



Fiscal Policy

Army Funding: ***A Solution Is Needed Now***

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At a glance

- Security is a core responsibility of the state and a prerequisite for a stable business environment and the prosperity of all.
- economiesuisse supports both additional funding for defense and the procurement of additional military equipment. Finding a swift solution is now a top priority.

The business community recognizes the need for increased investment in Switzerland's defense capabilities. The geopolitical situation is tense; security is a core function of the state and is indispensable for the economy and Switzerland's status as a business location. The business community therefore supports the policy goal of allocating funds for defense amounting to 1 percent of Switzerland's GDP. The procurement of additional military equipment is also supported. To this end, the Federal Council has approved a bill that provides for a temporary increase in the value-added tax to finance these measures.

Business Community Supports Temporary VAT Increase

The business community takes the position that the financing of a core government function such as national security must, in principle, be covered by funds from the general government budget. It has therefore called for existing regular funds to be used to expand the armed forces and achieve the 1 percent GDP target. It has rejected a tax increase to achieve the 1 percent GDP target. The Federal Council has followed this position and limited the tax increase to the planned additional defense procurements. To ensure that these procurements can be carried out reliably and quickly, the business community has supported the temporary increase.

Surpluses should be allowed to be used on a 50-50 basis, also for a limited period

During its September session, the Council of States, as the first chamber, reduced the increase from 0.5 percentage points to 0.2 percentage points. Instead, half of the surpluses that regularly accrue in the federal budget may be used for defense funding. Under current law, these surpluses are used exclusively for debt reduction. The business community considers this an important element of the legal implementation of the debt brake. The use of a portion of the surpluses for new expenditures, such as the planned defense purchases, is a new development that the business community can support in the interest of a swift decision on defense funding. A prerequisite for this is that this financing option remains temporary, limited to the armed forces, and capped at half of the surpluses.

A solution is needed during the winter session

The bill on defense funding is currently being reviewed by the National Council committees. The business community expects a decision on the bill to be made during the winter session in December 2026 so that the armed forces can have planning certainty regarding necessary defense procurement. The business community is not prepared to support every solution; for example, extraordinary expenditures are out of the question in order to comply with the constitutional debt brake. Nor can the business community support disproportionate debt, especially if repayment is not guaranteed. On the other hand, the business community is prepared to support the temporary creation of a planned new defense fund, provided that both the fund itself and its financing are discontinued after the planned end of its term. Ideally, such a financing mechanism would be regulated at the constitutional level (e.g., similar to the Rail Infrastructure Fund, Art. 87a of the Federal Constitution). This would strengthen the legitimacy and binding nature of the financing, as well as ensure that it is time-limited.

Funding through the federal budget is also possible

Even a reasonable level of upfront financing (the Federal Council has proposed an amount in the range of 6 billion Swiss francs) is something the business community can support. What is crucial is that funding for the fund contributions be sufficiently high and guaranteed in a binding manner. If necessary, the financing could include a value-added tax increase of up to 0.5 percentage points. If other financing options that are consistent with the debt brake are available, the business community will not oppose them.

The federal government's improved financial outlook and a federal budget that will soon reach the 100-billion-franc mark can make such solutions possible. One option on the table is financing solely through the budget, without additional revenue. It is important for the economy that this matter be resolved and that the resources and instruments necessary for the defense of our country can be procured.



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