Despite the implementation of the tax reform and AHV financing (TRAF), a surplus of around 0.6 billion is expected in the ordinary budget for 2020. The positive result is made possible by the momentum of direct federal tax and withholding tax. With growth of 2.9%, receipts are up on the 2019 budget, although the figure budgeted for 2019 is likely to be exceeded. Relative to the 2019 budget, receipts will grow by 2.1% in 2020, which is slightly less than the expected nominal economic growth rate of 2.3%. Federal expenditure will rise by 3.8%, and thus significantly more than the economy and receipts. This is largely due to the implementation of the Federal Act on Tax Reform and AHV Financing (TRAF), which was adopted in the referendum of May 19, 2019. The debt brake requirements will be met. The structural surplus will amount to 0.7 billion. Gross debt is expected to decrease further to 93.7 billion in 2020.
2020 ordinary receipts

Shares in percent

- **Value added tax**: 23 590 mn
  VAT accounts for 31.2% of ordinary receipts, making it the most important source of receipts for the Confederation, together with direct federal tax. Domestic consumption is taxed. This includes the acquisition of domestic goods and services, as well as imports. Exports are not subject to VAT.

- **Direct federal tax**: 24 042 mn
  Direct federal tax accounts for 31.8% of ordinary receipts. Together with value added tax, it is the most important source of receipts for the Confederation. Direct federal tax is levied on the income of natural persons and on the net profit of legal entities. The proportions of income tax and profit tax receipts are more or less balanced at 51% and 49%, respectively, of direct federal tax. The 2020 receipts are derived primarily from taxable income and profits from 2019.

- **Withholding tax**: 7 873 mn
  Withholding tax accounts for 10.4% of ordinary receipts. Withholding tax receipts represent the balance of funds received and reimbursed. As both of these can fluctuate, the balance is subject to major fluctuations, which are largely unpredictable. For this reason, withholding tax revenue is estimated by means of a statistical smoothing method which assesses the trend. In the short term, this leads to deviations from the budgeted amount; however, more accurate projections are achieved on average.

- **Mineral oil tax**: 4 575 mn
  Mineral oil tax will account for 6.0% of ordinary receipts in 2020. Overall, about three quarters of receipts are earmarked for road and air transportation (60% of the basic tax and all of the surtax).

- **Stamp duty**: 2 170 mn

- **Tobacco duty**: 2 000 mn

- **Nontax receipts**: 4 515 mn

- **Other tax receipts**: 6 901 mn
Stamp duty: 2 170 mn
Stamp duty accounts for 2.9% of ordinary receipts. Transfer stamp tax on stock market transactions accounts for over half of stamp duty and therefore has a strong influence on how it develops. The issue tax on the accumulation of net assets/equity fluctuates considerably, as it depends on the equity requirements of companies. The relatively stable receipts from insurance premium stamp duty form the third component.

Tobacco duty: 2 000 mn
Tobacco duty accounts for 2.6% of ordinary receipts. The revenue is earmarked for old-age and survivors’ insurance.

Other tax receipts: 6 901 mn
Other tax receipts consist essentially of transportation taxes such as the heavy vehicle charge and incentive fees such as the CO₂ tax.

Nontax receipts: 4 515 mn
Nontax receipts account for 6.0% of ordinary receipts. They include among other things the profit distribution from the Swiss National Bank (SNB), as well as further receipts such as military service exemption tax, building revenue and fees.
Development of 2020 receipts

in mn and %

<table>
<thead>
<tr>
<th>Receipt Type</th>
<th>Change YoY in mn</th>
<th>Growth rate YoY in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary receipts</td>
<td>1537</td>
<td>2.1</td>
</tr>
<tr>
<td>Value added tax</td>
<td>430</td>
<td>1.9</td>
</tr>
<tr>
<td>Stamp duty</td>
<td>-10</td>
<td>-0.5</td>
</tr>
<tr>
<td>Mineral oil tax</td>
<td>25</td>
<td>0.5</td>
</tr>
<tr>
<td>Tobacco duty</td>
<td>-45</td>
<td>-2.2</td>
</tr>
<tr>
<td>Withholding tax</td>
<td>385</td>
<td>5.1</td>
</tr>
<tr>
<td>Direct federal tax</td>
<td>706</td>
<td>3.0</td>
</tr>
</tbody>
</table>

**Ordinary receipts**
Receipts of 75.7 billion are budgeted for 2020. Relative to the May estimate for 2019, receipts are to grow by around 1.6 billion, or 2.1%. Receipt growth will thus be slightly lower than the 2.3% growth rate expected for nominal GDP. The biggest growth drivers are direct federal tax (+706 mn), value added tax (+430 mn) and withholding tax (+385 mn).

**Value added tax**
The estimate for 2019 is 240 million lower than budgeted, as nominal economic growth of only 1.8% is assumed for 2019 (instead of the 2.7% budgeted). Based on the estimate for 2019, receipts will rise by 1.9% in 2020. Their growth will thus be slower than that of nominal GDP, due to a delay in incoming tax payments. Approximately 100 million will not arise until 2019, instead of 2018.

**Stamp duty**
Since the figures budgeted for 2018 were not reached, the estimates assume that receipts will also be well below the 2019 budget and will drop slightly in 2020 (-0.5%). It is reckoned that they will fall by 6.5% relative to the 2019 budget.

**Mineral oil tax**
Receipts are expected to be somewhat higher than budgeted in 2019. Relative to the May 2019 estimate, receipts will increase slightly in 2020 (+0.5%). Although the decline in the average fuel consumption of vehicles due to the CO₂ emission regulations for new passenger vehicles is causing receipts to fall, the current tax relief for the promotion of biogenic fuels is set to end on 30.7.2020 according to the Federal Council’s dispatch on the total revision of the CO₂ Act, which will lead to additional receipts.
**Tobacco duty**
Receipts are likely to fall short of the budget in 2019 (-50 mn) and to decline further in 2020 (-45 mn), as the marketing of e-cigarettes containing nicotine has been permitted since 2018 and they have not been taxed since 2012. The 2020 budget is based on a sales reduction of 2%, which corresponds to the long-term average. Tobacco duty helps finance the federal AHV/IV contribution.

**Withholding tax**
Withholding tax receipts are likely to be around 436 million higher than budgeted in 2019, as the 2018 results were higher. Withholding tax receipts are likely to rise by approximately 5.1% to 7.9 billion in 2020. The extremely robust momentum of withholding tax receipts continues to be factored into the budget. The estimate is based on a statistical smoothing process that takes account of the tax trend.

**Direct federal tax**
Income tax is likely to be 340 million higher than budgeted in 2019 according to the May estimate. On that basis, growth of 3.8% is assumed for the 2020 budget. Due to the assessment procedure, 2020 receipts are largely based on the income generated in 2019. The estimate for the 2020 budget is based on the assumption that household incomes will rise by 2.4% in 2019.

2019 profit tax is likely to be around 250 million higher than budgeted. On that basis, receipts will grow by 2.2% in 2020. For financial planning purposes, nominal gross domestic product (GDP) is used as an indicator for profit development. However, the taxes collected in a fiscal year come from different tax years. Consequently, receipt growth is generally not in line with nominal GDP growth, which is 1.8% in the relevant fiscal year of 2019.
Receipts are up by 2.9% (+2.0 bn) relative to the 2019 budget. This means that receipt growth is higher than the expected nominal GDP growth of 2.3%. The receipt ratio (budget in % of GDP) nevertheless remains unchanged at 10.5%.
2020 expenditure by task area

Shares in percent

**Social welfare**: 24 150 mn
Social welfare accounts for 32.2% of ordinary expenditure. This expenditure is virtually impossible to control in the medium term, as it is bound by law. Social welfare expenditure growth is determined mainly by demographic developments, as well as inflation and salary trends. Old-age and survivors’ insurance accounts for half. Other key areas include the Confederation’s contribution to disability insurance and individual premium reductions, as well as migration expenditure.

**Finances and taxes**: 11 075 mn
Finances and taxes account for 14.8% of ordinary expenditure. Expenditure growth in this area is largely specified and can be influenced only in the long term. The shares of federal receipts are set out in the Constitution, for example, and depend directly on the amount of receipts, and interest expenditure is determined by debt and the development of interest rates.

**Transportation**: 10 372 mn
Transportation accounts for 13.8% of ordinary expenditure. 64.6% of transportation expenditure is attributable to rail transportation and public transportation, 33.6% to road transportation and 1.8% to air transportation. Transportation expenditure is largely restricted because of various forms of earmarking and statutory requirements. Most of this is channeled into the railway infrastructure fund (RIF) and the motorway and urban transportation fund, through which the operation, maintenance and extension of the transportation infrastructure are steered.

**Education and research**: 8 095 mn
This task area accounts for around 10.8% of ordinary expenditure. Education and research will remain one of the Confederation’s priority task areas also in 2020. The task area’s development is largely shaped by Parliament’s resolutions on the dispatch on the 2017-2020 promotion of education, research and innovation, as well as EU education and research programs.
Security: $6,383$ mn
Security accounts for $8.5\%$ of expenditure. Political attention has increasingly turned to security in recent years due to the terrorist attacks in neighboring countries and the military conflicts on the outskirts of Europe. The task area includes the tasks «national defense», «police, prison system and intelligence» and «border controls».

Agriculture and food: $3,663$ mn
Agriculture and food account for around $4.9\%$ of ordinary expenditure. Most of this expenditure is controlled by means of three payment frameworks. Parliament set the payment frameworks for the implementation of the 2018-2021 agricultural policy as follows: direct payments $11.25$ billion, production and sales $2.0$ billion, fundamental improvements and social measures $0.6$ billion.

International relations: $3,651$ mn
Just over three quarters of the task area’s expenditure goes to development cooperation. Most of the remainder is attributable to political relations, i.e. Swiss diplomatic and consular representations and expenses for international organizations, etc.

Other task areas: $7,688$ mn
The expenditure of the five remaining task areas (institutional and financial conditions, culture and leisure, health, protection of the environment and spatial planning, economic relations) amounts to $10.2\%$ of expenditure.
Expenditure by task area
Relative to the 2019 budget, expenditure will grow by 3.8% (+2.7 bn). As a result of TRAF alone, expenditure will grow by 1.8 billion. Not only will the cantons’ share of direct federal tax be raised from 17% to 21.2% (+1.0 bn), federal expenditure in favor of the AHV will also rise (+0.8 bn). The increase in the task areas of social welfare and finances and taxes will be correspondingly high (+1.2 bn and +1.3 bn, respectively). Deposits in the two transportation funds, i.e. the RIF and motorway and urban transportation fund, will likewise surge (transportation: +253 mn).

Social welfare
Social welfare expenditure will post a sharp increase of 5.1% in 2020 (+1.2 bn). Expenditure on old-age and survivors’ insurance will even climb by 8.3% to 12.7 billion. With the implementation of TRAF, the federal AHV contribution will be raised from 19.55% to 20.2% of AHV expenditure (+300 mn). In addition, the full amount of the 1 percentage point of VAT earmarked for demographic change will go to the AHV from 2020 (+520 mn), compared with only 83% previously. Furthermore, demographic developments will also lead to an increase in AHV expenditure (+140 mn). Expenditure on unemployment insurance/employment centers will likewise experience robust growth of 13.9%. The increase is primarily attributable to the impulse program adopted by the Federal Council to improve the integration of older unemployed persons into the labor market. The federal contribution to unemployment insurance will be increased by 69.5 million each year from 2020 to 2022 for that purpose.

International relations
Expenditure in the international relations task area will edge up only slightly in 2020 (+0.8%). Political relations expenditure will fall by 3.2% (-25.1 mn) because of the decline in construction and renovation loans for Geneva-based international organizations. In contrast, development assistance expenditure will rise by 2% (+53.3 mn), as envisaged in the dispatch on international cooperation for 2017-2020 (IC dispatch).
Transportation
Year on year, transportation expenditure will grow by 2.5% (+0.3 bn) to 10.4 billion. Expenditure on rail and public transportation will increase by 266 million (+4.1%), due primarily to higher infrastructure expenditure (RIF deposit: +154 mn, motorway and urban transportation fund deposit for urban transportation rail infrastructure: +89 mn). Road transportation expenditure will fall by 19 million (-0.5%) and that on aviation will rise by 5.7 million (+3.1%).

Education and research
Education and research expenditure will remain at the previous year’s level of 8.1 billion, following above-average growth in recent years. The task area’s development is significantly shaped by the dispatch on the promotion of education, research and innovation (ERI dispatch). The 2017-2020 ERI dispatch will expire at the end of 2020. The Federal Council set the financial parameters for the 2021-2024 ERI dispatch in June 2019.

Agriculture and food
Expenditure for the agriculture and food task area will remain at the previous year’s level of 3.7 billion. Just over three quarters, or 2.8 billion, of the expenditure planned for 2020 in the area of agriculture and food concerns direct payments.

Security
Security expenditure will rise by 2.2% (+0.1 bn), due to the higher defense expenditure and the one-time deposit in favor of the retirement assets of career military officers and members of the Border Guard to compensate for the higher retirement age. Of the 6.4 billion planned for security in the 2020 budget, 5.2 billion, or just over 80%, is for military national defense.

Finances and taxes
The substantial growth in the area of finances and taxes (+13%) is attributable to the surge of 1.3 billion in third parties’ shares of federal receipts. With the adoption of TRAF, the cantons’ share of direct federal tax will be raised from 17% to 21.2%, which will lead to an increase of 1 billion in 2020. The remaining 0.3 billion is attributable to higher cantonal shares due to rising receipts from direct federal tax (+0.2 bn) and withholding tax (+0.1 bn). In contrast, funding and debt management expenditure is down (-120 million), as the Confederation is continuing to benefit from low interest rates. Fiscal equalization is up by 63 million due to the development of the cantons’ resource potential.
In 2020, expenditure will grow by a substantial 3.8%, or 2.7 billion, and thus outperform nominal GDP (2.3%). The expenditure ratio (budget in % of GDP) will thus rise from 10.3% to 10.5%. However, the expenditure ratio will fall back to 10.2% by 2023.
The key economic parameters underlying the 2020 budget are based on the economic forecast of the Confederation’s expert group dated June 13, 2019. Global economic growth is likely to be lower than expected in 2019. Consequently, Swiss economic growth expectations have also been lowered. It is anticipated that the global economy will pick up again in 2020, and that Switzerland’s growth will thus recover as well. Real economic output is expected to increase by 1.7% (2019: +1.2%) and consumer prices are to rise by 0.6% (2019: +0.6%). Nominal GDP, which is decisive for estimating tax receipts, will increase by 2.3% (2019: +1.8%).
Domestic economic output for 2020 is slightly below its long-term trend. The debt brake therefore allows for a small cyclical deficit of 76 million in the 2020 budget. The budgeted surplus is 590 million. The difference relative to the balance required cyclically – the structural surplus – is thus around 665 million. The debt brake stipulations are thus adhered to.
It is expected that gross debt will post a year-on-year decline of 2.3 billion to 93.7 billion in 2020 (estimate). The debt reduction will be made possible by the expected financing surplus and the reduction in cash and cash equivalents. As a result, more bonds can continue to be redeemed than are issued (4.6 bn vs. 2.5 bn). Net debt is comprised of gross debt less non-administrative assets. Net debt is set to fall by 1.5 billion to 58.5 billion in 2020.