



The State Budget for 2014 goes to Congress

## The Government presents accounts allowing increased social spending thanks to Ministry savings and lower interest on the debt

- The 2014 Budget deepens public spending cuts initiated in 2012 and 2013, and there will be no tax increase. Instead, tax cuts targeted at entrepreneurs have been approved within a context of fiscal consolidation
- The adjustment in Ministry spending comes to 4.7%, allowing allocations for social spending to increase (4.4%), which will also be supported by savings from lower debt interest in 2014
- Education policy allocations will increase by 10.6% to a total of €2,150 million for 2014
- A total of €4,154 million will go towards financing electrical system costs.
- Credits for unemployment benefits total €29.429 million, representing an increase of 10.24%
- The allocation for civil RD&I policy reaches €5.633 million, up 1.3% over 2013

**30 September 2012.-** The Minister of Finance and the General Government, Cristóbal Montoro, today presented the State Budget Bill for 2014 in Congress, made up of accounts which continue with the objective of ensuring the financial sustainability of the General Government,

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enhancing confidence in the Spanish economy and reinforcing Spain's commitment to the European Union.

Reflecting an economic policy conducted by the government since the start of this Legislature, the actions contained in this policy have been adapted to the current economic situation and expected developments, quite different from the previous year's policy.

The budget remains a starting point for fulfilling fiscal consolidation targets, but carries out this commitment with flexibility and better competitiveness, bringing commitment to training and civil research while placing special emphasis on social needs.

The spending control policy of the last two years has borne its fruits; now is when the economy is expected to come out of the recession, capable of meeting social spending commitments which will be significantly helped by lower spending on debt interest.

Correcting budget imbalances together with implementing major reforms has laid a good basis for economic recovery. Therefore, this Budget is a key tool for channelling this emerging economic growth without placing further tax burdens on the general public; instead, it will begin with a selective tax reduction, as in the case of entrepreneurs.

Therefore, despite still being immersed in a context of budget cuts, addressing pension policies and promoting employment and unemployment benefits remain the priority of the Government, with the Budget policies prioritising education, health, research, development and innovation and public safety.

## **Deficit Reduction**

In accordance with the target set, the 2014 Budget provides for a reduction of the State deficit by 3.7% of GDP in 2014 and Social Security by 1.1% of GDP. Unlike in 2012 and 2013, this reduction in the public deficit will not take place in an environment of economic contraction.

Notably, the effort to correct the deficit made over the last two years and the adaptation of the fiscal consolidation policy to the economic situation have made it possible to create a Budget for next year without the need for deep measures both in revenues as well as public spending, and

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without prejudice towards those adopted in previous years which continue to producing their results.

However, during 2014 the contraction policy for General Government consumption will be maintained, as the need to fulfil the commitment to deficit reduction with the increase on certain spending items, such as debt interest and social benefit, will force the continuation of control measures and the lowering of public spending.

## Revenues

Revenue performance in 2014 will benefit from the improved economic environment, as the effect on collection will continue to be influenced by fiscal consolidation measures adopted in previous years and, to a lesser extent, by the new measures included in the Budget.

It is estimated that tax revenues in 2014 will come to €179,750 million. This represents an increase of 2.4% over the Forward Settlement for 2013, mainly due to the improvement of the economic situation, allowing for an increase in tax bases.

It should also be noted that new stimulus measures for entrepreneurs taken by the Government will have a short-term negative impact on collection.

Specifically, projected personal income tax collection will increase by 1.7% in relation to the collection anticipated for 2013.

Corporation taxes are expected to increase by 5.4%, due mainly to the measures taken involving a broadening of their tax base.

VAT revenues will grow by 2.7%, as a recovery in consumer spending in households is anticipated, despite the negative impact on VAT collection in shops.

Revenues from Excise Duties will increase by 0.5%. Although no new measures with a significant impact on collection have been taken, a positive effect from those previously adopted is anticipated, mainly from increases in tax rates on alcohol and tobacco, passed in July 2013.

Non-tax revenues will remain virtually unchanged, registering a slight decrease of 0.2%.

The revenues of the 2014 State Budget, after discounting the involvement of the Tax Administrations, will come to €128,159 million, €1,674 million up on the expected revenue for 2013.

### **Spending**

From the public spending standpoint, the General State Budget remains austere, allowing for meeting the deficit target and promoting economic recovery while maintaining its public spending commitments.

Ministry spending will decrease by 4.7% to reach €34,584 million after excluding contributions to Social Security, the Public Employment Service and the National Commission on Financial Markets and Competition.

As in 2013, there shall be no new staff recruitment in the public sector, but an exception of a 10% turnover rate will apply to some sectors and administrations considered to be a priority, ensuring coverage of the military professional positions of troops and sailors.

Also, the salaries of Senior National Government Officials and their advisory bodies will not experience any increase, affecting the salaries of Senior National Government and General State Administration Officials.

### **Grants increase by €250 million**

To increase the level of education in Spain, in addition to addressing educational reform and therefore boosting the competitiveness of the economy, an increase of 10.6% in allocations for education policy will be applied, bringing it to a total of €2,150.05 million in 2014.

Particularly worthy of mention is the increase in the student grant and scholarship programme, which has been allocated €1,448.15 million. Under this programme, general grants and scholarships will reach €1,411.02 million, up €250 million on 2013, representing an increase of 21.5%. This programme seeks to ensure that those who have the talent and the will to study beyond the free, compulsory level have the chance to do so regardless of their socio-economic circumstances.

## €4,154 million for the electrical system

In the energy sector, the basic objective is to control and find a solution for the system deficit, an objective that is reflected in a unique way in next year's accounts. Therefore, the resources devoted to this objective are being increased by 42.2% percent to stand at €4,154 million. This figure also includes additional electricity generation costs in non-peninsular territories.

The appropriations to finance unemployment benefits in 2014 came to €29,429.23 million, representing an increase of 10.24% over the initial budget for 2013 of €2,733.23 million.

However, when compared to the settlement forecast for 2013 by the Public Employment Service , there is a decrease, in real terms, of €1,627.77 million, 5.24%.

## Civil RD&I

The allocations for this policy respond to the Government's economic strategy, particularly in regard to the change in the production model, providing the science system with credits that will maintain, as far as possible, the levels of excellence achieved in recent years and ensure that the resources and capabilities existing in the Spanish scientific world contribute more efficiently to economic recovery and social development.

The allocations for the policy of civil research, development and innovation in the 2014 State Budget come to €5,633 million, 1.3% up on 2013.

## Victims of Terrorism

The amount initially allocated to compensation to victims of terrorism amounts to €18.6 million, remaining the same as the previous year. However, it should be noted that this an extendible credit whose amount may increase during the year in response to requests occurring as a result of the entry into force of the new regulations approved by the Council of Ministers on 6 September 2013.

## Official Development Aid

In the General State Administration, the provision of resources for development cooperation will be around €1,823 million.

The total Development Aid, meaning, taking into account not only the contribution that is made through the Administration but also the anticipation of what the territorial governments will do, will be in the vicinity of €1,900 million, it being the Administration that manages 95% of the total Aid scheduled for 2014.

## Territorial Funding

Territorial funding for 2014 will increase to €99,001 million, 1.6% less than the previous tax year. Funding of the Autonomous Communities will increase to €82,517 million, with a decrease of 2.6% from 2013, while local authorities will come to €16,484 million, an increase of 3.4% over the previous year.

## Free legal services is allocated €34.15 million

Among the resources financing social spending, those that facilitate access to free legal services should be noted for their importance. €34.15 million is being allocated for this purpose. This service will be reinforced in collaboration with the Autonomous Communities ensuring the sustainability of the free legal services system. At the same time, the system itself will be reviewed to make it more efficient and to verify the real existence of this right, preventing fraud.