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COVER NOTE

From: Ralph Müller, Head of Division, Permanent Representative of the Federal Republic of Germany to the European Union

date of receipt: 15 October 2015

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

Subject: Germany:
Draft Budgetary Plan of Germany, 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

Delegations will find attached Germany's Draft Budgetary Plan for 2016 in English.

This document is aimed for discussion in the Eurogroup.

Courtesy Translation

Permanent Representation of the
Federal Republic of Germany to the European Union
Brussels

Ralph Müller
Head of Division

Mr Carsten Pillath
Director-General
DG Economic Affairs and Competitiveness
General Secretariat of the Council of the European Union
Rue de la Loi 175
1048 Brussels

Brussels, 14 October 2015

Dear Director-General,

I have the pleasure to forward the draft budgetary plan of the Federal Republic of Germany according to Regulation (EU) 473/2013 as of October 2015. An English translation has also been enclosed.

Sincerely yours,

signed Ralph Müller



German draft budgetary plan 2016

according to Regulation (EU) No 473/2013

October 2015

German draft budgetary plan 2016

according to Regulation (EU) No 473/2013

October 2015

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Public finances in Germany in 2015–2016

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

The draft budgetary plan presents the general government budget projections for the Federation, the *Länder*, the local authorities and the social security funds on the basis of current trends and planning. It is published in October of every year and supports the monitoring of budgets by the EU during the budget preparation stage.

Germany is in compliance with the requirements of the Stability and Growth Pact. As a result, it is succeeding in gradually reducing its excessive debt ratio, with the aim of bringing it under the reference value of 60% of GDP.

Projection of public finances

General government budget includes provisions for the future: In 2014, the general government budget returned to surplus for the first time since 2007. This marks the third year in a row that the budget has been close-to-balance. Germany is therefore in compliance with the aims of the Stability and Growth Pact, which stipulates that the general government budget should be close-to-balance or in surplus. A surplus of

1% of GDP is expected this year, partly as a result of the positive economic conditions and the low interest rate environment. This makes it possible to provide resources for the Local Authority Investment Support Fund, for the Energy and Climate Fund and for a reserve for tasks relating to the reception and accommodation of refugees and asylum-seekers in coming years. Consequently, an increased flow of resources out of these funds and reserves can be expected in 2016, meaning that the general government balance will decrease markedly. For this reason, the fiscal policy orientation of the 2016 general government balance must be categorised as expansionary, even if the budget will be close-to-balance.

Compliance with medium-term budgetary objective: The 2014 structural balance, i.e. budget balance adjusted for cyclical and one-off effects, is in surplus. This means that Germany is complying with its medium-term budgetary objective, a structural deficit no greater than 0.5% of GDP. This structurally sound position will be maintained in 2015 and 2016.

Gradual reduction of the debt ratio:
 The debt-to-GDP ratio (Maastricht definition) further declined to 74.9% in 2014. This continuous decrease is being driven by the positive trend in the budget balances of the Federation, *Länder* and local authorities and by the ongoing 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 evident: In 2014, the debt-to-GDP ratio was about 10 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 Stability and Growth Pact's reference value of 60%, thereby improving the sustainability of public finances. As a precondition for this, Germany's consolidation successes must be made permanent.

Implementation of the country-specific recommendations

The Federal Government has taken various steps which demonstrate the progress that has been made with implementing the Council's country-specific recommendations of 14 July 2015. The draft budgetary plan for 2016 includes details of key measures to implement the recommendations that are effective in 2015 and following years and that were not included in the 2015 National Reform Programme or that have been updated. The Federal Government will report further on the implementation of the country-specific recommendations over the course of the coming European semester.

Table 1: General government budget balance and debt

	2014	2015	2016
	- % of GDP -		
Budget balance	0.3	1	0
Structural balance	0.8	¾	0
Maastricht debt-to-GDP ratio	74.9	71 ¼	68 ¾

Figures for projection years are rounded to a quarter percent.

Basis for the 2016 draft budgetary plan

The 2016 draft budgetary plan is mainly based on the following information:

- Act Adopting the Federal Budget for the 2015 Fiscal Year (*Gesetz über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2015*) of 23 December 2014
- Act Adopting a Supplement to the Federal Budget for the 2015 Fiscal Year (*Gesetz über die Feststellung eines Nachtrags zum Bundeshaushaltsplan für das Haushaltsjahr 2015*) of 24 June 2015
- Government draft for the 2016 federal budget and the financial plan to 2019, dated 1 July 2015
- The Federal Ministry of Finance's summer forecast for the aggregate public-sector budgets of the Federation, *Länder* and local authorities up to 2019, dated 9 July 2015
- Results for the general government budget in the national accounts for the first half of 2015, published 25 August 2015
- Draft of a second supplementary federal budget for the 2015 fiscal year, adopted by the federal cabinet on 29 September 2015
- Autumn 2015 Joint Economic Forecast, published 8 October 2015
- The Federal Government's autumn projection on macroeconomic trends, dated 14 October 2015

Table 2: Technical assumptions

	2014	2015	2016
Short-term interest rate (annual average in %)	0.16	0.05	0.05
USD/€ exchange rate (annual average)	1.33	1.12	1.12
Growth of German sales markets (in %) ¹	3,5	2 ¼	4
Oil price (Brent, USD/barrel)	99	54	49

1) Figures for projection years are rounded to a quarter percent.

Table 3a: Forecast of macroeconomic trends

	ESA Code	2014 Index 2010=100	2014	2014	2015	2016	2017	2018	2019
			rate of change in %						
1. Real GDP, chain index	B1*g	106.06	1.6	1.7	1.8				
2. Potential GDP (€bn)		2745.5	1.4	1.5	1.6	1.6	1.6	1.6	1.5
contributions:									
- labour			0.4	0.4	0.5				
- capital			0.4	0.4	0.4				
- total factor productivity			0.6	0.6	0.7				
3. Nominal GDP (€bn)	B1*g	2915.7	3.4	4.0	3.4				
Components of real GDP, chain index	P.3								
4. Private consumption expenditure¹	P.3	103.94	0.9	1.8	1.8				
5. Government consumption expenditure	P.3	104.76	1.7	2.3	2.0				
6. Gross fixed capital formation	P.51	108.95	3.5	2.7	2.9				
7. Changes in inventories (GDP growth contributions)	P.52 + P.53	-	-0.3	-0.4	0.0				
8. Exports	P.6	123.43	4.0	5.4	4.2				
9. Imports	P.7	118.25	3.7	5.9	5.3				
contributions to GDP growth in %									
10. Domestic demand (excluding stocks)		-	1.5	2.0	1.9				
11. Changes in inventories	P.52 + P.53	-	-0.3	-0.4	0.0				
12. External balance of goods and services	B.11	-	0.4	0.2	-0.1				

2014: Federal Statistical Office, August 2015

2015 and 2016: results of the short-term forecast for the 2015 autumn projection, October 2015.

Estimation of potential output as a result of the autumn projection, October 2015

1) Including private non-profit organisations serving households.

Table 3b: Price developments - deflators

	2014 Index (2010=100)	2014	2014	2015	2016	2017	2018	2019
		rate of change in %						
1. GDP	106.55	1.7	2.3	1.6	1.7	1.5	1.5	1.5
2. Private consumption expenditure¹	105.92	1.0	0.6	1.2				
3. HICP	116.20	0.8	-	-				
4. Government consumption expenditure	109.14	2.3	3.1	2.6				
5. Gross capital formation	107.08	1.0	1.4	1.5				
6. Exports	104.01	-0.1	1.2	0.7				
7. Imports	104.29	-1.6	-1.2	0.5				

2014: Federal Statistical Office, August 2015

2015 and 2016: results of the short-term forecast for the 2015 autumn projection, October 2015.

1) Including private non-profit organisations serving households

Table 3c: Labour market trends

	ESA Code	2014	2014	2015	2016
		level	rate of change in %		
1. Employment - persons¹		42.70	0.9	0.7	0.6
2. Employment - hours worked² (bn hours)		58.35	1.2	0.8	0.8
3. Unemployment rate (%)³		-	4.7	4.4	4.7
4. Labour productivity - persons⁴		101.9	0.7	1.1	1.1
5. Labour productivity - hours worked⁵		103.6	0.4	0.9	1.0
6. Compensation of employees (€bn)	D.1	1482.8	3.8	3.9	3.4
7. Compensation per employee (thousand €)		38.7	2.6	2.9	2.4

2014: Federal Statistical Office, August 2015

2015 and 2016: results of the short-term forecast for the 2015 autumn projection, October 2015.

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	2014	2015	2016
		- in % of GDP -		
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	7.8	8.6	8.4
of which:				
- Balance on goods and services		6.7	7.7	7.4
- Balance of primary incomes and transfers		1.0	0.9	1.0
- Capital account		0.1	0.0	0.0
2. Net lending/net borrowing of households	B.9	4.7	4.7	4.5
3. Net lending/net borrowing of general government¹	B.9	0.3	1	0
4. Statistical discrepancy		-	-	-

2014: Federal Statistical Office, September 2014

2015 and 2016: results of the short-term forecast for the 2015 autumn projection, October 2015.

1) Figures for projection years are rounded to a quarter percent.

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

	ESA Code	2015	2016	2017	2018	2019
		- in % of GDP -				
Net lending (+)/net borrowing (-) (B.9) by subsector¹						
1. General government	S.13	1	0	1/4	1/4	1/2
2. Central government	S.1311	1/2	-0			
3. State government	S.1312	1/2	1/4			
4. Local government	S.1313	-0	-0			
5. Social security funds	S.1314	-0	-0			
General government (S.13)						
6. Interest expenditure	D.41	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
7. Primary balance²		2 1/2	1 1/2	1 1/2	1 3/4	2
8. One-off and other temporary measures³		1/4	-0	-0	-0	-0
9. Real GDP growth (%)		1.7	1.8			
10. Potential GDP growth (%)		1.5	1.6	1.6	1.6	1.5
contributions (percentage points):						
-labour		0.4	0.5	0.4		
-capital		0.4	0.4	0.4		
-total factor productivity		0.6	0.7	0.7		
- in % of potential GDP -						
11. Output gap		-0.1	0.0	0.0	0.0	0.0
12. Cyclical budgetary component		-0	0	-0	-0	0
13. Cyclically-adjusted balance (1 - 12)		1	0	1/4	1/4	1/2
14. Cyclically-adjusted primary balance (13 + 6)		2 1/2	1 1/2	1 1/2	1 3/4	2
15. Structural balance (13 - 8)		3/4	0	1/4	1/4	1/2

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 projection years are rounded to a quarter percent.

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

ESA Code	2015	2016	2017	2018	2019
	- in % of GDP -				
1. Gross debt	71 1/4	68 3/4	66	63 3/4	61 1/2
2. Change in gross debt ratio	-3 3/4	-2 3/4			
Contributions to changes in gross debt					
3. Primary balance	2 1/2	1 1/2			
4. Interest expenditure	D.41	1 1/2	1 1/2		
5. Stock-flow adjustment	0	- 1/4	1/4	1/4	1/2
p.m.: Implicit interest rate on debt¹	2 1/4	2 1/4			

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

Figures for projection years are rounded to a quarter percent.

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

General government (S. 13)	ESA Code	2015	2016
		- in % of GDP -	
1. Total revenue at unchanged policies	TR	44 ¾	44 ¼
<u>of which</u>			
1.1. Taxes on production and imports	D.2	10 ¾	10 ½
1.2. Current taxes on income, wealth, etc.	D.5	12 ½	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	¾	¾
1.6. Other		4 ¼	4 ¼
p.m.:			
Tax burden (D.2+D.5+D.61+D.91-D.995)		39 ½	39 ¼
2. Total expenditure at unchanged policies	TE	44	44
<u>of which</u>			
2.1. Compensation of employees	D.1	7 ½	7 ½
2.2. Intermediate consumption	P.2	4 ¾	4 ¾
2.3. Social payments	D.62	23 ¾	24
	D.632		
<u>of which</u>			
Unemployment benefits		1 ½	1 ½
2.4. Interest expenditure	D.41	1 ½	1 ½
2.5. Subsidies	D.3	1	1
2.6. Gross fixed capital formation	P.51	2 ¼	2 ¼
2.7. Capital transfers	D.91	1	1
2.8. Other		2 ¼	2 ¼

* 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 projection years are rounded to a quarter percent.

Table 6a: General government expenditure and revenue targets

General government (S13)	ESA Code	2015	2016
		- in % of GDP -	
1. Total revenue	TR	44 ¾	44 ¼
of which:			
1.1. Taxes on production and imports	D.2	10 ¾	10 ½
1.2. Current taxes on income, wealth, etc	D.5	12 ½	12 ¼
1.3. Capital taxes	D.91	0	0
1.4. Social contributions	D.61	16 ½	16 ½
1.5. Property income	D.4	¾	¾
1.6. Other¹		4 ¼	4 ¼
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995) ²		39 ½	39 ¼
2. Total expenditure	TE ³	43 ¾	44
of which:			
2.1. Compensation of employees	D.1	7 ½	7 ½
2.2. Intermediate consumption	P.2	4 ¾	4 ¾
2.3. Social payments	D.62 D.632	23 ¾	24
of which:			
Unemployment benefits⁴		1 ½	1 ½
2.4. Interest expenditure	D.41	1 ½	1 ½
2.5. Subsidies	D.3	1	1
2.6. Gross fixed capital formation	P.51	2 ¼	2 ¼
2.7. Capital transfers	D.91	1	1
2.8. Other⁵		2	2 ¼

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 projection years are rounded to a quarter percent.

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

	2014 bn €	2014 – in % des BIP –	2015	2016
1. Expenditure on EU programmes fully matched by EU funds revenue	4.3	0.1	1/4	0
2. Cyclical unemployment benefit expenditure	-7.3	-0.2	- 1/4	- 1/4
3. Effect of discretionary revenue measures	4.4	0.2	0	- 1/4
4. Revenue changes mandated by law	-6.0	-0.2	-0	-0

Figures for projection years are rounded to a quarter percent.

Table 7: Discretionary measures of General Government

Measure	Detailed description	ESA code	Accoun-ting principle	Adoption status	Budgetary impact				
					2015	2016	2017	2018	2019
- as % of GDP -									
Auction of mobile frequencies	One-off measure	K.2	accrual	concluded	1/4	-	-	-	-
Draft second supplementary federal budget and Asylum Application Acceleration Act	Financing of tasks related to the reception and accommodation of refugees and asylum-seekers	D.62/ D.632	accrual	in the parliamentary legislative process	-0	-0	-0	-0	-0
	Support for the <i>Energiewende</i> (the transition to renewable energy)	D.3/P.51			-	-0	-0	-0	-0
	Federal financial assistance for the promotion of social housing	D.9/P.51			-	-0	-0	-0	-0
Increase in regionalisation funding	Infrastructure funding on the <i>Länder</i> level	D.9/P.51	accrual	in the parliamentary legislative process	-	-0	-0	-0	-0
Draft Act Increasing the Basic Personal Allowance, the Child Tax Exemption, Child Benefit, and the Child Supplement	Increase of the basic personal taxation allowance and the child tax exemption for 2015 and 2016	D.9/P.51	accrual	in the parliamentary legislative process	-0	-1/4	-1/4	-1/4	-1/4

Figures for projection years are rounded to a quarter percent.

Table 8: Divergence from April 2015 Stability Programme

	ESA Code	2014	2015	2016
Target general government net lending/net borrowing (% of GDP)	B.9			
Stability Programme - April 2015		0.6	$\frac{1}{4}$	0
Draft Budgetary Plan - October 2015		0.3	1	0
Difference		-0.3	$\frac{1}{2}$	0
General government net lending/net borrowing projection at unchanged policies (% of GDP)				
Stability Programme - April 2015		0.6	$\frac{1}{4}$	0
Draft Budgetary Plan - October 2015		-	$\frac{3}{4}$	$\frac{1}{2}$
Difference		-	$\frac{1}{2}$	$\frac{1}{4}$

Figures for projection years are rounded to a quarter percent.

Table 9: Country-specific recommendations (CSRs) 2015

The Council of the European Union recommends that Germany take action in 2015 and 2016: Recommendation 1: Public finance	Name of measure (act/programme/ project)	Description and expected impact of measure	Status and timetable
To further increase public investment in infrastructure, education and research.	First 2015 supplementary budget	<p>Establishing the preconditions in budgetary law for the Federal Government's investment initiative:</p> <ul style="list-style-type: none"> • Allocating the commitment appropriations totalling €7bn generally earmarked in the 2015 budget for "investment in the future" between the various ministries and measures for 2016-2018. • Budget authorisation to pay the federal contribution of €3.5bn towards the "municipal investment promotion fund" 	In force since 1 January 2015 (retroactive: Act of 24 June 2015)
	Government draft of the 2016 federal budget and financial planning up to 2019	<p>The 2016 government draft continues to set clear priorities on the expenditure side and to increase investment in education, research and infrastructure. The budget planning for 2015 had already increased the expenditure on investment by approx. 6.5% to €26.6 bn compared with the preceding year (excluding the grant towards the municipal investment promotion fund). For 2016, a further approx. 14% increase in spending on investment is envisaged; this is then to be held at the high level (2016: €30.4bn; 2017: €31.2bn; 2018: €31.8 bn; 2019: €30.5bn).</p> <p>Specific priorities going beyond the ongoing implementation of the priority measures in the Coalition Agreement (up to 2017 additional €5bn in total for transport infrastructure and approx. €1.8bn in both 2018 and 2019, €3bn for research, and €6bn to relieve burden on Länder and municipalities so that they can cope with their challenges in financing education, and especially higher education):</p> <ul style="list-style-type: none"> • Implementation of the €10bn initiative for investment in the future in 2016-2018; priority is on investments in transport infrastructure and digital infrastructure, energy efficiency, climate change mitigation and urban development. • Revenue from auctioning of radio frequencies for broadband • Additionally to the municipal investment promotion fund (€3.5bn for financially weak municipalities), increase in the further relief for municipalities planned for 2017 to boost their investment capability by another €1.5bn to €2.5bn. 	Cabinet decision of 1 July 2015

Table 9: continuation

The Council of the European Union recommends that Germany take action in 2015 and 2016: Recommendation 1: Public finance	Name of measure (act/programme/ project)	Description and expected impact of measure	Status and timetable
		Total public-sector gross investment is likely to grow by an annual average of approx. 4% p.a. up to 2019; much stronger than the general rise in expenditure (cf. DBP 2016).	
	Act to Promote Investment by Municipalities with Inadequate Financial Resources	Establishment of a municipal investment promotion fund as a special fund to promote investment in municipalities and associations of municipalities with inadequate financial resources; volume: €3.5bn.	The entry into force of the administrative agreement to implement the Act to Promote Investment by Municipalities with Inadequate Financial Resources on 20 August 2015 means that the Länder can access the fund's resources.
To foster private investment, take measures to improve the efficiency of the tax system, in particular by reviewing the local trade tax and corporate taxation and by modernising the tax administration.	2015 Tax Amendment Act	The Act is intended to implement the protocol declaration by the Federal Government regarding the discussions in the Bundesrat on 19 December 2014 of the Act to Adapt the Fiscal Code to the Union Customs Code and to Adapt Other Tax Provisions. It also covers other needs to alter tax rules.	The legislative process is to be completed in 2015.
	Modernisation of taxation procedure	The main fields of action to modernise procedures are: a more service-oriented tax administration, greater support from IT for its work, and in particular seamless communication with the tax authorities, expansion of the pre-completed tax declaration service, and increase in automation-supported case-processing in mass tax procedures and structural changes to procedures.	The necessary legislative work is to commence in 2015. The organisational and IT-based implementation of the envisaged measures will take place step by step.

Table 9: continuation

The Council of the European Union recommends that Germany take action in 2015 and 2016: Recommendation 1: Public finance	Name of measure (act/programme/ project)	Description and expected impact of measure	Status and timetable
		<p>Use the ongoing review to improve the design of fiscal relations between the federation, Länder and municipalities, particularly with a view to ensuring adequate public investment at all levels of government.</p> <p>In the coalition agreement, it was agreed that the policies should be put in place during this legislative term for a restructuring of the fiscal relations between the Federal and Länder governments, including the fiscal equalisation between the Länder. The restructuring of the Federal-Länder fiscal relations aims to put the conditions in place for permanently sound budgets at Federal and Länder level and for permanent compliance with the debt caps. The aim is to ensure that the various levels of government are able to function and to increase the responsibility of the territorial authorities for their respective budgets. Not least, this creates the framework for sustainable investment, which in a federally structured state is the responsibility of the specifically competent territorial authorities.</p> <p>The aim is for the Federal Government and the Länder to agree on common principles for a restructuring of fiscal relations by the end of 2015.</p>	<p>Is being monitored; ongoing talks between Federal Government and Länder.</p>

Table 9: continuation

The Council of the European Union recommends that Germany take action in 2015 and 2016. Recommendation 2: Labour market and participation	Name of measure (act/programme/ project)	Description and expected impact of measure	Status and timetable
Increase incentives for later retirement.		<p>The gradual increase in the normal retirement age to 67 takes account of increasing life expectancy and demographic change. Not least due to the increasing demand for skilled labour, the aim is to make it more attractive for employees in good health to remain in work for as long as possible. The 2014 pension package allows parties to an employment contract to reach an agreement during the employment relationship to postpone, several times if needed, the termination of employment when the individual reaches the general retirement age as agreed. In order to give greater support to working patterns that fit in with other aspects of life, a coalition working group is currently examining how the statutory framework for a more flexible transition from working life to retirement can be improved.</p>	A final report is currently being coordinated between the parliamentary groups.
Take measures to reduce high labour taxes and social security contributions, especially for low-wage earners, and address the impact of fiscal drag.	Act to Raise the Basic Personal Allowance, the Child Allowance, Child Benefit and the Child Supplement	<p>Increase in the basic personal allowance and the child allowance for 2015 (basic personal allowance to €8,472; child allowance to €4,512) and 2016 (basic personal allowance to €8,652; child allowance to €4,608).</p> <p>To support families unaffected by the child allowance: equivalent increase in child benefit for 2015 and 2016.</p>	<p>In force: Act of 16 July 2015 (Federal Gazette I, p. 1202)</p> <p>Rise in the amount of relief for single-parent families to €1,908 from 2015. For each further child from the second child, the amount is increased by another €240.</p> <p>Increase in child supplement by €20 to €160 from 1 July 2016.</p>

Table 9: continuation

The Council of the European Union recommends that Germany take action in 2015 and 2016: Recommendation 2: Labour market and participation	Name of measure (act/programme/project)	Description and expected impact of measure	Status and timetable
Revise the fiscal treatment of mini-jobs to facilitate the transition to other forms of employment.	ESF programme “Perspektive Wiedereinstieg” (vocational re-integration as a perspective)	<p>“Minijobs” offer a way to lower the burden of taxes and welfare charges on low-earners. They thus correspond to a country-specific recommendation for low-threshold access to the labour market.</p> <p>In order to make it easier for people to move from minijobs, for which the employees do not have to pay taxes and welfare charges, into regular employment requiring compulsory social insurance payments, the labour market reforms of the last decade introduced the “midijobs”. Here, the welfare insurance contributions rise - from the upper level of minijobs to a monthly income of currently €850 - at roughly half the normal percentage rate; from the €850 threshold, the employee must pay the full rate of social insurance contributions. In the case of mid-jobs, the tax burden depends on personal circumstances and the tax class selected in the light of these. This means that the tax burden on employees moving across into employment requiring compulsory social insurance payments varies widely from person to person.</p>	<p>When consideration is given to further changes, it should be remembered that a transition to regular employment requiring compulsory social insurance payments is only likely to be of interest to a small proportion of people in minijobs. A study (published in “Wirtschaft und Statistik”, January 2013) showed that the people in marginal employment are mainly home-makers (35%), school and college students (20%), pensioners (22%) and unemployed people (11%). Of the unemployed people, approx. a third were interested in integration into the labour market; the average for all the categories was only one-sixth.</p> <p>With a view to integrating women into employment requiring compulsory social insurance payments, the ESF programme “Perspektive Wiedereinstieg” helps to support not least those women who take up marginal part-time work whilst they are interrupting their career for family reasons. There were and are also other programmes which give advice to women in marginal employment and support the conversion of marginal employment into employment requiring compulsory social insurance payments.</p>

Table 9: continuation

The Council of the European Union recommends that Germany take action in 2015 and 2016: Recommendation 3: Infrastructure and competition	Name of measure / act/programme/ project)	Description and expected impact of measure	Status and timetable
Take more ambitious measures to stimulate competition in the services sector, in particular in professional services, by eliminating unjustified restrictions such as legal form and shareholding requirements and fixed tariffs. To this end, conclude the ongoing domestic review of these barriers and take follow-up measures.	In the view of the Federal Government, it should continue to be possible to maintain proportionate regulations, which for example safeguard the quality of a service or training course, uphold appropriate consumer protection standards, serve social or health policy purposes, or ensure that professional service providers can exercise their profession independently. At present, the Federal Government is considering - e.g. in the context of the transparency initiative at EU level - whether the current regulations serve these intentions or whether other measures can accomplish them in a better or more economic manner. Here, the Federal Government is also taking into account the fact that the European Commission launched infringement proceedings against Germany on 18 June 2015 in view of the stipulation of minimum fees in the ordinance on tax consultants' fees and the statutory fee schedule for architects and engineers. The Länder, chambers and professional associations were included in the process of drafting the Federal Government's comments. With regard to veterinarians all Länder have meanwhile abolished legal form requirements.	The Federal Government's comments in the context of the infringement proceedings have been transmitted to the European Commission on 22 September 2015.	Interministerial coordination is currently ongoing.
Remove the remaining barriers to competition in the railway markets, in particular in long-distance rail passenger transport.	Act to Strengthen Competition in the Railway Sector (particularly: Railway Regulation Act)	This act serves to implement Directive 2012/34/EU. Rail competition is also being fostered by the following measures: <ul style="list-style-type: none"> • introduction of incentive regulation and authorisation of the individual fees for the use of railway track, • securing market access for railway transport companies, • strengthening the Federal Network Agency as a regulatory authority. The basic intention is to copy the methodology and wording of the Directive.	Cabinet decision probably in October 2015

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
Employment rate among people aged 20–64: 77%**	No significant changes compared with the 2015 NRP.	
Employment rate among older people aged between 55 and 64: 60%**		
Employment rate among women: 73%**		
R&D expenditure: 3% of GDP (two-thirds from the private sector and one-third from the public sector)	No significant changes compared with the 2015 NRP.	
Spending on education and research: 10% of GDP by 2015		
Reduce greenhouse gas emissions by at least 40% by 2020 compared with 1990 levels and by 80–95% by 2050	The amendment of the Renewable Energy Sources Act (EEG) in 2016 is intended to reorganise the system of support for renewable energies to make it more competitive in the future. To this end, the Renewable Energy Sources Act will be amended so that in future it will use public invitations to tender. This is intended to make the support more efficient and to ensure that the expansion targets that have been set (known as <i>Ausbaukorridore</i>) will be complied with.	Expand renewable energy cost-effectively and systematically, develop a future-proof design for electricity markets and reduce greenhouse gas emissions.
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	The electricity market will be further developed so that in the future, at the stage when large amounts of wind and solar-generated electricity are being fed into the grid, the same high degree of security of supply will be guaranteed as in the past. The Electricity Market Act (<i>Strommarktgesetz</i>) creates the legal foundations for this. In this context, lignite-burning power stations with a capacity of 2.7 GW will be converted into reserve capacity and will no longer participate in the electricity market.	

Table 10: continuation

National headline targets for 2020	List of measures*	Description of the direct relevance on the target
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>The Energy Efficiency Incentive Programme is an alternative to the tax incentives that were originally planned for building renovations aimed at increasing energy efficiency. It will be launched at the beginning of 2016. The aims of the programme include the introduction of innovative fuel cell heating systems, the replacement of old heating systems, measures to prevent structural damage while carrying out energy efficiency-related building renovations, and an offensive to enhance quality, efficiency and training.</p> <p>In addition, the federal government has approved the introduction of additional support programmes for the installation of high-efficiency heating pumps, for the exploitation of waste heat in industry, for heating optimisation and for increasing energy efficiency in local authorities. The government draft of a second 2015 supplementary budget provides for additional funds totalling €1.3bn for the Energy and Climate Fund. A total of €5.8bn is planned for the financing of additional measures in the period up to 2020.</p>	The Energy Efficiency Incentive Programme and the additional measures that have been adopted are directly aimed at compliance with the federal government's energy and climate goals.
Increase proportion of 30–34 year-olds who have completed tertiary education or equivalent to 42%**	<p>In the third phase of the Higher Education Pact, the <i>Länder</i> will annually use, from 2016 to 2023, 10% of the federal funds they receive and the corresponding Land funding that is additionally provided in order to enable more students to successfully gain qualifications while also ensuring quality. In addition, the <i>Länder</i> are committed to opening up access to higher education for more people with vocational qualifications.</p>	Higher education institutions that have good teaching and services that enable more students to achieve qualifications while also ensuring quality will be rewarded.

Table 10: continuation

National headline targets for 2020	List of measures*	Description of the direct relevance on the target
Reduce the number of long-term unemployed by 20% by 2020 compared with 2008 levels**	<p>Strategy to reduce the number of long-term unemployed called “Opening Opportunities – Safeguarding Social Participation” The strategy includes a broad-based package of measures with different emphases, target groups and approaches.</p> <ul style="list-style-type: none"> • Federal Labour Agency initiative to support the long-term unemployed and networks for activating, advising and creating opportunities for clients, • ESF/Federal Government programme to integrate long-term unemployment benefit claimants (as defined in Book II of the Social Code) into the general labour market • Federal programme “Social Participation in the Labour Market”, • Better connection with health promotion and rehabilitation measures, • Further development of integration instruments in dialogue with the <i>Länder</i> and other partners. 	<p>The overall strategy tackles the central challenges of integrating the long-term unemployed. These include: bundling of the necessary support measures, finding employers willing to employ the long-term unemployed, ensuring lasting stabilisation of these employment arrangements and creating opportunities to participate in the labour market for long-term unemployed individuals who lack marketable skills.</p> <p>The ESF programme is intended to reach a total of around 33,000 benefit claimants, while around 10,000 places are available in the “Social Participation in the Labour Market” programme. Around €1.3bn (including ESF funds) will be deployed by 2020.</p>

* The 2015 NRP, which was sent to the European Commission on 28 April 2015, includes a comprehensive overview of the state of play regarding implementation of the EU 2020 strategy in Germany (pp. 27–35) and also contains a detailed table of actions (including description, anticipated impact, status and schedule, pp. 55–68). 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 2016 and the following years.

** Target already met.



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