



**Brussels, 16 October 2014  
(OR. en)**

**EG 5/14**

**ECOFIN 934  
UEM 337  
EUROGROUP 10**

**COVER NOTE**

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From:	Ralph Müller, Permanent Representative of the Federal Republic of Germany to the European Union
date of receipt:	15 October 2014
To:	Mr Carsten PILLATH, Director General, Council of the European Union
Subject:	Germany: Draft Budgetary Plan of Germany for 2015, as laid down in Article 6(1) of Reg. (EU) 473/2013 on Common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the member states in the euro area

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Delegations will find attached Germany's Draft Budgetary Plan for 2015.

This document is aimed for discussion in the **Eurogroup**.

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Ständige Vertretung  
der Bundesrepublik Deutschland  
bei der Europäischen Union  
Brüssel

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CONSEIL DE L'UNION EUROPÉENNE  
SGE14/10764  
Reçu le 15 -10- 2014  
DEST. PRINC. M. PILLATH  
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Brüssel, 10. Oktober 2014

Sehr geehrter Herr Generaldirektor ,

anbei übersende ich die Übersicht über die Haushaltsplanung der Bundesrepublik Deutschland gemäß VO (EU) Nr. 473/2013 vom Oktober 2014. Eine englische Sprachfassung ist ebenfalls beigelegt.

Mit freundlichen Grüßen

  
Ralph Müller



Federal Ministry  
of Finance



# German draft budgetary plan 2015

according to Regulation (EU) No 473/2013

October 2014

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## Public finances in Germany in 2014–2015

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

Under European budgetary surveillance, member states that use the euro as their currency are required to submit a draft budgetary plan every October. The plan is intended to provide the general government budget projection for the Federation, the Länder, the local authorities and the social security funds based on the latest planning. The aim is to start the monitoring procedure at the budget preparation stage. With the present draft budgetary plan, which is based on the government draft of the 2015 federal budget, Germany is in full compliance with all its national and European fiscal policy obligations.

### Projection of public finances

**Balanced general government budget:** Germany's general government budget was balanced in 2013 for the second year in a row. A balanced general government budget is expected again this year and next year. All levels of government are contributing to the positive overall result: The Federation and Länder are continuing their efforts to achieve fiscal consolidation and reduce their

deficits. The local authorities are maintaining their surplus, and the social insurance funds' budgets will be nearly balanced within the projection period.

The fiscal policy focus of the general government budget can be described as broadly neutral, tending towards slightly expansionary. Most of the leeway achieved so far through consolidation is being used to increase public investment. In the first half of 2014, the individual levels of government increased their total investments by 8.5% on the year.

**Compliance with medium-term budgetary objective:** The 2013 balance, adjusted for cyclical and one-off effects, is in surplus. This structurally sound position will be maintained in 2014 and 2015. This means that Germany is complying with its medium-term budgetary objective – a structural deficit no greater than 0.5% of GDP.

**Declining debt ratio:** The debt-to-GDP ratio (Maastricht definition) declined to 76.9% in 2013. This continuous decrease is being driven by the positive development of the budget balances of the Federation, Länder and local authorities and by the sustained winding-down of the portfolios of Germany's resolution agencies. Even though Germany's successful consolidation efforts have reversed the debt ratio trend, the negative effects of the financial and economic crisis are still present: In 2013, the debt-to-GDP ratio was about 12 percentage points higher than it had been in 2008, before the crisis. The Federal Government aims to bring the debt-to-GDP ratio below the reference value of 60% in order to ensure long-term compliance with the Stability and Growth Pact. To achieve this, it is crucial to make Germany's consolidation achievements permanent.

**Table 1: General government balance and debt**

	2013	2014	2015
	% of GDP		
Fiscal balance	0.1	0	0
Structural balance	0.8	½	½
Maastricht debt-to-GDP ratio	76.9	74	70 ½

Figures for projection years rounded to half a percentage point of GDP.



### Implementation of the country-specific recommendations

The Federal Government has taken various steps to achieve further progress with the implementation of the Council's country-specific recommendations. The draft budgetary plan presented here mainly describes new measures (particularly those with budgetary relevance) addressing fiscal policy recommendations in 2015 and subsequent years. The German government will report on the implementation of all country-specific recommendations in detail as part of the 2015 National Reform Programme.

### Basis for the 2015 draft budgetary plan

Draft budgetary plans in Germany are based on projections of macroeconomic trends which, in turn, are based on the independent Joint Economic Forecast issued by leading economic research institutions. The projections are created in an atmosphere of intense competition with numerous other national and international institutions. The Working Party on Tax Revenue Estimates produces a tax revenue estimate on this basis. This procedure guarantees that the forecasts are reliable and of a high quality and provide an important basis for realistic financial planning in Germany.

European budgetary surveillance in the second half of the year focuses on budgetary plans for the following year. The 2015 draft budgetary plan is largely based on the government draft of the 2015 federal budget of 2 July 2014, which is based on the spring projection on aggregate economic trends of April 2014 and the tax revenue estimates of May 2014. European budgetary surveillance puts its focus on public finances, which includes the Länder, local authorities and social security funds as well as the Federal Government. For the Länder and local authorities, the projection is based on the medium-term public finance forecast for 2014–2018 that was submitted to the Stability Council Working Group by the Federal Ministry of Finance on 9 July 2014. An up-to-date projection was drawn up for the social security funds.

The chart shows how the various elements of macroeconomic forecasts, tax estimates, estimates and monitoring of the general-government budget, preparation of the federal budget and monitoring of budgets by the EU relate to each other chronologically.

The preparation of the federal budget is currently in the parliamentary process, which is generally not completed until December. The aggregate economic fundamentals are updated in October and the tax revenue estimates in November. To the extent that they affect the federal budget, the results are taken into account in the parliamentary consultation and decision-making process for the federal budget.

### Steps towards creating the Draft Budgetary Plan

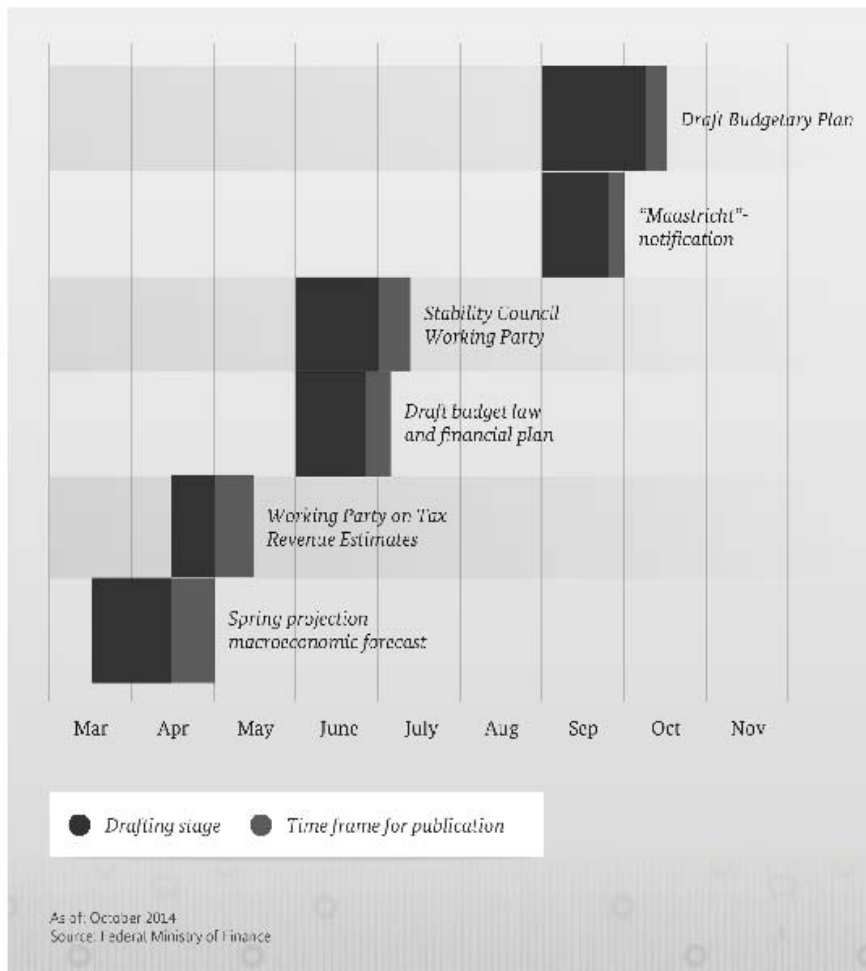


Table 2: Technical assumptions

	2013	2014	2015
Short-term interest rate (annual average in %)	0.54	0.25	0.25
USD/€ exchange rate (annual average)	1.33	1.38	1.38
Growth of German sales markets (in %) <sup>1</sup>	1 ½	3 ¼	4 ½
Oil price (Brent, USD/barrel)	110	108	108

1) Rounded to quarters.

Table 3a: Forecast of macroeconomic trends

	ESA Code	2013 Index 2010=100	2013	2014	2015	2016	2017	2018
			rate of change in %					
1. Real GDP, chain index	B1*g	104.09	0.1	1.8	2.0			
2. Potential GDP (€bn)		2510.8	1.5	1.5	1.5	1.3	1.3	1.3
contributions:								
- labour			0.6	0.5	0.4			
- capital			0.4	0.4	0.4			
- total factor productivity			0.6	0.6	0.7			
3. Nominal GDP (€bn)	B1*g	2809.5	2.2	3.5	3.8			
Components of real GDP, chain index								
4. Private consumption expenditure <sup>1</sup>	P.3	103.80	0.8	1.5	1.7			
5. Government consumption expenditure	P.3	102.66	0.7	1.3	1.2			
6. Gross fixed capital formation	P.51	105.75	-0.7	4.1	4.7			
7. Changes in inventories (GDP growth contributions)	P.52 + P.53	-	0.2	0.0	0.0			
8. Exports	P.6	112.80	1.6	4.1	4.6			
9. Imports	P.7	110.48	3.1	4.7	5.1			
			contributions to GDP growth in %					
10. Domestic demand (excluding stocks)		-	0.5	1.8	2.0			
11. Changes in inventories	P.52 + P.53	-	0.2	0.0	0.0			
12. External balance of goods and services	B.11	-	-0.5	0.0	0.1			

2013: Federal Statistical Office, September 2014.

2014 and 2015: results of the short-term forecast for the 2014 spring projection, April 2014.

1) Including private non-profit organisations serving households.

**Table 3b: Price developments - deflators**

	2013 Index (2010=100)	2013	2014	2015	2016	2017	2018
		rate of change in %					
1. GDP	104.77	2.1	1.7	1.7	1.7	1.7	1.7
2. Private consumption expenditure <sup>1</sup>	104.72	1.2	1.3	1.8			
3. HICP	115.30	1.6	-	-			
4. Government consumption expenditure	106.74	3.1	2.9	2.7			
5. Gross capital formation	106.25	1.0	1.2	1.4			
6. Exports	104.15	-0.2	0.0	0.8			
7. Imports	105.74	-1.6	-0.3	1.1			

2013: Federal Statistical Office, September 2014.

2014 and 2015: results of the short-term forecast for the 2014 spring projection, April 2014.

1) Including private non-profit organisations serving households.

**Table 3c: Labour market trends**

	ESA Code	2013 Level	2013	2014	2015
			rate of change in %		
1. Employment - persons <sup>1</sup>		42.28	0.6	0.6	0.3
2. Employment - hours worked <sup>2</sup> (bn hours)		57.61	-0.3	0.5	0.7
3. Unemployment rate (%) <sup>3</sup>		-	5.1	5.0	4.9
4. Labour productivity - persons <sup>4</sup>		101.0	-0.5	1.3	1.8
5. Labour productivity - hours worked <sup>5</sup>		103.0	0.4	1.3	1.3
6. Compensation of employees (€bn)	D.1	1426.2	2.8	3.4	3.7
7. Compensation per employee (thousand €)		37.7	1.9	2.7	3.5

2013: Federal Statistical Office, September 2014.

2014 and 2015: results of the short-term forecast for the 2014 spring projection, April 2014.

1) Employed persons, domestic concept national accounts definition.

2) National accounts definition.

3) Harmonised definition, Eurostat; levels.

4) Real GDP per person employed; (2010=100).

5) Real GDP per hour worked; (2010=100).

Table 3d: Sectoral balances

	ESA Code	2013	2014	2015
- in % of GDP -				
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	7.0	7.1	7.0
of which:				
- Balance on goods and services		5.8	6.2	6.2
- Balance of primary incomes and transfers		1.1	0.8	0.7
- Capital account		0.1	0.1	0.1
2. Net lending/net borrowing of households	B.9	4.8	4.8	4.7
3. Net lending/net borrowing of general government <sup>1</sup>	B.9	0.1	0	0
4. Statistical discrepancy		-	-	-

2013: Federal Statistical Office, September 2014.

2014 and 2015: results of the short-term forecast for the 2014 spring projection, April 2014.

1) Figures for the forecast years are rounded to half a percentage point of GDP.

Table 4a: General government budgetary targets broken down by subsector

	ESA Code	2014	2015	2016	2017	2018
- in % of GDP -						
<b>Net lending (+)/net borrowing (-) (B.9) by subsector<sup>1</sup></b>						
1. General government	S. 13	0	0	½	½	½
2. Central government	S. 1311	-0	0			
3. State government	S. 1312	0	0			
4. Local government	S. 1313	0	0			
5. Social security funds	S. 1314	0	-0			
<b>General government (S.13)</b>						
6. Interest expenditure	D.41	2	1 ½	1 ½	1 ½	1 ½
7. Primary balance <sup>2</sup>		2	2	2	2	2
8. One-off and other temporary measures <sup>3</sup>		-0	-0	-0	-0	-0
9. Real GDP growth (%)		1.8	2.0			
10. Potential GDP growth (%)		1.5	1.5	1.3	1.3	1.3
<b>- in % of potential GDP -</b>						
11. Output gap		-0.8	-0.3	-0.2	-0.1	0.0
12. Cyclical budgetary component		-½	-0	-0	-0	-0
13. Cyclically-adjusted balance (1 - 12)		½	½	½	½	½
14. Cyclically-adjusted primary balance (13 + 6)		2 ½	2	2	2	2
15. Structural balance (13 - 8)		½	½	½	½	½

1) TR - TE = B.9.

2) The primary balance is calculated as (B.9, item 1) plus (D.41, item 6).

3) A plus sign means deficit-reducing one-off measures.

Figures for the forecast years are rounded to half a percentage point of GDP.

Table 4b: General government debt developments  
(\*Maastricht\*-debt)

	ESA Code	2014	2015	2016	2017	2018
- in % of GDP -						
1. Gross debt		74	70 ½	68	65 ½	63 ½
2. Change in gross debt ratio		-3	-3			
Contributions to changes in gross debt						
3. Primary balance		2	2			
4. Interest expenditure	D.41	2	1 ½			
5. Stock-flow adjustment		-0	-0	½	½	½
<u>p.m.:</u> Implicit interest rate on debt <sup>1</sup>		2 ½	2 ½			

1) Proxied by interest expenditure divided by the debt level of the previous year.  
Figures for the forecast years are rounded to half a percentage point of GDP.

Table 5: Expenditure and Revenue Projections under the no-policy change scenario\*

General government (S. 13)	ESA Code	2014	2015
		- in % of GDP -	
1. Total revenue at unchanged policies	TR	44 ½	44
<b>of which</b>			
1.1. Taxes on production and imports	D.2	11	10 ½
1.2. Current taxes on income, wealth, etc.	D.5	12	12 ½
1.3. Capital taxes	D.91	0	0
1.4. Social contributions	D.61	16 ½	16 ½
1.5. Property income	D.4	1	½
1.6. Other		4 ½	4
<b>p.m.:</b>			
<b>Tax burden</b>			
(D.2+D.5+D.61+D.91-D.995)		39 ½	39 ½
2. Total expenditure at unchanged policies	TE	44	44
<b>of which</b>			
2.1. Compensation of employees	D.1	7 ½	7 ½
2.2. Intermediate consumption	P.2	4 ½	4 ½
2.3. Social payments	D.62 D.632	23 ½	24
<b>of which</b>			
<b>Unemployment benefits</b>			
		1 ½	1 ½
2.4. Interest expenditure	D.41	2	1 ½
2.5. Subsidies	D.3	1	1
2.6. Gross fixed capital formation	P.51	2 ½	2 ½
2.7. Capital transfers	D.91	1	1
2.8. Other		2	2

\* 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 forecast years are rounded to half a percentage point of GDP.



Table 6a: General government expenditure and revenue targets

General government (S13)	ESA Code	2014	2015
		- in % of GDP -	
<b>1. Total revenue</b>	TR	44 ½	44
<b>of which</b>			
1.1. Taxes on production and imports	D.2	11	10 ½
1.2. Current taxes on income, wealth, etc	D.5	12	12 ½
1.3. Capital taxes	D.91	0	0
1.4. Social contributions	D.61	16 ½	16 ½
1.5. Property income	D.4	1	½
1.6. Other <sup>1</sup>		4 ½	4
<b>p.m.: Tax burden</b> (D.2+D.5+D.61+D.91-D.995) <sup>2</sup>			
		39 ½	39 ½
<b>2. Total expenditure</b>	TE <sup>3</sup>	44	44
<b>of which:</b>			
2.1. Compensation of employees	D.1	7 ½	7 ½
2.2. Intermediate consumption	P.2	4 ½	4 ½
2.3. Social payments	D.62 D.632	23 ½	24
<b>of which</b>			
<b>Unemployment benefits<sup>4</sup></b>		1 ½	1 ½
2.4. Interest expenditure	D.41	2	1 ½
2.5. Subsidies	D.3	1	1
2.6. Gross fixed capital formation	P.51	2 ½	2 ½
2.7. Capital transfers	D.91	1	1
2.8. Other <sup>5</sup>		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+K.2+D.8.

Figures for the forecast years are rounded to half a percentage point of GDP.

Table 6b: Amounts to be excluded from the expenditure benchmark

	2013	2013	2014	2015
	bn €	- in % of GDP -		
<b>1. Expenditure on EU programmes fully matched by EU funds revenue</b>	5.0	0.2	0	0
<b>2. Cyclical unemployment benefit expenditure</b>	-3.7	-0.1	-0	0
<b>3. Effect of discretionary revenue measures</b>	-0.4	0.0	0	0
<b>4. Revenue changes mandated by law</b>	-6.7	-0.2	-0	-0

Figures for the forecast years are rounded to half a percentage point of GDP.

Table 7: Discretionary measures of General Government

List of measures	Detailed description	Target (Expenditure /Revenue component) ESA Code	Accounting principle	Adoption status	Budgetary impact				
					2014	2015	2016	2017	2018
					- in % of GDP -				
Act to Enhance Long-Term Care	Additional services to relieve the burden on those who are cared for at home	D. 62	accrual	planned entry into force 1 January 2015	-	-0	-0	-0	-0
	Increase of contribution rate to compulsory long term care insurance by .3 pp	D. 61			-	0	0	0	0

\* More measures at general government and federal government level have already been reported in the updated April 2014. They are in the process of implementation.

Table 8: Divergence from April 2014 Stability Programme

	ESA Code	2013	2014	2015
<b>Target general government net lending/net borrowing (% of GDP)</b>	B.9			
Stability Programme - April 2014		0.0	0	0
Draft Budgetary Plan - October 2014		0.1	0	0
Difference		0.1	0	0
<b>General government net lending/net borrowing projection at unchanged policies (% of GDP)</b>				
Stability Programme - April 2014		0.0	0	0
Draft Budgetary Plan - October 2014		-	0	0
Difference		-	0	0

This difference can refer to both deviations stemming from changes in the macroeconomic scenario and those stemming from the effect of policy measures in the meantime.

Figures for the forecast years are rounded to half a percentage point of GDP.

**Table 9: Country-specific recommendations (CSRs)**

CSR number	List of measures*	Description of the direct relevance
1 Growth-friendly fiscal policy  Compliance with the MTO until 2018  Reduce debt ratio	Federal Government draft of the 2015 budget and financial plan to 2018  Draft budgetary plans of the <i>Länder</i>	The Federal Government draft of the 2015 budget and the financial plan to 2018 continue the approach of growth-friendly consolidation. This measure refines the benchmark figures of the draft budgetary plan of March 2014, on which the German Stability Programme of April 2014 was based.  The aim of achieving balanced budgets at the federal level without any new borrowing between 2015 and 2018 is a decisive contribution to compliance with the medium-term objective. It is also leading to visible progress towards meeting the target for reducing the general-government debt-to-GDP ratio in accordance with the 1/20 rule under the European Stability and Growth Pact.  Germany has been complying with its medium-term budgetary objective – a structural deficit of 0.5% of GDP – since 2012. A slight structural surplus is expected over the programme period. This means that the country-specific recommendation is being complied with.
1 Increased and more efficient investment in infrastructure	Under the coalition agreement, an additional €5bn is being made available for investment in transport infrastructure over the 2014–2017 period. Of this total, €1.0bn will be used in 2015.  Funds for rail, road and waterway infrastructure without an obligation to cut costs are being made available for multi-year periods under departmental budget 12.	The demand-driven increase in public investment and the improved conditions for private investment are having a positive impact on growth and employment.  More flexible use of funds.

Table 9: continuation

CSR number	List of measures*	Description of the direct relevance
	Over the course of 2015, the heavy goods vehicle (HGV) toll will be extended to a further 1,100km of federal highways and to HGVs with a maximum permissible weight of 7.5 tonnes (down from 12 tonnes).	Strengthens the "user pays" principle.
	Infrastructure financing through PPPs is being further developed.	The aim is to enhance efficiency by involving private stakeholders and to mobilise additional private capital.
	A larger share of existing funds is to be used to strengthen bridges and improve inland connections to seaports.	The efficiency of infrastructure investments is being fundamentally increased by improving the setting of priorities with respect to the use of funds.
1 Increased and more efficient investment in education and research	Education and research are priorities under the Federal Government's draft budgetary plan: In the current legislative period, an additional €9bn is being invested in education (child care facilities, schools, higher education) and research.	Increase in growth-oriented spending; enhanced innovation and growth potential; improved opportunities for participation and development.
	Draft legislation to amend Article 91b of the Basic Law	Cooperation opportunities between the Federation and the Länder in the area of science and research are being enhanced significantly. This means that partnerships between universities and non-university research institutions can be supported much more easily and efficiently in the future.
	New High-Tech Strategy – Innovations for Germany	The new High-Tech Strategy strengthens growth and prosperity in Germany by enabling creative ideas to be developed into actual innovations more quickly.
1 Improve efficiency of the tax system	The German government is working together with European and international partners in the OECD's Base Erosion and Profit Shifting initiative (work to be completed in 2015; first concrete results ready to be implemented for seven action points).	The aim of the raft of BEPS measures is to agree on an international regulatory framework, to create standards for fair tax competition, and to coordinate international tax bases more effectively.

Table 9: continuation

CSR number	List of measures*	Description of the direct relevance
	<p>Support for the development of the global standard for automatic exchange of financial account information (signing of multilateral agreement on automatic exchange of financial account information on the occasion of the annual meeting of the Global Forum in Berlin on 29 October 2014 and quick implementation of the standard in national law).</p> <p>Ratification of the Council of Europe's Convention on mutual administrative assistance in tax matters.</p>	<p>Prevents tax evasion and ensures fair tax competition.</p>
	<p>Further development of rules on voluntary disclosure in exchange for exemption from punishment: stricter effectiveness requirements (finalisation of legislative process by the end of 2014).</p>	<p>In future, exemption from punishment will be subject to stricter conditions; there will be no prosecution in special cases, but only in exchange for higher payments; there will be special provisions for more legal certainty with regard to provisional VAT returns and wage tax returns.</p>
	<p>VAT: Germany has commissioned the RWI research institute to analyse the fiscal impact of the reduced VAT rate in Germany using a simulation and to investigate the growth effects of streamlining concepts. The results are now available and show that, if the additional revenue generated as a result of the full or partial abolition of the lower VAT rate were used either to reduce the burden of taxes and social security contributions on labour or for higher transfer spending, this would have a negative impact on GDP. The government is reviewing how these results should be dealt with.</p>	

Table 9: continuation

CSR number	List of measures*	Description of the direct relevance
1 Enhance cost-effectiveness in the areas of healthcare and long-term care	<p>The 13th and 14th Act to Amend the Fifth Book of the Social Security Code (<i>13./14. Gesetz zur Änderung des Fünften Buches Sozialgesetzbuch</i>)</p> <ul style="list-style-type: none"> <li>- Entered into force on 1 January 2014 and 1 April 2014, respectively</li> <li>- Implemented various measures to regulate spending on pharmaceuticals (including extension of a price freeze until the end of 2017 and increasing the manufacturer discount from 6% to 7%).</li> </ul>	<p>Statutory health insurers' spending on pharmaceuticals is regulated in order to ensure that the provision of pharmaceuticals is affordable and of a high standard. Total annual savings amount to €650m.</p>
	<p>Act Enhancing Financial Structures and Quality in the Statutory Health Insurance System (<i>Gesetz zur Weiterentwicklung der Finanzstruktur und der Qualität in der gesetzlichen Krankenversicherung</i>)</p> <ul style="list-style-type: none"> <li>- As of 1 January 2015, German statutory health insurers will be subject to new regulations regarding premiums.</li> <li>- Details of the new regulations: <ul style="list-style-type: none"> <li>• The general premium rate will be lowered from 15.5% to 14.6%.</li> <li>• Employees will pay 7.3%, with employers paying the other half.</li> <li>• The current system of lump-sum supplementary premiums will be replaced by a system of income-based supplementary premiums.</li> <li>• This change will render certain existing elements superfluous. It will no longer be necessary to have compensation payments that are financed by tax revenue, and health insurance funds will not need to have the option of paying out bonuses to their members.</li> <li>• Insured individuals will have a special right to terminate their contracts if their health insurance fund decides to impose a supplementary premium or to raise an existing supplementary premium.</li> </ul> </li> </ul>	<p>The aim is to adjust the statutory health insurance system so that it can cope with demographic change and rising expenditure levels, thereby placing it on a solid footing for the long term.</p> <p>The actions are intended to increase the incentives for health insurance funds to operate efficiently. The Act will give the health insurance funds more autonomy when it comes to setting premiums. The aim is to encourage health insurance funds to compete with each other in trying to achieve the lowest (supplementary) premiums possible while at the same time providing the best possible coverage.</p>

Table 9: continuation

CSR number	List of measures*	Description of the direct relevance
	<p>+ Introduction of complete income equalisation. This will serve to counteract the incentive among health insurance funds to favour higher earners (in order to reduce the level of supplementary premiums) when competing with each other to attract new members.</p>	
	<p>Act to Enhance Long-Term Care (<i>Pflegestärkungsgesetz I</i>) (planned entry into force: 1 January 2015): Additional services to relieve the burden on those who are cared for at home</p>	<p>The improvements to home-based care that were already set out in the Act to Restructure Long-Term Care Insurance (<i>Pflege-Neuausrichtungsgesetz</i>), namely additional measures to relieve the burden on those affected and their relatives who provide care, will be extended further. The cost-effectiveness of long-term care insurance will increase, because these measures will cause the number of people in need of long-term care who make use of out-patient benefits and services (which are on the whole significantly more cost-effective) to further stabilise or even increase, reversing the previous trend.</p>
	<p>The Act to Enhance Preventive Healthcare (<i>Präventionsgesetz</i>) is aimed at improving preventive healthcare and health promotion, particularly in places such as pre-school childcare facilities, schools, companies and nursing homes.</p> <p>The Federal Ministry of Health is currently preparing the draft legislation.</p>	<p>Effective preventive healthcare can reduce medium- and long-term healthcare spending and help to keep further cost increases in check.</p>
<p>1 Ensure the sustainability of the public pension system</p>	<p>Stabilising the pension contribution rate. Germany is ensuring that the statutory contribution-rate ceiling of 22% will be complied with until 2030, even taking into account recent pension reforms.</p>	<p>The stabilisation of the pension contribution rate as of 1 January 2014 – alongside federal payments for this purpose, which will be increased again in 2019 – is contributing to the financing of the new pension measures introduced on 1 July 2014 and therefore also ensures that pension funds' budgets will continue to develop appropriately.</p>



Table 9: continuation

CSR number	List of measures*	Description of the direct relevance
		The current contribution rate of 18.9% is the lowest since 1995, which relieves the burden on both employers and employees.
	Temporary additional increase in the rehabilitation budget as of 1 January 2014. When the annual adjustment of the rehabilitation budget is made, a legally stipulated "demographic factor" (cf. section 287b subsection (3) of Book VI of the Social Code) is taken into account in addition to expected changes in wages and salaries.	Pension funds will be allocated extra funds for workforce-participation benefits totalling up to €200m per year during the period until 2017; the aim is to help people maintain or restore their capacity for work. The "baby boomer" generation has now reached the age when intensive rehabilitation is often required. These measures will help the pension insurance system better apply the principle of prioritising rehabilitation over pension payments (cf. section 9 of Book VI of the Social Code).
1 Domestic implementation of the debt brake	<p>The debt brake for the Federation and <i>Länder</i> that was enshrined in the Basic Law in 2009, together with existing fiscal rules for the social security funds and local authorities, aims to ensure compliance with Germany's MTO. The rules set out in the Basic Law also apply directly to the <i>Länder</i>. If a <i>Land</i> does not adopt further state-level provisions regarding adjustment for cyclical factors or regarding exceptional situations, then a ban on new borrowing will apply with no exceptions as of 2020. According to the Basic Law, the <i>Länder</i> must prepare their budgets in such a way that the debt-brake rules will be met as of the 2020 fiscal year.</p> <p>Moreover, in 2013, the upper limit for the general-government structural deficit of 0.5% of nominal gross domestic product, as defined in the fiscal compact, was enshrined in the Budgetary Principles Act (<i>Haushaltsgrundsatzgesetz</i>), as was a reference to the corresponding provisions</p>	Germany's system of fiscal rules provides a good basis for compliance with the MTO.

Table 9: continuation

CSR number	List of measures*	Description of the direct relevance
	of the fiscal compact and the preventive arm of the Stability and Growth Pact. This provides an additional guarantee that the debt brake will be complied with on all levels of government. The Stability Council monitors compliance with the general-government deficit limit. The council is supported in its work by an independent advisory board.	
1 Reform of financial relations between Federation, Länder and local authorities	In June 2014, the Federal Chancellor and the leaders of the Länder tasked the federal and Länder finance ministers with laying the groundwork for agreements on federal financial relations which will address the issues specified in the coalition agreement. Their findings on vertical relations must be submitted by October 2014, and those on horizontal relations by December 2014.	It is currently not possible to make any other statements on this issue.
2 Reduce the burden of tax and social security contributions	Income tax: Increase of the basic personal allowance by €224 to €8,354, effective as of 1 January 2014.	Placing limits on the burden of tax and social security contributions, especially on low earners.  The employment rate in Germany lies significantly above the EU average (Germany (2013): 77.1%, EU 68.4%) and has continually increased over the last 10 years. The same applies to labour force participation among low earners (Germany (2013): 58.2%, EU: 51.5%).
	Act Enhancing Financial Structures and Quality in the Statutory Health Insurance System ( <i>Gesetz zur Weiterentwicklung der Finanzstruktur und der Qualität in der gesetzlichen Krankenversicherung</i> ): The employer's share is legally set at 7.3%.	Decoupling non-wage labour costs from healthcare spending ensures that financial resources in the statutory health insurance system are organised in a way that promotes employment and growth.

\* The 2014 NRP, which was sent to the European Commission on 15 April 2014, includes a comprehensive overview of the state of play regarding implementation of the 2013 CSRs and contains a detailed table of actions (including description, anticipated impact, status and schedule), p. 38 et seqq. The overview here is limited to the 2014 CSRs that are relevant for fiscal policy and mainly includes new measures (planned, adopted, in force) which will take effect in 2015 and the following years. The Federal Government will comment in detail on the implementation of all 2014 CSRs in the 2015 NRP.

Table 10: Targets set by the EU's strategy for growth and employment

National headline targets for 2020	List of measures*	Description of the direct relevance on the target
<p>Employment rate among people aged 20–64: 77%**</p> <p>Employment rate among older people aged between 55 and 64: 60%**</p> <p>Employment rate among women: 73%</p>	<p>Draft legislation for the introduction of the new parental allowance (<i>“Elterngeld Plus”</i>) and a “partnership bonus” (<i>Partnerschaftsbonus</i>) for parents who both work 25–30 hours a week (the new rules will apply for children born on or after 1 July 2015).</p>	<p>Currently, mothers return to work 19 months after the birth of a child, on average. The majority, however, would prefer to return to work earlier. Many mothers who are working part-time with a low number of hours per week would like to work more. In this context, the introduction of <i>“Elterngeld Plus”</i>, which will eliminate the previous disadvantages associated with working part-time while receiving parental allowance (<i>Elterngeld</i>), is expected to have a positive impact on the number of mothers in work.</p>
<p>R&amp;D expenditure: 3% of GDP (two-thirds from the private sector and one-third from the public sector)</p> <p>Spending on education and research: 10% of GDP by 2015</p>	<p>Additional funds totalling €3bn are being made available during this legislative period for research and development.</p> <p>In the area of education, the <i>Länder</i> and local authorities are receiving financial relief from the Federation totalling €6bn during this legislative period. These funds are intended to help the <i>Länder</i> and local authorities deal better with the financing of pre-school childcare facilities, schools and higher education institutions.</p>	<p>Continual increase of investments in the areas of R&amp;D and education.</p>
<p>Reduce greenhouse gas emissions by at least 40% by 2020 compared with 1990 levels and by 80–95% by 2050</p> <p>Increase share of renewable energy to 18% of gross final energy consumption by 2020, to 60% by 2050 and to at least 80% in the electricity sector</p>		

Table 10: continuation

National headline targets for 2020	List of measures*	Description of the direct relevance on the target
<p>National energy efficiency goals according to the Federal Government's energy strategy of 28 September 2010: Reduce primary energy consumption by 20% by 2020 and by 50% by 2050, compared with 2008 levels</p>		
<p>Increase proportion of 30–34 year-olds who have completed tertiary education or equivalent to 42%**</p>	<p>Continue with the Higher Education Pact (3rd phase: 2016–2020): The Federation is negotiating with the <i>Länder</i> over the third phase of the pact. The goal of giving more people with vocational qualifications access to higher education is to be included in the pact.</p>	<p>In this regard, higher education institutions that have good teaching and services that enable more students to achieve qualifications while also ensuring quality are to be rewarded.</p>
<p>Reduce the number of long-term unemployed by 20% by 2020 compared with 2008 levels**</p>	<p>ESF/Federal Government programme to integrate long-term unemployed benefit claimants (as defined in Book II of the Social Code) into the general labour market</p>	<p>The aim is to give the programme's around 30,000 participants a better chance of entering the primary labour market. The application process for the programme is expected to begin in late 2014. Total funds of around €885m provided by the ESF and the Federal Government will be deployed by 2018.</p>

\* The 2014 NRP, which was sent to the European Commission on 15 April 2014, includes a comprehensive overview of the state of play regarding the implementation of the Europe 2020 strategy in Germany, including a detailed table of actions (including description of action, anticipated impact, status and schedule), p. 56 et seqq. The overview here is limited to new actions (planned, adopted, in force) and in particular actions that are relevant for fiscal policy, which will take effect in 2015 and the following years.

\*\* Target already met.

Table 11: Methodological aspects

<b>Estimation Technique</b>	<b>Step of the budgetary process for which it was used</b>	<b>Relevant features of the model/ technique used</b>	<b>Assumptions</b>
<b>Macroeconomic forecast</b>	Before each tax estimation	Iterative-analytic approach: several partial models are used in the system of national accounts. Potential GDP estimation is done on the basis of the models developed and suggested by the Output Gap Working Group of the Economic Policy Committee (EPC) of the European Union.	Technical assumptions (for oil and commodity prices, foreign exchange rates and interest rates)
<b>Tax estimation</b>	Basis for drafting and finalising budgeting	Estimation on the basis of macroeconomic forecast and time series analysis.	Macroeconomic forecast, estimations on the fiscal impact of discretionary tax measures
<b>Fiscal impact of discretionary tax measures</b>	Basis for tax estimation and drafting and finalising budgeting	Microsimulation models on the basis of tax statistics and macroeconomic forecast	Macroeconomic forecast



## Published by

Federal Ministry of Finance  
Public Relations Division  
Wilhelmstr. 97,  
10117 Berlin, Germany

October 2014

Cover images  
Federal Ministry of Finance/ Uja C. Hendel

Edited by  
Division I.4.4

[www.bundesfinanzministerium.de](http://www.bundesfinanzministerium.de)