



# Assessment of Compliance with Expenditure Ceilings in 2025

*Evaluation Report*

May 2026

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This report presents the official positions of the Council for Budget Responsibility in accordance with its mandate laid down in Constitutional Act No. 493/2011 Coll. on Fiscal Responsibility and Act No. 523/2004 Coll. on General Government Budgetary Rules.

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## Assessment of Compliance with Expenditure Ceilings in 2025

Pursuant to obligations arising from Section 30(4) of Act No. 523/2004 Coll. on General Government Budgetary Rules (hereinafter the “Act”), the Council for Budget Responsibility (CBR) assesses compliance of the budgetary outturn with the net expenditure path (the Stability and Growth Pact rule) and with the public expenditure ceiling (the national rule). At the same time, it publishes an analysis of the factors explaining deviations from the net expenditure path.

The CBR assessment is based on data for 2023–2025 from the spring deficit and debt notification published by the Statistical Office of the Slovak Republic on 21 April 2026, supplemented by the CBR’s own estimates of cyclical unemployment benefit expenditure and the impact of discretionary revenue measures.

### **Incorrect initial calibration of the rules causes the ineffectiveness of expenditure ceilings in Slovakia**

The reformed Stability and Growth Pact (EU fiscal rules) was intended to enable countries to reduce deficits and debt in a sustainable and realistic manner through control of expenditure growth. Its objective was to stabilise public debt below 60% of GDP. Although this framework appears to be clearly defined at first glance, in the case of Slovakia, its initial calibration was flawed<sup>1</sup>, as also [pointed out](#) by the CBR.

Under the applicable rules, the Ministry of Finance of the Slovak Republic (MF SR) was the only entity authorised to request correction of this flawed initial calibration. Unlike several other EU Member States, however, the MF SR did not take such action. As a result of the passive approach of the MF SR in setting the rules<sup>2</sup>, the current [EU fiscal rules](#) now allow, according to the latest estimates, the achievement of a general government deficit of approximately 5.4% of GDP and public debt of 73.3% of GDP by the end of 2028.

This implies that **in Slovakia’s case, mere compliance with EU rules would not be sufficient to ensure long-term sustainability of public finances**. Since the national expenditure rule is derived from the EU fiscal rule, its functioning is likewise affected by this flawed initial calibration. **Assessment of compliance with both rules therefore needs to be interpreted in this context.**

### **Growth of net expenditure in 2024 and 2025 (Stability and Growth Pact rule)**

On 21 January 2025, the Council of the European Union [approved](#) Slovakia’s national medium-term fiscal-structural plan, including the maximum growth rate of net expenditure for individual years during 2025–2028 and the cumulative growth rate of net expenditure in 2028 compared to 2023 (Table 1). **In 2025, the rule allowed a cumulative growth in net expenditure of 10.3%.**

<sup>1</sup> This material only addresses the assessment of developments in Slovakia. However, a similar situation may also have arisen in other EU Member States where the calibrated net expenditure growth rules may not lead to a sufficient reduction in the deficit.

<sup>2</sup> There is no legal basis for the European Commission to impose stricter assumptions on a Member State than those resulting from its own framework. Only the MF SR, officially on behalf of the Slovak Republic as an EU member state, could have requested such a revision, but it did not make use of this possibility.

**Table 1: Approved expenditure growth trajectory – Stability and Growth Pact requirements**

(%)	2024	2025	2026	2027	2028
Net expenditure growth	-	3.8%	0.9%	1.6%	1.5%
Cumulative net expenditure growth	6.2%	<b>10.3%</b>	11.2%	13.0%	14.8%

Source: EC

Subsequently, on 8 July 2025, the Council of the European Union [approved](#) activation of the national escape clause for the Slovak Republic, whereby the exemption allows defence expenditure in 2025–2028 to increase by up to 1.5% of GDP relative to the 2021 level without being included in expenditure subject to the ceiling<sup>3</sup>.

When assessing compliance of the budgetary outturn with the net expenditure path, the CBR proceeded according to the definition of maximum net expenditure growth under the EU fiscal rules, whereby expenditure financed from the EU budget, co-financing, interest costs, cyclical unemployment expenditure and one-off impacts are deducted from total general government expenditure. Subsequently, after calculating the growth rate of net expenditure incorporating the effect of discretionary revenue measures, the impact of the defence exemption is also deducted. The CBR assesses compliance with the rule on a cumulative basis, which is fully consistent with the approach of the European Commission, which will assess the rule cumulatively in countries with an active national defence escape clause<sup>4</sup>.

The CBR concludes that the net expenditure growth in 2025 (without applying the defence exemption) reached 1.3% year-on-year, which is 2.6 percentage points below the approved trajectory. **Cumulative growth in net expenditure for 2024 and 2025, after inclusion of the defence exemption, reached 3.3%, thereby meeting the rule with a margin of 7.0 percentage points<sup>5</sup>** (Table 2). Such compliance with the rule is partly influenced by the government’s consolidation measures approved at the end of 2023 and 2024, which increased revenues (thereby also increasing room for expenditure growth), as well as by factors outside the government’s control (decline in energy subsidies due to falling energy prices). **To a large extent, however, it is mainly the consequence of incorrectly calibrated rules for Slovakia<sup>6</sup>, since using the maximum room for expenditure growth allowed by the rule would have enabled the general government deficit to reach as high as 7.3% of GDP in 2025<sup>7</sup>.** This is inconsistent with the main objective of the rule – to sustainably reduce the deficit below 3% of GDP and debt below 60% of GDP.

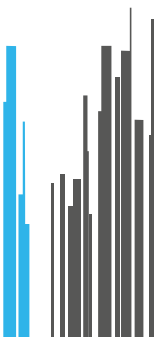
<sup>3</sup> The level of defence expenditure covered by the escape clause does not change the maximum permitted growth rate of net expenditure. However, the level of the exemption reduces the deviation of actual expenditure falling under the rule in the control account.

<sup>4</sup> The European Commission will assess the rule for the first time in spring 2026, when, in the case of countries with an activated defence escape clause, it will assess compliance with the net expenditure growth rule cumulatively for 2024 and 2025.

<sup>5</sup> According to the MF SR assessment, the rule was met with a margin of 6.5 percentage points. The difference in the results is explained almost exclusively by the estimated impacts of discretionary revenue measures in 2025. According to the MF SR, revenue measures generated additional revenues of EUR 1,446 million in 2025, whereas the CBR estimates their impact at EUR 1,673 million (the list of measures is provided in Annex 1).

<sup>6</sup> Skopál (2026), [Failed Implementation of European Rules in Slovakia Should Require a More Ambitious Domestic Approach to Mend Public Finances](#).

<sup>7</sup> In 2025, the general government deficit reached 4.5% of GDP.



**Table 2: Assessment of compliance with the year-on-year net expenditure growth rule**

(EUR million)	2023	2024	2025
<b>1. Total GG expenditure</b>	<b>59 759</b>	<b>61 752</b>	<b>65 567</b>
2. EU funds and RRP	3 650	2 096	3 163
3. Co-financing expenditure	565	462	500
4. Interest payments	1 428	1 850	2 119
5. Cyclical unemployment expenditure	-12	-6	3
6. One-off expenditure	0	0	0
<b>7. Nationally financed primary expenditure (1-2-3-4-5-6)</b>	<b>54 128</b>	<b>57 349</b>	<b>59 783</b>
8. DRM impact	-	1 356	1 694
<b>9. Net expenditure growth after accounting for DRM (in %)</b>	-	<b>3.4</b>	<b>1.3</b>
<b>10. Cum. growth in net exp. between 2023 and 2025 after considering DRM (in %)</b>	-	-	<b>4.8</b>
11. Size of defence exemption*	-	-	838
<b>12. Cum. growth in net expenditure after considering defence exemption (in %)</b>	-	-	<b>3.3</b>
<b>13. Maximum allowed cumulative growth in net expenditure (MTFSP, in %)</b>	-	-	<b>10.3</b>

Note: MTFSP – National Medium-Term Fiscal-Structural Plan, RRP – Recovery and Resilience Plan  
DRM – discretionary revenue measures

Source: CBR, SO SR

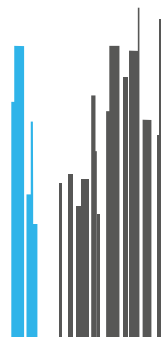
\* This represents the difference in defence expenditure as a percentage of GDP in 2025 relative to 2021, multiplied by the level of nominal GDP in 2025.

**Despite formal compliance with the rules, the development of public finances is significantly more negative** than the original projected trajectory of deficit and debt by the European Commission. The Commission originally projected that compliance with the expenditure rule targets would stabilise debt and expected a deficit of 1.7% of GDP and debt of 61% of GDP in 2028. Currently, under compliance with the rules, the CBR estimates a deficit of 5.4% of GDP<sup>8</sup> and debt of 73.3% of GDP in 2028.

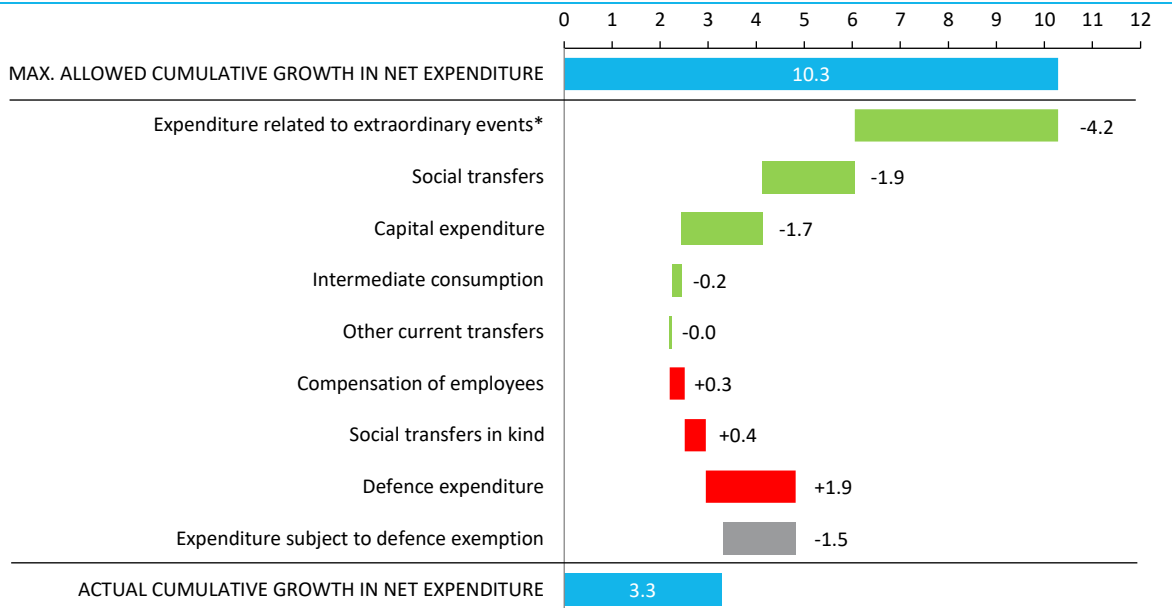
### Analysis of factors explaining deviations from the net expenditure trajectory

By comparing the cumulative year-on-year development of individual expenditure categories (adjusted for the impact of EU funds, co-financing, interest costs and the economic cycle) with the maximum cumulative growth in net expenditure, the CBR calculated their contributions to the total deviation (Chart 1).

<sup>8</sup> The defence exemption, which was not considered in the European Commission's original trajectory, contributes 0.7% of GDP to the 2028 deficit of 5.4% of GDP.



**Chart 1: Contributions to the actual level of cumulative growth in net expenditure in 2025**



\* Mainly due to the decline in energy subsidies.

Source: MF SR, CBR, SO SR

Note: The chart illustrates which expenditure categories in 2023–2025 grew faster (red) or slower (green) compared to the maximum growth allowed by the rule. The contributions shown also take into account that part of expenditure growth was financed through revenue measures (DRM). Revenue measures increased the level of revenues and thereby also the room for expenditure growth. After accounting for this DRM adjustment, cumulative expenditure growth reached 8.9%, while the maximum growth permitted by the rule was 15.9%. Contributions of individual expenditure categories in the chart are therefore expressed relative to the 15.9% benchmark. The defence exemption reducing the level of net expenditure growth is shown in grey.

The lower pace of growth in net expenditure was driven mainly by the substantial decline in expenditure related to extraordinary events, particularly energy subsidies, which recorded the sharpest decrease since 2023 (contribution of 4.2 percentage points). From the perspective of cumulative compliance with this expenditure rule, this only formally represents a permanent saving<sup>9</sup>, provided that expenditure on energy subsidies does not return to the high levels seen in 2023. The reason is that this does not represent an active saving resulting from government policy, but merely reflects the natural decline in market prices from the extreme levels observed in 2023. A significant contribution also came from the decline in social transfers in 2025 (1.9 percentage points), mainly reflecting the reduction in the child tax credit approved back in 2022<sup>10</sup>, as well as lower expenditure on sickness benefits and parental allowance in 2025. Investments outside the defence sector declined compared to 2023 (contribution of 1.7 percentage points).

On the other hand, expenditure on healthcare provided by health insurance companies (0.4 percentage points) and compensation of employees (0.3 percentage points) grew more rapidly, primarily reflecting wage indexation. However, the most pronounced increase in expenditure occurred in the defence sector (1.9 percentage points), mainly due to deliveries of military equipment in 2025. Given the defence exemption, however, the overall negative impact of defence amounted to only 0.4 percentage points.

<sup>9</sup> From an economic perspective, this expenditure was only temporarily increased due to extremely high energy prices and its decline should therefore not be perceived as a structural reduction in expenditure resulting from government policy.

<sup>10</sup> The child tax credit was temporarily higher only in 2023 and 2024.

### Public expenditure ceiling for 2025 (national rule)

The nominal value of the public expenditure ceiling for 2025 was calculated by the MF SR based on the recommendation of the Council of the European Union, according to which growth in net primary expenditure in 2025 compared to 2024 should not exceed 3.8%. The same set of expenditure items fell under the public expenditure ceiling as under the definition of net primary expenditure in the reformed Stability and Growth Pact rules<sup>11</sup>.

The public expenditure ceiling for 2025 was approved together with the general government budget for 2025-2027 on 3 December 2024, and its value was set at EUR 61,143,359,188. **According to the CBR, the ceiling was met with a margin of EUR 1.4 billion** (Table 3). If the assessment of the ceiling also incorporated differences in the estimate of discretionary revenue measures (DRM) compared to their value used in calculating the ceiling, and reflected the approved national defence escape clause allowing the established ceiling to be exceeded<sup>12</sup>, the ceiling would have been met by EUR 2.1 billion.

**Table 3: Assessment of compliance with the nominal public expenditure ceiling in 2025**

(EUR million)	2025
<b>1. Total GG expenditure</b>	<b>65 567</b>
2. EU funds and RRP	3 163
3. Co-financing expenditure	500
4. Interest payments	2 119
5. Cyclical unemployment expenditure	3
6. One-off expenditure	0
<b>7. Expenditure subject to the ceiling (1-2-3-4-5-6)</b>	<b>59 783</b>
<b>8. Public expenditure ceiling</b>	<b>61 143</b>
<b>9. Difference (8-7)</b>	<b>1 360</b>
10. Difference in DRM impact between CBR and MF SR	-136
<b>11. Difference after inclusion of DRM (8-7+10)</b>	<b>1 224</b>
12. Size of defence exemption	838
<b>13. Difference after accounting for defence exemption (11+12)</b>	<b>2 062</b>
<i>p.m. Estimated year-on-year impact of DRM according to the MF SR used in the calculation</i>	<i>1 809</i>
<i>p.m. Estimated year-on-year impact of DRM according to the CBR</i>	<i>1 673</i>

Source: MF SR, CBR, SO SR

Since the nominally determined ceiling serves for operational budget management<sup>13</sup> and is linked to the net expenditure growth rule under the Stability and Growth Pact, it is important for these rules to be mutually consistent. This is currently not the case, since under the nominally determined ceiling the deficit in 2025 could reach a maximum of 6.0% of GDP, while the EU rule allowed a deficit of as much

<sup>11</sup> Total general government expenditure was adjusted by deducting expenditure financed from the EU budget (standard EU funds, Recovery and Resilience Facility resources and EU grants), co-financing of joint Slovak Republic and EU programmes, interest costs, cyclical unemployment expenditure and one-off impacts (according to the EC approach – for example, the EC does not consider energy subsidies to be one-off expenditure, as these represent a discretionary government measure).

<sup>12</sup> The Act stipulates that the ceiling may be exceeded if an escape clause is activated, which also includes the approved exemption for defence expenditure. However, it does not define the method for assessing compliance with the nominal public expenditure ceiling, nor does it specify the factors that should be considered in its assessment. Incorporating the actual impact of discretionary revenue measures would be consistent with the fundamental rationale of the rule, i.e. it does not distinguish whether the set expenditure growth rate is achieved through revenue-side or expenditure-side consolidation measures. Another factor that could be taken into account in assessing compliance with the ceiling is the fact that expenditure for the base year 2024, from which the 2025 ceiling was calculated at the given expenditure growth rate, was also revised. However, the applicable Act does not provide for such an adjustment either.

<sup>13</sup> The MF SR allocates the nominal public expenditure ceiling into limits for individual general government entities, which are required to comply with them.

as 7.3% of GDP. The main reason is the annual horizon of the national rule, since unlike the EU rule assessed cumulatively over several years, it does not take into account the degree of compliance with the ceiling in previous years. At the same time, the level of the nominally determined ceiling does not flexibly reflect changes in assumptions on the basis of which it was calculated<sup>14</sup>. This mainly concerns changes in reported expenditure for the previous year and changes in the estimated impact of discretionary revenue measures.

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<sup>14</sup> According to the MF SR, practical obstacles exist that prevent alignment of the two rules. Most inputs into the ceiling calculation change continuously and relatively frequently over time (estimated defence expenditure, amount of EU funds, expenditure of the previous year, discretionary revenue measures), which in practice makes it impossible to maintain a stable estimate of the nominal public expenditure ceiling. Moreover, the ceiling is subsequently distributed among individual budget chapters, which creates a significant implementation challenge if frequent updates are required.

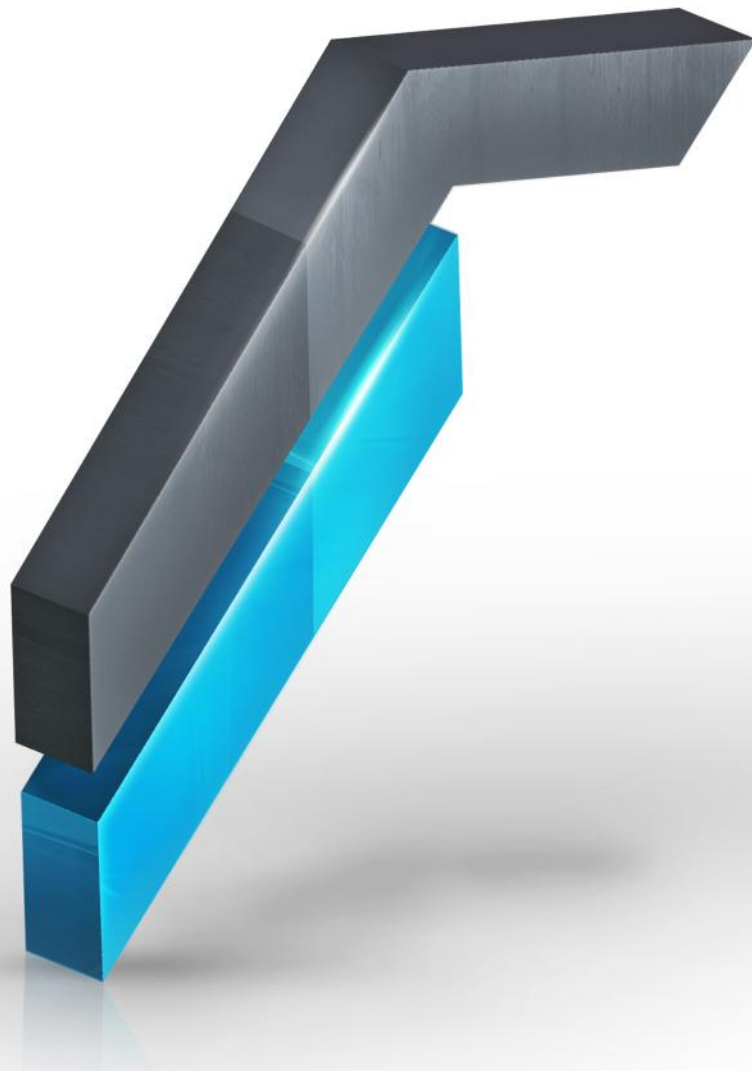
## Annex 1 – List of discretionary revenue measures

**Table 4: Year-on-year impacts of discretionary revenue measures (DRM)**

(EUR million)	2024	2025
Change in vehicle registration fee*	-14	
Initial implementation of IFRS 17 accounting standard for insurance companies*	3	-10
Second (fully-funded) pillar pension reform – automatic entry	-16	-21
Increase in levy on online gambling*	2	
Minimum health insurance contributions*	-6	
Abolition of RTVS licence fees*	-41	
Revenue from levy on excess revenues – power plants*	-24	-6
Indexation of administrative and court fees – from 1Q 2024	38	13
Increase in fee for maintaining emergency oil reserves	33	
Special levy for Vodohospodárska výstavba	-72	-40
Solidarity contribution from activities in the oil and other sectors	44	-44
Increase in excise duty rate on alcohol	17	3
Increase in employer health insurance contribution rate by 1 p. p.	358	
Change in property tax rates under generally binding regulations of municipalities	110	
Increase in municipal waste fee rates under generally binding regulations	45	
Waiver of employer social contributions for employees in the food industry*	-11	35
Introduction of excise duty on sweetened beverages		115
Increase in excise duty on tobacco products and related products	90	68
Extension of waiver of employer social contributions for farmers*	-15	15
Reduction in contributions to the second (fully-funded) pillar of pension scheme	358	63
Increase in corporate income tax rate to 24%		451
Reduction in taxation of heavy goods vehicles		-5
Adjustment of motorway vignette and toll prices (Eurovignette)		93
Adjustment of withholding tax rate on dividends		17
Introduction of financial transaction tax and subsequent amendments		350
Tax-exempt non-monetary benefit for alternatively powered vehicles		-11
Increase in maximum assessment base of social contributions		84
Change in health insurance contributions for state-insured persons	-89	
Tax incentive for interest income from government bonds		-93
Changes in VAT rates (standard 23% and two reduced rates – 19% and 5%)	36	692
Seasonal social contribution deductible item and extension to accommodation and catering sectors*		-3
Adjustment of tax licence, top-up tax and micro-taxpayer threshold	170	-83
Adjustment of special levy on regulated sectors (banks, fuels, operators, collective investment)	339	-5
Introduction of sports vouchers for employees' children		-7
<b>Total year-on-year impacts</b>	<b>1 356</b>	<b>1 673</b>

\* Quantification adopted from the MF SR

Source: MF SR, CBR



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