



Fiscal Policy

EP27 adopted, ***need for action remains***

20.03.2026

At a glance

- The decision on the relief package is positive, even if the scope of the package has been significantly reduced.
- Further measures are needed to balance the federal budget. The Federal Council should define these soon.
- In order to strengthen national defense, the necessary funds must be made available in the budget. Prioritization in favour of security must continue.

In the spring session, Parliament concluded its deliberations on discharge package 27 (EP27). After the final differences were resolved, the bill was approved in the final votes. This clears the way for the agreed measures to be implemented and integrated into the federal government's financial planning from 2027.

Need for adjustment remains

However, this is by no means the end of the matter. Due to the financial gap in the federal budget, the Federal Council has put together a relief package of around CHF 3 billion. However, Parliament has only approved 60 percent of the relief volume. As a result, deficits remain that need to be eliminated. This is required by the debt brake. Following the assessment of the current situation in February, the Federal Council will therefore soon have to carry out a further assessment of the situation and decide how the remaining deficits are to be eliminated in concrete terms. Because corrections for the 2027 budget will already be necessary in the short term, expenditure that is not tied to legislation could once again come under pressure - this includes expenditure in education and research, international cooperation and agriculture.

Tax increase instead of setting priorities?

The people are also to be burdened more because parliament has not created the financial leeway required to strengthen security and, in particular, the increase in the size of the armed forces that has been decided. In January, the Federal Council decided on additional funding for the armed forces and submitted a bill for consultation with a temporary increase in VAT of 0.8 percentage points for the years 2028 to 2037. Of the revenue, 0.3 percentage points or around CHF 1 billion is to flow into the federal budget to finance the part of the army's increase to 1% of GDP that is not covered by EP27 and other measures in the budget. The remaining 0.5 percentage points are to flow into an armaments fund to finance additional armaments that no longer have a place in the regular budget.

It is difficult to imagine that a tax increase of this magnitude will be supported in a vote if Parliament decides to expand the armed forces to 1 percent of GDP but is not prepared to reallocate 3 to 4 percent of federal funds in the budget

for this purpose. The business community will also express its views on the issue of army funding as part of the current consultation process. Proof that politicians are capable of setting priorities is important if additional funding is to be considered at all. A credible (financial) policy does not rely on additional revenue (which is already at a record high), but creates the necessary scope itself as far as possible with the available funds.



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