Federal Ministry of Finance

German Draft Budgetary Plan

2022

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German Draft Budgetary Plan

2022

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 2021

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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

Germany's 2022 draft budgetary plan presents the fiscal projections for the budgets of the Federation, *Länder*, local authorities and social security funds (including their off-budget entities) on the basis of current trends and planning.

Sources used as the basis for making the fiscal projections include the draft 2022 federal budget and the financial plan to 2025, both of which were adopted by the federal government on 23 June 2021.

The basis for that budget and financial plan is the federal government's spring projection of 27 April 2021 and based upon that the May 2021 results of the Working Party on Tax Revenue Estimates. The spring projection forecasts real economic growth of 3.5% in 2021 and 3.6% in 2022, following a contraction by 4.6% in 2020. This means that Germany's economy is once again growing significantly and in excess of its potential output. The negative output gap will narrow significantly in 2021; in 2022, the output gap is projected to approach zero.

Once the federal government's draft budget has been forwarded to parliament, the responsibility of the executive branch for the budget preparation process normally ends and the legislative branch takes over. Due to the Bundestag elections on 26 September 2021, the draft budget will not be referred to the legislature for the time being. In the normal course of events, the new federal government will first prepare a new government draft federal budget for 2022 based on its then current projection of macroeconomic trends and the resulting tax revenue estimates. An update of the German Draft Budgetary Plan 2022 would then also be prepared on the basis of the government's new draft federal budget for 2022. Provided that the decision adopting the new draft budget for 2022 coincides with the new federal government's decision adopting the benchmark figures for the 2023 budget, the update will be submitted with the German Stability Programme for 2022.

Compared with the March 2021 benchmark figures decision that formed the basis for the projection in the 2021 Stability Programme, the current government draft federal budget for 2022 provides for an €18.2 billion increase in net borrowing, to €99.7 billion. While the revenue figures on which the government draft is based are higher than was expected in the benchmark figures decision – due to increases in tax revenue according to the most recent estimate by the Working Party on Tax Revenue Estimates – the total increase in expected revenue (by €5.0 billion) is exceeded by a significant increase in budgeted expenditure (by €23.2 billion). This increase in budgeted expenditure results in particular from the following items relevant to the general government budget: an increase in budgeted expenditure for assistance to business enterprises to mitigate the impacts of the coronavirus pandemic; further expenditure for central vaccine procurement; a federal subsidy to the health fund to deliver on the 'social guarantee'; and implementation of the Immediate Climate Action Programme adopted by the federal government on 23 June 2021.

Forecast for public finances

Significant general government deficit in 2022

The general government deficit will increase significantly in 2021 to around 7¼% of GDP, compared with 4.3% in 2020 (Table 1). This increase is primarily due to an increase in the deficit at federal level. It is assumed here that the amounts budgeted for pandemic-related additional expenditure in the 2021 federal budget (including the supplementary budget) that have not already been spent will be used up in full. The improvement relative to the projection in the 2021 Stability Programme (an expected deficit of around 9% of GDP in 2021) is due in part to increases in tax revenue. The catastrophic floods in the summer of 2021, which inflicted severe damage in some regions, will impact the general government budget mainly in the following years. A Reconstruction Aid 2021 fund (*Aufbauhilfe 2021*) has been established for reconstruction in the regions affected by the floods. This has been allocated around €16 billion and will be financed within the scope of the existing federal borrowing authorisation. In the 2021 Stability Programme, it was assumed that the borrowing authorisation would be used in its entirety for expenditure that affected the general government budget in 2021. Under current plans, expenditure of €16 billion will now be made to another government unit, where it will be recorded as revenue. This measure (net of outflows in 2021) thus contributes to the improvement in the general government budget balance relative to the Stability Programme projection.

The general government deficit will decline to around 3¼% of GDP in 2022. The improvement relative to 2021 is mainly due to the expiry of coronavirus-related assistance for business enterprises and other temporary additional spending to combat the pandemic. The slight deterioration relative to the projection in the 2021 Stability Programme (an expected deficit of around 3% of GDP in 2022) is due to a higher deficit at the level of the federal government and social security funds; these increases exceed the expected lower deficit at the level of local government. In addition to the additional expenditure in the federal budget referred to above, the outflow of funds from the new Reconstruction Aid 2021 fund will also contribute to the higher deficit at the federal level.

The deficit will continue to shrink in the years from 2023 onwards. At the end of the projection period, the general government budget is expected to be balanced.

Medium-term objective to be achieved again in 2024

The structural balance (i.e. the fiscal balance adjusted for cyclical and one-off effects) is expected to be approximately -6% of GDP in 2021. As stipulated by the European Commission, the adjustment does not include temporary measures to combat the impacts of the pandemic. The structural deficit will be reduced continuously in the years ahead. In 2022, when the fiscal rules under the preventive arm of the Stability and Growth Pact continue to be suspended, the structural deficit will amount to around 3¼% of GDP. It is expected to decline to around 1¼% of GDP in 2023. The expected reduction in the structural deficit exceeds ½% of GDP per year. The current ceiling of 0.5% of GDP for the general government structural deficit will be complied with again in 2024.

Reduction of the debt-to-GDP ratio from 2022

As a result of the general government deficit, the Maastricht debt-to-GDP ratio will rise again in 2021 to an expected level of around 72¼% of GDP. The ratio is expected to decrease already in 2022, when it will be around 71¼% of GDP. At the end of the projection period, in 2025, the debt-to-GDP ratio will be around 67¼% of GDP. The increase in the debt-to-GDP ratio due to the coronavirus pandemic (from 58.9% in 2019 to an expected 72¼% in 2021) is thus expected to be smaller than the increase that resulted from the global economic and financial crisis (from 65.7% in 2008 to 82.0% in 2010).

Table 1: General government budget balance and debt

	2020	2021	2022
		in % of GDP	
Budget balance	-4.3	-7¼	-3¼
Structural balance	-1.8	-6	-3¼
Maastricht debt-to-GDP ratio	68.7	72¼	71¼

Figures for the projection period are rounded to quarter percentage points of GDP.
Current as of 24 September 2021.

1) As stipulated by the European Commission, the structural balance is not adjusted for temporary coronavirus-related measures.

Fiscal policy stance

The federal government's goal is to maintain a supportive fiscal stance in 2022. This is also in line with the country-specific recommendations. This supportive fiscal stance includes three distinct elements to promote stabilisation and growth:

1. Immediate, temporary assistance to businesses and households in view of the ongoing impacts of the pandemic, together with measures to address the threats posed by the pandemic and to protect public health;

2. Allowing automatic stabilisers to take effect, which is reflected in cyclical reductions in tax revenue;

3. Future-oriented transformation expenditure, and in particular investment spending, in order to overcome the structural impacts of the crisis more rapidly while also accelerating the steps already embarked upon before the crisis to decarbonise the economy and society and to promote digitalisation.

As a result of this supportive stance, government spending and the structural budget deficit in 2022 are expected to be well above, and tax revenues well below, the levels budgeted before the crisis. The cyclically adjusted primary balance is expected to be around −2¾% of GDP in 2022, which is significantly below the level budgeted for 2022 prior to the pandemic (+1%, see Table 2) and also below the precrisis level (2019: +1.6%)[1]. Expenditure, at 48¾% of GDP in 2022, is likewise expected to remain well above the level estimated for 2022 before the onset of the pandemic (45¾%).

Table 2: Projection for 2022: before the crisis and now

	Draft Budgetary Plan in ...		Change
	October 2019	October 2021	
	% of GDP		
Revenue	46	45¼	-¾
of which: tax revenue	23¾	23	-¾
Expenditure	45¾	48¾	+3
General government budget balance	¼	-3¼	-3½
Cyclically adjusted primary balance	1	-2¾	-3¾

Figures for the projection period are rounded to quarter percentage points of GDP. Discrepancies may occur due to rounding.

1 Comparison with 2019 levels is proposed by the European Fiscal Board (2021) as an indicator for the fiscal stance: "Assessment of the fiscal stance appropriate for the euro area in 2022", available online at: https://ec.europa.eu/info/sites/default/files/2021_06_16_efb_assessment_of_euro_area_fiscal_stance_en.pdf. The key points are explained on Slide 6 of the press release, available at: https://ec.europa.eu/info/sites/default/files/2021_06_10_efb_june_report_press_briefing_final.pdf

Basis for the 2022 draft budgetary plan

The 2022 draft budgetary plan is based in particular on the following sources and information:

- **Macroeconomic basis**
  - Federal government spring projection of 27 April 2021
  - Results for the general government budget in the national accounts, published by the Federal Statistical Office on 24 August 2021
- **Results of the Working Party on Tax Revenue Estimates of 12 May 2021**
- **Budgetary plans**
  - Act Adopting the Federal Budget for the 2021 Fiscal Year (*Gesetz über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2021*) of 21 December 2020
  - Act Adopting a Supplement to the Federal Budget for the 2021 Fiscal Year (*Gesetz über die Feststellung eines Nachtrags zum Bundeshaushaltsplan für das Haushaltsjahr 2021*) of 3 June 2021
  - Draft federal budget for 2022 and financial plan to 2025, adopted by the federal government on 23 June 2021
- **Other legislation and measures in chronological order**
  - Second Act to Reduce Family Tax Burdens and to Modify Additional Tax Regulations (*Zweites Gesetz zur steuerlichen Entlastung der Familien sowie zur Anpassung weiterer steuerlicher Regelungen*) of 1 December 2020
  - Act Adjusting Supplementary Federal Grants under Section 11 (4) of the Fiscal Equalisation Act and on the Federation's Participation in Refugee-Related Expenses of the *Länder* (*Gesetz zur Anpassung der Ergänzungszuweisungen des Bundes nach § 11 Absatz 4 des Finanzausgleichsgesetzes und zur Beteiligung des Bundes an den flüchtlingsbezogenen Kosten der Länder*) of 3 December 2020
  - Act Increasing Lump-Sum Allowances for Disabilities and to Modify Additional Tax Regulations (*Gesetz zur Erhöhung der Behinderten-Pauschbeträge und zur Anpassung weiterer steuerlicher Regelungen*) of 9 December 2020
  - 2020 Annual Tax Act (*Jahressteuergesetz*) of 21 December 2020
  - Finance Ministry circular on the useful life of computer hardware and software for data entry and data processing (*BMF-Schreiben zur Nutzungsdauer von Computerhardware und Software zur Dateneingabe und -verarbeitung*) of 26 February 2021
  - Third Act Implementing Fiscal Aid Measures to Overcome the Coronavirus Crisis (*Drittes Gesetz zur Umsetzung steuerlicher Hilfsmaßnahmen zur Bewältigung der Corona-Krise*) of 10 March 2021
  - Act Extending the Increased Wages Tax Deduction for Seafarers (*Gesetz zur Verlängerung des erhöhten Lohnsteuereinbehalts in der Seeschifffahrt*) of 12 May 2021
  - Act Modernising Withholding Tax Relief and Capital Income Tax Certificates (*Gesetz zur Modernisierung der Entlastung von Abzugsteuern und der Bescheinigung der Kapitalertragsteuer*) of 2 June 2021

- Act Strengthening Germany as a Centre for Investment Funds and Implementing Directive (EU) 2009/1160 amending Directives 2009/65/EC and 2011/61/EU with regard to cross-border distribution of collective investment undertakings (*Gesetz zur Stärkung des Fondsstandorts Deutschland und zur Umsetzung der Richtlinie (EU) 2019/1160 zur Änderung der Richtlinie 2009/65/EG und 2011/61/EU im Hinblick auf den grenzüberschreitenden Vertrieb von Organismen für gemeinsame Anlagen*) of 3 June 2021
- Act Amending the Betting and Lottery Act and the Implementing Provisions for the Betting and Lottery Act (*Gesetz zur Änderung des Rennwett- und Lotteriegesetzes und der Ausführungsbestimmungen zum Rennwett- und Lotteriegesetz*) of 25 June 2021
- Corporation Tax Modernisation Act (*Gesetz zur Modernisierung des Körperschaftsteuerrechts*) of 25 June 2021
- Act Implementing the Anti-Tax Avoidance Directive (*Gesetz zur Umsetzung der Anti-Steuervermeidungsrichtlinie*) of 25 June 2021
- Act Facilitating Implementation of the Real Property Tax Reform and Amending Further Tax Law Provisions (*Gesetz zur erleichterten Umsetzung der Reform der Grundsteuer und Änderung weiterer steuerrechtlicher Vorschriften*) of 16 July 2021
- Sixth Act Amending the Local Public Transport (Regionalisation) Act (*Sechstes Gesetz zur Änderung des Regionalisierungsgesetzes*) of 16 July 2021
- Tobacco Duty Modernisation Act (*Gesetz zur Modernisierung des Tabaksteuerrechts*) of 10 August 2021
- Act Establishing a "Reconstruction Aid 2021" Fund and Temporarily Suspending the Insolvency Filing Obligation on Account of Heavy Rainfall and Floods in July 2021 and Amending Further Acts (*Gesetz zur Errichtung eines Sondervermögens "Aufbauhilfe 2021" und zur vorübergehenden Aussetzung der Insolvenzantragspflicht wegen Starkregenfällen und Hochwassern im Juli 2021 sowie zur Änderung weiterer Gesetze*) of 10 September 2021

Table 3: Technical assumptions

	2020	2021	2022
Short-term interest rate (annual average in %)	0.0	0.0	0.0
Long-term interest rate (annual average in %)	-0.5	-0.5	-0.1
USD/€ exchange rate (annual average)	1.2	1.2	1.2
Nominal effective exchange rate	106.9	104.0	104.6
World GDP growth rate (excluding EU)	-2.7	6.1	2.8
EU GDP growth rate	-6.2	3.9	4.0
Growth of German sales markets (% change yoy)[1]	-8.8	9¼	5
World import volumes (excluding EU)	-11.6	8.7	8.7
Oil price (Brent, USD/barrel)	43.4	61	58

2021 and 2022: Federal government spring projection on macroeconomic trends, April 2021

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

Table 4a: Macroeconomic prospects

	ESA code	2020	2020	2021	2022	2023	2024	2025
		€ billion	Year-on-year change in %					
1. Real GDP	B1*g	3,096.7	-4.6	3.5	3.6	1.1	1.1	1.1
2. Real potential GDP[1)]		3,248.8	1.1	1.2	1.2	1.1	1.0	0.9
contributions (percentage points)								
- labour			0.1	0.1	0.0	-0.1	-0.2	-0.3
- capital			0.4	0.5	0.5	0.5	0.5	0.5
- total factor productivity			0.5	0.6	0.7	0.7	0.7	0.7
3. Nominal GDP	B1*g	3,367.6	-3.0	5.3	5.2	2.6	2.6	2.6
Components of real GDP								
4. Private final consumption expenditure[2)]	P.3	1,615.2	-5.9	0.8	5.5			
5. Government final consumption expenditure	P.3	678.5	3.5	5.2	0.3			
6. Gross fixed capital formation	P.51g	664.4	-2.2	3.5	3.6			
7. Changes in inventories (% of GDP)	P.52 + P.53	-	-0.9	0.0	0.0			
8. Exports	P.6	1,431.4	-9.3	9.2	4.5			
9. Imports	P.7	1,278.2	-8.6	7.8	5.0			
Contributions to real GDP growth			in percentage points					
10. Final domestic demand (excluding inventories)		-	-2.8	2.4	3.7			
11. Changes in inventories	P.52 + P.53	-	-0.9	0.0	0.0			
12. External balance of goods and services	B.11	-	-0.8	1.1	0.1			

2020: Federal Statistical Office, August 2021.
2021 to 2025: Federal government spring projection on macroeconomic trends, April 2021.

1) 2020 figure calculated as the difference between GDP (August 2021) and output gap (spring projection).
2) Including private non-profit organisations serving households.

Table 4b: Price developments – deflators

	2020	2020	2021	2022	2023	2024	2025
	Index (2015=100)	Year-on-year change in %					
1. GDP	108.75	1.6	1.7	1.5	1.6	1.6	1.6
2. Private consumption expenditure[1]	105.75	0.6	2.2	1.5			
3. Government final consumption expenditure	111.22	3.3	3.7	1.1			
4. Gross investment	109.98	-1.1	2.2	2.1			
5. Exports	102.14	-0.4	1.9	0.8			
6. Imports	99.30	-2.4	3.8	0.8			

2020: Federal Statistical Office, August 2021.
2021 to 2025: Federal government spring projection on macroeconomic trends, April 2021.

1) Including private non-profit organisations serving households.

Table 4c: Labour market developments

	ESA code	2020	2020	2021	2022
		Level	Year-on-year change in %		
1. Employment, persons[1] (in millions)		44.9	-0.8	-0.1	0.6
2. Employment, hours worked[2] (in billions)		59.5	-4.9	2.5	1.1
3. Unemployment rate[3] (in %)		-	3.6	4.0	3.6
4. Labour productivity, persons[4]		98.3	-3.8	3.6	3.0
5. Labour productivity, hours worked[5]		104.0	0.4	1.0	2.6
6. Compensation of employees (€bn, domestic)	D.1	1,847.9	-0.3	3.3	3.9
7. Compensation per employee (thousand €, domestic)		45.2	0.4	3.1	3.0

2020: Federal Statistical Office, August 2021.
2021 and 2022: Federal government spring projection on macroeconomic trends, April 2021.

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	2020	2021	2022
		in % of GDP		
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	6.7	6.8	6.8
of which:				
- Balance on goods and services		5.7	5.9	5.7
- Balance of primary incomes and transfers		1.4	1.2	1.4
- Capital account		-0.4	-0.3	-0.3
2. Net lending/net borrowing of households	B.9	9.3	8.8	6.4
3. Net lending/net borrowing of general government1)	B.9	-4.3	-7¼	-3¼
4. Statistical discrepancy			-	-

2020: Federal Statistical Office, August 2021.
2021 and 2022: Federal government spring projection on macroeconomic trends, April 2021.

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	2021	2022	2023	2024	2025
		in % of GDP				
Net lending (+) / net borrowing (-) (B.9) by subsector[1]						
1. General government	S.13	-7¼	-3¼	-1½	-½	0
2. Central government	S.1311	-5½	-2½	-¾	-½	0
3. State government	S.1312	-½	-¼	0	0	0
4. Local government	S.1313	-¼	-¼	-¼	0	0
5. Social security funds	S.1314	-1¼	-½	-½	0	0
General government (S.13)						
6. Interest expenditure	D.41	½	½	½	½	½
7. Primary balance[2]		-6¾	-3	-1	0	½
8. One-off and other temporary measures[3]		0	0	0	0	0
9. Real GDP growth (% change yoy)		3.5	3.6	1.1	1.1	1.1
10. Potential GDP growth (% change yoy)		1.2	1.2	1.1	1.0	0.9
contributions (percentage points):						
- labour		0.1	0.0	-0.1	-0.2	-0.3
- capital		0.5	0.5	0.5	0.5	0.5
- total factor productivity		0.6	0.7	0.7	0.7	0.7
in % of potential GDP						
11. Output gap		-2.6	-0.2	-0.2	-0.2	0.0
12. Cyclical budgetary component		-1¼	0	0	0	0
13. Cyclically adjusted balance (1-12)		-6	-3¼	-1½	-¼	0
14. Cyclically adjusted primary balance (13+6)		-5½	-2¾	-1	0	½
15. Structural fiscal balance (13-8)		-6	-3¼	-1½	-¼	0

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	2021	2022	2023	2024	2025
		in % of GDP				
1. Gross debt		72¼	71¼	70½	69	67¼
2. Change in gross debt ratio		3½	-1	-1	-1¼	-1¾
Contribution to changes in gross debt						
3. Primary balance		6¾	3	1	0	-½
4. Interest expenditure	D.41	½	½	½	½	½
5. Other adjustments		-3¾	-4¼	-2½	-1¾	-1¾
p.m.: **Implicit interest rate on debt**[1)]		¾	¾	¾	¾	¾

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

	2020	2021	2022	2023	2024	2025
	General government budget balance in % of GDP					
GDP trends according to						
– Baseline scenario	-4.3	-7¼	-3¼	-1½	-½	0
– Alternative scenarios						
Real GDP, rate of change -½ percentage point p.a. compared with baseline scenario		-7½	-3¾	-2¼	-1½	-1
Real GDP, rate of change +½ percentage point p.a. compared with baseline scenario		-7	-2¾	-¾	½	1¼

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

	2020	2021	2022	2023	2024	2025
	General government budget balance in % of GDP					
Interest rate trends according to						
– Baseline scenario	-4.3	-7¼	-3¼	-1½	-½	0
– Alternative scenarios						
Interest rate +50 basis points p.a. compared with baseline scenario		-7½	-3½	-1¾	-¾	-¼
Interest rate -50 basis points p.a. compared with baseline scenario		-7¼	-3¼	-1¼	-¼	½

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	2021	2022
		in % of GDP	
1. Total revenue with no change in policy	TR	46	46
of which:			
1.1. Taxes on production and imports	D.2	10¾	11
1.2. Current taxes on income, wealth, etc.	D.5	12½	12¼
1.3. Capital taxes	D.91	¼	¼
1.4. Social contributions	D.61	17¾	17½
1.5. Property income	D.4	½	½
1.6. Other1)		4¾	4½
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)2)		41	41
2. Total expenditure with no change in policy	TE3)	51½	48
of which:			
2.1. Compensation of employees	D.1	8¼	8
2.2. Intermediate consumption	P.2	6¼	6
2.3. Social payments	D.62 + D.632	26½	25½
of which: Unemployment benefits4)		1¾	1½
2.4. Interest expenditure	D.41	½	½
2.5. Subsidies	D.3	2½	1¼
2.6. Gross fixed capital formation	P.51	2¾	2½
2.7. Capital transfers	D.9	2	1½
2.8. Other5)		2¾	2¼

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

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

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.

Table 7a: General government expenditure and revenue targets

General government (S.13)	ESA code	2021	2022
		in % of GDP	
1. Total revenue	TR	45¾	45¼
of which:			
1.1. Taxes on production and imports	D.2	10½	10¾
1.2. Current taxes on income, wealth, etc.	D.5	12¼	12
1.3. Capital taxes	D.91	¼	¼
1.4. Social contributions	D.61	17¾	17½
1.5. Property income	D.4	½	½
1.6. Other[1]		4¾	4½
p.m.: **Tax burden** (D.2+D.5+D.61+D.91-D.995)[2]		40¾	40½
2. Total expenditure	TE[3]	53¼	48¾
of which:			
2.1. Compensation of employees	D.1	8¼	8
2.2. Intermediate consumption	P.2	6½	6
2.3. Social payments	D.62 + D.632	26¾	25¾
of which: **Unemployment benefits**[4]		1¾	1½
2.4. Interest expenditure	D.41	½	½
2.5. Subsidies	D.3	3¼	1½
2.6. Gross fixed capital formation	P.51	2¾	2½
2.7. Capital transfers	D.9	2	1¾
2.8. Other[5]		3	2¼

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

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.

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

	2020	2020	2021	2022
	€bn	in % of GDP		
1. Expenditure on EU programmes fully matched by EU funds revenue	4.2	0.1	½	¼
2. Cyclical unemployment benefit expenditure	11.1	0.3	¼	¼
3. Effect of discretionary revenue measures	-33.8	-1.0	0	-¼
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 measures	Detailed description	ESA code	Adoption status / entry into force	Effects on the general government budget				
				2021	2022	2023	2024	2025
				in % of GDP				
Annual Tax Act 2020[1)]	Lump-sum allowance for home working; extension of the tax exemption for employer contributions to short-time work allowance; higher relief amount for single parents made permanent; extension of the provision for payment of a tax-free coronavirus bonus; tax-free outplacement/new-placement counselling; deductibility of income-related expenses on residential property let below market price; improvements in amounts deductible in advance for planned capital expenditure; relief for clubs, societies, charities, voluntary workers and unpaid office holders; second phase of the value added tax digital package; customer liability for payment of value added tax in the case of supplies of telecommunication services; agricultural flat-rate value added tax scheme; increase in the income limits for home ownership savings premium	D.2 / D.5	Entry into force on different dates for different provisions	-0.03	-0.05	-0.03	-0.02	-0.02
Second Family Tax Burden Reduction Act (*Zweites Familienentlastungsgesetz*)[2)]	Increase in child benefit and tax allowances	D62 / D.5	Entry into force on different dates for different provisions	-0.20	-0.29	-0.30	-0.29	-0.29
Finance Ministry circular on the useful life of digital assets (*BMF-Schreiben zu Nutzungsdauer digitaler Wirtschaftsgüter*)[3)]	Improved depreciation of computer hardware and software	D.5	Applies to financial years ending after 31 December 2020	-0.03	-0.13	-0.11	-0.05	0.00

Table 8: continuation

List of measures	Detailed description	ESA code	Adoption status / entry into force	Effects on the general government budget				
				2021	2022	2023	2024	2025
				in % of GDP				
Third Coronavirus Tax Assistance Act (*Drittes Corona-Steuerhilfegesetz*)[4)]	Extension of reduced value added tax rate for restaurant and catering services; child bonus for children entitled to child benefit in 2021; increase in tax loss carrybacks	D.2 / D. 5 / D.62	Entry into force on different dates for different provisions	-0.12	-0.08	-0.01		
Tobacco Duty Modernisation Act (*Tabaksteuermodernisierungs-gesetz*)[5)]	Amendment of the Tobacco Duty Act (*Tabaksteuergesetz*) in response to a change in consumption patterns	D.2	Entry into force on different dates for different provisions	0.00	0.03	0.05	0.07	0.08
Additional expenditure for assistance and protection measures under the Supplementary Budget Act (*Nachtragshaushaltsgesetz*) 2021 in response to the changing course of the pandemic[6)]	Expansion of support for the healthcare system, among other things with additional expenditure to procure vaccines and to support hospitals, and expansion of assistance for business enterprises	D.39 / D.75 / P.2	Retroactively from 1 January 2021	-1.24				
Immediate Climate Action Programme (*Klimaschutz-Sofortprogramm*) for 2022[7)]	Sectoral and cross-sectoral measures aiming in the early 2020s to accelerate the transformation to a climate-neutral society in order to achieve the new climate targets	P.2 / P.51g / D.39 / D.73 / D.92	With 2022 federal budget		-0.14	-0.06	-0.01	-0.01
Extension of coronavirus-related assistance for business enterprises	Measures to mitigate the impacts of the coronavirus pandemic	D.39	With 2022 federal budget		-0.19			
Federal subsidy for the health fund to deliver on the 'social guarantee'	Stabilisation of supplementary contributions to statutory health insurance	D.61	With 2022 federal budget		-0.19			
International pandemic response and climate finance		D.74	With 2022 federal budget		-0.05			

Table 8: continuation

List of measures	Detailed description	ESA code	Adoption status / entry into force	Effects on the general government budget				
				2021	2022	2023	2024	2025
				in % of GDP				
Support for the regions affected particularly severely by floods and heavy rainfall in summer 2021[8]	Financial support via the newly established Reconstruction Aid 2021 (*Aufbauhilfe 2021*) fund	D.92	Entry into force on different dates for different provisions	-0.06	-0.07	-0.07	-0.06	-0.06
German Recovery and Resilience Plan (*Deutscher Aufbau- und Resilienzplan – DARP*)[9]	The focus of the plan is on surmounting the two major challenges of our age: climate change and digital transformation. Other measures aim to promote social inclusion and labour market participation.	P.2 / P.51g / D.3 / D.7 / D.9 / D.29 / D.59	Entry into force on different dates for different provisions	-0.25	-0.15	-0.08	-0.08	-0.06

1) For details, see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/19_Legislaturperiode/Gesetze_Verordnungen/2020-12-28-JStG-2020/0-Gesetz.html
2) For details, see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/19_Legislaturperiode/Gesetze_Verordnungen/2020-12-07-Zweites-FamEntlastG/0-Gesetz.html
3) For details, see: https://www.bundesfinanzministerium.de/Content/DE/Downloads/BMF_Schreiben/Steuerarten/Einkommensteuer/2021-02-26-nutzungsdauer-von-computerhardware-und-software-zur-dateneingabe-und-verarbeitung.pdf?__blob=publicationFile&v=2
4) For details, see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_IV/19_Legislaturperiode/Gesetze_Verordnungen/2021-03-17-Drittes-Corona-Steuerhilfegesetz/0-Gesetz.html
5) For details, see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_III/19_Legislaturperiode/2021-08-17-TabStMoG/0-Gesetz.html
6) For details, see: https://www.bundesfinanzministerium.de/Monatsberichte/2021/06/Inhalte/Kapitel-3-Analysen/3-3-nachtragshaushalt-2021-sollbericht-pdf.pdf?__blob=publicationFile&v=5
7) For details, see: https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Schlaglichter/Klimaschutz/klimaschutz-sofortprogramm.html. The federal government adopted the Immediate Climate Action Programme together with the draft federal budget for 2022 on 23 June 2021.
8) For details, see: https://www.bundesfinanzministerium.de/Content/DE/Gesetzestexte/Gesetze_Gesetzesvorhaben/Abteilungen/Abteilung_II/19_Legislaturperiode/2021-08-20-AufbhG/0-Gesetz.html
9) The figures shown are the effect of additional expenditure. For more information on the DARP, see also Table 10, “Recovery and Resilience Facility’s impact on the projection - Grants” and Table 11, “Implementation of the country-specific recommendations (CSRs) of 2021/2022”.

Table 9: Divergence from April 2021 Stability Programme

	ESA Code	2020	2021	2022
Target general government net lending/net borrowing (% of GDP)	B.9			
Stability Programme – April 2021		-4.2	-9	-3
Draft Budgetary Plan		-4.3	-7¼	-3¼
Difference		-0.1	1½	-¼
General government net lending/net borrowing at unchanged policies (% of GDP)				
Stability Programme – April 2021		-4.2	-7¾	-3
Draft Budgetary Plan		-	-5¼	-2
Difference		-	2¼	1

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

Table 10: Recovery and Resilience Facility's (RRF) impact 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	0.27	0.16	0.08	0.08	0.07	0.04
Cash disbursements of RRF grants from EU	0.00	0.06	0.11	0.17	0.15	0.08	0.08
Expenditure financed by RRF grants (in % of GDP)							
Total current expenditure	0.00	0.14	0.07	0.02	0.02	0.01	0.00
Gross fixed capital formation (P.51g)	0.01	0.01	0.00	0.00	0.00	0.00	0.00
Capital transfers (D.9)	0.00	0.10	0.09	0.06	0.06	0.05	0.03
Total capital expenditure	0.02	0.11	0.09	0.06	0.06	0.05	0.03
Other costs financed by RRF grants (in % of GDP)							
Reduction in tax revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other costs with impact on revenue							
Financial transactions							

Discrepancies may occur due to rounding.

Table 11: Implementation of the country-specific recommendations (CSRs) of 2021/2022

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 1: In 2022, maintain supportive fiscal stance and preserve investment	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
In **2022, maintain a supportive fiscal stance**, including the impulse provided by the Recovery and Resilience Facility, and **preserve nationally financed investment**.	Federal budget for 2021 including supplementary budget for 2021 and financial plan to 2024 *The information provided on the 2021 budget, including the supplementary budget for 2021, is deemed a suitable basis for the measures continued from the previous year in the government draft federal budget for 2022 and the financial plan to 2025, even though it does not directly relate to 2022. Reference is additionally made to the information provided under Recommendation 2 under the heading* Government draft federal budget for 2022 and financial plan to 2025.	With the 2021 federal budget, the federal government continues its resolute course of action to combat the crisis. The 2021 federal budget adopted at the end of 2020 provided the budgetary foundations for continued implementation of the measures under the Economic Stimulus and Crisis Management Package adopted on 3 June 2020 together with the supplementary Future Development Package and of further measures to combat the social and economic impacts of the coronavirus crisis (*for the individual measures, see the Draft Budgetary Plan for 2021, Table 11*). The supplementary budget for 2021 adopted in April 2021 supplemented the measures already provided for in the 2021 federal budget and adjusted the fiscal headroom in line with the ongoing development of the pandemic. In particular: • Additional funding of €25.5 billion was provided to assist business enterprises, taking the total up to €65 billion; • Additional health spending was budgeted for, including around €6.2 billion for vaccine procurement alone; • Provision was made for financial needs especially in connection with (a) the vaccination and testing campaign and (b) additional necessary assistance depending on the development of the pandemic. Provision was also made for the tax revenue shortfall of around €9 billion due to the bonus for families with children under the Third Coronavirus Tax Assistance Act (*Drittes Corona-Steuerhilfegesetz*) (including reimbursement for the *Länder*) and other relief to support the economy, including cyclical revenue shortfalls. Investment spending was increased to around €59 billion in the 2021 budget. This is significantly higher than the precrisis investment spending level (2019 actual: around €38.1 billion) and the amount then budgeted for 2021 (around €40 billion). The spending is targeted among other things towards road, rail and water transport, supporting the *Länder* in the provision of childcare, education and research, digital infrastructure and the climate-friendly transformation of the economy (*for further individual measures, see the information under Recommendation 3*).	2021 Budget Act (*Haushaltsgesetz*) and Supplementary Budget Act (*Nachtragshaus-haltsgesetz*) in force since 1 January 2021

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 1: In 2022, maintain supportive fiscal stance and preserve investment	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
		The economic effects of the pandemic and the extensive measures required to combat the coronavirus crisis make new borrowing necessary once again in the 2021 fiscal year. The supplementary budget for 2021 increased the borrowing authorisation in the 2021 federal budget from originally around €180 billion to around €240 billion. Allowance is also made here for the fact that some of the spending planned for 2020 will not be made until the current year, and last year's borrowing authorisation was not used up.	
	German Recovery and Resilience Plan (DARP)	The German Recovery and Resilience Plan (*Deutscher Aufbau- und Resilienzplan – DARP*) contributes effectively to surmounting the challenges identified in the country-specific recommendations for Germany. The DARP includes total spending of around €28 billion for 2020 to 2026, of which around €9.6 billion is to be spent in 2021 (this spending is already included in the 2021 federal budget and the financial plan). The spending will help implement the key investment and reform projects set out in the DARP and will be decisive in helping Germany emerge stronger from the COVID-19 pandemic. The DARP will push ahead Germany's green and digital transformation. At least 42% of the total spending in it will go towards measures to support climate targets. For example, the plan includes measures to decarbonise industry, with a major focus on green hydrogen, investment in sustainable mobility and the refurbishment of residential buildings to improve their energy efficiency. A further 52% of the total spending is provided for measures to promote the digital transformation. Specifically, provision is made for measures to support digitalisation in public services and in particular public health services, and also in business. The plan additionally provides for measures to promote human capital and investment in advanced digital technologies, with one component headed "Digitalisation of education". Other measures aim to promote social inclusion and labour market participation while giving consistent account to gender equality. Social resilience measures also include measures for a strong public healthcare system and pandemic control. The plan also includes major reforms and investment to help surmount all or a significant part of the economic and social challenges referred to in the Council's 2019 and 2020 country-specific recommendations for Germany.	DARP accepted by the European Commission on 22 June 2021 Approved by the Ecofin Council on 13 July 2021

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 1: In 2022, maintain supportive fiscal stance and preserve investment	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
		Among other things, measures are planned to remove investment bottlenecks and reduce administrative burdens. In addition, the plan addresses the country-specific recommendations relating to digitalisation of the education system, support for disadvantaged school students, improving childcare provision, enhancing transparency with regard to pensions and curbing the rise in taxes and duties. Individual DARP measures in which substantial progress has been made since the plan was submitted are listed under Recommendation 3.	
	Measures to promote local authority investment	Many investment projects of major importance for Germany's future resilience are the responsibility of local authorities. Consequently, the federal government has for many years placed a high priority on promoting a sustained increase in local authority investment, and related support has once again been stepped up in the reporting period. An example is additional federal funding to help expand (all-day) childcare, which is run mainly by municipal education and childcare providers. In public transport, additional regionalisation funding granted in 2021 serves to offset financial shortfalls due to the pandemic. Local authorities hit hard by structural change in coal-mining regions receive federal support in the form of structural assistance for their economic transformation, among other things for investment projects to expand and remodel their business infrastructure. For detailed information on these measures, please see the list under Recommendation 3. Other measures under Recommendation 3 (such as those relating to broadband) also target local authorities and thus comprise additional federal support for local authority investment.	

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 2: Fiscal sustainability, enhance investment	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
When economic conditions allow, pursue a fiscal policy aimed at achieving **prudent medium-term fiscal positions** and ensuring **fiscal sustainability in the medium term**. At the same time, **enhance investment** to boost growth potential.	Government draft federal budget for 2022 and financial plan to 2025	With the government draft federal budget for 2022 and the financial plan to 2025, the federal government is continuing its supportive fiscal policy to strengthen the macroeconomic framework in the current phase of the pandemic. By setting future-focused investment priorities, it is not only supporting the process of transforming the economy, but paving the way for sustainable and lasting economic growth. The social security system is also provided with substantial support in order to stabilise contribution rates and thus to create favourable conditions for growth and employment. Investment is once again a major focus. Investment spending in 2022 as currently budgeted will amount to €51.8 billion and increase relative to the currently budgeted figures to around €51 billion per year in the years 2023 to 2025. The spending is targeted among other things towards road, rail and water transport, education and research, digital infrastructure and the climate-friendly transformation of the economy: • The government draft budget and the new financial plan will unleash a powerful medium-term stimulus (as set out in the stimulus package) totalling €7 billion to promote digitalisation, artificial intelligence, quantum technology and 5G/6G communication technologies in the stated key growth areas. • Funding is also earmarked for the Immediate Climate Action Programme for 2022, which includes roughly €8 billion in extra federal funding for additional measures to further cut greenhouse gas emissions in order to meet national climate targets. • While the immediate measures to deal with the impacts of the coronavirus pandemic will gradually taper off over the lifetime of the financial plan, the priority now – in order to be prepared if the coronavirus pandemic continues for an extended period, if further vaccinations become necessary, and if future pandemics occur – is to secure the established production capacity for novel vaccine technologies and to enable the building of additional capacity. In fiscal year 2022, €10 billion is being allocated for "budget-wide additional expenditure for costs incurred to surmount the coronavirus pandemic", in order to cover potential unforeseen pandemic-related spending requirements. Further key impetus for the economy and sustainability is provided by means of federal special funds.	Cabinet resolution of 23 June 2021 Following the Bundestag elections on 26 September 2021, the new federal government will adopt a second government draft federal budget for 2022 and forward it to the Bundestag for consultation.

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 2: Fiscal sustainability, enhance investment	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
		• The federal government's environment and climate policy measures from the Climate Action Programme 2030 and the Future Development Package under the stimulus programme are brought together in the Energy and Climate Fund. This continues and significantly expands key federal climate policy projects with programme expenditure of over €93 billion over the period 2022 to 2025. • The Digital Infrastructure Fund provides funding for investments under the Digital Pact for Schools and for direct support to expand gigabit and mobile networks. At first, this is being funded through proceeds from the award of 5G mobile spectrum licences. Since 2020, the federal budget has made additional funding available to the extent that this is needed to finance the fund's tasks. The purpose of the allocation in the 2022 federal budget is to meet the federal commitment to provide a total of €6.5 billion for the Digital Pact for Schools. • To this is added investment spending under two further special funds to assist the *Länder* with the expansion of childcare: "Childcare expansion" and "Expanded all-day care for primary-age children". The pandemic-related burdens on the federal budget once again make it necessary in fiscal year 2022 to make use of the derogation for unusual emergency situations under article 115 (2) sentence 6 of the German Basic Law. The government draft federal budget for 2022 provides for net borrowing of around €98 billion.	
	MTO	From 2024 onwards, Germany will again comply with the upper limit on its general government structural deficit, which the fiscal compact has set for Germany at 0.5% of GDP. The fiscal rules under the preventive arm of the European Stability and Growth Pact (SGP) are suspended in 2021 and 2022. Germany expects to reduce its general government structural deficit by more than ½% of GDP per year from 2023, which means that the regular requirements of the SGP's preventive arm regarding the general government structural balance will be complied with again from 2023 onwards.	
	Measures to increase investment	Measures to increase investment activity are listed under Recommendation 1 (see Measures to promote local authority investment) and under Recommendation 3.2.	(see above and below)

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 3: Composition and quality of public finances, sustainable and growth-enhancing investment, fiscal structural reforms	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
3.1 Pay particular attention to the **composition of public finances**, on both the revenue and expenditure sides of the budget, and to the **quality of budgetary measures** in order to ensure a **sustainable and inclusive recovery**.	Spending reviews	To complement the top-down process for preparation of the federal budget, the federal government has conducted spending reviews since 2015. These revenue and expenditure-side budget analyses examine selected measures, policy areas and horizontal tasks of the public administration to determine whether the associated objectives are achieved (effectiveness) and whether this takes place economically (efficiency). The conduct of spending reviews gives the budget preparation procedure sharper substantive focus and enhances the outcome orientation of the deployed budget resources. They improve the structure of the federal budget and can provide the basis for reprioritisation or create new fiscal space.	Spending reviews are part of the government's internal procedure for preparing the federal budget and are conducted annually.
	Measures to increase investment	Measures to increase investment activity are listed under Recommendation 1 (see Measures to promote local authority investment) and under Recommendation 3.2.	(see above)
	Future-oriented expenditure	Substantial future-oriented expenditures to ensure a sustainable and inclusive recovery have been reported under Recommendation 1 (including investment spending in the federal budget, the Energy and Climate Fund and the Immediate Climate Action Programme).	(see above)
3.2 Prioritise **sustainable and growth-enhancing investment**, in particular investment **supporting the green and digital transition**.	Gigabit funding programme for 'grey spots'	The previous broadband funding for 'white spots' was extended in April 2021 to include coverage in 'grey spots'. The goal is the rollout of sustainable fibre networks throughout Germany. This measure thus contributes both to the sustainability of the digital transformation and to economic growth and digital inclusion, particularly in more rural regions. When grey spot funding was introduced, the upper threshold for funding eligibility was raised from 30 Mbit/s to 100 Mbit/s (download bandwidth). This upper threshold will be eliminated for households from 1 January 2023. Socioeconomic focal points (such as schools, public agencies and SMEs) can already receive funding for fibre optic connections without any threshold applying. The German grey spot funding programme is the first in Europe to allow funding from 2023 without an eligibility threshold.	The 100 Mbit/s upper threshold for funding eligibility will be eliminated for households from 1 January 2023. Even more comprehensive funding for gigabit broadband will then be possible.

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 3: Composition and quality of public finances, sustainable and growth-enhancing investment, fiscal structural reforms	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
		The federal government currently provides around €12 billion to support the rollout of broadband.	The gigabit framework policy is limited in term to 31 December 2025.
	5G innovation competition	The aim of the 5G innovation competition is to test 5G applications under real-world conditions. A coalition resolution of 3 June 2020 releasing additional funding from the economic stimulus package cleared the way for the competition to be expanded in scale, enabling 48 additional entries to be provided with implementation funding of up to €4 million. The aim is to bring together potential users and providers of innovative 5G mobile communication solutions and to make the potential of 5G mobile communication visible on the ground.	Funding for implementation support to be increased by almost €175 million by the end of 2024
	Guideline to promote rail freight transport through partial financing for approved track access charges	Supplements the existing funding to cover track access charges with a one-time, retroactive additional grant for rail freight transport undertakings. This makes the use of rail freight transport less expensive for all undertakings. Rail transport undertakings were already provided with additional relief for track access charges from 1 June 2021, with the partial funding increased to around 98%. Over and above this, the European Commission approved supplementary funding on 30 July 2021. The Federal Ministry of Transport and Digital Infrastructure (BMVI) is able to provide €410 million in additional relief retroactively for the period from 1 March 2020 to 31 May 2021. This brings the total amount budgeted for this measure to €627 million. The funding gives rail transport undertakings greater financial leeway to invest in innovations such as digitalisation and thus improve their competitive position. It further strengthens rail as an environment-friendly mode of transport.	One-time, retroactive supplementary grant approved by the European Commission and published in the Federal Gazette. Disbursement to rail transport undertakings expected to begin in September 2021.
	Guideline to promote rail passenger transport through partial funding of approved track access charges to mitigate the impacts of the COVID-19 pandemic	As part of a package of measures to mitigate the impacts of the pandemic on the rail sector, funding is provided for track access charges in long-distance rail passenger transport. The funding is provided for rail services in the period from 1 March 2020 to 31 May 2022. A total of €2.105 billion is available for this purpose. The funding amount is around 98% in the period from 1 March 2020 to 31 December 2021 and falls to a maximum of up to 50% in 2022 (1 January 2022 to 31 May 2022). The European Commission approved the funding on 30 July 2021. The aim of the funding is to stabilise the provision of long-distance rail passenger transport services and strengthen rail as an environment-friendly mode of transport in general.	Funding approved by the European Commission and published in the Federal Gazette. Disbursement to rail transport undertakings expected to begin in November 2021.

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 3: Composition and quality of public finances, sustainable and growth-enhancing investment, fiscal structural reforms	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Funding of development projects for renewable fuels	Funding guideline for the development of renewable fuels; Funding for the establishment and operation of a development platform for power-to-liquid fuels A total of €640 million is available for the two measures in the period from 2021 to 2024. This is intended to contribute to climate change mitigation in transport.	Published 11 May 2021; Published 23 August 2021
	Funding for production facilities and for the market ramp-up of renewable fuels	Funding guideline for investment in the conversion or construction of production facilities to place advanced biofuels and power-to-liquid fuels on the market; Funding guideline for the market ramp-up of power-to-liquid aviation fuel; A total of €900 million is available for the two measures in the period from 2021 to 2024. This is intended to contribute to climate change mitigation in transport.	Publication expected in Q4/2021; Publication expected in Q1/2022
	Call for tenders for 1,000 rapid charging locations (Deutschlandnetz)	As a complement to private-sector charging infrastructure, the Federal Ministry of Transport and Digital Infrastructure (BMVI) will issue calls for tenders under the Fast Charging Act (*Schnellladegesetz*) for a 'Deutschlandnetz' comprising more than 1,000 fast charging locations that provide charging points with at least 200 kW capacity. The aim is to come significantly closer to meeting the volume and area coverage needed for medium-to-long-distance travel with electric vehicles in Germany. Contracts will be awarded in two calls for tenders with a total of 23 regional lots and at least four national lots.	Publication of first tender expected late September 2021 Publication of second tender expected November 2021
	Social housing	Federal financial assistance for social housing: A total of €5 billion in programme funding is earmarked as federal financial assistance for social housing in the period from 2020 to 2024. An additional €1 billion has been earmarked as programme funding for climate-friendly social housing in 2022. The additional funding is to be used for the construction of energy-efficient new social housing or the energy-efficient refurbishment of social housing. This helps reconcile climate change mitigation with affordable housing – a basic precondition for maintaining social cohesion.	The necessary administrative agreements with the *Länder* for 2020 and 2021 entered into force on 21 April 2020 and 25 February 2021. The administrative agreement for 2022 has been submitted to the *Länder* for consultation.

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 3: Composition and quality of public finances, sustainable and growth-enhancing investment, fiscal structural reforms	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Agricultural investment programme	Supports investment in agricultural machinery and equipment that meets future needs and complies with specific environmental, climate and resource-efficiency criteria. A total of €816 million is available for this purpose in the years 2021 to 2024. Funding is provided at up to 40% of the eligible investment amount for agricultural holdings (primary producers, individually or in groups) and up to 10% (medium-sized enterprises) or 20% (small enterprises) for contractors and commercial machinery rings. The priority aim is to reduce emissions and environmental pollution from agricultural machinery and equipment.	The programme was launched on 11 January 2021. End date 31 December 2024.
	Digitalisation in Agriculture programme	Among other things, establishment of 14 digital trial fields and a competence network. These are digital test fields on farms used to investigate among other things how digital technologies can best be used in the interests of the environment, animal welfare, biodiversity and workload reduction. Around €50 million in funding is available over three years.	The trial fields and the competence network were selected between September 2019 and March 2020.
	Announcement of funding for artificial intelligence (AI) in agriculture, the food chain, healthy nutrition and rural regions	The measure aims to better tap the potential of AI for the targeted areas by transferring methods and techniques using AI tools originating from basic research into practical application. 37 research projects are to be funded. Around €45 million in funding is available over three years.	The funding guideline was published on 26 February 2020. All 37 projects are intended to start in late 2021. The term is three years.
	Use of funding from REACT-EU recovery fund	The €1.9 billion REACT-EU recovery fund (first tranche totalling €2.4 billion through to 2023) is used by the *Länder* and government departments for research and development projects, among other things in future-oriented areas such as green hydrogen, fuel cells and electric mobility; for resilient education and health infrastructure; to support particularly hard-hit sectors such as tourism and culture; for green and digital investment by SMEs and startups; for measures to safeguard jobs and for initial and further training.	First *Länder* programme approved by European Commission on 28 April 2021

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 3: Composition and quality of public finances, sustainable and growth-enhancing investment, fiscal structural reforms	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Federal funding guideline for research and technology projects to produce innovative personal protective equipment	In force since 30 December 2020, the guideline creates incentives for innovation in the following funding priorities: sustainability and recyclability; functionality and development of new areas of demand; automation and digitalisation of products and services; contribution to the efficiency of the National Health Protection Reserve; and standardisation, testing and certification procedures. The funding volume is €163 million through to 2025.	Applications can still be made until 31 December 2021.
	Support for social enterprises and social startups via the ESF	To help them survive the COVID-19 pandemic, social enterprises and social startups are provided with support via the ESF using funding from REACT-EU under the NGEU temporary recovery instrument. In the case of social enterprises, the primary focus will be on the areas of digitalisation and the development of business knowledge and entrepreneurial skills. Social startups, which are drivers of social innovation, are supported with investment readiness measures for upscaling. This is intended to contribute to the transformation to a sustainable, green, digital economy.	Approved by European Commission on 30 July 2021
	Use of funding from the EU Structural Fund	The EU Structural Fund (2021-2027 funding period) focuses on advancing European competitiveness through innovative and smart economic transformation. Germany is to receive €10.9 billion for the ERDF and €2.5 billion for the new Just Transition Fund (JTF). The ERDF is implemented by the *Länder*. The federal government has coordinating responsibilities. The focus is traditionally on research and innovation, SME competitiveness and the low-carbon economy. The JTF supports climate policy-driven structural change, particularly in lignite mining regions.	The partnership agreement between Germany and the European Commission was submitted to the European Commission on 20 September 2021.
	General Administrative Regulation on the Procurement of Climate-friendly Services (*Allgemeine Verwaltungsvorschrift zur Beschaffung klimafreundlicher Leistungen* – AVV Klima)	On 15 September 2021, the federal government decided to recast the General Administrative Regulation on the Procurement of Energy-efficient Products and Services (AVV EnEff) as the General Administrative Regulation on the Procurement of Climate-friendly Products and Services (AVV Klima). AVV Klima retains the requirements contained in AVV EnEff in order to ensure a continued high level of energy efficiency in all federal procurement while supplementing them with ambitious rules for the procurement of particularly climate-relevant products and services. The annual additional cost is estimated at €200-300 million.	AVV Klima is expected to enter into force early in 2022.

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 3: Composition and quality of public finances, sustainable and growth-enhancing investment, fiscal structural reforms	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Revision of the Energy Industry Act (*Energiewirtschafts-gesetz*) to cover pure hydrogen grids	Among other things, this revision of the Energy Industry Act provided the legal basis to specify the regulatory framework for hydrogen grid operators in developing a regulated hydrogen grid infrastructure, irrespective of whether they convert existing gas grids or are other market players. Further details of the framework will be contained in a Hydrogen Grid Access Charges Ordinance (*Wasserstoffnetzentgeltverordnung*). This will provide investors in hydrogen infrastructure the planning certainty and legal certainty that they need.	The revised Energy Industry Act entered into force on 27 July 2021. The cabinet adopted the Hydrogen Grid Access Charges Ordinance on 22 September 2021.
	Adjustments to the Renewable Energy Sources Act (*Erneuer-bare-Energien-Gesetz*)	Additional potential for onshore wind power and photovoltaics is to be tapped in 2022 with special calls for tender. The tendering volumes for 2022 have been increased in the case of on-shore wind power by 1.1 gigawatts (GW) to 4 GW and in the case of photovoltaics by 4.1 GW to 6 GW. Additional points: • Regular reporting requirements regarding improvements in problems between radio navigation and offshore wind turbines • Repowering under the Federal Pollution Control Act (*Bundes-Immissionsschutzgesetz*) and energy storage • Local authority investment in photovoltaics	Entered into force on 27 July 2021
	Funding for hydrogen projects	As part of the IPCEI on hydrogen, the federal government plans to fund integrated projects along the entire hydrogen value chain, from green hydrogen production and infrastructure to hydrogen use in industry and transport. Out of some 230 project outlines, 62 projects with total planned investment of around €33 billion and requested funding of €10.5 billion have been preselected with the involvement of the *Länder* and submitted to the Commission.	Prenotification for the first two project waves launched with DG Competition in late August 2021. Additional project waves to follow shortly.
	Structural assistance for coal-mining regions	Under an administrative agreement on coal, €1.09 billion in structural assistance is available through to 2038 for former coal-mining regions in Lower Saxony, Mecklenburg-Western Pomerania, North Rhine-Westphalia and Saarland, among other things in the form of financial assistance. Funding is provided among other things for transport projects, business-related infrastructure, education and research infrastructure, digitalisation and tourism projects.	Administrative agreement between the Federation and the *Länder* concluded on 10 August 2021

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 3: Composition and quality of public finances, sustainable and growth-enhancing investment, fiscal structural reforms	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	IPCEI on Next Generation Cloud Infrastructure and Services (IPCEI-CIS)	Cloud and edge technologies are regarded as a key to innovative data-driven business models. A particular challenge is linking the distributed edge with centralised clouds in such a way as to ensure data portability and data interoperability alongside low latency and fast communication. Twelve EU member states are cooperating in an IPCEI to make Europe a technology leader. Germany is providing a total of €750 million from the DARP through to 2026.	Selection of German project outlines was completed on 15 September 2021. The EU matchmaking process – in which the individual projects selected at national level will be combined into an integrated European project – begins on 6 October 2021.
	Additional funding for 'Digital Now' (*Digital Jetzt*)	As part of the federal government's Economic Stimulus and Crisis Management Package and Future Development Package, 'Digital Now' was provided with substantial additional funding in June 2021 in order to further accelerate SME investment in digitalisation. The funding is to be doubled in the current year and increased by a total of almost €250 million by 2024. The increase is intended to trigger SME investment that will give the economy a direct boost and to strengthen the digital transformation of small and medium-sized German businesses that have been adversely impacted by the pandemic.	Funding increased 16 June 2021
	Future Fund (*Zukunftsfonds*)	Under the auspices of the Future Fund, a German Future Fund/European Investment Fund (GFF EIF) growth facility (up to €3.5 billion) was launched on the market in June 2021 to invest in growth funds and in major startup funding rounds in cooperation with the European Investment Fund. The DeepTech Future Fund (€1 billion) notarised in April 2021 will take direct stakes in high-tech companies, with a relatively long-term investment horizon. Likewise in April 2021, KfW Capital was commissioned with implementing an ERP/Future Fund growth facility (€2.5 billion) whose main investment focus is on growth funds and mezzanine debt issues (venture debt). Further Future Fund modules are to be launched in 2021 and 2022 with a primary focus on growth funding.	Investment period 2021-2030 Phased launch of Future Fund modules in 2021 and 2022

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 3: Composition and quality of public finances, sustainable and growth-enhancing investment, fiscal structural reforms	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Progress in implementing the Online Access Act (*Onlinezugangsgesetz*) (business sector)	Key steps have been taken in implementing the Online Access Act for the business sector (investment in digital public administration services). Some 130 projects are underway to digitalise administrative services that are the responsibility of and provided by the federal government. Including funding from the economic stimulus package, around €120 million is being invested for this purpose. In the thematic area of enterprise management and development, federal services are provided online in 14 projects in cooperation with the *Länder*, which have been allocated up to €180 million in funding for this purpose from the economic stimulus package.	The various projects are being progressively advanced, with the first funding for projects in cooperation with the *Länder* disbursed in June 2021.
	Progress in implementing the Online Access Act (administrative sector)	Implementation of the Online Access Act continues and has already delivered highly promising results. A total of 43 services have already gone live. 34 went live in 2020 and a further nine have followed this year. These services include outline planning permission and full planning permission (building and housing category), infection control services (health category), maintenance advance (family and children category) and naturalisation (immigration and emigration category).	Under the Act, the federal government and the *Länder* must additionally offer their administrative services online via administration websites by the end of 2022. The projects are therefore being pursued with urgency.
	Funding priority on digital innovation for the improvement of patient-centric healthcare	The funding priority is divided into four modules: smart sensor technology, smart data use, smart algorithms and expert systems, and smart communication, with the aim of expanding scientific knowledge to benefit digital innovation and improve patient-centric healthcare. Funding of around €39.8 million has been earmarked for the funding priority until its expiry in 2023.	22 ongoing projects with varying time frames (through to 2022 or 2023)
	Strengthening Germany as a centre for investment funds	Measures to support the launch of startups, to promote investment in growth areas and to strengthen the liquidity of startups. Young growth companies in particular are supported and strengthened by means of a limited-scope extension of the VAT exemption on fund management fees to the management of venture capital funds. The tax regime for employee share ownership has been improved, thus strengthening investment by employees in their employer. The measures result in an annual tax revenue shortfall of €0.82 billion.	Act to Strengthen Germany as a Centre for Investment Funds (Fund Domicile Act) (*Gesetz zur Stärkung des Fondsstandorts Deutschland (Fondsstandortgesetz)*) of 3 June 2021

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 3: Composition and quality of public finances, sustainable and growth-enhancing investment, fiscal structural reforms	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
3.3 Give priority to **fiscal structural reforms** that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances, including, where relevant, by **strengthening the coverage, adequacy and sustainability of health and social protection systems for all**.	Health Care Development Act (*Gesetz zur Weiterentwicklung der Gesundheitsversorgung*)	In order once again to avoid a sharp rise in non-wage labour costs in 2022 together with the resulting impact on the economy, and to stabilise social security contributions at below 40%, the regular federal subsidy for statutory health insurance under section 221 of Book V of the Social Code (*Sozialgesetzbuch*) will be supplemented in 2022 with an additional €7 billion federal subsidy to stabilise the average supplementary contribution rate under section 242a of Book V of the Social Code in 2022. The Federal Ministry of Health is authorised, with the agreement of the Federal Ministry of Finance and the approval of the Bundestag, to revise the additional federal subsidy for 2022 by the end of 2021 in order to ensure that the average supplementary contribution rate for statutory health insurance is stabilised in 2022 at 1.3%. The stabilisation of the statutory health insurance contribution rate as a result of the additional federal subsidy will make it possible to avoid an additional burden being placed on the labour factor and hence on business enterprises and contribution payers in 2022 and thus to contribute substantially to a more rapid recovery of the German economy after the pandemic. For the funding of statutory long-term care insurance, a lump-sum federal subsidy of €1 billion per annum is to be introduced from 2022; this will also be used to protect persons in need of residential or non-residential nursing care from being unable to meet the rising costs of care.	In force since 20 July 2021
	Ordinance establishing further measures to safeguard hospital finances (*Verordnung zur Regelung weiterer Maßnahmen zur wirtschaftlichen Sicherung der Krankenhäuser*)	Statutory instrument extending to 31 May 2021 the compensation payments to hospitals to offset revenue losses due to postponement or cancellation of scheduled admissions, procedures or surgeries. The measure (including an extension of the period to 15 June 2021) is budgeted for 2021 with funding of around €6 billion, of which €5.2 billion has been disbursed to date. Provision is also made for the agreement of revenue offsets for hospitals for 2021, and in this connection the provision of advance payments.	In force since 8 April 2021 Period for compensation payments to hospitals extended to 15 June 2021 (by amending ordinance of 1 June 2021)
	Extension of simplified access to basic income support systems	Simplified access to basic income support systems in the context of the coronavirus pandemic has been extended for approved benefits that are set to begin by or before 31 December 2021. This means that the rules on simplified applications, reduced means testing, higher savings limits and the recognition of actual accommodation and heating costs as reasonable expenses have been retained. Self-employed individuals, creatives and low-wage earners in particular thus continue to be provided with an effective safety net.	Extension enacted in Social Security Package III (*Sozialschutz-Paket III*). The act entered into force on 1 April 2021.

Table 11: continuation

The Council of the European Union recommends Germany to:	Reporting period April 2021 to March 2022		
Recommendation 3: Composition and quality of public finances, sustainable and growth-enhancing investment, fiscal structural reforms	**Title of measure**	**Description and direct relevance to target**	**Status and timetable**
	Corporation Tax Modernisation Act (*Gesetz zur Modernisierung des Körperschaftsteuerrechts*)	Act containing, among other things, a corporation tax option for commercial partnerships and professional partnerships, further globalisation of business transformation law, provision for profit transfer overpayments or underpayments within a tax group to be accounted for by an adjustment in the parent entity's equity interest rather than in an asset or liability side adjusting item, and the elimination of a disparity with regard to the deductibility of exchange rate losses in connection with shareholder loans. The purpose of the act is to improve competitiveness.	Corporation Tax Modernisation Act of 25 June 2021

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)
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
Public Relations Division
Wilhelmstr. 97
10117 Berlin, Germany

Publication Date
October 2021

Edited by
Referat I A 4

Where to order this publication:
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