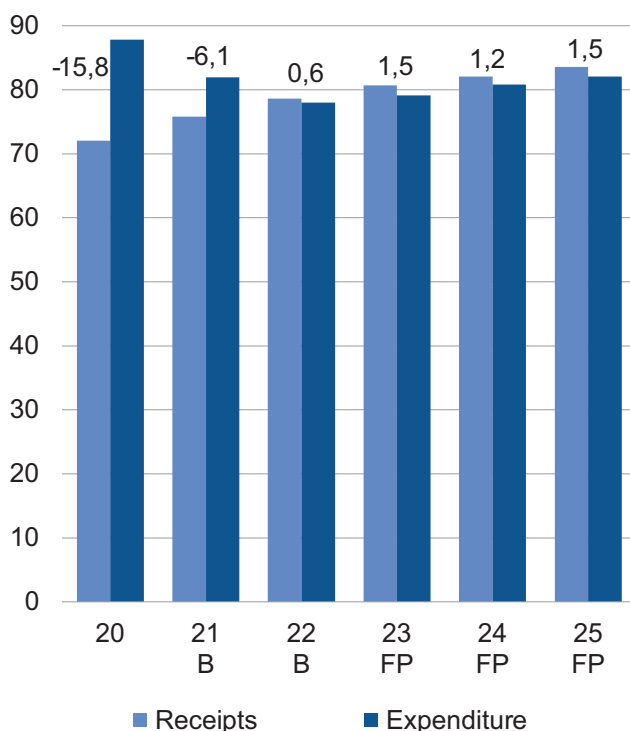


2022 budget

Financing statement, financing of expenditure

in CHF bn



Following a sharp decline in **economic output** in 2020 (-2.6%), a robust recovery commenced in spring 2021. Provided the COVID-19 restrictions can continue to be eased, the Swiss economy should grow at an above-average rate of 3.6% in 2021 and 3.3% in 2022.

With the 2022 budget, the budgetary position is gradually returning to normal after the COVID-19 crisis. After the sizeable financing deficits posted in 2020 and 2021, a financing surplus of 619 million is expected again in 2022. **Receipts** are to reach 78.6 billion in 2022, and thus exceed the 2021 budget (75.8 bn) and the 2021 estimate (76.1 bn). **Expenditure** is budgeted at 78 billion for 2022, down 4.8% from the 2021 budget. This decrease is due to significantly lower expenditure than the previous year for dealing with the COVID-19 pandemic. COVID-19 expenditure of 1.2 billion is still budgeted for 2022 (see [Overview](#)).

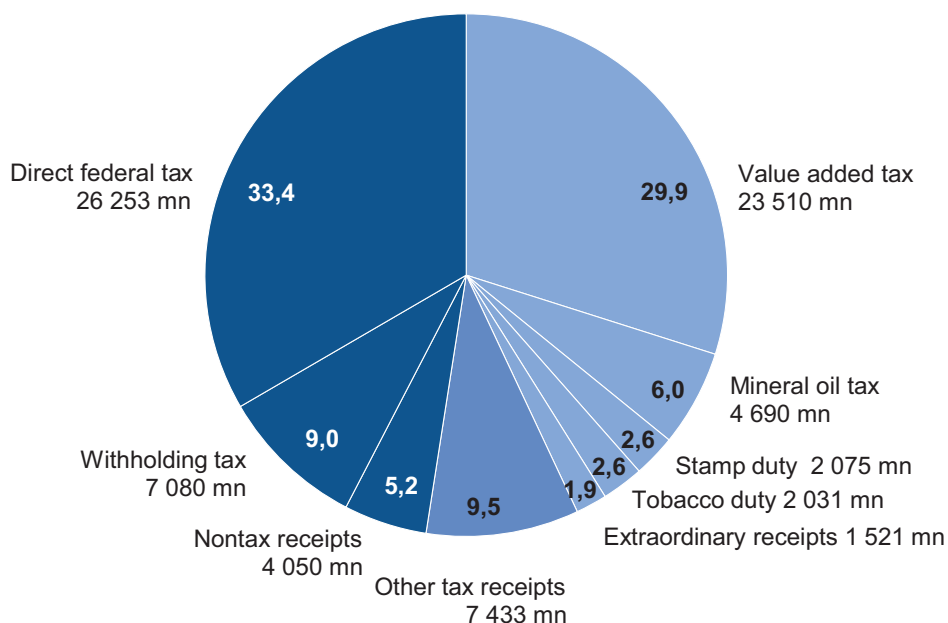
The **debt brake** requirements will be met. Despite the Swiss economy's gradual recovery from the COVID-19 crisis, its capacity is likely to remain slightly underutilized in 2022. The debt brake would therefore permit a financing deficit of 617 million in the ordinary budget. After subtracting the budgeted surplus (23 mn), this leaves structural leeway of 640 million to be used to reduce the shortfall in the amortization account.

The financing surplus budgeted for 2022 will allow **gross debt** to be reduced again (-0.6 bn). That is after the measures to deal with the COVID-19 pandemic are expected to lead to a further increase in debt in 2021. Gross debt is likely to be 110.5 billion (+6.9 bn) at the end of 2021. The funding requirements will be covered primarily by issuing bonds and money market debt register claims.



2022 receipts

Shares in %



Value added tax: 23 510 mn

VAT accounts for 29.9% of total 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: 26 253 mn

Direct federal tax accounts for 33.4% of total 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 48% and 52%, respectively, of direct federal tax. The 2022 receipts are derived mainly from taxable income and profits from 2021.

Withholding tax: 7 080 mn

Withholding tax accounts for 9.0% of total receipts. Withholding tax is designed as a safeguard tax for direct taxes and is intended to ensure that income from movable capital assets is taxed (especially dividends and interest income). The receipts arise from the difference between funds received and reimbursed (including the provision for refund requests still expected).

Mineral oil tax: 4 690 mn

The consumption tax levied on petroleum and fuel, among other things, will amount to 6.0%. Overall, around three quarters of these receipts are earmarked for road transportation and aviation (60% of the basic tax and all of the surtax).



Stamp duty: 2 075 mn

Stamp duty accounts for 2.6% of total receipts. Transfer stamp tax, which accounts for over 60% of stamp duty, is levied on purchases and sales of Swiss and foreign securities. The revenue from transfer stamp tax depends primarily on the volume of taxable securities turnover of Swiss securities dealers. The issue tax on the accumulation of net assets/equity fluctuates considerably, as it depends on the equity requirements of companies. On June 18, 2021, the National Council and the Council of States decided to abolish issue tax. Given the announced referendum against the proposal, it is assumed that the abolition will enter into force on May 1, 2022. The third component is the insurance premium stamp duty, which is collected on certain insurance premiums.

Tobacco duty: 2 031 mn

Tobacco duty accounts for 2.6% of total receipts. This duty is levied on domestically manufactured and imported tobacco products and substitutes. The revenue is used to co-finance the federal AHV contribution.

Other tax receipts: 7 433 mn

Other tax receipts consist essentially of transportation taxes such as the heavy vehicle charge and incentive fees such as the CO₂ tax. They account for 9.5% of total receipts.

Nontax receipts: 4 050 mn

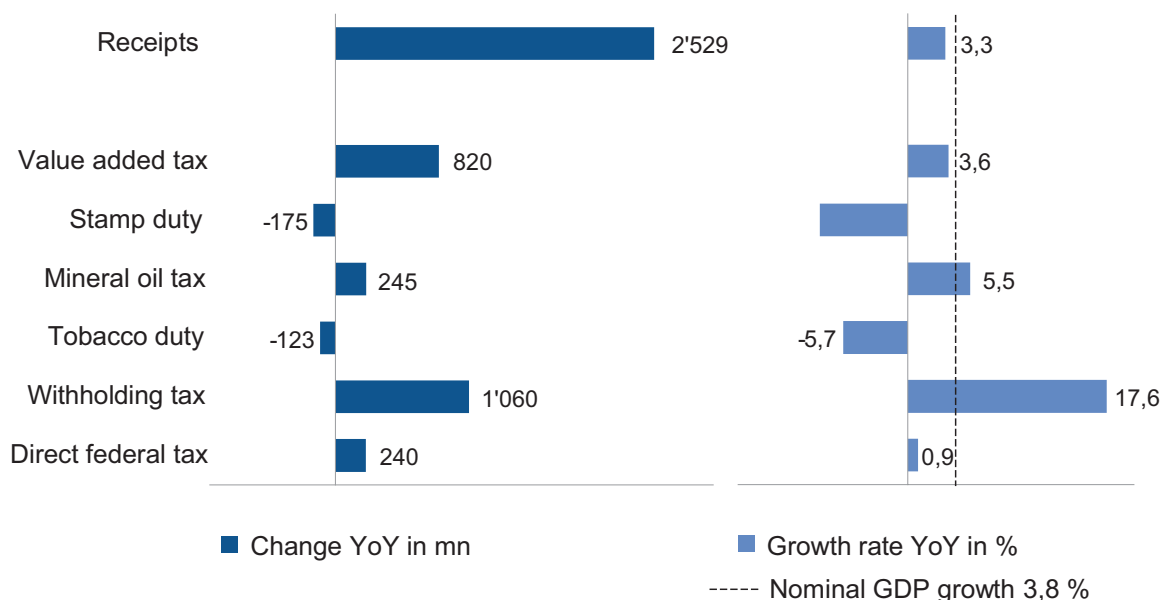
Nontax receipts account for 5.2% of total receipts. They include items such as the prepaid disposal fee and military service exemption tax, as well as further receipts from royalties and concessions and financial receipts, for example.

Extraordinary receipts: 1 521 mn

Extraordinary receipts account for 1.9% of total receipts. Starting in 2021, supplementary distributions by the Swiss National Bank (SNB; 1.3 bn) will be recognized as extraordinary receipts, thereby offsetting some of the coronavirus-related debt, which is shown in the debt brake's amortization account.

Development of selected 2022 receipts

in CHF mn and %



Receipts

Total receipts are to reach 78.6 billion in 2022, and thus exceed the 2021 budget (75.8 bn) and the 2021 estimate (76.1 bn). The robust growth in receipts relative to the 2021 estimate can be attributed primarily to withholding tax and VAT.

Based on the estimate for 2021, receipts will grow by 3.3% in 2022, i.e. at a slightly slower pace than nominal GDP (+3.8%). This difference is chiefly due to tax reforms. Among other things, it is assumed that a component of stamp duty (issue tax) will be abolished from May 1, 2022. Without structural breaks, receipts would increase by 3.7%.

Value added tax

The 2022 budget is reckoning on VAT receipts of 23.5 billion, i.e. a rise of 3.6% relative to the 2021 estimate. The trend of VAT receipts is closely linked to economic growth (nominal GDP +3.8%). The AHV 21 reform is intended to stabilize old-age and survivors' insurance. To this end, the reform also provides for a VAT increase. It is currently assumed that VAT will be increased by 0.3 percentage points for this purpose from 2023 (in line with the decision of the Council of States).

Stamp duty

Stamp duty receipts of just over 2 billion are expected in 2022. The planned abolition of issue tax as of May 1, 2022 (-180 mn) will be partially offset by a rise in transfer stamp tax (+55 mn) and insurance premium stamp duty (+10 mn).

Mineral oil tax

The reduction in receipts caused by the tax relief for biogenic and renewable fuels will be offset by higher taxation of petrol and diesel oil from January 1, 2021 (+3.7 centimes up to December 31, 2028). A rise in receipts is assumed for the 2022 budget because of the economic recovery (+5.5% relative to the 2021 estimate). At the same time, the CO₂ emission regulations for new passenger vehicles tend to lead to lower fuel consumption, thereby curbing receipt growth. The tax relief for biogenic fuels will expire at the end of 2023, which will lead to correspondingly higher receipts from 2024 onward.



Tobacco duty

Receipts will be higher than budgeted in 2021, as the limited travel activity in the first half of the year resulted in predominantly domestic purchases. In the 2022 budget year, receipts are expected to be lower (-120 mn) than in the 2021 estimate, as foreign purchases are likely to pick up again. An annual sales reduction of 2% is anticipated for the financial plan years, which corresponds to the long-term average.

Withholding tax

Due to the economic uncertainty resulting from the COVID-19 pandemic, receipts plunged in 2020. Companies will probably pay out less in dividends in 2021 as well. Funds of around 30 billion are expected to be received. Assuming that 20% of that sum will not be reclaimed (according to the estimation model for provisions), receipts are estimated to be 6 billion in 2021. Since 2012, withholding tax budgeting has been based on a statistical procedure that takes account of the growth trend. 2022 receipts were estimated at 7.1 billion, based on the 2020 result and the separate estimate for 2021. For 2023 to 2025, it is assumed that receipts will grow in line with the economy. A 170 million reduction in receipts resulting from the reform to strengthen the debt market is taken into consideration from 2024 onward.

Direct federal tax

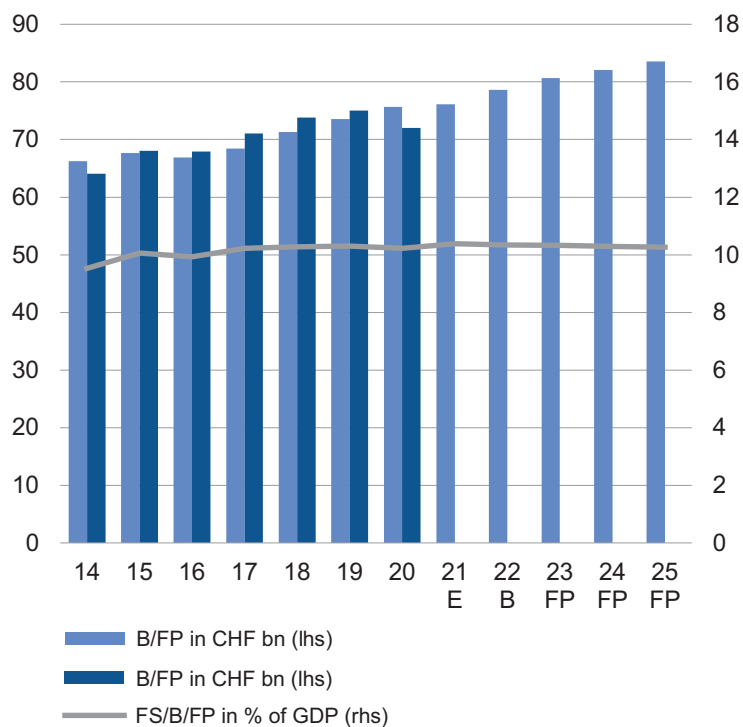
It is estimated that direct federal tax receipts will amount to 26.3 billion in 2022 (+0.9% vs. 2021 estimate). They can be broken down into income tax for natural persons (12.5 bn) and profit tax for legal entities (13.7 bn). Income tax receipts were higher than expected in 2020. In addition, the Tax Reform and AHV Financing Act (TRAF) came into force in 2020. As a result of the reform, dividend distributions are subject to higher taxation, which will lead to higher tax receipts in 2021 in particular (+3.1%). It is estimated that growth will be much weaker in 2022 as a result of the COVID-19 crisis, and is likely to reach 1.0%. However, government transfers to households (e.g. short-time working compensation) have stabilized household incomes.

Profit tax receipts are expected to climb by 12.4% in 2021 and 0.9% in 2022. The receipts recorded in the first few months of 2021, which are mainly from the 2020 tax year, were higher than anticipated. The largest profit tax payers, in the financial and pharmaceutical sectors, appear to be little affected by the crisis or not at all.



Development of receipts

in CHF bn and % of GDP

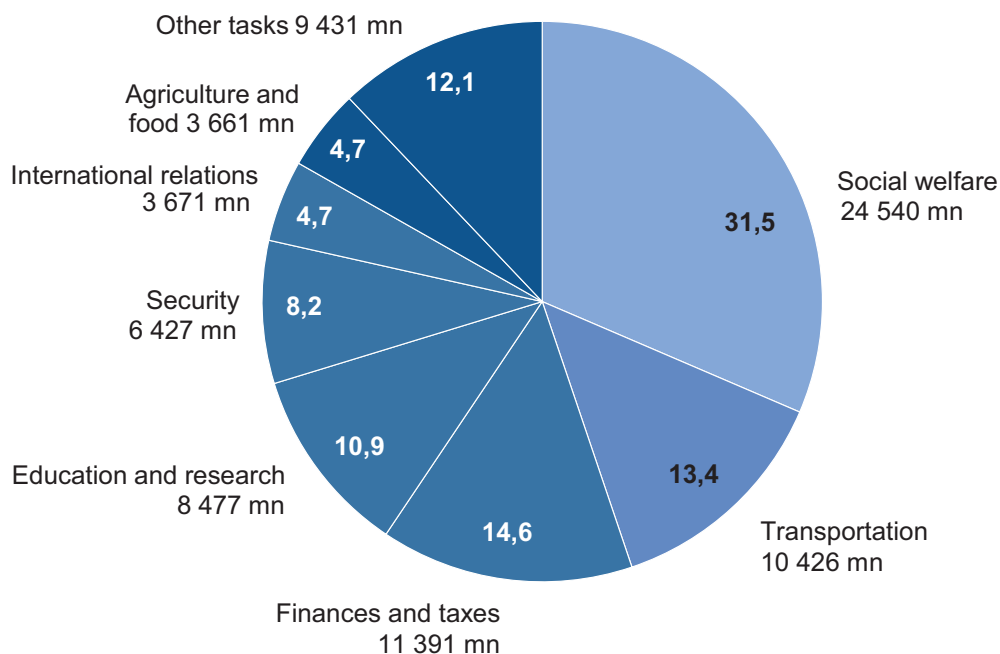


Total receipts of 78.6 billion are budgeted for 2022. Based on the estimate for 2021, total receipts will probably grow at a slightly slower pace than nominal GDP in 2022 (+3.3% vs. +3.8%). As receipts will grow roughly in line with the economy in subsequent years, the receipt ratio will remain stable at 10.3% from 2022.



2022 expenditure by task area

Shares in %



Social welfare: 24 540 mn

Social welfare accounts for 31.5% of total expenditure. This expenditure is bound by law and therefore barely controllable in the medium term. 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. Expenditure growth depends largely on demographic developments, as well as inflation and salary trends.

Finances and taxes: 11 391 mn

Finances and taxes account for 14.6% of total expenditure. Expenditure growth in this area is largely specified and can be influenced only in the long term. The shares of federal receipts, for example, are set out in the Constitution and depend directly on the amount of receipts, and interest expenditure is determined by debt and the development of interest rates.

Transportation: 10 426 mn

Transportation accounts for 13.4% of total expenditure. It includes expenditure on rail and public transportation (64%), road transportation (34%) and aviation (3%). Transportation expenditure is financed primarily by earmarked tax receipts and is thus largely restricted. 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: 8 477 mn

This task area accounts for around 10.9% of total expenditure. The education and research task area is a priority for the Confederation. Its development is predominantly shaped by the 2021-2024 ERI dispatch, as well as by EU education and research programs. On December 16, 2020, Parliament approved the financing for participation in the 2021-2027 Horizon package (6,154 mn) and Switzerland's full association to EU research programs. However, since the EU will not conclude any agreements with third countries in 2021, Switzerland will finance the applications of Swiss researchers validated by the EU on a project-by-project basis in 2022.



Security: 6 427 mn

Security accounts for 8.2% of total expenditure. More than 80% of security expenditure is attributable to military national defense, which was determined by the 2021-2024 Armed Forces payment framework, requested in the 2020 Armed Forces dispatch. The task area includes the tasks “military national defense”, “civil protection and civilian service”, “police, prison system and intelligence” and “border controls”.

Agriculture and food: 3 661mn

The agriculture and food task area accounts for around 4.7% of total expenditure. Most of this expenditure is controlled by means of three payment frameworks. Parliament set the payment frameworks for the implementation of the 2022-2025 agricultural policy as follows: direct payments 11.2 billion, production and sales 2.2 billion, means of production 0.6 billion.

International relations: 3 671 mn

The international relations task area accounts for 4.7% of total expenditure. Over three quarters of its expenditure goes to development cooperation. Most of the remainder is attributable to political relations, i.e. Swiss diplomatic and consular representations and expenditure for international organizations.

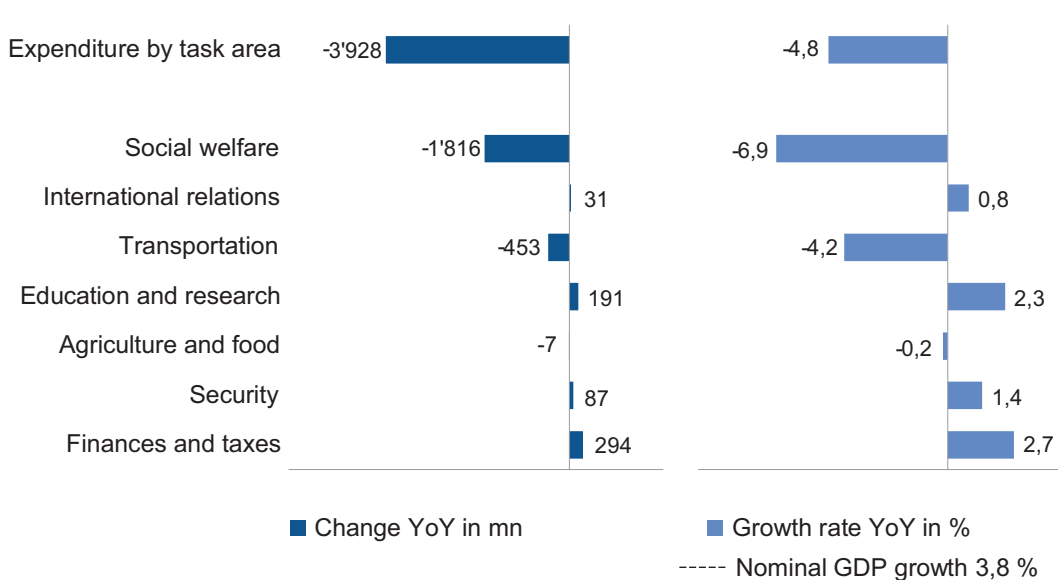
Other task areas: 9 431 mn

The five remaining task areas (institutional and financial conditions, culture and leisure, health, protection of the environment and spatial planning, economic relations) account for 12.1% of expenditure.



Development of selected 2022 expenditure items by task area

in CHF mn and %



Expenditure by task area

Expenditure is budgeted at 78 billion for 2022, down 4.8% from the 2021 budget. This decrease is due to significantly lower expenditure for dealing with the COVID-19 pandemic. Another 1.2 billion is budgeted for this in 2022 (particularly vaccines 0.6 bn; losses on COVID-19 joint and several sureties 0.4 bn). Excluding the COVID-19 measures, expenditure is up by 1.5 billion (+2.1%), which means somewhat milder growth than the economy (nominal GDP +3.8%) and total receipts (+3.3%). Expenditure growth is broadly distributed among the task areas, with only agriculture expenditure stagnating.

Social welfare

Social welfare expenditure is set to fall by 6.9% (-1,816 mn) in 2022. Excluding COVID-19 expenditure, however, there is a rise of 1.6%. While the Confederation's payments to old-age insurance (+309 mn), disability insurance (+106 mn) and supplementary benefits (+64 mn) will increase, expenditure in the migration sector will decrease (-107 mn), assuming that the number of asylum seekers will remain low. Social welfare expenditure will climb by an average of 3.3% per year through to 2025, due essentially to the anticipated entry into force of the AHV reform in 2023.

International relations

Expenditure on international relations is set to rise by 0.8% (+31 mn). On the one hand, funds for multilateral development cooperation will increase, while on the other there will be a decline in political relations expenditure (lower loans to the FIPOI Building Foundation for International Organisations).

Transportation

Transportation expenditure will fall by 4.2% (-453 mn). Excluding COVID-19 expenditure, however, transportation expenditure will grow by a robust 2.1% in the 2022 budget year. The increase will go almost exclusively to public transportation, especially railway infrastructure (+248 mn). Road transportation expenditure will decrease (-46 mn), as lower receipts (e.g. mineral oil tax) will reduce the contribution to the motorway and urban transportation fund.



Education and research

A rise of 2.3% (+191 mn) is budgeted for education and research. Primarily the federal contributions to the ETH Domain, the Swiss National Science Foundation and EU research programs will be increased. Moreover, funds will be set aside for the promotion of training in the area of nursing (counterproposal to the nursing initiative). The Confederation's contributions to the ETH Domain and EU research programs (Horizon Europe) are the largest items in the education and research task area. Since the EU will not conclude any agreements with third countries in 2021, Switzerland will be treated as a non-associated third country until further notice. The Confederation will thus finance the applications of Swiss researchers validated by the EU on a project-by-project basis in 2022.

Agriculture and food

Agriculture and food expenditure is set to remain at the previous year's level (-0.2%; -7 mn). Although more funds are budgeted for structural improvements and the dairy industry, expenditure on agriculture family allowances is lower and the temporary sugar support will end in 2021.

Security

Security expenditure will rise by 1.4 % (+87 mn), due mainly to military national defense (+68 mn). Among other things, personnel expenditure will climb in connection with the further development of the Armed Forces and peacebuilding, and IT expenditure is set to grow as a result of various ICT projects. In addition, growth of 10.9% (+19 mn) is budgeted for civil protection and civilian service, driven almost entirely by the establishment of the National Secure Data System (NSDS). Expenditure in the areas of police, prison system and intelligence, and border controls will remain stable (+0.4% and -0.3%, respectively).

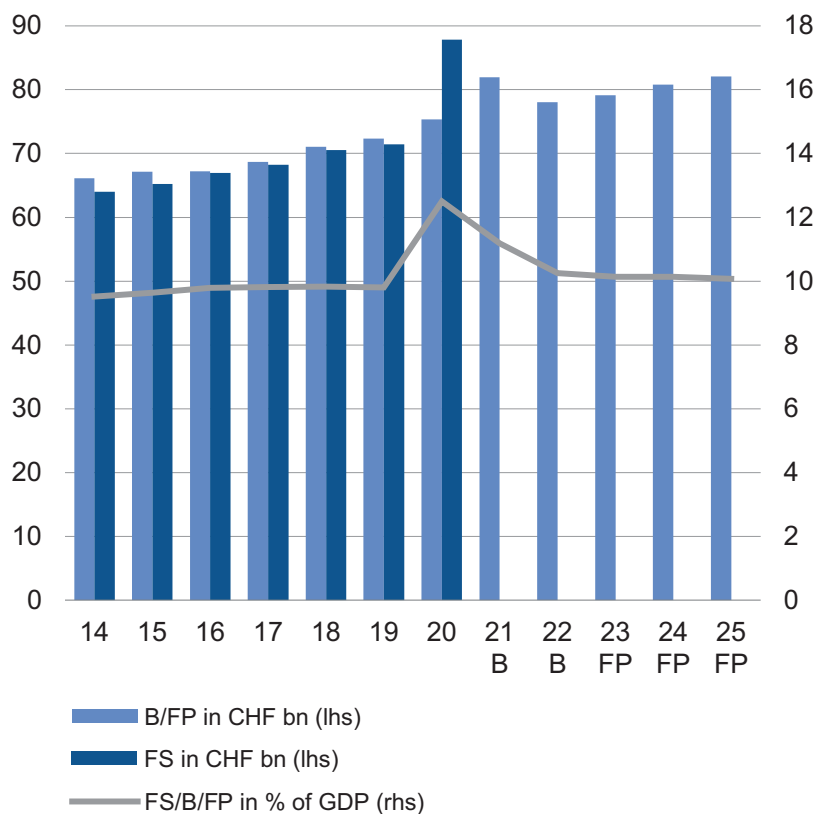
Finances and taxes

Finances and taxes expenditure will rise by 2.7% (+294 mn). Third parties' shares of federal receipts will increase (+122 mn) on the back of the positive development of direct federal tax (cantons' share +408 mn). At the same time, the cantons' share of withholding tax will fall (-84 mn) and a special factor from the previous year will no longer apply (refund of VAT on radio and television reception fees; -186 mn). The Confederation's interest expenses will rise (+43 mn), as the lower issue volume relative to 2021 will result in less revenue from negative interest rates. Furthermore, fiscal equalization expenditure will be higher (+131 mn), due mainly to the temporary mitigation measures in connection with the reform in 2020.



Development of expenditure

in CHF bn and % of GDP

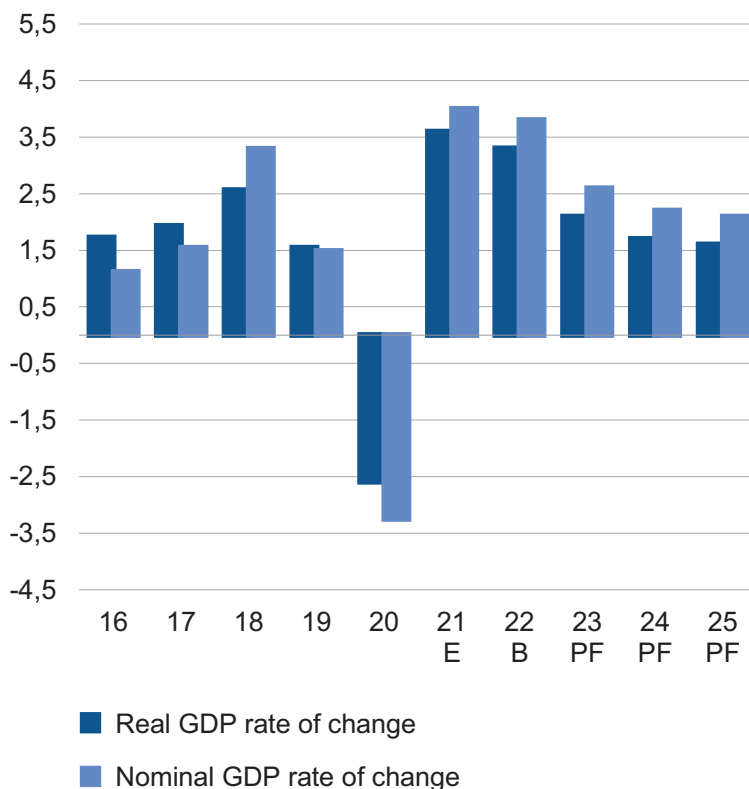


The substantial expenditure to deal with the COVID-19 pandemic and the simultaneous decline in GDP caused the expenditure ratio to climb to 12.5% in 2020. In the 2022 budget, the budgetary position is expected to return to normal. Expenditure is down 4.8% on the previous year's budget, while the economy will gradually recover from the crisis and will probably grow by 3.8% in nominal terms. The expenditure ratio (budget in % of GDP) will thus fall to 10.3% in 2022. The expenditure ratio for subsequent years is 10.1%, thereby approaching the pre-crisis level of 9.8% (2019) again.



Development of economic output

Real and nominal GDP rates of change (in %, adjusted for sporting events)



Sources:

2016-2020: State Secretariat for Economic Affairs (SECO)

2021-2022: Estimates of economic forecasts expert group of 15.6.2021

2023-2025: Forecasts according to the dispatch on the 2022 budget with integrated task and financial plan for 2023 to 2025 of 26.8.2021

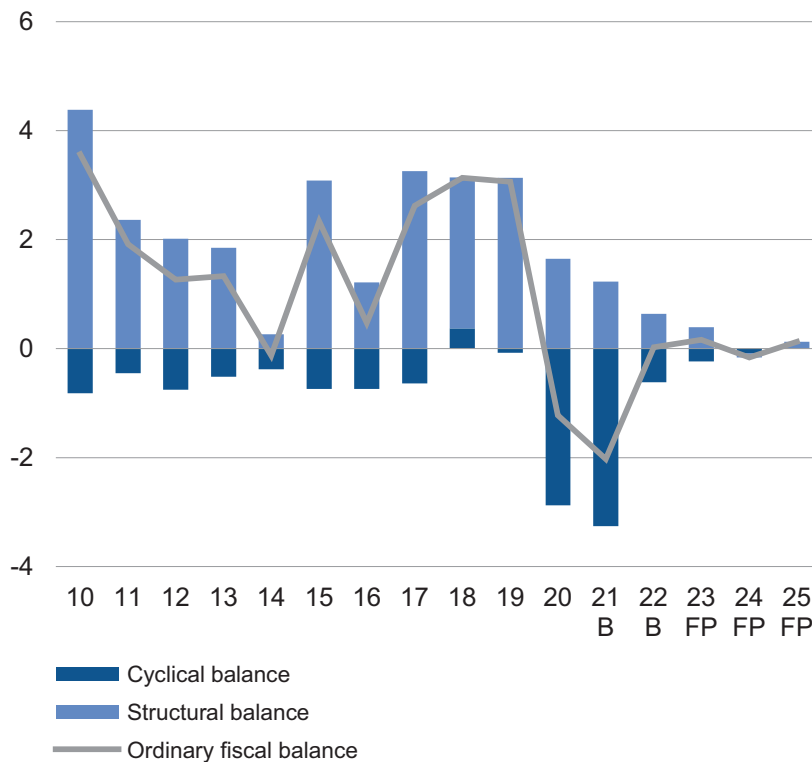
The COVID-19 pandemic and the containment measures had a significant impact on the Swiss economy in 2020 and early 2021. However, with the easing of restrictions in spring 2021, the domestic economy has started to recover. The manufacturing sector has increased production again and is benefiting from the pick-up in demand from abroad. As the year progresses, the economic recovery is likely to gain broader traction, with severely affected sectors such as hospitality and the event industry also benefiting from catch-up effects.

In the second half of 2021, economic output is expected to rise well above the pre-crisis level, but it will remain below the level forecast before the crisis. Above-average economic growth is also anticipated in 2022, driven mainly by foreign demand. Tourism should likewise benefit from this.

According to the forecasts, real GDP adjusted for sporting events will grow by 3.6% in 2021 and by a further 3.3% in 2022. As the economy recovers, companies are expected to expand their investments and hire more staff. Consequently, short-time working will be gradually reduced and unemployment will fall (2021: 3.1%; 2022: 2.8%). Positive inflation is also to be expected again (2021: 0.4%; 2022: 0.5%). Nominal economic growth, which also includes inflation, is likely to be 4.0% in 2021 and 3.8% in 2022.

The federal budget from a debt brake viewpoint

in CHF bn



Despite high growth rates, the Swiss economy is unlikely to reach its potential output in 2022. Following the severe economic downturn caused by the COVID-19 crisis in 2020, economic output will thus remain slightly below its long-term trend in 2022 and subsequent years.

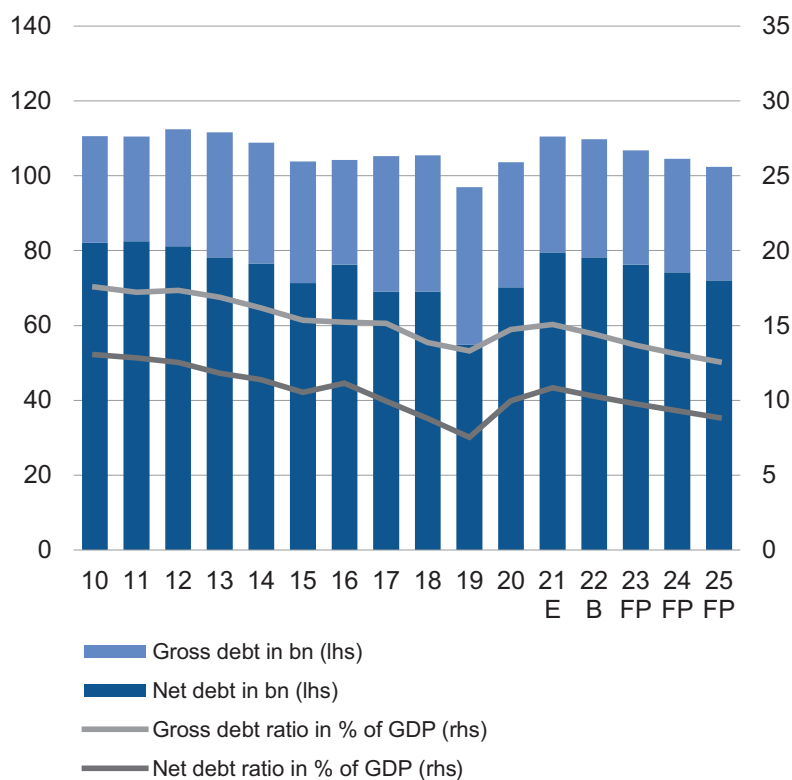
The ordinary fiscal balance is neutral in the 2022 budget. However, a deficit of 0.6 billion would be permissible in cyclical terms. As in previous years, this structural leeway will be used to offset the shortfall in the amortization account. The amortization account provides the debt brake control statistics for the extraordinary budget. The extraordinary expenditure to deal with the COVID-19 pandemic caused the statistics to move into negative territory at the end of 2020 (-9.8 bn). The shortfall is likely to rise to 25 billion by 2022, according to current estimates. The Federal Council intends to partially offset this shortfall by recognizing a maximum of 1.3 billion of supplementary distributions by the Swiss National Bank (SNB) as extraordinary receipts from 2021.

The ordinary budget is more or less balanced in the financial plan years of 2023 to 2025 as well, while the cyclically permissible financing deficits are set to fall. As things currently stand, the debt brake requirements will be missed by a narrow margin in 2024. However, the anticipated structural financing deficit is small (-85 mn).



Debt and debt ratio

in CHF bn and % of GDP



The measures to deal with the COVID-19 pandemic will lead to a further increase in debt in 2021. According to current estimates, gross debt will rise to 110.5 billion (+6.9 bn). The funding requirements caused by the COVID-19 pandemic will be covered primarily by bonds (+6.8 bn). Net debt will be up by 9.3 billion, as there will be a reduction of 2.4 billion in non-administrative assets on top of the increase in debt (+6.9 bn). Among other things, cash and other liquid assets will be further reduced.

The financing surplus budgeted for 2022 will once again allow gross debt to be reduced by 0.6 billion. While bond issuance will continue to exceed redemptions, money market debt register claims, which have short maturities, will mainly decrease. Meanwhile, a drop of 1.6 billion is anticipated for net debt.

In the financial planning years 2023 to 2025, the trend toward debt reduction will continue thanks to the expected financing surpluses.