recent years. In this way, the policies are to be rolled out for accelerated digitalisation and entirely digital administrative procedures. Also, in 2023 the Federal Government selected 16 focus services which are used particularly frequently by citizens, and prioritised them. The digitalisation of these focus services is to be accelerated and made available online nation-wide, e.g. change of residence notifications, driving licences and licences for installations. The energy price allowance focus service has already been implemented. The current implementation status of the measures can be found on the Online Access Act dashboard at https://dashboard.ozg-umsetzung.de/	Implementation of the Online Access Act by the Federation, *Länder* and municipalities; adoption of the Act Amending the Online Access Act.
	"One for all" principle and inter-federal cooperation	Under the "one for all" principle, each *Land* is to digitalise an administrative service in such a way that other *Länder* can make use of it and do not need to develop the process again themselves. This saves costs and fosters a division of labour.	Status: ongoing
	BundID	The Act amending the Online Services Act makes the BundID the central user account throughout Germany; all the *Länder* must convert their services within three years and use BundID. In this way, the standardisation and user-friendly digitalisation of the administration is accelerated. The central citizens' accounts enable citizens to identify themselves and provide authentication nation-wide for online administrative services provided by the Federation and the *Länder* via the online ID function of their identity card (eID).	Status: ongoing

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 3: Remove barriers to investment and promote digital communications networks	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
		Similarly, companies will in future be able to submit all their applications via their central organisation account. By the end of 5 years at the latest, purely business-related administrative services are to be offered online if this serves the implementation of federal legislation in the field of corporate law. The current implementation status of the measures can be found on the Online Access Act dashboard at https://dashboard.ozg-umsetzung.de/	
	Once-only principle	The once-only principle is to be anchored in law so that documentation for an application – e.g. for a birth certificate – can either be obtained online from the competent authorities and registers, or provided online by the citizen, as the applicant wishes.	Status: ongoing
	Data skills toolbox	The data skills toolbox is a freely available learning and further education platform which explains the secure and responsible handling of data in an easy-to-understand way. This enables the general public to acquire basic data skills using digital tools, programming exercises and interactive practice tasks, as well as user-selected learning modules.	The toolbox released a first public beta version of the platform for test purposes in September 2023. This is to be further improved and complemented with additional tools by the end of 2024.
	Data Skills Transfer Hub	The Data Skills Transfer Hub supports stakeholders, funders and researchers via enhanced networking, raising the visibility of existing services, and boosting the data skills level of the population, and by supporting the transfer of data skills into the administration.	The official launch event of the Data Skills Transfer Hub is taking place at the beginning of October 2023. Up to the end of 2024, work will take place on dashboards, best practices and exchange formats, which will then be rolled out on a permanent decentralised basis.

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 3: Remove barriers to investment and promote digital communications networks	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
3.2 Remove investment obstacles and boost investment in very high capacity digital communication networks.	Act to Accelerate Approval Procedures in the Transport Sector and to Implement Directive (EU) 2021/1187 of the European Parliament and of the Council of 7 July 2021 on streamlining measures for advancing the realisation of the trans-European transport network (Approval Acceleration Act)	The draft legislation aims to accelerate planning and approval procedures in the transport infrastructure sector. An overriding public interest is to be stipulated for selected road and rail projects. Further to this, the act provides for relaxed rules on the replacement of bridges with new structures and the building of cycle paths on federal highways, measures to digitalise planning approval procedures, and changes to the reference date rules for the assessment of noise protection in the railway sector.	Cabinet decision on draft legislation: 3 May 2023 Comments by Bundesrat: 12 May 2023 Cabinet decision on government response to Bundesrat comments: 17 May 2023 First Bundestag reading: 22 June 2023 The parliamentary procedure is currently ongoing.
	Federation's gigabit strategy	The gigabit strategy contains a raft of 100 measures fostering the nation-wide roll-out of optical fibre and mobile communications in Germany. In a first step, half of all German households and companies are to be supplied by optical fibre cables by 2025. By 2026, seamless wireless voice and data services are to be available nation-wide for all end-users. By 2030, optical fibre cables are to be available nation-wide for all households and companies.	At present, around two-thirds of the measures have been implemented, 35 are being processed, and 4 have yet to commence. All the measures are to be implemented by the end of 2024.

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 4: Reduce dependence, diversify energy supply	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
4.1 Increase efforts to further reduce the overall reliance on fossil fuels by boosting investment in and accelerating the deployment of renewable energy and electricity networks through improved administrative capacity and streamlined processes, including permitting procedures.	**Acceleration of the expansion of renewable energy (see below for details)**	Target relevance of the measures cited below: reduction in dependence on fossil fuels via measures to realise the 80% RES target for 2030	see below
	Solar package	The Economic Affairs and Climate Ministry held two PV summits on 10 March 2023 and 5 May 2023 at which the ministry's PV Strategy was discussed with stakeholders. The PV Strategy is the outcome of a detailed consultation process with more than 600 comments received and entailing "reality checks" and sectoral surveys. The strategy stipulates a range of measures to speed up the PV roll-out. The solar package now implements key measures. It was adopted in the Cabinet on 16 August 2023. It aims to reduce barriers in order to progress the necessary solar roll-out more quickly and to attain the statutory objectives of the 2023 Renewable Energy Sources Act. Amendments to the Renewable Energy Sources Act, Energy Industry Act and other legislation are envisaged for this.	Currently going through the parliamentary procedure, completion planned for 2023
	Onshore Wind Strategy	Following a comprehensive stakeholder consultation process, the Economic Affairs and Climate Ministry presented an Onshore Wind Strategy at a wind energy summit on 23 May 2023. The strategy describes central measures and policies in 12 fields of action en route to approx. 160 GW of wind capacity by 2035, e.g. market-driven RES expansion, acceleration of approvals, more sites in the near future, transport, securing the supply of skilled workers, boosting production capacities.	Published on 23 May 2023
	Changes to the Renewable Energy Sources Act, the Act on the Need for Wind Energy Sites and the Energy Industry Act in the context of the revision of the energy price brakes	The revision of the energy price brakes created a temporary incentive in the Renewable Energy Sources Act to boost the generation of electricity from biogas, replacing the need to use natural gas to generate electricity. The intention is to take precautions in the light of potential gas shortages resulting from the Ukraine war. The provisions of the Energy Security of Supply Act in the Renewable Energy Sources Act ensure that biogas installations continue to receive the feed-in tariff or market premium for the entire rated capacity of the installation in 2023 and 2024. Also, a flexibilisation of the slurry bonus until 30 April 2024 has been introduced. This means that the installations do not lose their slurry bonus for ever if they temporarily fail to comply with the minimum proportion of slurry. Also, on a temporary basis, the obligatory minimum hydraulic retention time of 150 days in digestate storage facilities has been suspended.	Rules of the amendment to the energy price brakes entered into force in August 2023

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 4: Reduce dependence, diversify energy supply	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Implementation of the EU Emergency Regulation	The implementation of the EU Emergency Regulation for faster approval procedures in the field of RES (and grids, see below) dispenses for a certain period with the environmental impact and species protection assessments in RES and grid areas if an environmental assessment has been undertaken at planning level.	Implementing rules were included as part of the revision of the Spatial Planning Act (in force since 29 March 2023).
	Amendment of Federal Immission Control Act and Approval Acceler-ation Act to speed up approval procedures	The changes to the Federal Immission Control Act are intended to simplify and expedite approval procedures for onshore wind in particular. Key provisions include: general strengthening of the role of the project manager, adaptation of rules on deadlines and reference dates, rules on the digitalisation of the participation procedure; specifically for onshore wind and green electrolysers, the public hearing (section 16 of the 9th Federal Immission Control Ordinance) is dispensed with, the repowering rules are improved, and rules for more efficient interim injunctions put in place.	The Federal Immission Control Act and the Approval Acceleration Act are passing through the parliamentary procedure.
	Obligation to toler-ate renewable en-ergy installations in the Renewable En-ergy Sources Act	In order to accelerate the connection of RES to the grid, there are plans to introduce an obligation to tolerate the laying and operation of connectors in return for compensation. The provisions are to be included in the Renewable Energy Sources Act.	Going through parliamentary procedure (Cabinet decision on 16 August 2023)
	Site-related measures for onshore wind	Under the new section 245e(5) of the Federal Building Code, municipalities can designate sites for wind energy even if spatial planning rules still exclude this possibility. This expands the municipalities' scope to act. Under the new section 3(4) of the Act on the Need for Wind Energy Sites, the *Länder* can bring forward the site-based targets and the legal consequences that apply should the targets be missed.	Section 245e(5) of the Federal Building Code was promulgated in the Federal Law Gazette on 14 July 2023 and enters into force on 14 January 2024. Section 3(4) of the Act on the Need for Wind Energy Sites has been in force since 3 August 2023.

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 4: Reduce dependence, diversify energy supply	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Revision of the Spatial Planning Act and the Federal Building Code	Revision of the Spatial Planning Act and the Federal Building Code to accelerate the planning procedures for regional planning and land-use plans (e.g. via greater digitalisation of the participation procedure).	One part entered into force on 29 March 2023. Further amendments to the Spatial Planning Act apply from 28 September 2023.
	Implementation of RED III	The Renewable Energy Directive (RED III) provides for rules to simplify planning and approval procedures for RES projects. Some aspects of its implementation must be undertaken by summer 2024; corresponding steps are currently being prepared.	The timetable is being set up; implementation deadlines vary, the shortest being 6 months following entry into force of the RED.
	Better connection of offshore wind turbines (Energy Security of Supply Act/Energy Industry Act)	The field of offshore grid connectors comprises measures to ensure a better capacity utilisation of the connectors in the short and medium term, and to attain the offshore expansion targets. In particular, the construction time window in the territorial sea is lengthened, and a possibility to deviate from the 2K criterion is stipulated both in the EEZ and in the territorial sea.	
	Acceleration of expansion of the power grid (see below for details)		
	Implementation of the EU Emergency Regulation via the revision of the Spatial Planning Act	The implementation of the EU Emergency Regulation in section 43m of the Energy Industry Act via the revision of the Spatial Planning Act means that it is possible to dispense for a certain period with an environmental impact and a species protection assessment if the grid expansion projects are built in areas for which a Strategic Environmental Assessment has been undertaken.	Entered into force on 29 March 2023.
	Act to Bring Energy Industry Legislation into Line with Union-Law Requirements and to Amend Other Energy Legislation (revision of the Energy Industry Act)	Planned rules to accelerate grid expansion include: strengthening of the pooling requirement, reduction of the existing two-stage planning approval procedure under the Grid Expansion Acceleration Act to a single stage, more efficient management of the public participation, greater digitalisation and relaxed rules on implementation during the addition to the plan. A further simplification for the optimisation of the existing grids is also envisaged.	Currently going through the parliamentary procedure

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 4: Reduce dependence, diversify energy supply	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Acceleration of the heat transition	Target relevance of the measures cited below: reduction in dependence on fossil fuels via measures to realise the 65% RES rule for heating systems	
	Buildings Energy Act	The 2nd revision of the Buildings Energy Act provides that, in principle, every newly installed heating system in new-build areas from 1 January 2024 should use at least 65% renewable energy. Newly installed heating systems in existing buildings will be subject to this requirement following the completion of municipal heat planning, at the latest from 1 July 2026 in cities with more than 100,000 inhabitants, and from 1 July 2028 in all other municipalities.	Act adopted (Bundestag 2nd/3rd readings on 8 September 2023 and Bundesrat II on 29 September 2023) Entry into force: 1 January 2024
	Federal funding for energy-efficient buildings (BEG)	The Federal Government provides support via the federal funding for energy-efficient buildings scheme towards the switch to climate-friendly heating systems and accelerates investments in higher energy efficiency in buildings. To this end, the funding already being provided by the Federation is being further developed and increased. The aim is that no-one should be unable to cope with the situation, and that economic viability aspects also play a role. Consideration will be given to the individual needs and social hardship into the heart of society. At the same time, the funding is to provide effective incentives to achieve the earliest possible renewal and refitting of heating systems and thus to attain an additional positive effect on the climate.	Currently going through the parliamentary procedure
	Heat Planning Act	The Act on Heat Planning and the Decarbonisation of the Heating Networks (Heat Planning Act) obliges the *Länder* to undertake heat planning in their territory (or have it undertaken). The heat planning should analyse and describe what heat supply types (e.g. heating network) are best suited to supply the various sub-areas of an area under planning. The heat planning improves the planning and investment security of the stakeholders and helps improve the coordination of the development of the energy infrastructure. Further to this, the act imposes requirements on the proportion of renewable energy and unavoidable waste heat in heating networks. The aim is to have the act enter into force on 1 January 2024.	Going through parliamentary procedure (cabinet decision on 16 August 2023)
	Federal funding for Heat Pump Expansion Programme	Funding goes towards training on the design, installation and calibration of heat pumps in existing buildings. The programme is administered by the BAFA (Federal Office for Economic Affairs and Export Control), runs from 1 April 2023 for 30 months, and has a planned volume of €57m. Applications are accepted from skilled craft enterprises (plumbing, heating, air-con, electrical, refrigeration, chimney sweeps), energy consultants and planning offices for building technology.	Running since 1 April 2023 for 30 months

Table 11: continuation

The Council of the European Union recommends that Germany take action in 2023 and 2024 to:	Reporting period April 2023 to March 2024		
Recommendation 4: Reduce dependence, diversify energy supply	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
		The funding programme is intended to make a significant contribution towards the rapid further training of qualified experts, energy consultants and planners of building technology.	
4.2 Step up energy efficiency efforts in transport, building and industry, including through investments in heating systems and further policy measures aimed at the provision and acquisition of the skills needed for the green transition.	Energy Efficiency Act	The act supports the implementation of the revised Energy Efficiency Directive adopted in the summer. Energy efficiency targets for primary and final energy consumption are stipulated for 2030. It includes provisions to strengthen the position of the public sector as a role model. The Federation and the *Länder* are required to take efficiency measures and to achieve final energy consumption cuts of 45 TWh (Federation) and 3 TWh (*Länder*). Furthermore, public authorities must cut final energy consumption by 2% if they consume more than 1 GWh a year. Section 6(7) of the Energy Efficiency Act contains an authorisation for the *Länder* to issue ordinances.	The Act was adopted by the Bundestag on 21 September 2023. It will probably be considered by a plenary sitting of the Bundesrat on 20 October 2023.
	Federal funding for energy and resource efficiency in business	This programme provides grants towards investments in energy and resource efficiency and in process heat from renewable energy in the sector of industry and commerce. It offers the following variants: “grants” (BAFA), “loans” (KfW) and a “funding competition” (run by VDI/VDE-IT). The maximum funding per project is €15m, covering up to 65% of eligible investment costs.	In force since 2019, last revision of the guidelines was in May 2023. Runs until 30 June 2024, extension possible up to 31 December 2026.
	Advice and communications (energy switching campaign and energy advice)	The main task of the Economic Affairs and Climate Ministry’s energy switching campaign is to provide end users with comprehensive information about energy efficiency and renewable heat, especially the Ministry’s relevant funding programmes, and to encourage them to implement energy-efficient measures. Further to this, the campaign implements requirements to provide information (e.g. National Action Plan on Energy Efficiency, Energy Efficiency Directive, EU Energy Label Regulation). The provision of advice on energy is a key tool to attain the climate targets in the fields of buildings, industry and commerce. At the same time, the energy advice boosts the capacity of energy consumers to take their own decisions, and helps avoid misdirected investments.	The campaign was launched in June 2022 and is to continue until at least 2025. Full continuation of the advisory programmes
	Re energy efficiency in buildings (Buildings Energy Act)	1st revision of the Buildings Energy Act: permissible primary energy demand standard for new-builds raised to Efficiency House 55 Standard.	Change to Buildings Energy Act entered into force on 1 January 2023.

Last stand: 9 October 2023

Table 12: Methodological aspects

Estimation technique	Relevant step of the budgetary process	Relevant features of the model/technique used	Assumptions
Macroeconomic forecast	Before each tax revenue estimate	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 Gaps Working Group of the European Union’s Economic Policy Committee (EPC).	Technical assumptions (for oil and commodity prices, exchange rates and interest rates)
Tax 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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