



## Press release

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# Federal Council anticipates deficit of CHF 1 billion and will decide on COVID-19 debt reduction at year-end

The Federal Council discussed fiscal policy during its meetings on 24 June and 1 July 2020, and approved the 2021 budget with the integrated task and financial plan (ITFP) for 2022 to 2024. A deficit of CHF 1 billion is anticipated in the budget. The Federal Council also discussed the debt caused by the COVID-19 pandemic. It is confident that this can be reduced without tax increases. It intends to use a comprehensive fiscal policy review at the end of the year to make a concrete decision on reducing the debt.

A deficit of approximately CHF 1 billion is expected in 2021. A deficit of CHF 3.3 billion would be permissible cyclically due to the economic capacity underutilisation. However, the debt brake requirements are countercyclical and will therefore have a considerable corrective effect in the budget year. Adjusted for cyclical factors, the 2021 budget thus shows a structural surplus of CHF 2.2 billion. This is also due to the fact that tax receipts will be shifted into next year. The effect of the debt brake (cyclical factor) diminishes in the financial plan years, meaning that the leeway decreases from year to year.

### Tax receipts shifted to future years

The Confederation is reckoning on a tax receipt shortfall of more than CHF 5 billion this year. In particular, the temporary suspension of interest on arrears means that some of the receipts due in 2020 will be shifted to subsequent years: direct federal tax and VAT receipts of some CHF 3 billion are likely to be collected later than originally planned. Consequently, 2021 **receipts** are roughly at the level of the 2020 budget.

**Expenditure** will increase by 2.0% in 2021, especially expenditure in connection with the COVID-19 pandemic. A total of CHF 1.6 billion has been budgeted for 2021 (e.g. honouring of guarantees, sport aid packages, financing for COVID-19 tests). Further expenditure can be expected, e.g. for public transport (COVID-related public transport measures).

*2021 budget and 2022-2024 financial plan*

<i>in CHF bn</i>	<b>2021 bdg.</b>	<b>2022 FP</b>	<b>2023 FP</b>	<b>2024 FP</b>
<b>1 Receipts</b>	<b>75.8</b>	<b>77.2</b>	<b>79.2</b>	<b>81.1</b>
2 Cyclical factor	1.043	1.022	1.008	1.000
3 Debt brake expenditure ceiling	79.1	78.9	79.9	81.1
<b>4 Expenditure</b>	<b>76.6</b>	<b>78.2</b>	<b>79.6</b>	<b>81.3</b>
<b>5 Ord. fiscal balance [1-4]</b>	<b>-1.0</b>	<b>-0.9</b>	<b>-0.4</b>	<b>-0.2</b>
6 Deficit permissible cyclically [1-3]	-3.3	-1.7	-0.6	0.0
<b>7 Structural balance ord. budget [3-4]</b>	<b>2.2</b>	<b>0.8</b>	<b>0.2</b>	<b>-0.2</b>

Rounded figures; any deviations in the results are due to rounding

Over the summer, the Federal Department of Finance (FDF) will finalise the dispatch on the 2021 budget with the integrated task and financial plan for 2022 to 2024. The Federal Council will probably adopt the dispatch on 19 August 2020.

**Decision on COVID-19 debt at year-end**

The Federal Council is assuming that no tax increases will be necessary to reduce the debt. It will be another few months before it is possible to estimate more precisely how much of a burden the pandemic will actually place on the federal budget and how the economy will evolve. Consequently, the Federal Council will wait until the end of the year to decide, based on a comprehensive fiscal policy review, how the extraordinary COVID-19 debt is to be reduced. Given the still robust and stable budgetary situation – including by international standards – and the disciplined expenditure policy, it is confident that this debt can be repaid in the medium term. This means that Switzerland will remain an attractive financial centre and business location.

**Further details:**

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**Relevant department:**

Federal Department of Finance FDF

The following can be found as an enclosure to this press release at [www.finance.admin.ch](http://www.finance.admin.ch):

- Expenditure and receipts in the 2021 budget