



« With EP27, the Finance Commission is exacerbating the problem instead of solving it. »

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Fiscal Policy

# EP27: *Parliament*, do your job!

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## At a glance

- The National Council Finance Committee is watering down the purpose of EP27 by reversing cuts instead of relieving the federal budget to the necessary extent.
- With additional agricultural tariffs and special financial market policy rules, the committee is overloading the relief package with extraneous and economically damaging demands.
- A federal wealth tax would be a dangerous instrument that would weigh on assets and distract from the actual goal of stabilizing the budget with moderate cuts of three to five percent.

The purpose of EP27 is clear, one would think. The name says it all: to relieve the overburdened federal budget.

The reasons for this have been mentioned many times and do not need to be discussed. The strengthening of the armed forces and the major surge in AHV costs, partly due to the 13th AHV pension, require federal spending to be prioritized in these areas over the next few years. The Confederation cannot be everything to everyone at the same time - other tasks will therefore have to take a back seat in the near future. Expenditure will continue to grow, and not too fast, even with the EP. But growth must be curbed somewhat, to a financially viable level. That is the task of the EP. And nothing else.

## The Finance Committee exacerbates the problem instead of solving it

The responsible committee of the National Council has now also discussed EP27. The result is unsatisfactory. Instead of improving the already inadequate result of the Council of States, the National Council's Finance Committee (FC) has made the situation even worse.

The FC has reversed all cuts to the joint tasks in the environmental sector. This involves 50 million francs. The reason given is that it does not want to pre-empt an ongoing project aimed at improving the division of tasks between the Confederation and cantons after 20 years of NFA (unbundling 27). The justification is thin and unconvincing: the reduction in funding for the joint tasks (-10 percent) would be a desirable signal to the federal and cantonal administrations involved in the unbundling project to take the project seriously and get down to business.

The FC has even decided to increase expenditure instead of making cuts in regional passenger transport (RPV), where, as in other subsidy areas, it has long been no secret that improvements are needed and that the current compensation system must be replaced by better solutions. The Federal Council states this clearly in the dispatch on the EP: "In the last two years, many transport companies have been able to generate surpluses. It is expected that the transport companies will take more ambitious revenue forecasts into account in future", which means that they should do a little less hollow handing to the federal government and focus more on their own profitability. The Council

of States supported the cuts to the RPV as well as to the interlinked tasks. The votes in the FC were close.

## Relief package, not enrichment package

The EP is intended to relieve the federal budget and not provide it with additional revenue - it is not an enrichment package. Unfortunately, the National Council committee has also gone down this route. On the one hand, it wants to turn agricultural policy on its head by giving the Federal Council the task of increasing import duties in the agricultural sector across the board. Tariffs are to be raised on animal feed, straw, sugar, wheat, eggs and much more besides. This policy of minefields by the dozen is not well thought out and has no place in a relief package. The consequences would be a price surge at home and serious damage for Swiss food producers, who are already struggling with sales problems and competitive disadvantages.

It is also difficult to understand why the Commission is entering the challenging field of financial market policy and, as a kind of sidecar to the EP, is creating a law for the introduction of the so-called "Public Liquidity Backstop" (PLB), an instrument for securing liquidity for systemically important banks. The PLB has been under discussion in the relevant committees of the National Council and Council of States for some time, but is to be incorporated into the overall context of pending issues relating to financial market and banking regulation. The FC is only concerned with the compensation aspect, but from the point of view of the sector affected, this falls short of the mark. Financial market policy in the relief package is rejected there for understandable reasons.

## A new wealth tax would be an absurdity

An issue that is closely linked to the relief package is army financing. The EP27 is necessary in order to lay the foundation for the agreed increase in the army and the resources required for this. As the EP and other measures in the budget are not enough from the Federal Council's point of view, additional financing via VAT is being discussed. The Federal Council intends to launch a consultation process on this soon. This plan has produced a bouquet of alternative financing ideas, including the proposal for a wealth tax at federal level. As is well known, wealth tax has long been in place in the cantons, where it is a big hit with annual revenues of over CHF 7 billion. For many entrepreneurs, wealth tax is a considerable burden because it does what a tax should not do. It places a burden on the substance, in this case the assets held by the companies, at least in part regardless of whether the companies make a profit. The tax rate proposed for the federal government is 0.33 percent, which as a marker is just a little more than the increase in wealth tax that took place in Norway, where wealthy people, including many entrepreneurs, left the country in droves as a result. This example shows the sensitivity of the issue and that there is certainly one thing that an already steep tax does not need: another similar tax on top. In the best interests of Switzerland, the discussion about the absurdity of a federal wealth tax should not even be started. The bad experience with the Juso initiative sends its regards.

## Clarity about the fundamental expectations of our state

Budget discussions are naturally difficult. However, proportions must be maintained in the federal government. There is no need for cuts that reduce the Confederation by ten or twenty percent. Cuts of three to five percent are sufficient to maintain the balance between revenue and expenditure and at the same time prioritize the army and AHV. Corrections of this magnitude are feasible, and they are even important at certain intervals because they force us to become clear about the really fundamental expectations of our state. The people have said: the AHV, and politicians have added for good reasons: the army. With regard to EP27, the mandate is therefore clear: Parliament, please do your job now!



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