



Fiscal Policy

Status determination of federal finances: *It won't work without EP27*

18.02.2026

At a glance

- The Federal Council has undertaken a financial policy assessment up to 2030. The outlook is deep red.
- The largest public budget in Switzerland can be temporarily secured with the relief package 27.
- There is no way around prioritizing expenditure. Even a tax increase could not change this.

Federal finances are known to be under pressure. Expenditure is growing faster than revenue, which is why the task of a relief package (EP27) is to restore the balance required by the constitution and the debt brake. Consultations on EP27 are underway. After the Council of States in December, the National Council will decide on the package in the March session. Its Finance Committee is currently concluding its preliminary deliberations. The outcome of the deliberations will outline the course taken. The following options are available: The National Council can go along with the Council of States (which has cut the package by a third), it can take better financial responsibility and increase the package again or, on the contrary, forego further necessary measures, which would be the worst of all outcomes.

Unchanged need for action

In this situation, the Federal Council has stepped in and carried out an interim financial policy assessment. As always in February, it has set the key figures for the federal budget for the following years. This step is particularly important this year. The outlook shows that there is still a great need for action. It won't work without the EP27.

According to today's assessment, the budget for the coming year 2027 (preliminary estimate) is as follows: with EP27, the federal budget would be balanced; without EP27, the figures would be deep red (- 1.9 bn). Cuts to the package would be marginally manageable (because Parliament saved a little more last year), but cuts such as those decided by the Council of States would go far too far. In other words, the National Council must make improvements, as otherwise the debt brake requirements cannot be met (by 400 million).

Expenditure is too high - prioritization necessary

The further forecasts are influenced by the sharp increase in expenditure, particularly for the AHV and the army. For the army, the Federal Council has proposed a temporary VAT increase from 2028 (+0.8 pp). Provided that this tax increase is successful, which requires the support of both Parliament and the people, the federal budget will be in balance in 2028. Otherwise, a prohibited deficit is to be expected. The same applies to the following years, whereby, according to current assessments, even a tax increase will no longer be sufficient to finance all of the expenditure that is expected from 2029 onwards. It looks as if the federal budget is heading for permanent overstretch. The remedy is clear, even for the Federal Council: it won't work without prioritization. Expenditure must be reduced, it is simply too high.

Without EP27, there is a threat of cuts to uncommitted expenditure

The Federal Council intends to carry out a new assessment of the situation after the spring session. The result of EP27 will then be known. Depending on the result, new cuts will have to be decided. It is clear where these cuts will mainly be made and has been confirmed by the Federal Council: in uncommitted expenditure, just as in previous years. Critics of EP27 with interests in areas such as education and research, development cooperation, but also security and defense will have to keep this in mind.</p></div>



Frank Marty

Head of Department Finances & Taxes, Member of the Extended Executive Board