German Draft Budgetary Plan 2025

Federal Ministry of Finance

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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 2024

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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 2025 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. The projections take account of information up to 2 September 2024.

An important source used as the basis for making the fiscal projections is the government draft of a supplementary federal budget for 2024 of 17 July 2024. Another important source is the government draft of the Act Adopting the Federal Budget for the 2025 Fiscal Year and Fiscal Plan to 2028 (*Gesetz über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2025 und Finanzplan des Bundes bis 2028*), adopted by the federal government on 16 August 2024.

The federal government's budgetary and fiscal planning is based on the results of the Working Party on Tax Revenue Estimates of 16 May 2024, which, in turn, are based on the federal government's spring projection on macroeconomic trends of 24 April 2024.

Once the federal government's draft budget has been forwarded to the Bundestag and Bundesrat, the executive branch's responsibility for the budget preparation process ends, and the legislative branch takes over. On 9 October 2024, while the parliamentary deliberations were underway, the federal government published its autumn projection on macroeconomic trends. This projection could not be taken into account in the present Draft Budgetary Plan 2025. It will form the basis of the next tax estimate, the results of which are due to be issued on 24 October 2024. These results will be taken into consideration in the final parliamentary deliberations on the 2025 federal budget.

Forecast for public finances

- **Reduction of the general government deficit**

According to the projection, the general government deficit will be 2½% of GDP in 2024, roughly the same as in 2023, when the deficit was 2.6% of GDP. This can be attributed to contrasting trends: On the one hand, the expiry of the energy price brakes is easing the burden on public budgets, while on the other hand, significant additional spending is planned for the special fund for the Bundeswehr and the Climate and Transformation Fund. The downturn in the economy in 2024 compared with 2023 is also contributing to higher deficits.

- **Structural deficit returning to normal**

The reduction in the general government deficit is also reflected in the structural balance (i.e. the fiscal balance adjusted for cyclical and one-off effects), which in 2024 is projected to improve slightly in year-on-year terms to around -1¾% of GDP. A further, significant improvement to around -1% of GDP is forecast for 2025.

General government fiscal balance and debt-to-GDP ratio

Table 1

	2023	2024	2025
		in % of GDP	
Fiscal balance	-2.6	-2½	-1¾
Structural balance	-2.0	-1¾	-1
Debt-to-GDP ratio	62.9[1]	63¼	63¼

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

1 Maastricht debt-to-GDP ratio for 2023, as published by the Deutsche Bundesbank on 30 September 2024.

- **Stabilisation of the debt ratio**

Based on the projection presented here, the debt-to-GDP ratio will rise slightly in 2024 to around 63¼% of GDP and remain at that level in 2025. Spending on financial transactions has the effect of increasing the Maastricht debt-to-GDP ratio, but is not included when calculating the Maastricht deficit.

- **Slowing growth in net expenditure**

With the reform of the Stability and Growth Pact, adopted in April 2024, growth in general government net expenditure replaced the structural balance as the primary fiscal indicator. Net expenditure covers general government spending, adjusted for interest expenditure and discretionary revenue measures. Furthermore, net expenditure does not include cyclical unemployment benefit expenditures, expenditures financed by the EU or national expenditure on co-financing of EU programmes.

Growth in net expenditure is likely to slow from 5.0% in 2023 to around 3¾% in 2024, and is projected to decline even further in 2025, to around 2¼%. The high growth rate in net expenditure in 2023 was due to the relief and stabilisation measures taken during the energy price crisis.

- **Higher investments in areas that are crucial for the future**

Investment levels have increased significantly in recent years. In 2023, government gross fixed capital formation as defined in the national accounts stood above pre-crisis levels at 2.8% of GDP (average in the 2010s: 2.5% of GDP). A further increase, to around 3%, is expected in 2025.

However, private sector investments make up the lion's share of aggregate investment (around 90%). Private investments are supported by the federal government both through measures to establish more favourable conditions for investment and by means of government investment grants. Government investment grants amounted to 1.5% of GDP in 2023, significantly more than before the crisis (average in the 2010s: 0.7% of GDP). In 2024 and 2025, investment grants are likely to exceed the 2023 level.

Growth in general government net expenditure

Table 2

	2023	2024	2025
		in % yoy	
Net expenditure growth rate	5.0	3¾	2¼

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

Basis for the present Draft Budgetary Plan 2025

The Draft Budgetary Plan 2025 is based in particular on the following sources and information:

- **Macroeconomic basis**
  - › Federal government spring projection of 24 April 2024
  - › Results relating to the general government budget in the national accounts, published by the Federal Statistical Office on 27 August 2024
- **Results of the Working Party on Tax Revenue Estimates of 16 May 2024**
- **Budgetary plans**
  - › Act Adopting the Federal Budget for the 2024 Fiscal Year (*Gesetz über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2024*) of 10 February 2024
  - › Government draft of a supplementary federal budget for 2024 of 17 July 2024
  - › Government draft of the Act Adopting the Federal Budget for the 2025 Fiscal Year and Fiscal Plan to 2028 (*Gesetz über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2025 und Finanzplan des Bundes bis 2028*), adopted by the federal government on 16 August 2024
  - › Economic and fiscal plan of the special Climate and Transformation Fund, adopted by the federal government on 16 August 2024
- **Other legislation and measures, in chronological order**
  - › 2024 Budget Financing Act (*Haushaltsfinanzierungsgesetz 2024*) of 22 December 2023
  - › Second 2024 Budget Financing Act (*Zweites Haushaltsfinanzierungsgesetz 2024*) of 27 March 2024
  - › 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 27 March 2024
  - › Government draft of an Act to Stabilise Pension Levels and to Create a “Generational Capital Fund” for the Statutory Pension Insurance System (*Gesetz zur Stabilisierung des Rentenniveaus und zum Aufbau eines Generationenkapitals für die gesetzliche Rentenversicherung*) of 29 May 2024
  - › Government draft of the 2024 Annual Tax Act (*Jahressteuergesetz 2024*) of 5 June 2024
  - › Government draft of a Fourth Act to Reduce Bureaucracy for Citizens, Businesses and the Public Administration (*Viertes Gesetz zur Entlastung von Bürgerinnen und Bürgern, der Wirtschaft sowie der Verwaltung von Bürokratie*) of 19 June 2024
  - › Postal Legislation Modernisation Act (*Gesetz zur Modernisierung des Postrechts*) of 15 July 2024
  - › Government draft of a Budget Support Act (*Haushaltsbegleitgesetz*) of 17 July 2024
  - › Twenty-Ninth Act Amending the Federal Training Assistance Act (*Neunundzwanzigstes Gesetz zur Änderung des Bundesausbildungsförderungsgesetzes*) of 19 July 2024
  - › Government draft of an Act to Further Develop Tax Law and Adjust the Income Tax Schedule (*Gesetz zur Fortentwicklung des Steuerrechts und zur Anpassung des Einkommensteuertarifs*) of 24 July 2024
  - › Government draft of an Act on the Tax Exemption of the 2024 Subsistence Income (*Gesetz zur steuerlichen Freistellung des Existenzminimums 2024*) of 24 July 2024
  - › Act Amending the Fiscal Equalisation Act and the Stability Council Act (*Gesetz zur Änderung des Finanzausgleichsgesetzes und zur Änderung des Stabilitätsratsgesetzes*) of 30 July 2024
  - › Government draft of an Act on Accrual-based Accounting of Interest Expenditure in the Context of Government Borrowing and a Third Act to Improve Quality and Participation in Child Day Care (*Gesetz zur periodengerechten Veranschlagung von Zinsausgaben im Rahmen der staatlichen Kreditaufnahme und eines Dritten Gesetzes zur Weiterentwicklung der Qualität und zur Teilhabe in der Kindertagesbetreuung*) of 15 August 2024

Technical assumptions

Table 3

	2023	2024	2025
Short-term interest rate (annual average in %)	3.9	4.0	2.9
Long-term interest rate (annual average in %)	2.4	2.3	2.2
USD/€ exchange rate (annual average)	1.08	1.09	1.09
Nominal effective exchange rate	110.7	111.7	109.5
World GDP growth rate (excluding EU)	3.6	3.5	3.5
EU GDP growth rate	0.6	1.1	1.8
Growth of German sales markets (% change yoy)[1]	0	2¾	3¼
World import volumes (excluding EU)	0.5	2.9	3.0
Oil price (Brent, USD/barrel)	82	86	81

2024 and 2025: federal government spring projection on macroeconomic trends, April 2024.

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

Macroeconomic prospects

Table 4a

	ESA code	2023	2023	2024	2025
		€ billion	Year-on-year change in %		
1. Real GDP	B1*g	3,615.5	-0.3	0.3	1.0
2. Potential GDP[1]	B1*g	3,654.3	0.9	0.6	0.6
contributions (percentage points):					
- labour			0.4	0.2	0.1
- capital			0.3	0.3	0.3
- total factor productivity			0.1	0.1	0.2
3. Nominal GDP	B1*g	4,185.6	5.9	3.0	2.8
Components of real GDP		Index (2020=100)	Year-on-year change in %		
4. Private final consumption expenditure[2]	P.3	107.6	-0.4	0.9	1.0
5. Government final consumption expenditure	P.3	103.4	-0.1	0.7	0.9
6. Gross fixed capital formation	P.51g	99.2	-1.2	-0.8	1.7
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	-	0.1	-0.2	0.0
8. Exports of goods and services	P.6	113.0	-0.3	-0.6	3.1
9. Imports of goods and services	P.7	115.9	-0.6	-0.6	3.6
Contributions to real GDP growth			in percentage points		
10. Final domestic demand (excluding inventories)		-	-0.4	0.5	1.1
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	-	0.1	-0.2	0.0
12. External balance of goods and services	B.11	-	0.1	0.0	-0.1

2023: Federal Statistical Office, August 2024.

2024 and 2025: federal government spring projection on macroeconomic trends, April 2024.

1 2023 figure calculated as the difference between GDP (August 2024) and output gap (April 2024).

2 Including private non-profit organisations serving households.

Price developments – deflators

Table 4b

	2023	2023	2024	2025
	Index (2020=100)	Year-on-year change in %		
1. GDP	115.8	6.1	2.8	1.8
2. Private consumption expenditure[1]	117.2	6.7	2.5	2.0
3. Government consumption expenditure	113.8	4.2	4.7	1.9
4. Gross investment	118.3	0.4	0.3	1.6
5. Exports	119.0	0.7	0.7	1.2
6. Imports	122.0	-3.0	-0.2	1.4

2023: Federal Statistical Office, August 2024.

2024 and 2025: federal government spring projection on macroeconomic trends, April 2024.

1 Including private non-profit organisations serving households.

Labour market developments

Table 4c

	ESA code	2023	2023	2024	2025
		Level	Year-on-year change in %		
1. **Employment, persons**[1] (in millions)		46.0	0.7	0.4	0.1
2. **Employment, hours worked**[2] (in billions)		61.4	0.4	1.0	0.5
3. **Unemployment rate**[3] (%)		-	2.8	3.0	2.8
4. **Labour productivity, persons**[4]		102.4	-1.0	-0.1	0.9
5. **Labour productivity, hours worked**[5]		100.8	-0.6	-0.7	0.5
6. **Compensation of employees** (€ billion, domestic)	D.1	2,223.6	6.8	5.5	3.7
7. **Compensation per employee** (€ thousand, domestic)		52.7	5.8	4.9	3.5

2023: Federal Statistical Office, August 2024.

2024 and 2025: federal government spring projection on macroeconomic trends, April 2024.

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); 2020=100.

5 Real GDP per hour worked; 2020=100.

Sectoral balances

Table 4d

	ESA code	2023	2024	2025
		in % of GDP		
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	5.8	7.1	6.9
of which:				
- Balance of goods and services		4.0	4.4	4.2
- Balance of primary incomes and transfers		2.2	3.2	3.2
- Capital account		-0.4	-0.5	-0.5
2. Net lending/net borrowing of households	B.9	5.9	6.2	6.3
3. Net lending/net borrowing of general government[1]	B.9	-2.6	-2½	-1¾
4. Statistical discrepancy		-	-	-

2023: Federal Statistical Office, August 2024.

2024 and 2025: federal government spring projection on macroeconomic trends, April 2024.

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

General government budgetary targets broken down by subsector

Table 5a

	ESA code	2024	2025
		in % of GDP	
Net lending (+) / net borrowing (-) (B.9) by subsector[1]			
1. General government	S. 13	-2½	-1¾
2. Central government	S. 1311	-2	-1
3. State government	S. 1312	-¼	0
4. Local government	S. 1313	-¼	-¼
5. Social security funds	S. 1314	0	-¼
General government (S.13)			
6. Interest expenditure	D.41	1	1
7. Primary balance[2]		-1½	-¾
8. One-off and other temporary measures[3]		0	0
9. Real GDP growth (% change yoy)		0.3	1.0
10. Potential GDP growth (% change yoy)		0.6	0.6
contributions (percentage points):			
- labour		0.2	0.1
- capital		0.3	0.3
- total factor productivity		0.1	0.2
in % of potential GDP			
11. Output gap		-1.5	-1.1
12. Cyclical budgetary component		-¾	-½
13. Cyclically adjusted balance (1-12)		-1¾	-1
14. Cyclically adjusted primary balance (13+6)		-¾	0
15. Structural fiscal balance (13-8)		-1¾	-1

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

General government debt developments (Maastricht definition)

Table 5b

	ESA code	2024	2025
		in % of GDP	
1. Gross debt		63¼	63¼
2. Change in gross debt ratio		½	-¼
Contributions to changes in gross debt			
3. Primary balance		1½	¾
4. Interest expenditure	D.41	1	1
5. Stock-flow adjustment		-2	-1¾
p.m.: Implicit interest rate on debt[1]		1½	1½

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.

GDP sensitivity of the general government budget balance projection

Table 5c

	2023	2024	2025
GDP trends according to	General government budget balance in % of GDP		
- Baseline scenario	-2.6	-2½	-1¾
- Alternative scenarios			
Real GDP, rate of change -½ percentage point p.a. compared with baseline scenario		-2¾	-2¼
Real GDP, rate of change +½ percentage point p.a. compared with baseline scenario		-2¼	-1¼

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

Interest rate sensitivity of the general government budget balance projection

Table 5d

	2023	2024	2025
Interest rate trends according to	General government budget balance in % of GDP		
- Baseline scenario	-2.6	-2½	-1¾
- Alternative scenarios			
Interest rate +50 basis points p.a. compared with baseline scenario		-2½	-1¾
Interest rate -50 basis points p.a. compared with baseline scenario		-2¼	-1½

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

General government expenditure and revenue projections under the no-policy-change scenario*

Table 6

General government (S.13)	ESA code	2024	2025
		in % of GDP	
1. Total revenue at unchanged policies*	TR	46¾	47¾
of which:			
1.1 Taxes on production and imports	D.2	10½	10½
1.2 Current taxes on income, wealth, etc.	D.5	12¾	13¼
1.3 Capital taxes	D.91	¼	¼
1.4 Social contributions	D.61	17½	18
1.5 Property income	D.4	¾	¾
1.6 Other[1]		5	5
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)[2]		41	42
2. Total expenditure at unchanged policies*	TE[3]	49¼	49¼
of which:			
2.1 Compensation of employees	D.1	8¼	8¼
2.2 Intermediate consumption	P.2	6½	6¼
2.3 Social payments	D.62 + D.632	25¼	25¾
of which: Unemployment benefits[4]		1½	1½
2.4 Interest expenditure	D.41	1	1
2.5 Subsidies	D.3	1¼	1
2.6 Gross fixed capital formation	P.51	3¼	3¼
2.7 Capital transfers	D.9	2	1¾
2.8 Other[5]		2	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.

General government expenditure and revenue targets

Table 7

General government (S.13)	ESA code	2024	2025
		in % of GDP	
1. Total revenue target	TR	46¾	47½
of which:			
1.1 Taxes on production and imports	D.2	10½	10½
1.2 Current taxes on income, wealth, etc.	D.5	12¾	13
1.3 Capital taxes	D.91	¼	¼
1.4 Social contributions	D.61	17½	18
1.5 Property income	D.4	¾	¾
1.6 Other[1]		5	5
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)[2]		41	41¾
2. Total expenditure target	TE[3]	49¼	49¼
of which:			
2.1 Compensation of employees	D.1	8¼	8¼
2.2 Intermediate consumption	P.2	6½	6¼
2.3 Social payments	D.62 + D.632	25	25½
of which: Unemployment benefits[4]		1½	1½
2.4 Interest expenditure	D.41	1	1
2.5 Subsidies	D.3	1¼	1¼
2.6 Gross fixed capital formation	P.51	3	3¼
2.7 Capital transfers	D.9	2¼	1¾
2.8 Other[5]		2	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.

Discretionary measures at the general government level (including discretionary measures at the federal level)

Table 8

List of new measures*	Detailed description	ESA code	Adoption status / entry into force	2024	2025
				in % of GDP	
Enhancing security, defence and stability in partner countries[1] – here: changes compared with the 2024 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	1 January 2024 / 1 January 2025	-0.08	
Federal government package for future-proof finances, social security and investments in the future[2]	Abolition of the citizen's benefit bonus, expansion of the "job turbo" initiative for labour market integration, reduction of expenditures of various ministries, increase of tax rates in aviation, gradual phasing-out of diesel subsidies, adjustment of basic income support for jobseekers	D.62, D.21, D.74	Different provisions enter into force on different dates	0.12	0.13
Federal government electricity price package for energy-intensive companies[3]	Cut in electricity duty for manufacturing companies to the lowest rate permitted by the European Union, continuation of supplementary aid (super cap) and expansion of electricity price compensation	D.21, D.31	Different provisions enter into force on different dates	-0.11	-0.11
Creation of a capital stock to stabilise the rise of contributions in the statutory pension insurance system (pension reserve fund)[4]	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	-0.28	-0.28
Government draft of an Act on the Tax Exemption of the 2024 Subsistence Income (*Gesetz zur steuerlichen Freistellung des Existenzminimums 2024*)[5]	Increase in the basic personal allowance integrated into the income tax schedule and in the tax allowance for children for the 2024 assessment period	D.51			-0.08
Government draft of an Act to Further Develop Tax Law and Adjust Income Tax Rates (*Gesetz zur Fortentwicklung des Steuerrechts und zur Anpassung des Einkommensteuertarifs*)[6]	Adjustment of the income tax schedule, replacement of the combination of tax classes III and V with the factor-based method, reform of collective depreciation rules, continuation of depreciation options for moveable assets for the period 2025 to 2028, increase in child benefit, increase in the immediate supplement for children	D.51	Different provisions enter into force on different dates		-0.17

*Compared with the Finance Ministry forecast of October 2023. A minus sign indicates additional expenditure or revenue shortfalls in the general government budget.

1 For details of the federal budget 2024 and 2025 (in German), please see: https://www.bundesfinanzministerium.de/Web/DE/Themen/Oeffentliche_Finanzen/Bundeshaushalt/bundeshaushalt.html

2 For details (in German), please see: https://www.bundesfinanzministerium.de/Monatsberichte/2024/01/Inhalte/Kapitel-2a-Schlaglicht/schlaglicht-bundeshaushalt-2024.html

3 For details (in German), please see: https://www.bundesregierung.de/breg-de/aktuelles/strompreispaket-energieintensive-unternehmen-2235760

4 No effect on the deficit. For details (in German), please see: https://www.bundesfinanzministerium.de/Web/DE/Themen/Internationales_Finanzmarkt/Altersvorsorge/Generationenkapital/generationenkapital.html

5 For details (in German), please see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/20_Legislaturperiode/2024-07-24-Freistellung-Existenzminimum/0-Gesetz.html

6 For details (in German), please see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/20_Legislaturperiode/2024-07-20-JStG-II-2024/0-Gesetz.html

Impact of the Recovery and Resilience Facility (RRF) on the projection – grants

Table 9

	2020	2021	2022	2023	2024	2025	2026
Revenue from RRF grants (in % of GDP)							
RRF grants as included in the revenue projections	0.00	0.17	0.10	0.07	0.11	0.11	0.10
Cash disbursements of RRF grants from EU	0.00	0.06	0.00	0.10	0.30	0.09	0.09
Expenditure financed by RRF grants (in % of GDP)							
Total current expenditure	0.00	0.11	0.05	0.04	0.02	0.02	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	0.03	0.08	0.09	0.09
Investment expenditure	0.02	0.05	0.05	0.03	0.08	0.09	0.09
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 are due to rounding.

Net expenditure growth

Table 10

	ESA code	2023	2023	2024	2025
		€ billion	in % of GDP		
1. Total expenditure	TE	2,025.0	48.4	49¼	49¼
2. Interest expenditure	D.41	36.6	0.9	1	1
3. Cyclical unemployment benefit expenditure		-0.3	0.0	0	0
4. Expenditure on EU programmes fully matched by EU funds revenue		9.6	0.2	¼	¼
4a. of which : Investment expenditure		4.4	0.1	0	0
5. National co-financing of EU programmes		2.7	0.1	0	0
6. One-off expenditure (excl. EU-financed measures)		0.0	0.0	0	0
7. Nationally financed net primary expenditure (before DRM) (= 1-2-3-4-5-6)		1,976.4	47.2	48	48
8. Discretionary revenue measures (DRM)				¼	¼
9. Nationally financed net primary expenditure (after DRM) (= 7-8)				47½	47¾
			Year-on-year change		
10. Nominal GDP growth				3	2¾
11. Primary expenditure growth				3¾	2¼

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

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 1: Submit FSP, achieve prudent fiscal position, increase investment	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
1.1[1] Submit the medium-term fiscal-structural plan in a timely manner.	Legal requirement pursuant to Article 11 of Regulation (EU) 2024/1263 on the preventive arm of the reformed Stability and Growth Pact (SGP)	Each member state must submit a national medium-term fiscal-structural plan to the Council and to the Commission. The national medium-term fiscal-structural plans contain the fiscal, reform and investment commitments of a member state, covering a period of four or five years depending on the regular length of the legislative term of that member state.	Based on Article 36 of Regulation (EU) 2024/1263 on the preventive arm of the reformed Stability and Growth Pact (SGP), the federal government will submit the German FSP in consultation with the European Commission regarding the date of submission.
1.2 In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure in 2025 to a rate consistent with putting the general government debt on a plausibly downward trajectory over the medium term and maintaining the general government deficit below the 3% of GDP Treaty reference value.	Limiting growth in net expenditure	Net spending is set to increase by approximately 2¼% on the year in 2025. The planned growth in net spending is thus substantially below the growth in the years prior.	Draft Budgetary Plan projection of 15 October 2024
1.3 Strengthen public investment and remove obstacles to private investment to boost competitiveness.	Accelerated depreciation options	For movable assets acquired or produced after 31 December 2024 and before 1 January 2029, taxpayers will be able to opt for accelerated depreciation instead of straight-line depreciation. The percentage that can be applied is up to two and a half times the percentage that would be permissible under straight-line depreciation, up to a maximum of 25%. Extending and expanding accelerated depreciation options can contribute to combating the sustained economic slump and overcoming Germany's far-reaching structural problems as a business location. It will create a strong and broad-based economic stimulus, accelerate lending and incentivise innovative investments that contribute to structural development.	Implementation via the Tax Law Development Act (*Steuerfortentwicklungsgesetz*); parliamentary procedure ongoing
	Collective depreciation	The lower threshold for asset pools will be raised to €800 and the upper limit to €5,000. The liquidation period for asset pools will be reduced to three years. In addition, the exclusivity requirement between the provision applicable to low-value assets and the option of creating an asset pool will be abolished. These changes will apply for the first time to assets acquired, produced or invested in business assets in fiscal years beginning after 31 December 2024.	Implementation via the Tax Law Development Act (*Steuerfortentwicklungsgesetz*); parliamentary procedure ongoing

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

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 1: **Submit FSP, achieve prudent fiscal position, increase investment**	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
		In addition, record-keeping and documentation requirements for low-value assets will be abolished. These requirements will apply for the last time to fiscal years ending before 1 January 2025. The measure is designed to promote investment.	
	Research allowance	The tax incentive for research and development (research allowance) is intended to strengthen Germany as a business location. In particular, it is designed to encourage small and medium-sized businesses to invest more in research and development activities. To further enhance the attractiveness of the research allowance for large companies, the maximum assessment basis will be increased to €12 million. This will apply to eligible expenditures incurred after 31 December 2024. The main objective is to create an incentive for larger companies to invest even more in research and development.	Implementation via the Tax Law Development Act (*Steuerfortentwicklungsgesetz*); parliamentary procedure ongoing
	KfW toolbox: federal guarantees	KfW will receive a federal guarantee to enable it to finance large-scale sureties/guarantees for manufacturers of key technologies. This will support the ramp-up of the energy transition.	The federal government is currently in the advanced stages of evaluation.
	Revision of the Federal Building Code (*Baugesetzbuch*)	With its amendments to the Federal Building Code, the federal government is accelerating the construction of housing, especially in high-demand metropolitan areas. This forms part of the government's efforts to implement its growth strategy. Key changes include simplifications for building extensions, for the repurposing of commercial real estate and for the concentration of residential buildings as well as stronger pre-emption rights for local authorities.	The cabinet approved the reform of the Federal Building Code on 4 September 2024. The parliamentary deliberations are to be completed by the end of 2024.
	Revision of the Federal Building Code: digitalisation	The revised Federal Building Code establishes digital notifications as the general rule. This will enable the development plan process to be completed digitally. In addition, XPlanung, a planning standard that is already established under *Länder* law, is also being enshrined in the Federal Building Code.	

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 1: Submit FSP, achieve prudent fiscal position, increase investment	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Revision of the Federal Building Code: development plans	The procedure for drawing up development plans is being accelerated. In future, development plans will be announced within twelve months of completion of the participation procedure. The scope of what is known as the “simplified procedure” will be extended to include the possibility of updating existing development plans to the current status of the Land Use Ordinance (*Baunutzungsverordnung*) (“innovation clause”).	
	Revision of the Federal Building Code: innovation clause	A new general clause in planning law permits deviations from otherwise applicable planning rules, including existing development plans, for a limited period for the purpose of creating housing. To ensure compliance with EU provisions, respect local authorities’ responsibility for matters of planning, and avoid undesirable urban planning developments, the general clause is subject to several specific restrictions.	
	Draft of the Building Type E Act (*Gebäudetyp E-Gesetz*)	The Building Type E Act is intended to simplify basic and innovative construction in Germany. It applies to new construction and refurbishment projects in which certain comfort standards – but not safety standards! – can be dispensed with. Type E will not be established as a separate category of buildings.	Consultations with the *Länder* and associations have been completed. The plan is to present the draft act to the cabinet for approval as soon as possible following the final interministerial consultation.
	Programme for climate-friendly new construction in the low-cost segment (KNN)	The KNN programme focuses on construction projects for new residential and non-residential buildings. The aim is to construct climate-friendly residential buildings that have lower greenhouse gas emissions over their lifecycles as well as a space-optimised design involving lower lifecycle costs.	The programme is slated to start on 1 October 2024 and finish on 31 December 2025.
	AI data processing centres: general conditions	The federal government wants to continue to improve general conditions for data processing centres, e.g. through accelerated approval procedures as well as easier and quicker connections to the electricity grid. The latter includes non-binding online information from grid operators about available grid connection capacities.	The Federal Ministry for Economic Affairs and Climate Action is currently reviewing the planned measures. The pending revision of the Energy Industry Act (*Energiewirtschaftsgesetz*) contains provisions on the acceleration, simplification and digitalisation of grid connections.
	AI data processing centres: high-performance computing	The federal government is making considerable efforts to expand high-performance computing (HPC) capacities in the research sector and to make these available to the business community, especially SMEs and startups.	The AI Action Plan of the Federal Ministry of Education and Research contains several measures, including:

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 1: **Submit FSP, achieve prudent fiscal position, increase investment**	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
			• Opening the supercomputing capacities of the Gauss Centre for Supercomputing to commercial applications, including for SMEs and startups • Putting exascale-class HPC systems into operation • Creating broad-based access to AI-specific computer infrastructure via AI service centres • Putting a European AI service centre into operation on 1 January 2025
	AI data processing centres: digital sovereignty	The federal government plans to take appropriate measures to strengthen providers in Germany, not least in the interest of digital sovereignty of administration and business.	To achieve this, the public administration will become an “anchor client” for sovereign AI data processing centres. The development of the necessary structures is currently underway. For example, interministerial working structures are being created in order to identify and pool joint AI server capacity requirements.
	Ambitious implementation of the National Pharma Strategy	In December 2023, the federal government adopted a National Pharma Strategy containing more than 40 individual measures, including the acceleration and simplification of clinical drug trials, steps to strengthen approval authorities, and easier access to health data for research institutions. The aim is to improve general conditions and make Germany internationally competitive as a location for pharmaceutical companies.	The federal government has already implemented many of the relevant measures, e.g. via the Medical Research Act (*Medizinforschungsgesetz*) and the Act on the Use of Health Data (*Gesundheitsdatennutzungsgesetz*).

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 1: Submit FSP, achieve prudent fiscal position, increase investment	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Annual Bureaucracy Reduction Act (*Bürokratieentlastungsgesetz*), including • Reality checks • Reduction of documentation and reporting requirements • Online bureaucracy reduction portal	Cutting red tape can enhance Germany's attractiveness as a business location, leading to higher economic growth and budget revenues. The federal government is defining a burden reduction path. In future, it will present a Bureaucracy Reduction Act each year which will ensure that the burden imposed in that year by the entirety of federal laws diminishes, also taking into account newly imposed regulations. The corresponding proposals will be generated through the following measures: • Reality checks will be introduced in all ministries, leading to specific bureaucracy reduction measures. • All the ministries across the federal government will commit to a rigorous reduction of documentation and reporting requirements in their own portfolios, with reduction targets and time paths that can be clearly monitored. • The federal government will set up an online bureaucracy reduction portal. This will give businesses, citizens and the administration itself a permanent channel through which they can propose specific measures to cut red tape. If the National Regulatory Control Council supports a proposal, any rejection on the part of the federal government will require special justification.	All measures have already been launched; implementation is thus underway.
	Act on Corporate Due Diligence Obligations in Supply Chains (*Lieferkettensorgfaltspflichtengesetz*)	The Corporate Sustainability Due Diligence Directive (CSDDD) entered into force on 25 July 2024. The CSDDD includes due diligence obligations relating to both human/employee rights and the environment, as well as the obligation to adopt a transition plan for climate change mitigation. The aim is to ensure that companies in the EU fulfil certain due diligence obligations in order to avoid adverse human rights and environmental impacts arising from their chains of business activities within Europe and elsewhere. The CSDDD is very similar in key areas to the German Act on Corporate Due Diligence Obligations in Supply Chains. As a result, German companies are already well-prepared for the CSDDD.	Under the growth strategy adopted by the federal government on 17 July 2024, the Directive will be transposed in the current legislative term by means of an amendment to the Act on Corporate Due Diligence Obligations in Supply Chains. The details are currently being developed in a ministry draft under the leadership of the Federal Ministry of Labour and Social Affairs.

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 1: **Submit FSP, achieve prudent fiscal position, increase investment**	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	CSRD Implementation Act (*CSRD-Umsetzungsgesetz*)	This law transposes the EU's Corporate Sustainability Reporting Directive (CSRD). The aim is to give investors, consumers and other stakeholders the information they need to better assess companies' contributions to sustainability efforts. To this end, companies that are treated for accounting purposes as large companies and publicly traded companies that are treated for accounting purposes as small or medium-sized companies will be required under trade law to publish a sustainability report as part of their management report and to ensure that the sustainability report is audited.	The government draft was adopted on 24 July. The parliamentary procedure is expected to be concluded by the end of 2024.
	Tax simplifications	On 12 July 2024, the Federal Ministry of Finance received the reports of the expert commissions on "citizen-oriented income tax" and "simplified corporate taxation". In particular, these reports outlined simplification potential and possible ways of improving the competitiveness and system equity of income tax and corporate tax legislation. The federal government, under the leadership of the Federal Ministry of Finance, is currently reviewing whether the proposals are viable and how long their implementation would take. The question of which proposals can be implemented in the short or longer term will be key.	Classification of viable measures according to anticipated implementation time
	Simplification of procurement law and enhanced compliance with collective agreements	In a comprehensive reform of national procurement law, public procurement procedures will be simplified, accelerated and digitalised. The aim is to achieve substantial relief for public administration and companies by cutting red tape and simplifying procedures, thus boosting public investment capacity and competition for public contracts. The reform will also give public procurement a more strategic focus, make sustainable procurement more binding and strengthen SMEs, startups and innovative capacity. A draft Federal Act on Compliance with Collective Agreements (*Bundestariftreuegesetz*) will make the awarding of public contracts from the Federation contingent on the provision of working conditions that are in line with sectoral collective agreements. This will remove existing competitive disadvantages for companies that are bound by collective agreements, thus strengthening collective bargaining coverage overall.	The draft legislation for the procurement transformation package is to be adopted by the federal cabinet in the second half of 2024. The interministerial coordination process for the draft Act on Compliance with Collective Agreements, which contains the federal rules on compliance with collective agreements, was initiated on 9 September 2024.
	Germany as a financial centre: venture capital investments (Financing for the Future Act II (*Zukunftsfinanzierungsgesetz II*))	Various regulatory and supervisory measures will be taken in order to help strengthen Germany as a financial centre, thus mobilising the necessary capital for the transformation of our economy.	The ministry draft was published on 27 August; the *Länder* and associations had the opportunity to comment until 13 September.

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 1: Submit FSP, achieve prudent fiscal position, increase investment	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
		Based on the "Growth and Innovation Capital for Germany" (WIN) initiative, the draft of the second Financing for the Future Act contains the following proposals aimed at simplifying venture capital investments: • Changes to the taxation of investments in commercial partnerships by funds that are covered by the Investment Tax Act (*Investmentsteuergesetz*), including venture capital funds • Changes to the taxation of profits from sales of holdings in corporations when these are reinvested • Option of producing English-language prospectuses plus a summary The draft also contains various other proposed measures designed to improve general conditions for the financial sector, such as relaxing protection against dismissal for very high earners in the financial sector and cutting red tape in supervisory processes.	The government draft is to be presented by the end of autumn so that the Bundesrat and the Bundestag can consider it in late 2024/early 2025. The new law is to enter into force in the first half of 2025.
	Acceleration of the Future Fund: WIN initiative	The "Growth and Innovation Capital for Germany" (WIN) initiative is one element of the federal government's efforts towards a greater mobilisation of private venture capital. The aim is to boost the impact of the Future Fund as it develops according to plan. In consultation with KfW, the federal government will invest up to €500 million of resources from the Future Fund ahead of schedule in the next two to three years, in addition to the existing cashflow planning. This will be done while adhering to the existing management cost framework for the Future Fund.	The WIN initiative has mobilised private investment totalling approximately €12 billion of growth and innovation capital.
	Future Fund: direct holdings module	The Future Fund's direct holdings module is to enter the market by the end of 2024. The direct holdings module is intended to address the financing gap, particularly in large-scale financing rounds, for startups that already form part of the fund portfolio of KfW Capital and operate in strategically important areas of innovation and transformation.	Efforts are currently being made to ensure that the Future Fund's direct holdings module can enter the market by the end of 2024.
	Stronger exit channels for scale-ups	The European Tech Champions Initiative (ETCI), which was launched in 2023, is successfully improving the financing options available to young companies in the growth phase (scale-ups). However, there are not enough European prospects for follow-up financing. As a result, the growth of innovative companies in Europe is restricted, or these companies relocate abroad due to better opportunities to obtain finance. The federal government is pushing for the development of solutions at the EU level under the lead responsibility of the EIB Group in order to improve the exit financing of scale-ups.	The EIB Group is taking the lead in the development of solutions that will improve the exit financing of scale-ups. The federal government has already contributed proposals and remains in close contact with the EIB Group.

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 1: Submit FSP, achieve prudent fiscal position, increase investment	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Ordinance on General Conditions for the Supply of District Heating (*Verordnung über Allgemeine Bedingungen für die Versorgung mit Fernwärme*)	The ordinance will be revised in order to enable a more up-to-date relationship between district heating companies and their customers. Aspects such as climate action and digitalisation will be included explicitly. The updated ordinance can create investment incentives for utility companies to expand and decarbonise district heating networks.	Currently in the interministerial coordination process. The *Länder* and associations have already been consulted.
	Geothermal Energy Acceleration Act (*Geothermiebeschleunigungsgesetz*)	This omnibus act will remove obstacles to the development of geothermal energy as well as the expansion of heat pumps and heat storage. Approval procedures will be accelerated, simplified and digitalised in the future. This will ease the burden on public budgets and the private sector.	Adopted in the 112th cabinet meeting (4 September 2024), currently undergoing the parliamentary procedure.
	Carbon Storage Act (*Kohlendioxid-Speicherungsgesetz*)	The amendment of the Carbon Storage Act will enable carbon capture and storage (CCS) as well as carbon capture and utilisation (CCU) in Germany. This creates the legal basis for the application of CCS technologies in deep geological layers as well as CCU on an industrial scale. The amendment will boost competitiveness and incentivise investments by creating more options to respond to increasing carbon prices while supporting climate targets.	Parliamentary procedure ongoing
1.4 Enhance the fiscal space for productive spending including by reforming the financing side of the first pillar pension system.	Making private pension provision more attractive	The Federal Ministry of Finance is aiming to initiate a legislative procedure in 2024 on a fundamental reform of private pensions that are eligible for tax incentives. The recommendations of the private pension provision focus group are being incorporated. In addition to a more flexible disbursement phase, competition will be enhanced and transparency increased. Alongside guaranteed pension products, a retirement securities account will also be eligible for support in the future. Given that the consultations within the federal government have not yet been concluded, it is not possible at the current time to make any statements about any reduction in tax revenue.	The aim is to discuss this measure within the federal cabinet before the end of autumn 2024.
	Occupational pension schemes	The Second Act to Strengthen Occupational Pensions (*2. Betriebsrentenstärkungsgesetz*) will strengthen occupational pensions by extensively opening up social partner models, enabling investments with higher yields, and improving support for low earners. The tax improvements will cause revenue shortfalls of €155 million per year in the medium term.	Adopted by the federal cabinet on 18 September 2024.

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 1: Submit FSP, achieve prudent fiscal position, increase investment	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Pensions Package II (*Rentenpaket II*)	The Pensions Package II includes a "generational capital fund" that aims to expand the funding base for the statutory pension insurance system. In addition to federal pension contributions and federal payments, the statutory pension insurance system will as a result also be financed in the long term through returns on a publicly managed capital stock. By financing part of the statutory system, the fund will help to mitigate future increases in pension contribution rates. The Federal Ministry of Finance intends to transfer assets and permanent allocations in the form of loans (2024: €12 billion, 2025 onwards: €12 billion plus 3% p.a.) to the generational capital fund foundation. One of the shared objectives of these three initiatives (31, 31b and the generational capital fund) is to make greater use of the opportunities presented by international capital markets in order to safeguard the long-term sustainability of the pension system.	Adopted by the federal cabinet on 29 May 2024. Currently going through the parliamentary procedure.
1.5 Improve the tax mix for more inclusive growth and sustainable competitiveness, also by reducing disincentives to increase hours worked, in particular for second earners.	Income tax schedules for 2024, 2025, 2026 / tax-related family benefits	The federal government has initiated several measures, including: additional measures to offset bracket creep for 2025 and 2026; increasing the tax allowance for children and the basic personal allowance in 2024, 2025 and 2026; a further increase in child benefit as of 1 January 2025; and the simultaneous increasing of child benefit and the tax allowances for children as of 2026. This relief will make an important contribution to increasing disposable incomes and work incentives for the broad majority of taxpayers.	Implementation via the Act on the Tax Exemption of the 2024 Subsistence Income (*Gesetz zur steuerlichen Freistellung des Existenzminimums 2024*) for the 2024 measures and via the Tax Law Development Act (*Steuerfortentwicklungsgesetz*) for the measures as of 2025 and 2026; the parliamentary procedure is ongoing.
	Factor-based method	Tax classes III and V will be replaced by the factor-based method (tax class IV with factor). This will lead to a fairer distribution of burdens for couples in terms of taxation over the course of the year, and will increase the incentives for second earners to take up work.	Ongoing legislative procedure, start envisioned as of 2030 due to the work required for the technical implementation.
	Fast-start financing for citizen's benefit	In order to create a positive incentive for the transition to jobs that are subject to social security contributions and which cover the person's needs, the federal government has decided within the framework of its growth strategy to introduce fast-start financing as part of the citizen's benefit. The money will be paid out as a bonus. The fast-start financing is to be paid to the long-term unemployed once they are no longer entitled to claim basic income support. It does not need to be deducted as income from other benefits (basic child allowance, housing benefit). If fast-start financing has been granted, there is a waiting period of at least 24 months before this type of financing can be granted again. In general, a recipient must not have been in previous employment and must not have resigned from a job.	The aim is to discuss this measure within the federal cabinet before the end of autumn 2024.

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 2: Continue with the implementation of the DARP, keep track of cohesion policy priorities	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
2.1 Significantly accelerate the implementation of the recovery and resilience plan, including the REPowerEU chapter once adopted, ensuring completion of reforms and investments by August 2026, and speed up the implementation of cohesion policy programmes, including by allocating sufficient resources to the management of the recovery and resilience plan and cohesion policy programmes.	REPowerEU chapter	The Council decision on the acceptance of the amended German Recovery and Resilience Plan (DARP) that was presented, including a REPowerEU chapter, entered into force on 17 July 2024.	Completed
	Submission of the second and third payment requests	The second and third payment requests were submitted on 13 September 2024. Following a positive assessment and the disbursement of the tranches, around 60% of all milestones and objectives will have already been successfully implemented. As a result, a volume of around two thirds of the DARP will have been paid out.	Implementation in progress.
2.2 In the context of the mid-term review of cohesion policy programmes continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.	Coordination of quotas for thematic focus in the ERDF and ESF+ and utilisation of opportunities under "STEP"	By 31 March 2025, the member states must carry out their mid-term review for the EU Structural Funds in the current 2021-2027 funding period and report any planned reprogramming. In March 2024, the "Strategic Technologies for Europe Platform" (STEP) regulation came into force, which opens up extended funding opportunities (co-financing rate of 100%, pre-financing of 30% and limited funding for large companies) within the framework of existing EU programmes and funds. For the ERDF, the funding for new STEP priorities is limited to 20% of the original allocation. The Federal Ministry for Economic Affairs and Climate Action (BMWK) acts as a coordinator and mediator between the German *Länder* in order to keep an eye on planned changes with regard to the upper limits to be observed at national level and the quotas for the political targets that also have to be met at national level.	The finding of a survey conducted by the BMWK on the ERDF in May 2024 was that the majority of the German *Länder* will not prepare the mid-term review until the second half of 2024. Similar to the ERDF managing authorities, the ESF+ managing authorities at federal and Land level are also currently starting their activities for the mid-term review. The federal ESF+ managing authority is planning to carry out the mid-term review in the 4th quarter of 2024 and the 1st quarter of 2025.

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 2: Continue with the implementation of the DARP, keep track of cohesion policy priorities	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
			As part of the survey conducted by the BMWK (ERDF managing authorities) and a survey conducted by the Federal Ministry of Labour and Social Affairs (BMAS) in April 2024 (ESF managing authorities), the *Länder* were also asked about their plans to apply the STEP Regulation. The finding of the survey was that around half of the *Länder* in the ERDF are currently planning specific reprogramming as part of STEP. In the ESF+, including the federal ESF+ programme, there are no concrete plans to use the STEP Regulation in the 2021-2027 funding period. Further coordination with the ERDF and ESF managing authorities will follow in the second half of 2024.

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 3: **Address the shortage of skilled workers, speed up digitalisation and boost digital communication networks**	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
3.1 Address the shortage of skilled workers, particularly by strengthening basic and digital skills, and improving education outcomes, including by providing targeted support to disadvantaged groups.	Conclusion of bilateral migration partnerships	At the beginning of the legislative period, the federal government created the position of Special Commissioner for Migration Agreements with the aim of concluding comprehensive migration partnerships in order to address the shortage of skilled workers in Germany, among other objectives. A central component of the agreements is support for migration for educational and employment purposes in accordance with the legal requirements of the Skilled Immigration Act (*Fachkräfteeinwanderungsgesetz*).	Comprehensive migration partnerships have already been concluded with India (December 2022), Georgia (December 2023), Morocco (January 2024), Kenya and Uzbekistan (both September 2024). Negotiations are currently in progress with Moldova, Kyrgyzstan, Colombia and the Philippines.
	Measures for foreign skilled workers		
	Federal Employment Agency time limit: extension of the advance approval period	In order to further facilitate the immigration of skilled and other workers into the German labour market, the federal government decided, as part of its growth strategy, to extend the period committed to by the Federal Employment Agency for advance approval in order to cut unnecessary bureaucracy and, in the event that a work permit has yet to be issued, to avoid a renewed examination of the case after six months.	The extension was implemented by means of an instruction to the Federal Employment Agency. The target date is in autumn 2024.
	Temporary employment for third-country nationals	The federal government has decided to permit immigration of foreign workers for temporary agency work as long as the principle of equal pay is upheld from the first day of employment and a minimum employment period of 12 months is agreed. This will be implemented in an unbureaucratic way.	The aim is to discuss this measure within the federal cabinet before the end of autumn 2024.
	Expansion of the Western Balkans Arrangement	In order to give more workers from third countries access to the labour market, the federal government has decided to extend the arrangements for easier access to the labour market under section 26 (2) of the Employment Ordinance (*Beschäftigungsverordnung*) to other countries, where possible in the context of migration partnerships, and to increase the quotas in force for the existing countries accordingly.	Preparations are in progress; no target date for discussion within the federal cabinet.
	Assumption that a work permit has been provided	In order to improve the labour market integration of refugees, the federal government has decided to introduce an assumption that a work permit has been provided by the foreigners authority (*Genehmigungsfiktion*). The permit will be deemed to have been issued if, following consultation with the Federal Employment Agency, the foreigners authority does not inform the applicant otherwise within two weeks.	Preparations are in progress; no target date for discussion within the federal cabinet.

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	**Reporting period: April 2024 to March 2025**		
Recommendation 3: Address the shortage of skilled workers, speed up digitalisation and boost digital communication networks	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Effective promotion of further training	In order to further improve the overall qualification level of workers, the federal government has decided to reduce bureaucratic requirements for certification in order to effectively promote further training.	Currently being reviewed.
	Expansion and consolidation of the “job turbo” initiative	In order to increase employment levels among refugees and to improve their career prospects, the federal government has decided to expand the “job turbo” initiative and put it on a permanent footing. In addition, in cases where it is difficult for individuals to take up employment, a combination of work opportunities, compulsory integration internships, further training and language courses will be introduced in order to ensure the fastest possible successful integration into the labour market.	Model is currently being developed, no timeframe has been set.
	Expansion of employment opportunities for older workers ; corresponding provisions in laws covering public-sector workers	Pension policy measures within the framework of the growth initiative include the restriction of the “ban on prior employment” upon reaching the standard retirement age and the introduction of a pension delay bonus. In addition, employers will be able to pay the amounts that were previously payable for employment promotion measures and pension insurance to those employees who keep working even once they have reached retirement age, on top of their wages or salary. The measures specifically increase the incentives to work for older employees.	Adopted by the federal cabinet on 4 September 2024. Parliamentary deliberations are still pending. • Abolition of the ban on prior employment will enter into force on 1 April 2025. • Pension delay bonus can be claimed as of 1 January 2028. • Employers’ contributions can be disbursed to employees from 1 July 2025 onwards.
	Reform of the supplementary income limits for survivor’s pensions	With the aim of creating targeted incentives to work for recipients of a survivor’s pension, a basic amount equivalent to the minimum income limit pursuant to section 8 (1a) of Book IV of the Social Code will be excluded from the calculation of the survivor’s pension, if the recipient has earnings or short-term earnings replacement income.	Adopted by the federal cabinet on 4 September 2024.
	Further amendments to the Act to Improve Quality and Participation in Child Daycare (*KiTa-Qualitäts- und -Teilhabeverbesserungsgesetz*)	The current draft aimed at further developing the Act to Improve Quality and Participation in Child Daycare represents another step towards a Quality Development Act (*Qualitätsentwicklungsgesetz*) with nationwide standards for child daycare. The amendments therefore focus on support for key quality areas such as “better child-carer ratios”, “language support” and “daycare that meets families’ needs”.	The draft act is going through the parliamentary procedure; entry into force is planned for 1 January 2025.

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 3: Address the shortage of skilled workers, speed up digitalisation and boost digital communication networks	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
		A change in the vertical apportionment of VAT revenue for 2025 and 2026 in favour of the *Länder* (2025: €1,993 million, 2026: €1,993 million) is intended to cover the additional burdens on the *Länder* resulting from the implementation of the measures contained in the Act during those two years.	The entry into force of the amendment to the Fiscal Equalisation Act (*Finanzausgleichsgesetz*) depends on the conclusion of the amended contracts between the Federation and the *Länder* pursuant to section 4 (2) of the Act to Improve Quality and Participation in Child Daycare (Article 6 (2) of the draft act).
3.2 Speed up the digitalisation of public administration including by increasing the geographic coverage of digital public services.	Further implementation of the Online Access Act (*Onlinezugangsgesetz*)	As part of the Federal Digitalisation Programme (*Digitalisierungsprogramm Föderal*), online services have been developed for a wide range of relevant administrative services on the basis of the "one for all" principle. Around 200 online services are available for subsequent use by the *Länder* and the local authorities. The *Länder* are increasingly making these online services available on the IT Planning Council's digital marketplace for "one for all" services, in order to facilitate their subsequent use. This helps to improve the geographic coverage of digital public services within the *Länder* and local authorities.	Begun/ongoing
3.3 Further boost the deployment of very high-capacity digital communication networks, including by facilitating the necessary implementation of private investment projects and mobilising public resources where needed.	Gigabit promotion	The German government's goal is to provide fibre optic to the home and the latest mobile communications standard by 2030 wherever people live, work and travel. For areas in which expansion by the relevant companies is not in their own economic interests, €2 billion will be available for new approvals for broadband expansion projects in 2024 and €1 billion in 2025 as part of Gigabit Funding 2.0.	
	Act to Accelerate the Expansion of Telecommunications Networks (*Gesetz zur Beschleunigung des Ausbaus von Telekommunikationsnetzen*)	Among other things, the Act to Accelerate the Expansion of Telecommunications Networks reorganises the rules on the gigabit land register (single information point) and contains adjustments to the approval procedure relating to rights of way and the creation of an entitlement to the use of public buildings for the construction of mobile radio base stations.	The bill was passed by the cabinet on 24 July 2024 and forwarded to the Bundesrat and the Bundestag.

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 4: Accelerate decarbonisation	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
4.1 Accelerate the decarbonisation of the transport sector, including by upgrading the rail network.	E-mobility: special depreciation	Contrary to the measure described as “special depreciation” in the growth strategy to strengthen Germany as a centre for business, an arithmetically degressive depreciation scale with graduated rates of decrease is to be introduced in a new section 7 (2a) of the Income Tax Act (*Einkommensteuergesetz*) for newly acquired, purely electrically powered vehicles that are part of fixed assets and were acquired after 30 June 2024 and before 1 January 2029. As a result, the promotional objective of special depreciation can be realised more easily and also retroactively based on declining balance depreciation. In addition to the many existing tax incentives in the field of electric mobility, the introduction of this depreciation option as an economic, business or growth policy measure will provide clear tax incentives, particularly for the market ramp-up of electric mobility in the business sector.	Planned implementation through the Tax Law Development Act (*Steuerfortentwicklungsgesetz*); bill to be introduced by coalition faction
	E-mobility: company car taxation	The maximum amount for the gross list price for company car taxation for electric vehicle use in accordance with section 6 (1) no 4 sentence 2 no 3 and sentence 3 no 3 of the Income Tax Act (*Einkommensteuergesetz*) is to be increased to €95,000. The increase is to apply to vehicles that are purchased or provided for use after 30 June 2024. This is intended to extend the scope of the provision and favour the greater uptake of electric vehicles.	Implementation through Tax Law Development Act (*Steuerfortentwicklungsgesetz*); procedure underway
	Rail Freight Masterplan (2017):	The federal government’s aim is to shift additional transport onto the railway and increase the share of rail freight transport in the modal split to 25% by 2030. The starting point for rail freight transport policy continues to be the Rail Freight Masterplan, which comprises a total of 66 measures.	
	Directive on the promotion of rail freight transport via a pro rata financing of operating costs in single wagonload transport (BK-EWV)	Single wagonload transport is an important lever for modal shift. The new operating cost subsidy for single wagonload transport (BK-EWV), which came into force in June 2024, provides rail transport companies with long-term relief from high operating costs and is intended to secure and strengthen single wagonload transport in the region.	BK-EWV: in force since 1 June 2024 (runs until 31 May 2029)
	Directive on the federal programme “Future of Rail Freight Transport” (Z-SGV) for the promotion of innovation	Funding for innovation in rail freight transport in the areas of digitalisation, automation and vehicle technology via the federal programme “Future of Rail Freight Transport” (Z-SGV, since 2020) is to be extended beyond 2024.	The aim is to extend the Z-SGV as of 1 January 2025 (will run until 31 December 2029)

Implementation of the country-specific recommendations (CSRs) for 2024/2025 – as at 30 September 2024

Continuation Table 11

The Council of the European Union recommends that Germany take action in 2024 and 2025 to:	Reporting period: April 2024 to March 2025		
Recommendation 4: Accelerate decarbonisation	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Tender for fast charging network for lorries (publicly accessible), together with Autobahn GmbH and the National Control Centre for Charging Infrastructure	The federal motorway company Autobahn GmbH is conducting a first round of tenders for lorry charging locations at around 130 unstaffed motorway service areas. In order to support the ramp-up of climate-friendly commercial vehicles in long-distance transport, an infrastructure with high charging capacities is required. By setting up this tender for the fast-charging network, the federal government is taking a further step towards decarbonisation.	Expected Sept. 2024: publication of the invitation to tender Second half of 2025: award of contract
	Commercial fast charging (not publicly accessible)	The “Commercial fast charging” funding programme for climate-friendly e-cars and e-lorries (in non-public spaces) was continued on 3 June 2024. The transport and logistics sector can benefit significantly from the funding. Around half of the funding volume has so far been allocated to applicants with commercial vehicle fleets. A further €150 million has been made available for continuing the funding programme.	Continuation of the funding call from 3 June 2024; call runs until 1 November 2024

Methodological aspects

Table 12

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)
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

Published by

Federal Ministry of Finance
Division LB 3 | Public Relations and Civic Dialogue
Wilhelmstr. 97
10117 Berlin
Germany

Edited by
Division I A 4

Publication date
October 2024

Further information can be found online at:
www.bundesfinanzministerium.de
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