KPMG

Clarity on Swiss Taxes

Race to the top

Switzerland joins the international subsidy competition in a world of minimum tax

May 2024

Content

Photo by Daniel Hager

Pillar Two – minimum taxation or maximum subsidies?

For many years, we've been hearing how countries are lowering their corporate income tax rates to purportedly unethical levels. Ireland, Singapore and Switzerland, to name but a few, were known for steadily lowering the bar a few notches in what was commonly seen as a "race to the bottom" in international tax competition. If the first BEPS project put the brakes on this development, Pillar Two has certainly brought the process to a standstill – and put it into reverse in some cases.

While many may be celebrating, the introduction of minimum taxation is in reality nothing more than a Pyrrhic victory. The battle for the lowest tax rates has given way to a "race to the top" for state subsidies and grants. From a macroeconomic perspective you can argue whether – when implemented properly – lower corporate income taxes, subsidies or other means are most efficient at boosting the economy.

Practice, however, has shown that subsidies often lack clear rules, including respective checks and balances, leading to a higher risk of misappropriation and corruption.

I'm not entirely opposed to any form of subsidies, especially when the free market may not be effective enough for the time being. However, simply reengineering tax incentives into state subsidies does little more than inflate government budgets and sunk costs.

We can argue all we like whether this all makes sense but given the size and influence of Switzerland in a global context, we need to choose our battles, stay agile and adapt to the new environment. So, let's get ready for this race to the top!

With that, I wish you happy reading.

Stefan Kuhn
Partner, Head of Tax & Legal,
Member of the Executive Committee KPMG Switzerland

01

Switzerland: on board and surfing the wave of new minimum taxation

The introduction of global minimum taxation – including in Switzerland – has already triggered a cascade of legislative changes and is driving a shift in the fiscal competition landscape.

Author
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1.1 Implementation of minimum taxation

The project to address the tax challenges arising from the digitalization of the economy – agreed on 8 October 2021 by over 130 countries of the OECD/G20 Inclusive Framework – has undergone further development in recent months by the OECD and the Inclusive Framework. Pillar One, which deals with re-allocation of part of the profits of the largest and most profitable companies, is still at the draft stage. However, more detailed provisions have been released, including publication in December 2023 of further Administrative Guidance, for Pillar Two, which includes a global minimum tax rate of 15%. As expected, individual countries have also made progress with their implementation processes and corresponding regulations are already in force in around 30 countries as of 2024.

1.1.1 Implementation in Switzerland

At the federal level

Switzerland has also taken action. Following the referendum of 18 June 2023 on creating the constitutional basis, the Federal Council enacted the respective Minimum Taxation Ordinance on 22 December 2023. While the Federal Council did not, in principle, meet demands for a postponement, Switzerland only introduced the local top-up tax (Qualified Domestic Minimum Tax, QDMTT) for financial years beginning on or after 1 January 2024. Introduction of the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR) was waived for the time being, though it had already been safe to assume that the latter would not be introduced as early as 2024, as most other countries are not planning to introduce this mechanism until 2025, if at all.

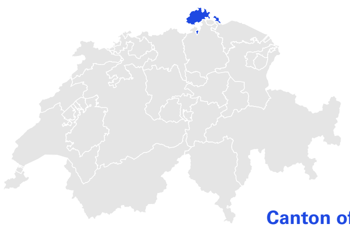
By introducing the QDMTT, Switzerland ensures that in the case of under-taxed profits of Swiss companies, additional taxes will be collected by Switzerland, rather than by foreign jurisdictions levying a top-up tax. Not introducing the IIR at present provides some relief for companies headquartered in Switzerland. If such companies have low-taxed subsidiaries or permanent establishments abroad, (administrative and financial) relief is available if the country in question has not (yet) introduced a local top-up tax. In this scenario, Switzerland's tax revenues would be lower than if an IIR had been introduced. However, if the country in question has introduced the local top-up tax, the local right of taxation takes precedence anyway and Switzerland would not lose any tax revenue. In this case, the company is essentially subject to the same (additional) taxation and there is hardly any administrative relief. Administrative relief applies when Swiss companies have subsidiaries or permanent establishments abroad that are not deemed to be subject to low taxation. However, the level of such relief also depends on the extent to which (automatic) exchange of information takes place in the future. If information is exchanged automatically, the relevant information (with or without IIR) would likely only have to be prepared and submitted once and would then be exchanged between the countries of the headquarters and the subsidiaries or permanent establishments. The details regarding such exchange still need to be defined.

One key question is whether and when Switzerland will introduce the IIR and/or the UTPR. In particular, considerations as to the amount of additional tax revenue (which may otherwise be collected by another country) need to be weighed against any loss of attractiveness for Switzerland as a business location. The scale of these two aspects depends significantly on how comprehensively other countries introduce these mechanisms (QDMTT, IIR and UTPR) and the extent to which the new minimum taxation is adopted globally. If only relatively few countries implement the minimum taxation, introducing the IIR and/or UTPR would be comparatively more profitable. At the same time, however, the loss of location attractiveness would also be greater. If minimum taxation (in particular QDMTT) is introduced across the globe, IIR and UTPR would not come into play anyway. It therefore makes sense to first observe further global developments before deciding whether to introduce the IIR and UTPR. Special consideration should be given to the introduction of the UTPR, as it is becoming apparent that the US, an important partner for Switzerland, could sanction the introduction of the UTPR by other countries through a type of American penalty tax. The ramifications for companies in Switzerland are currently difficult to assess.

At the cantonal level

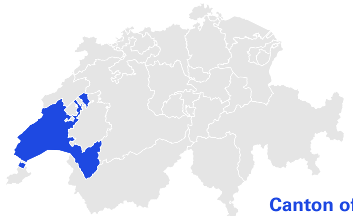
It is not only the federal government that has taken action; some cantons have also already enacted changes to their tax laws or launched projects to improve the attractiveness of their locations. For example, a number of cantons have already responded in advance of the (foreseeable) introduction of minimum taxation by increasing the (local) tax burden.

Some examples of this include:



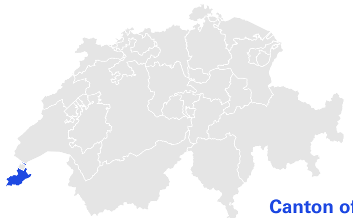
Canton of Schaffhausen

The *canton of Schaffhausen* has introduced a progressive corporate income tax rate from 2024 onwards. Profits of between CHF 5 million and CHF 15 million and those exceeding CHF 15 million will each be taxed at a higher rate. As a result, profits from around CHF 15 million will be subject to an effective tax rate (including federal taxes) of 15% from 2024 . Profits below CHF 5 million will continue to be subject to the previous tax rate (which will be reduced as planned in 2025).



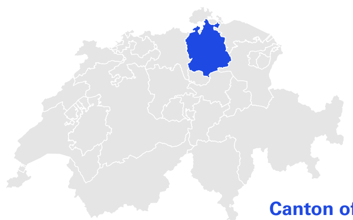
Canton of Vaud

Much like the canton of Schaffhausen, the *canton of Vaud* is also introducing a progressive corporate income tax rate. While the effective corporate income tax rate (including federal tax) is currently 14.0%, it will be raised to 14.7% from 2025 for the share of profits exceeding CHF 10 million.



Canton of Geneva

In *Geneva*, the effective income tax rate (including federal tax) has been increased from 14% to 14.7%. In return, however, municipal business tax (MBT) was abolished or "integrated" into corporate income tax. The advantage of this approach is that the corresponding tax expenses now count as covered taxes, which was not the case with the MBT. As the effective corporate income tax rate in Geneva is still below the minimum tax rate of 15%, this change should reduce the top-up tax.



Canton of Zurich

A slightly different trend can be observed in the *canton of Zurich*. As the effective corporate income tax rate in Zurich is already above the minimum tax rate of 15%, there is no incentive to increase the tax burden. On the contrary, the cantonal government of Zurich intends to reduce the cantonal corporate income tax rate from 7% to 6%. However, this is not directly related to the introduction of minimum taxation, but had already been announced earlier in the context of the Federal Act on Tax Reform and AHV Financing (TRAF).

Cantonal measures beyond corporate income tax (projects to improve locational attractiveness) are discussed below.

1.1.2 Implementation in other countries

Of the more than 130 countries that agreed to the OECD/G20's two-pillar project, only around 30 have already introduced (certain) minimum taxation rules from 2024. These are primarily EU member states alongside countries such as Korea, Norway, the UK and Vietnam. Other countries such as Hong Kong, Malaysia and Singapore are planning to introduce the rules from 2025.

Legislation passed/approved

- Austria (Dec 2023)
- Belgium (Dec 2023)
- Bulgaria (Dec 2023)
- Croatia (Dec 2023)
- Czech Republic (Dec 2023)
- Denmark (Dec 2023)
- EU Directive (Dec 2022)
- Estonia (Apr 2024)
- Finland (Dec 2023)
- France (Dec 2023)
- Germany (Dec 2023)
- Greece (Apr 2024)
- Hungary (Nov 2023)
- Ireland (Dec 2023)
- Italy (Dec 2023)
- Japan – IIR (Mar 2023)
- Korea (Dec 2022)
- Liechtenstein (Dec 2023)
- Luxembourg (Dec 2023)
- Malaysia (Dec 2023)
- Malta (Feb 2024)
- Netherlands (Dec 2023)
- New Zealand (Mar 2024)
- Norway (Jan 2024)
- Romania (Dec 2023)
- Slovakia (Dec 2023)
- Slovenia (Dec 2023)
- Sweden (Dec 2023)
- Switzerland – DMTT (Dec 2023)
- United Kingdom (Jun 2023)
- Vietnam (Dec 2023)

Draft legislation released

- Australia (Mar 2024)
- Canada (Aug 2023)
- Cyprus (Oct 2023)
- Latvia (Dec 2023)
- Lithuania (Oct 2023)
- Qatar (Feb 2024)
- South Africa (Feb 2024)
- Spain (Dec 2023)
- Thailand (Mar 2024)

DMTT (2024)

- Austria
- Australia
- Barbados
- Belgium
- Bulgaria
- Canada
- Croatia
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Gibraltar
- Greece
- Hungary
- Ireland
- Italy
- Liechtenstein
- Luxembourg
- Netherlands
- Norway
- Qatar (?)
- Romania
- Slovakia
- Slovenia
- South Africa
- Spain
- Sweden
- Switzerland
- United Kingdom
- Vietnam

DMTT (2025)

- Cyprus
- Guernsey
- Isle of Man
- Jersey
- Hong Kong (SAR), China
- Lithuania
- Malaysia
- Singapore
- Thailand

Intention to apply DMTT (timing uncertain)

- Bahamas
- EU (optional)
- Indonesia
- Jamaica
- Japan
- Mauritius
- UAE
- Ukraine

IIR (2024)

- Australia
- Canada
- EU*
- Japan
- Korea
- Liechtenstein
- Norway
- South Africa
- United Kingdom
- Vietnam

IIR (2025)

- Guernsey
- Hong Kong (SAR), China
- Isle of Man
- Jersey
- Malaysia
- New Zealand**
- Singapore
- Thailand

UTPR (2025)

- Australia
- Canada
- EU*
- Hong Kong (SAR), China
- Korea
- Liechtenstein (?)
- New Zealand
- Norway (?)
- Thailand
- United Kingdom

Intention to apply IIR and UTPR (timing uncertain)

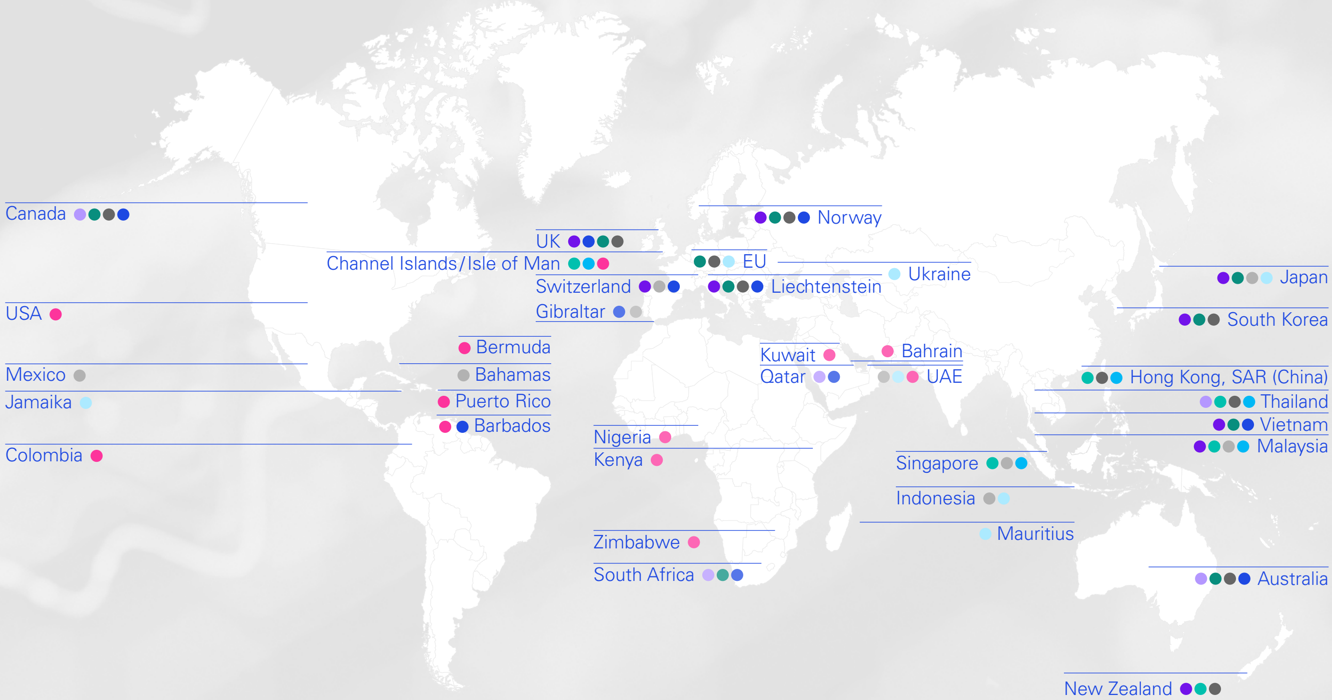
- Estonia (deferral / 2030)
- Gibraltar
- Indonesia
- Japan (UTPR)
- Latvia (deferral / 2030)
- Lithuania (deferral)
- Malaysia (UTPR)
- Malta (deferral / 2030)
- Mexico
- Singapore (UTPR)
- Slovakia (deferral)
- Switzerland
- UAE

* Option to defer implementation to 31 December 2029 in case of max. 12 UPEs

** Domestic IIR from 2026

Status as of 29 March 2024

Pillar Two – global overview



- Legislation passed/approved
- Draft legislation released
- DMTT (2024)
- DMTT (2025)
- Intention/option to apply DMTT (timing uncertain)
- IIR (2024)
- IIR (2025)
- UTPR (2025)
- Intention to apply IIR/UTPR (timing uncertain or deferred)
- Other related legislation/announcement

Status as of 29 March 2024

In some relevant countries such as Brazil, China, India and the US, it is still unclear whether and as of when (certain) minimum taxation regulations will be introduced. Whether global minimum taxation will prevail in the longer term will also depend in particular on whether the relevant countries participate in the project in the foreseeable future. Until then, it is conceivable that multinational enterprises will not be affected by minimum taxation – as long as their presence is limited to non-participating jurisdictions or no UTPR applies.

1.2 New subsidy competition

De facto tax competition through the back door?

Global minimum taxation restricts scope for offering attractive tax rates. Countries and locations could – and will – try to compensate for this loss of attractiveness, for example by reducing other taxes (e.g. individual income tax and levies that are not covered taxes or, as will be explained in more detail below, by expanding tax credits and subsidies). Measures that are treated as (additional) income under OECD rules (e.g. subsidies) are not to be considered "harmful" as they do not lead to a reduction in covered taxes. In this context, it is important to mention the Qualified Refundable Tax Credits (QRTCs) set out in the OECD Model Rules, which are treated as subsidies. Accordingly, subsidies and equivalent tax credits are increasing in frequency and importance. Countries that wish to introduce or expand such location-promoting measures must in principle ensure that they meet the following requirements:

- Compatible with OECD regulations (generally accessible and independent of profit)
- Compatible with (EU) state aid regulations, free trade agreements, WTO agreements, etc. (incl. non-selectivity)
- Feasible in terms of domestic policy (the financial impact must also be taken into account)
- As beneficial as possible to the affected companies (effectiveness)

The increased importance attached to subsidies and similar measures is reflected in the example of the EU, which has issued regulations in this regard – albeit not directly in connection with minimum taxation. Particularly noteworthy is the Foreign Subsidies Regulation (FSR), which came into force in 2023.

Foreign Subsidies Regulation (FSR)

The Foreign Subsidies Regulation (FSR) is a new EU law concerning subsidies granted by non-EU states to companies active in the EU. The FSR enables the European Commission to investigate financial contributions granted by non-EU states to companies active in the EU. If the Commission finds that these financial contributions constitute distortive subsidies, it can impose measures to remedy the distortion.

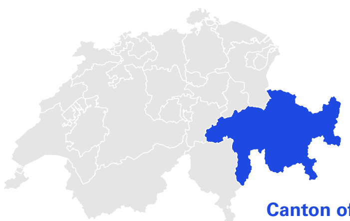
Swiss MNCs planning for mergers or acquisitions in the EU or wishing to participate in public tenders have an obligation to notify the Commission of subsidies they have obtained in the past if certain thresholds are met.

Particularly the reporting of tax incentives is likely to cause significant challenges. Tax measures have historically presented unique challenges within the State Aid rules and, in principle, many of them could fall within the meaning of "financial contribution," e.g. R&D credits or equivalent tax measures.

1.2.1 Developments in Switzerland

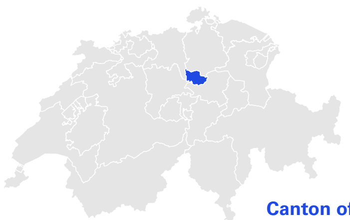
The tax aspect of Switzerland's attractiveness as a business location is primarily in the hands of the cantons. Although the majority (almost 60%) of total federal expenditure goes on subsidies, over 90% of this is spent on welfare, education and research, transport, agriculture and food, as well as relations with foreign countries and international cooperation, rather than strategic industrial promotion programs. In its first report dated 2 August 2023 on the expected impact of the OECD minimum tax implementation on the individual cantons and on the measures planned by the cantons, the Federal Department of Finance found that just over half of the cantons are evaluating subsidy-like instruments for companies, in some cases in the form of QRTCs.

Only a few cantons have announced concrete measures, including the following:



Canton of Grisons

In January 2024, the *canton of Grisons* submitted a draft for consultation, proposing a QRTC to reward companies with measures that make a significant contribution to (i) increasing value creation in the canton; (ii) strengthening research, development and innovation; or (iii) improving environmental sustainability. The cantonal government should be ultimately (and exclusively) responsible for granting QRTCs (after consulting the tax-authorized municipalities).



Canton of Zug

The *canton of Zug* has announced its intention to provide direct support for companies (in addition to social policy measures and direct investments in education, infrastructure and innovation) through a system of subsidies with extensive delegation powers to the canton's executive council.

It makes sense that cantons with an (effective) tax rate of less than 15% in particular are undertaking specific projects to introduce QRTCs or comparable subsidies. In contrast, there is less urgency to do so in cantons with a higher tax burden (e.g. Bern or Zurich).

1.2.2 Developments in other countries

A glance across the border shows that some countries have already been granting tax credits or subsidies to increase the attractiveness of their business locations for quite a while. France, for example, offers tax credits for research and development that come very close to the OECD definition of a QRTC. The UK also has a tax credit for research and development. Ireland has recently adapted the structure of its research and development tax credit to meet the OECD's definition of a QRTC.

In addition to such tax credits, the impact of subsidies is also growing, particularly those granted in the US under the Inflation Reduction Act (IRA). These appear to be more attractive, at least in certain areas, than those provided under EU regulations and especially the EU Green Deal, which are associated with complicated procedures. Announced relocations of production facilities to the US highlight this.

Developments reveal that the limited tax competition (due to global minimum taxation) is being (partially) replaced by the expansion of other instruments such as subsidies and QRTCs in various countries. Besides large countries such as the US, whose economic policy can be pursued through large-scale subsidies, small countries in particular are reliant on instruments such as QRTCs or Marketable Transferable Tax Credits (MTTCs) if they are to continue offering a certain level of tax planning; otherwise they risk no longer being sufficiently attractive as an investment location.

1.3 Summary and conclusions

Pillar Two concerning global minimum taxation has only been implemented in around 30 countries as of 2024. Although, in principle, global minimum taxation could still fail – as key countries such as the US, Brazil, China and India have not yet opted in – there is no guarantee that it will and Switzerland must adapt to the new situation.

The introduction of global minimum taxation limits opportunities for a country to position itself as an attractive low-tax location. Accordingly, there is a trend both internationally and within Switzerland toward subsidy competition: increased subsidies and QRTCs. Against this background, there is a risk that tax competition of sorts will be introduced through the back door despite the minimum taxation regime. For better or worse, Switzerland will have to join in but should take into account the somewhat limited possibilities. Subsidies have direct cost consequences and may miss the mark. Switzerland cannot pursue an industrial policy like large countries. Instead, it should focus on the targeted use of QRTC instruments (within the guard rails) for companies with international value chains for a wide range of activities relevant to value creation (research and innovation, decarbonization, training, production, etc.). In doing so, the country can promote an "internationalized" economy and should (including in terms of revenues generated by the fiscal system) increasingly rely on its own strengths (e.g. lean bureaucracy) to generate revenue through economic growth.

02

Corporate taxation

The average corporate income tax rates in Switzerland have not decreased compared to the prior year. With a cantonal tax rate of 11.85 percent, Zug continues to offer the most attractive corporate income tax rate in a cantonal comparison. The frontrunners are unchanged, with highest corporate income tax rates in the cantons of Bern, Zurich and Ticino. For 2024, Aargau had the largest reduction of 1.19 percentage points while the rate in Schaffhausen – for correspondingly higher profits – increased by up to 1.25 percentage points.

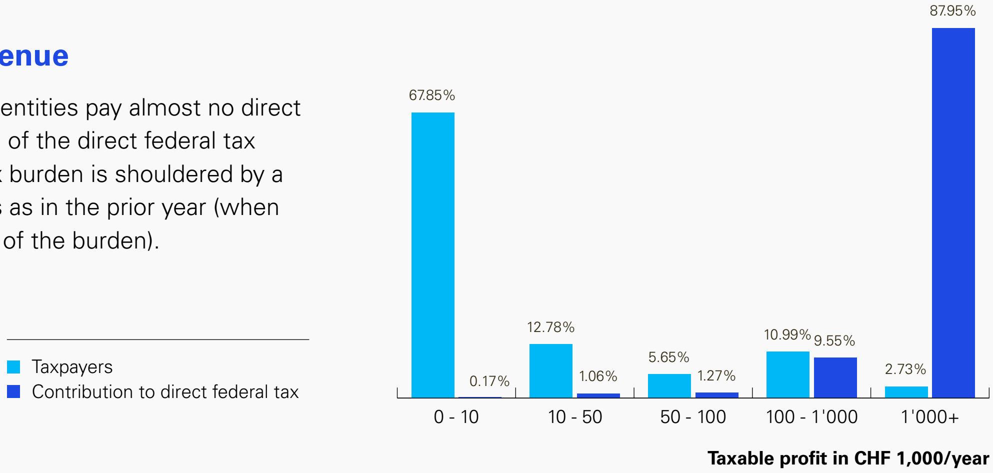
In a European comparison, the cantons of Central Switzerland remain competitive and continue to rank ahead of low-tax countries such as Ireland and Cyprus. Various countries in Northern, Western and Southern Europe show once again the highest tax rates in Europe in 2024. There have been no major changes among European countries. Austria has lowered its rate by one percentage point.

Globally, the traditional offshore domiciles continue to lead the tax attractiveness league table. A global analysis of corporate income tax rates compared to the prior year reveals hardly any changes. From 2024, however, global minimum taxation will also have to be considered with regard to the attractiveness of tax rates.

Corporate income tax

Contribution to tax revenue

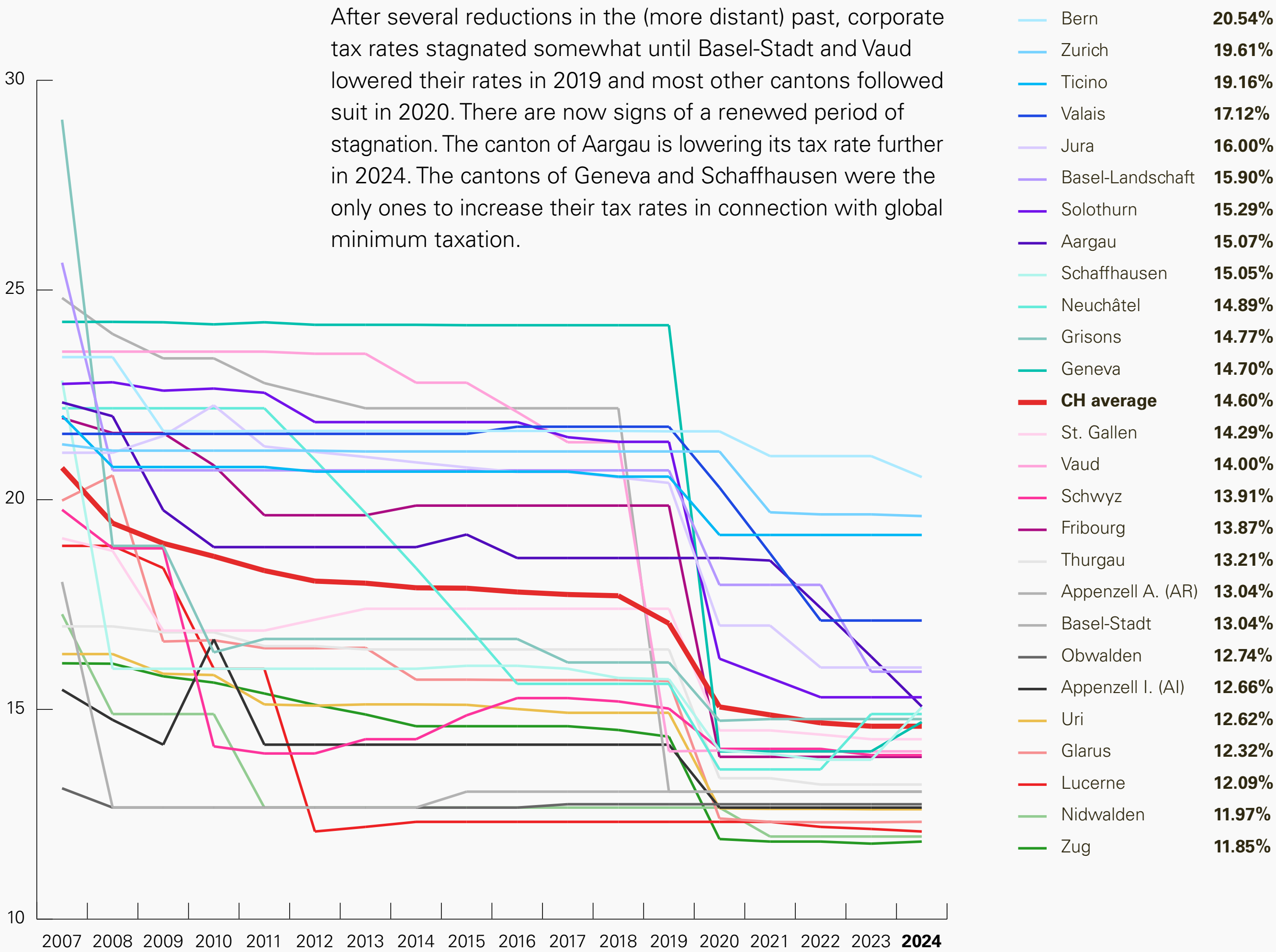
While some two-thirds of legal entities pay almost no direct federal tax, 2.73% bear 87.95% of the direct federal tax burden. This means that the tax burden is shouldered by a similar proportion of companies as in the prior year (when 2.83% of entities bore 90.22% of the burden).



Corporate tax rates in the cantons

Trend from 2007 to 2024

After several reductions in the (more distant) past, corporate tax rates stagnated somewhat until Basel-Stadt and Vaud lowered their rates in 2019 and most other cantons followed suit in 2020. There are now signs of a renewed period of stagnation. The canton of Aargau is lowering its tax rate further in 2024. The cantons of Geneva and Schaffhausen were the only ones to increase their tax rates in connection with global minimum taxation.



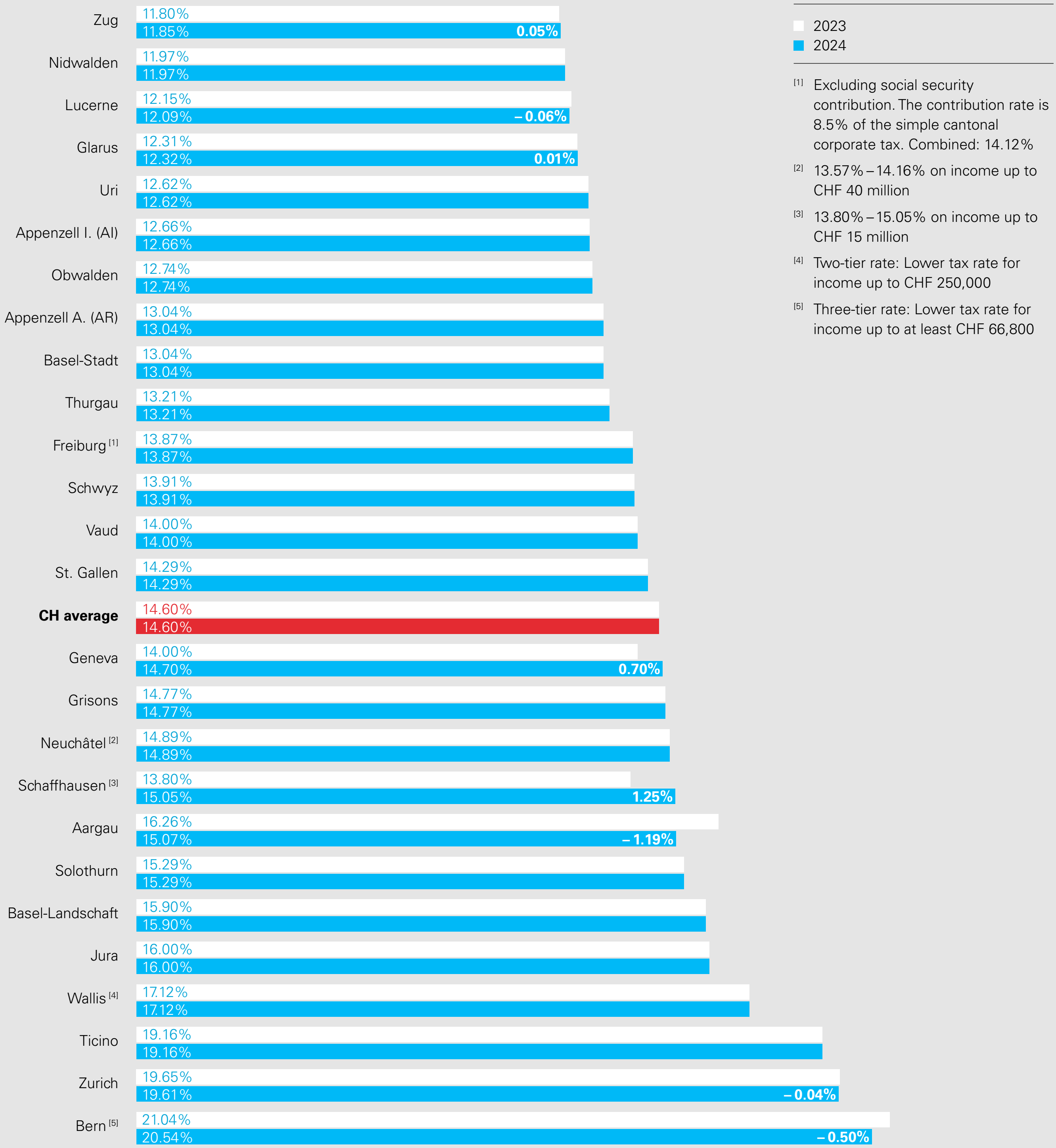
Note: Max. effective pre-tax rate for federal/cantonal/municipal taxes in the relevant cantonal capital. Corporate tax multipliers for FR, GR, TG and VD for 2023.
Source: KPMG Switzerland

Corporate tax rates in the cantons
2023 and 2024

After many rates were reduced in prior years due to the TRAF corporate tax reform, there were only some isolated tax rate reductions from 2023 to 2024. The largest reduction was in the canton of Aargau. Geneva and Schaffhausen (for profits over CHF 5 million) increased their tax rates.

Corporate income tax cuts in individual cantons in 2024

In the fifth year following Switzerland's corporate tax reform (TRAF) some cantons have only marginally reduced their corporate income tax rates. This is particularly the case in cantons that spread the reduction over several years. For this reason, reductions are inevitable until 2025.



[1] Excluding social security contribution. The contribution rate is 8.5% of the simple cantonal corporate tax. Combined: 14.12%

[2] 13.57% – 14.16% on income up to CHF 40 million

[3] 13.80% – 15.05% on income up to CHF 15 million

[4] Two-tier rate: Lower tax rate for income up to CHF 250,000

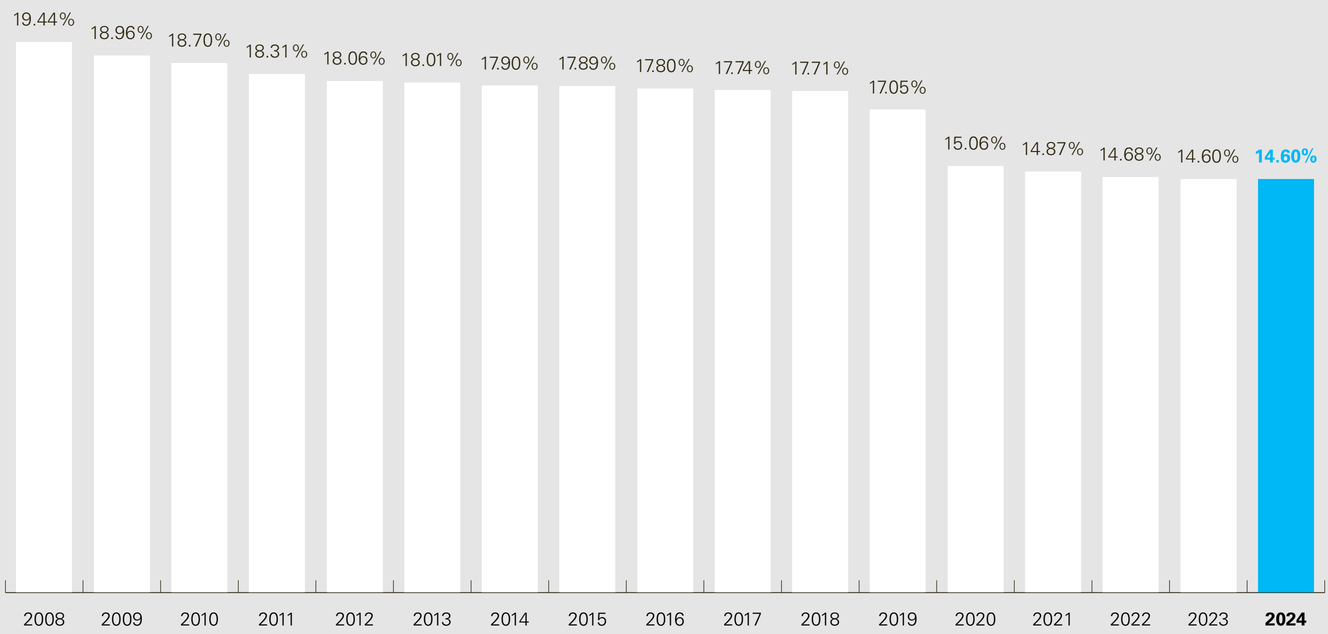
[5] Three-tier rate: Lower tax rate for income up to at least CHF 66,800

Note: Max. effective pre-tax rate for federal/cantonal/municipal taxes in the relevant cantonal capital. Corporate tax multipliers for FR, GR, TG and VD for 2023.
Source: KPMG Switzerland

Corporate tax rates in the cantons

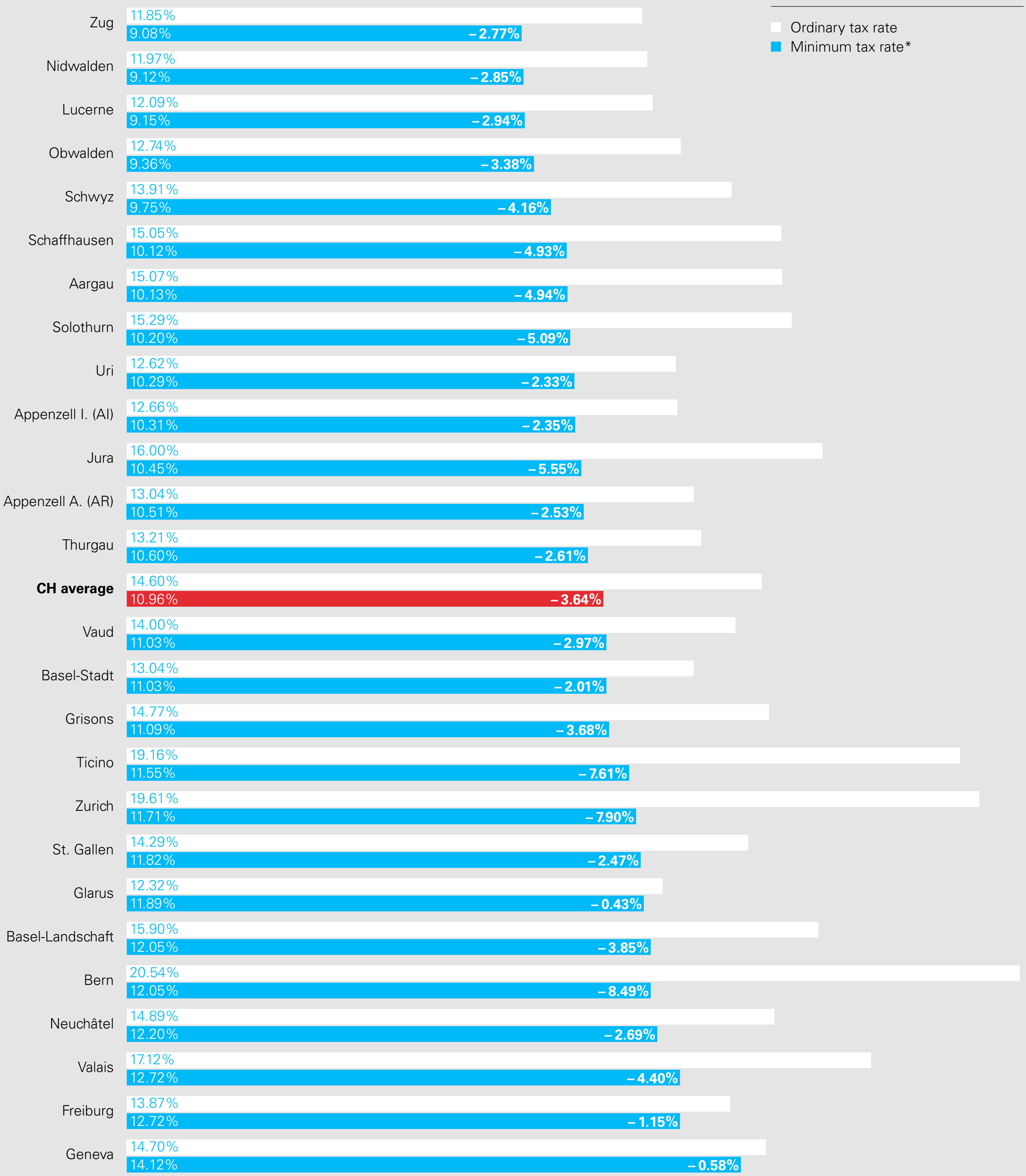
Trend from 2008 to 2024

While the average tax rate was down noticeably between 2019 and 2020 as a result of the TRAF tax reform, the reduction between 2022 and 2023 was only marginal and has ceased to exist between 2023 and 2024. A slight decrease is possible by 2025 as some cantons cut their their tax rates further as a result of TRAF. However, individual increases due to the global minimum taxation are also on the horizon and may (more than) make up for any decrease.



Minimum tax rate

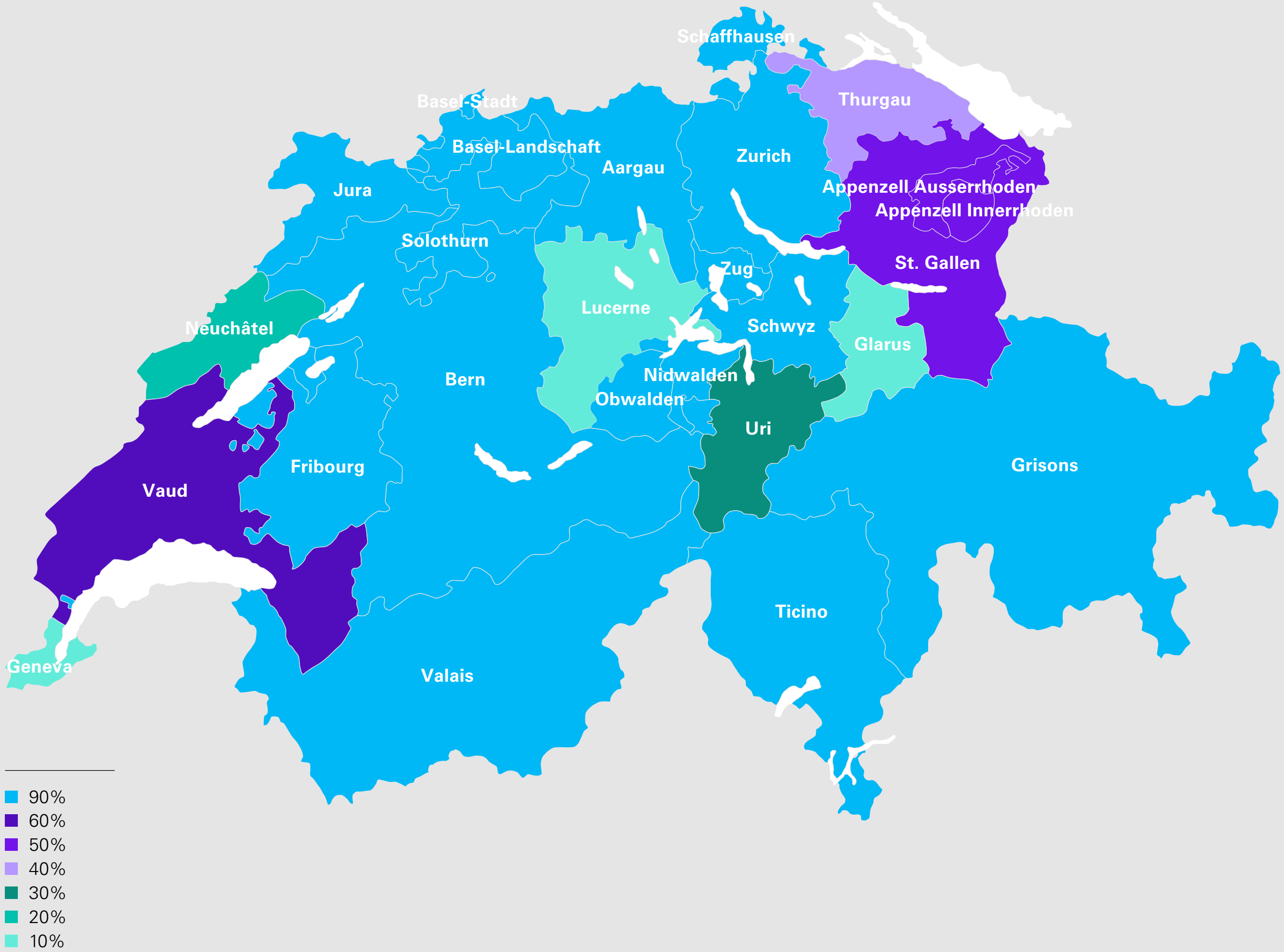
Considering the minimum tax rates (maximum relief applying the TRAF instruments or transitional regulations) reveals that the cantons are closing ranks, partly because high-tax cantons in particular allow more extensive relief with the new instruments, while low-tax cantons often grant deductions on a more limited basis.



* if the options offered by the measures are exhausted with due regard to the relief limit

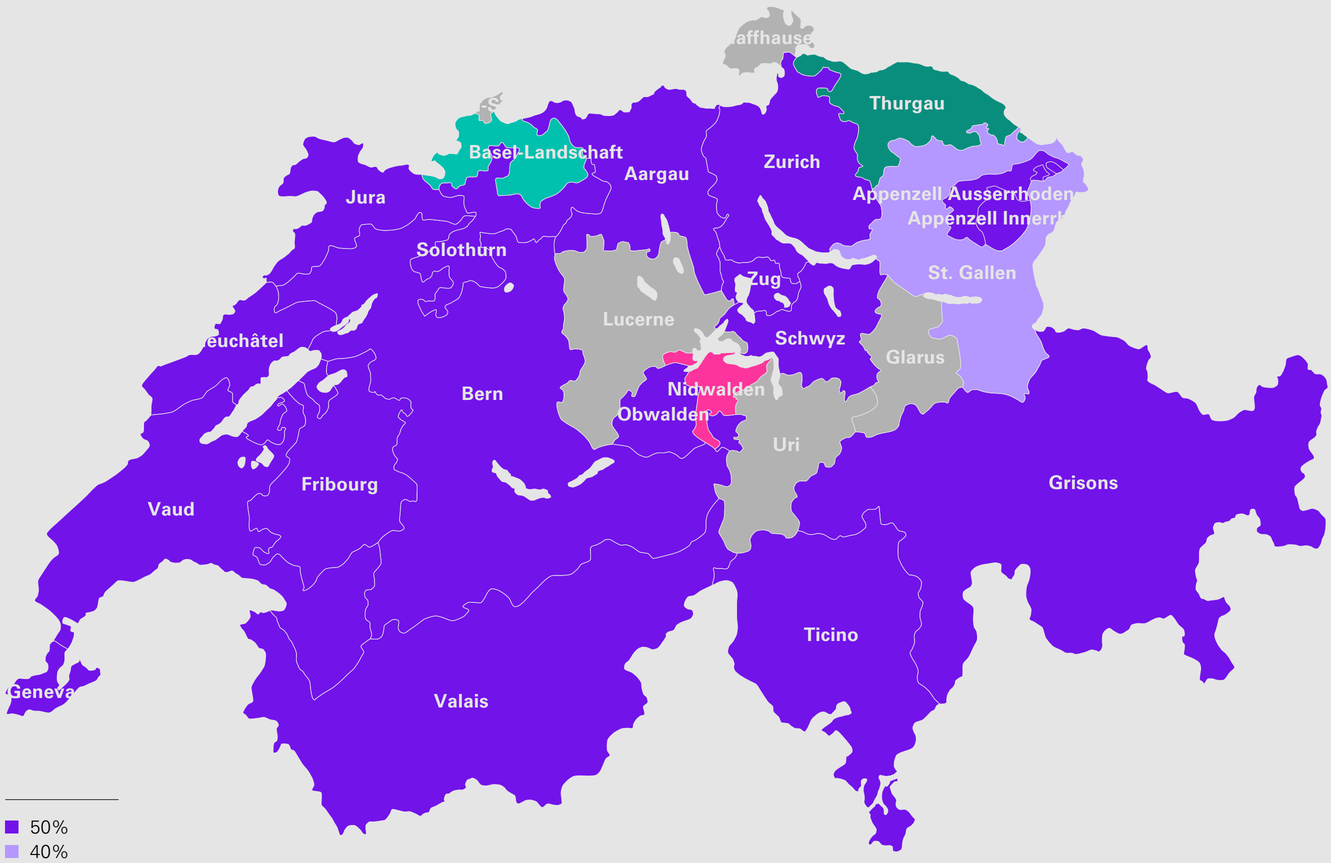
Patent box relief

While most cantons provide for the maximum possible relief of 90%, a few are well below this, notably Geneva, Glaurs, Lucerne, Neuchâtel and Uri.



Additional R&D deduction

Apart from a few cantons in central Switzerland (Lucerne, Nidwalden, Uri), Glarus, Schaffhausen (not until 2025) and Basel-Stadt, all cantons have introduced the additional R&D deduction – most of them at the maximum rate of 50%.



- 50%
- 40%
- 30%
- 20%
- 0%*
- n/a

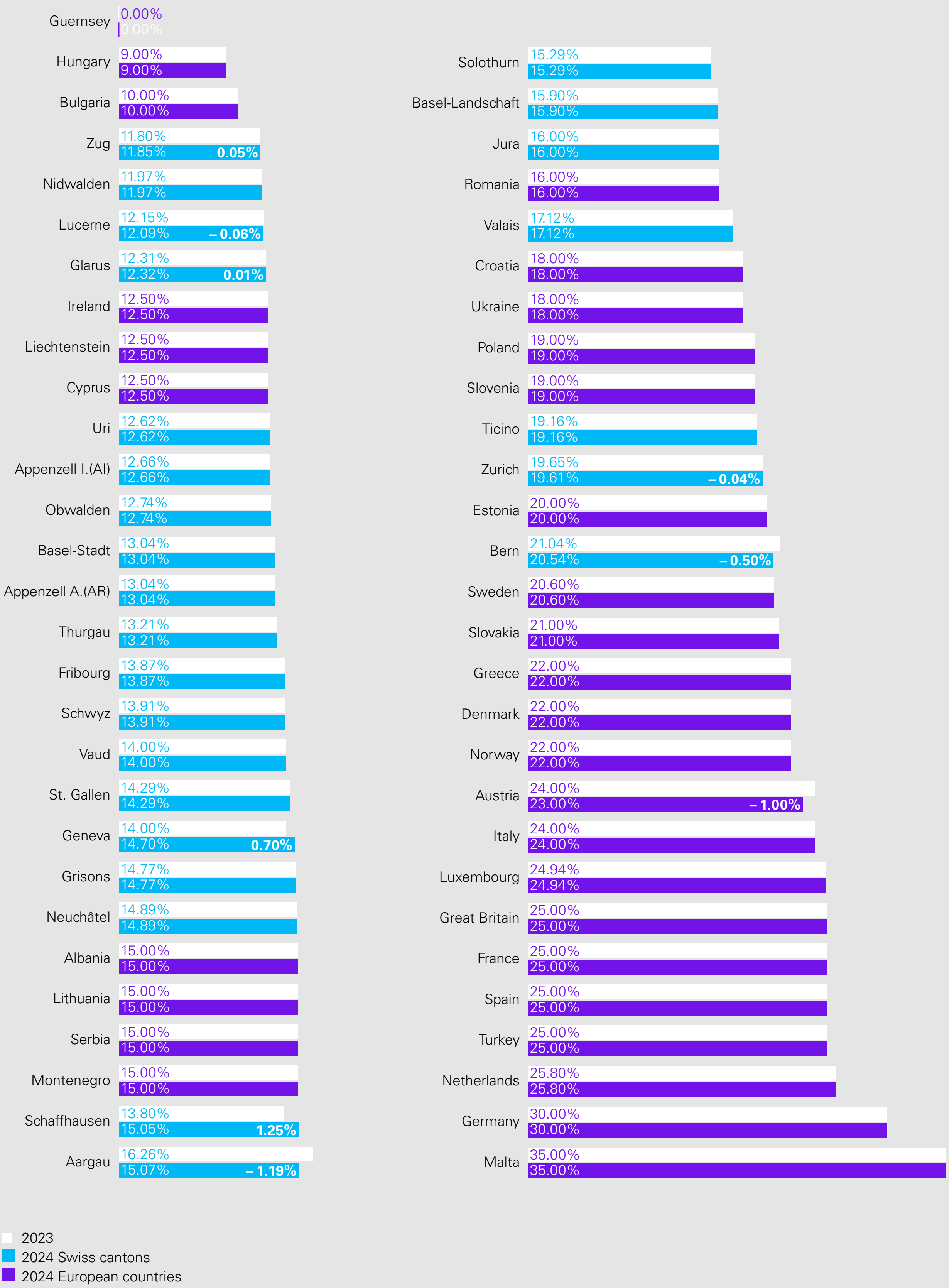
* Rate amount to be determined by the government council

Comparison between cantons and the countries of Europe

A comparison with Europe reveals hardly any change in the lower tax rates. The cantons of Central Switzerland continue to enjoy a favorable position and have been joined by Basel-Stadt, Geneva and Vaud since 2020. The Channel Islands and some (South-) Eastern European countries are the only locations that still offer lower ordinary corporate income tax rates. Ireland will remain Switzerland's most important competitor in Europe in 2024.

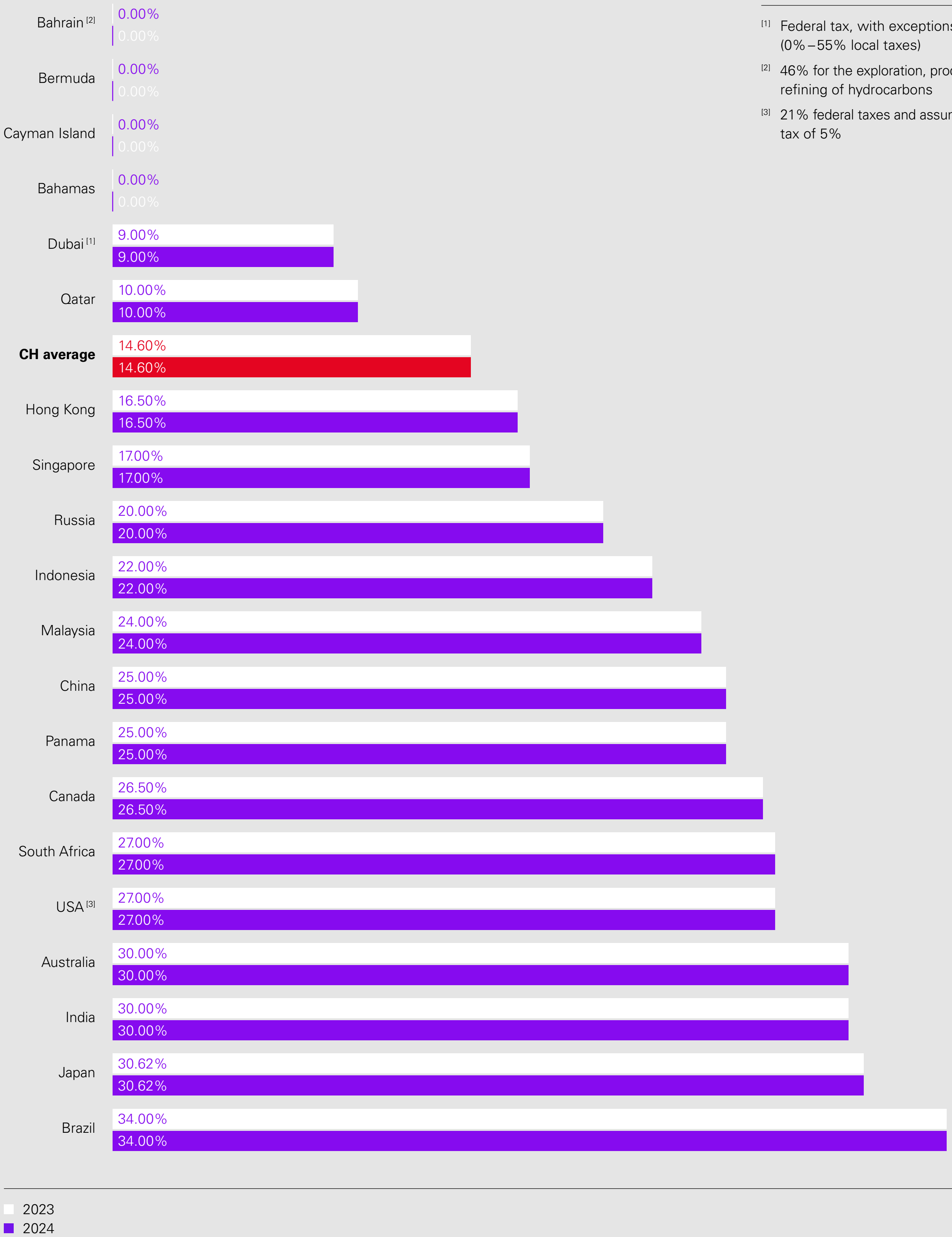
There is little change to report in Europe's midfield.

Coming in last in terms of the attractiveness of ordinary corporate income tax rates are various Northern, Western and Southern European countries.



Non-European comparison
Selected countries

The traditional offshore domiciles remain the clear leaders in terms of tax attractiveness. In a non-European comparison, Switzerland continues to occupy a solid position in the top third (ahead of Hong Kong and Singapore).



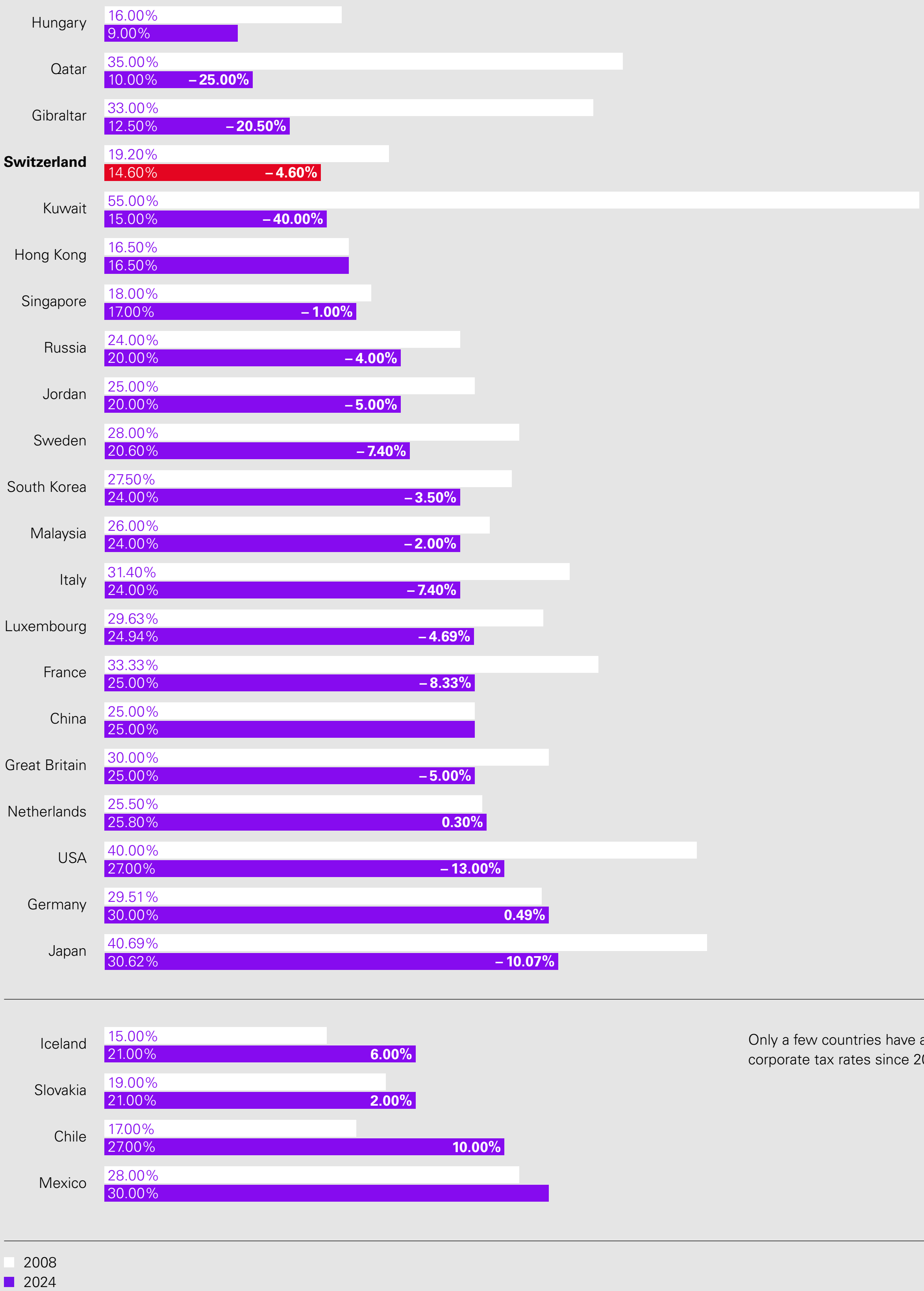
[1] Federal tax, with exceptions (0%–55% local taxes)

[2] 46% for the exploration, production or refining of hydrocarbons

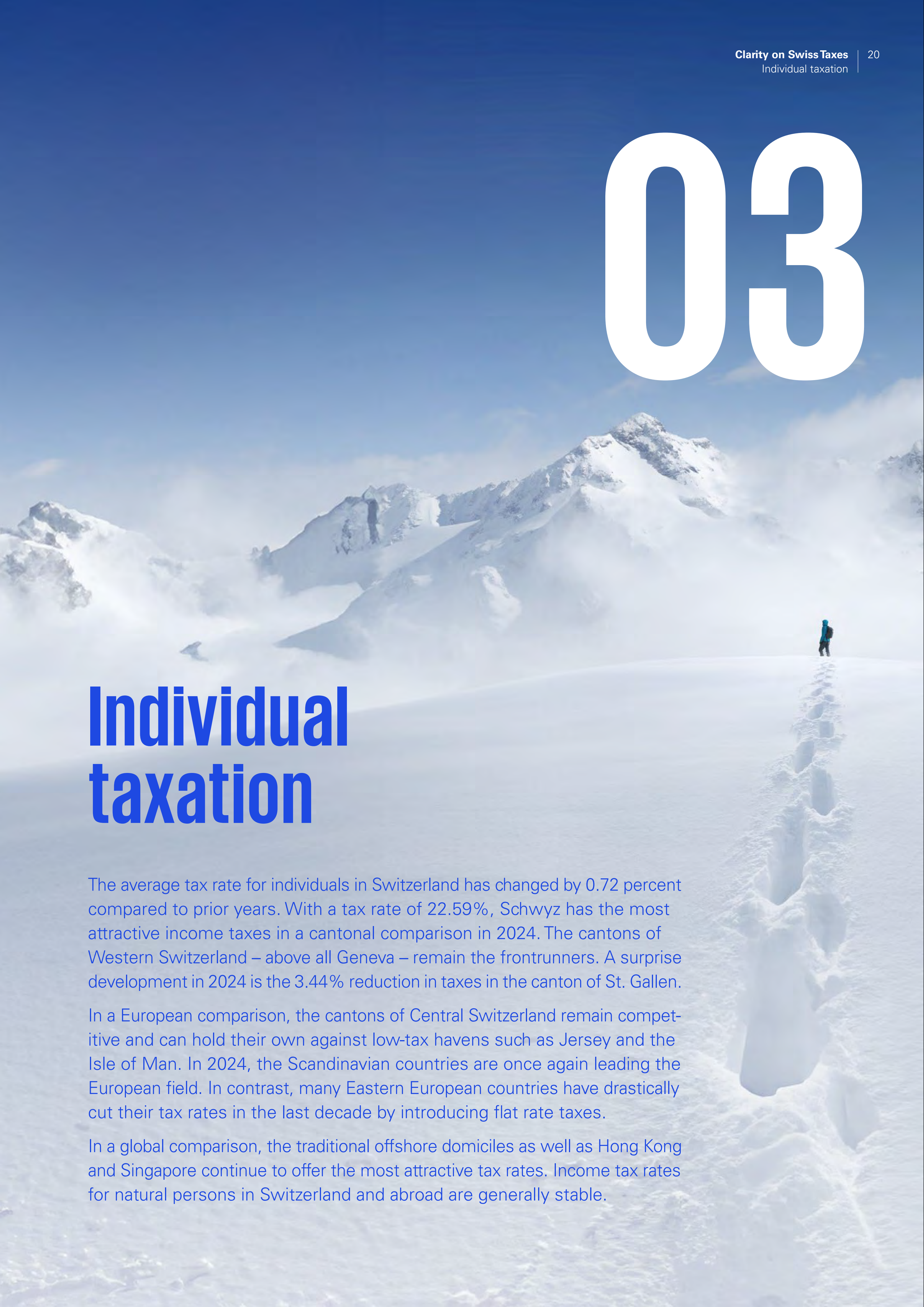
[3] 21% federal taxes and assumed state tax of 5%

Trend countries
2008 – 2024

In recent years, corporate income tax rates have fallen sharply in many countries. The Middle East, the US, Gibraltar and Japan in particular have seen more extensive reductions of over 10 percentage points.



Only a few countries have actually raised their corporate tax rates since 2008.



03

Individual taxation

The average tax rate for individuals in Switzerland has changed by 0.72 percent compared to prior years. With a tax rate of 22.59%, Schwyz has the most attractive income taxes in a cantonal comparison in 2024. The cantons of Western Switzerland – above all Geneva – remain the frontrunners. A surprise development in 2024 is the 3.44% reduction in taxes in the canton of St. Gallen.

In a European comparison, the cantons of Central Switzerland remain competitive and can hold their own against low-tax havens such as Jersey and the Isle of Man. In 2024, the Scandinavian countries are once again leading the European field. In contrast, many Eastern European countries have drastically cut their tax rates in the last decade by introducing flat rate taxes.

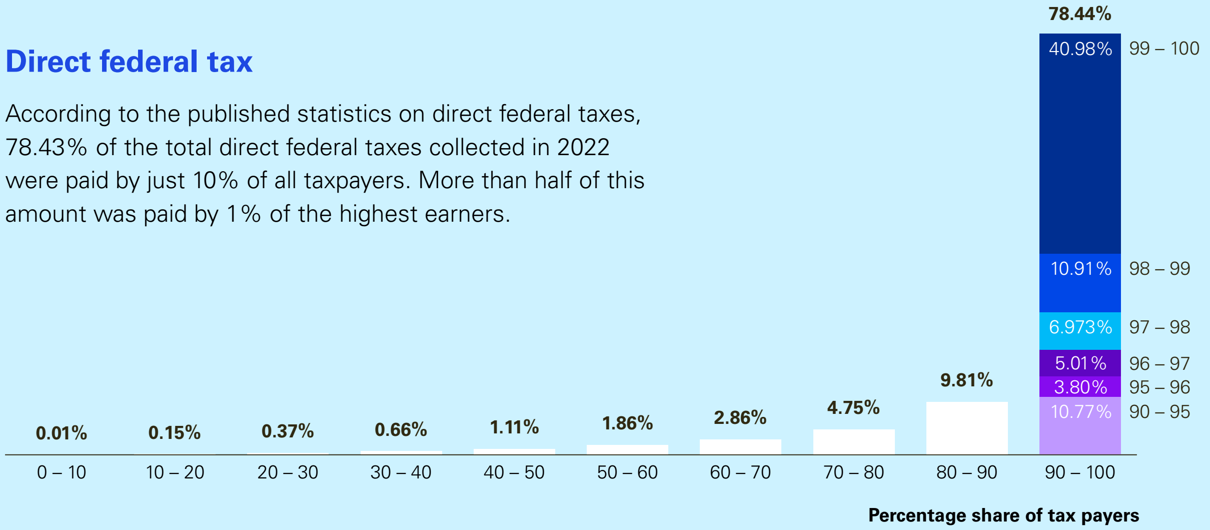
In a global comparison, the traditional offshore domiciles as well as Hong Kong and Singapore continue to offer the most attractive tax rates. Income tax rates for natural persons in Switzerland and abroad are generally stable.

Income tax rates in the cantons

Switzerland remains an attractive business location for private individuals.Individual tax rates have changed minimally compared to prior years and remain stable with an average maximum tax rate of around 33.45%. Compared with other European and non-European countries, Switzerland retains its midfield position.

Direct federal tax

According to the published statistics on direct federal taxes, 78.43% of the total direct federal taxes collected in 2022 were paid by just 10% of all taxpayers. More than half of this amount was paid by 1% of the highest earners.

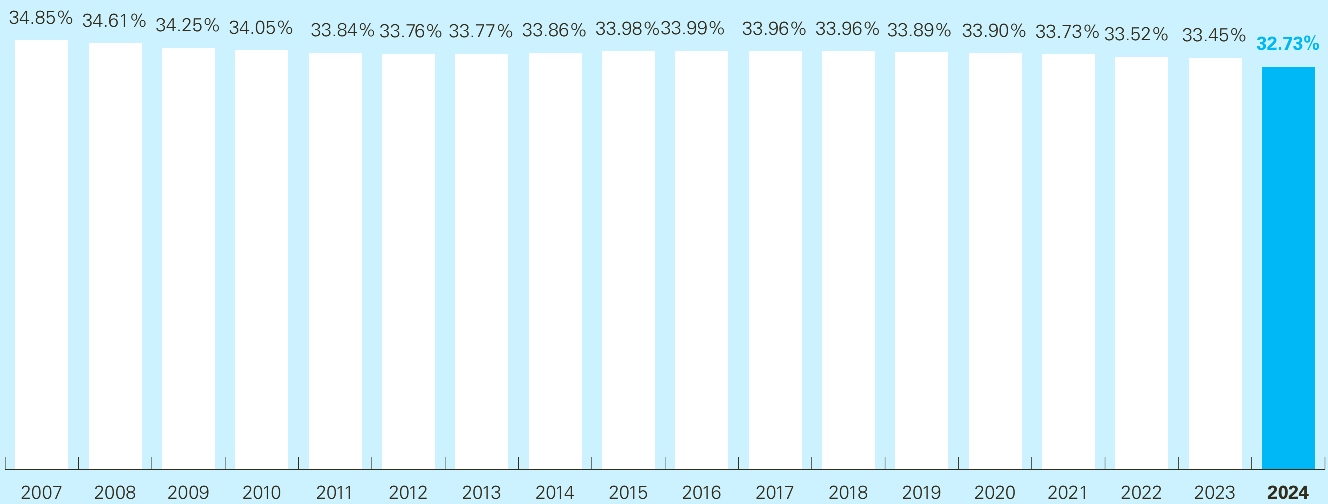


Source: https://www.estv.admin.ch/estv/de/home/die-estv/steuerstatistiken-estv/allgemeine-steuerstatistiken/direkte-bundessteuer.html

Income tax rates in the cantons

Trend from 2007 to 2024

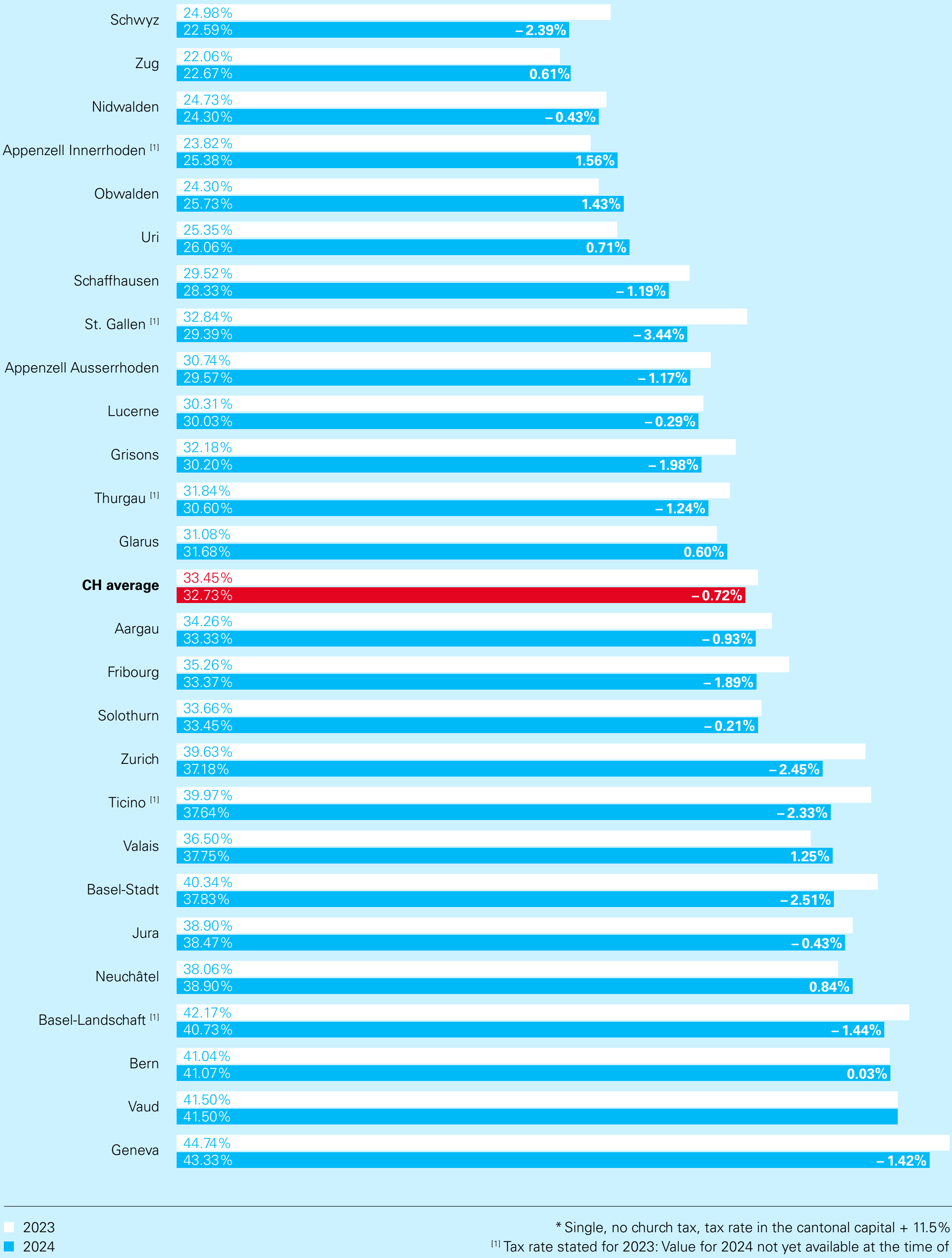
As a general trend, the cantons have reduced the marginal tax rates for natural persons in Switzerland by 2% over the last 17 years. This downward trajectory looks set to continue in 2024.



Income tax rates in the cantons*

2023 and 2024

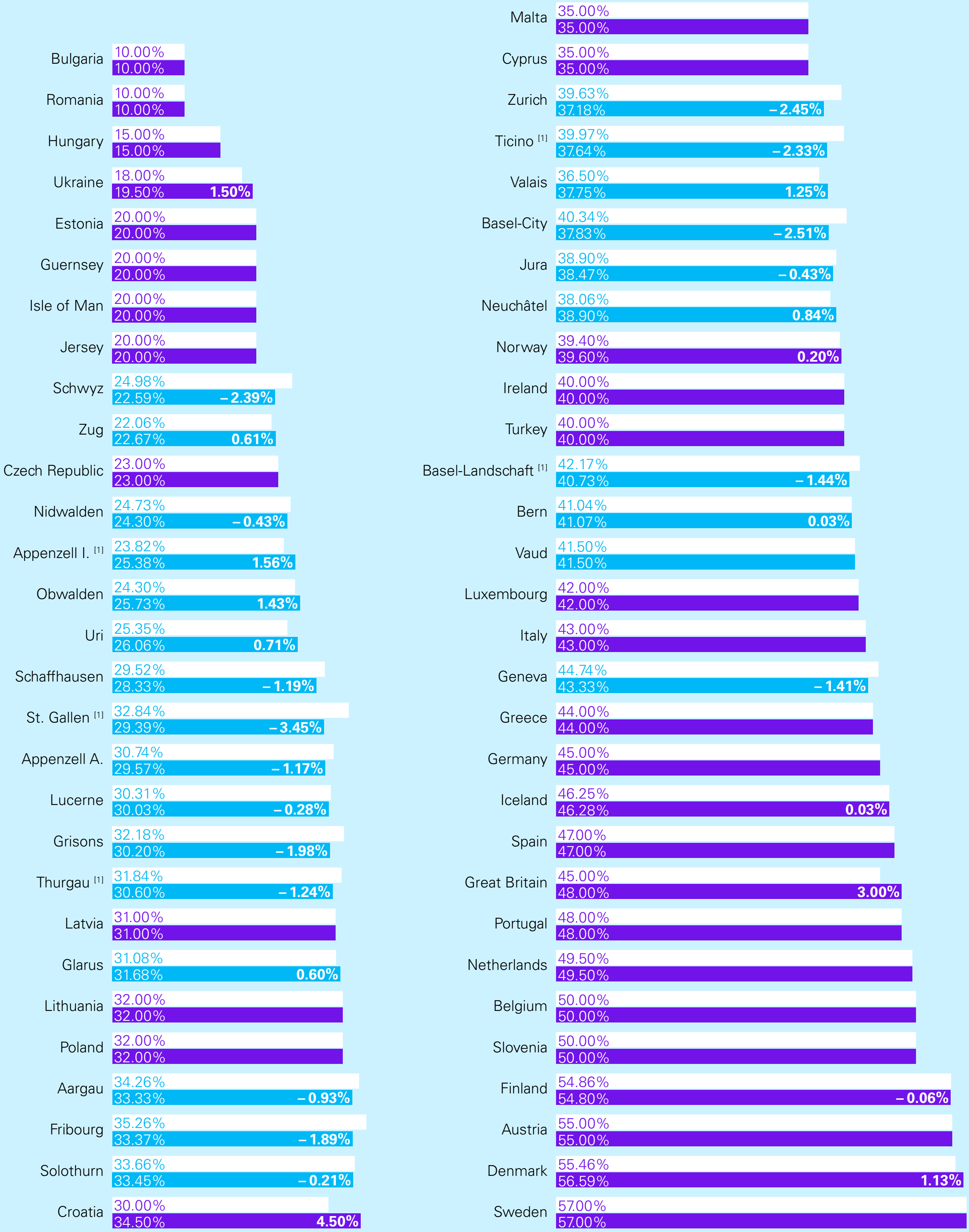
Tax rates in Switzerland for 2024 have fallen slightly in some cantons, while they have risen slightly in others. Overall, however, tax rates are down slightly. The cantons of western Switzerland – above all Geneva – remain the frontrunners. Low tax rates can be found in the cantons of Zug, Appenzell Innerrhoden, Obwalden and Schwyz in particular.



* Single, no church tax, tax rate in the cantonal capital + 11.5% federal tax
[1] Tax rate stated for 2023: Value for 2024 not yet available at the time of publication

Comparison between cantons and the countries of Europe

The cantons of Central Switzerland are quite competitive in a European comparison and can hold their own against low-tax strongholds such as Jersey and the Isle of Man. In 2024, the Scandinavian countries once again lead the European field.

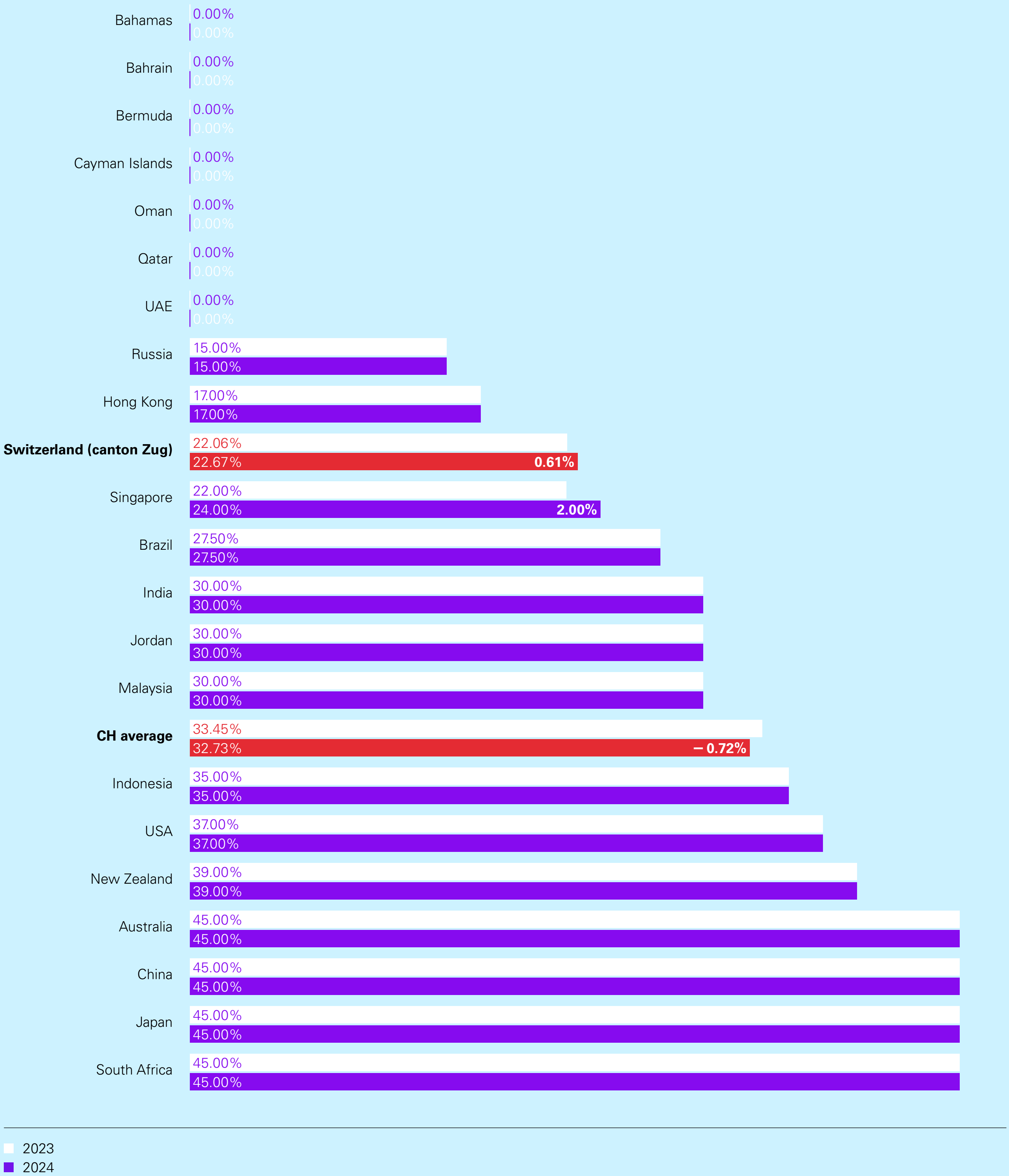


2023
2024 Swiss cantons
2024 European countries

[1] Tax rate stated for 2023: Value for 2024 not yet available at the time of publication

Comparison with non-European countries
Selected countries

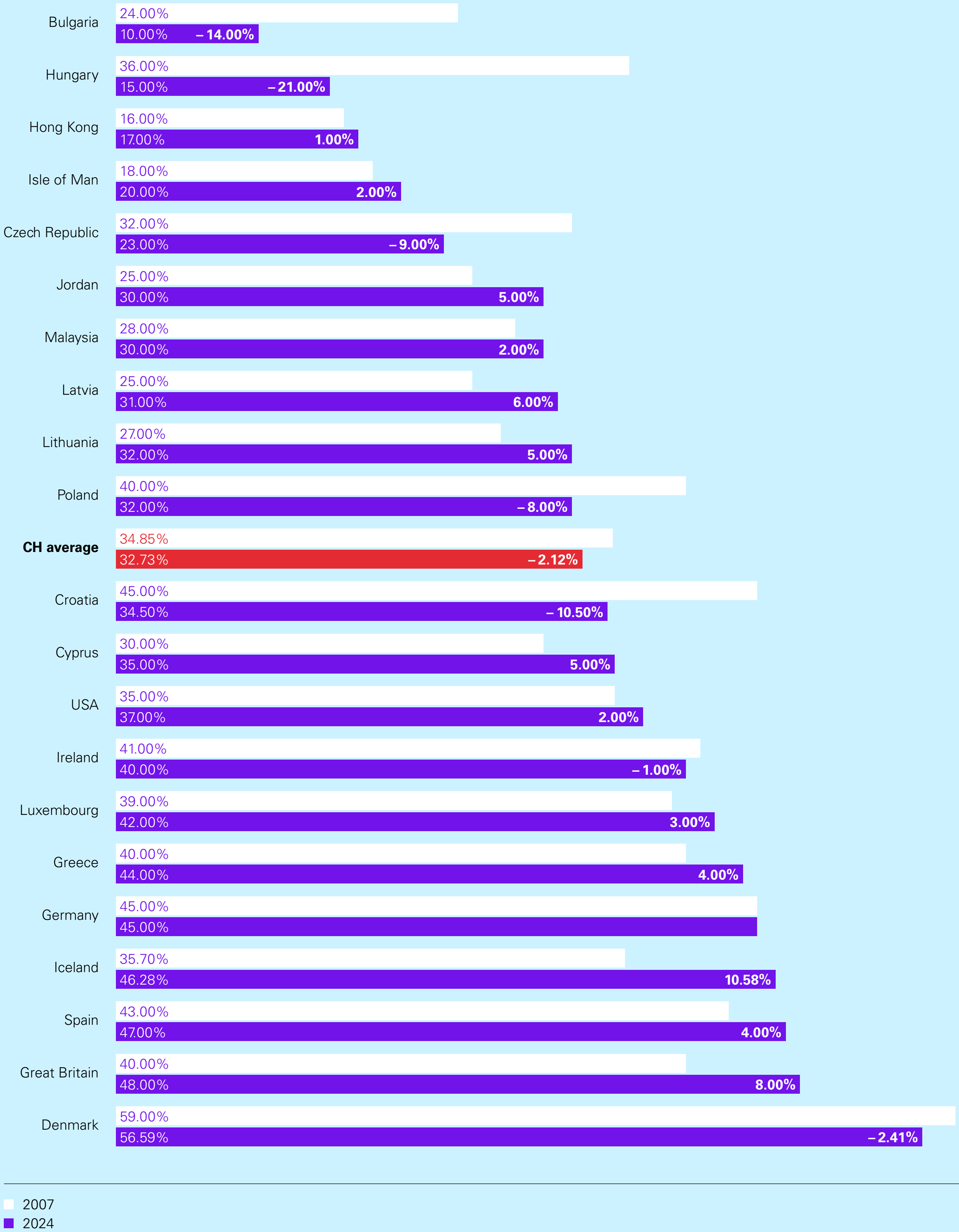
The traditional offshore domiciles retain their clear lead in terms of the attractiveness of tax rates. Compared with non- European countries, Switzerland retains its midfield position. A comparison of the low-tax cantons of Central Switzerland with non-European countries puts the former on a par with Singapore.



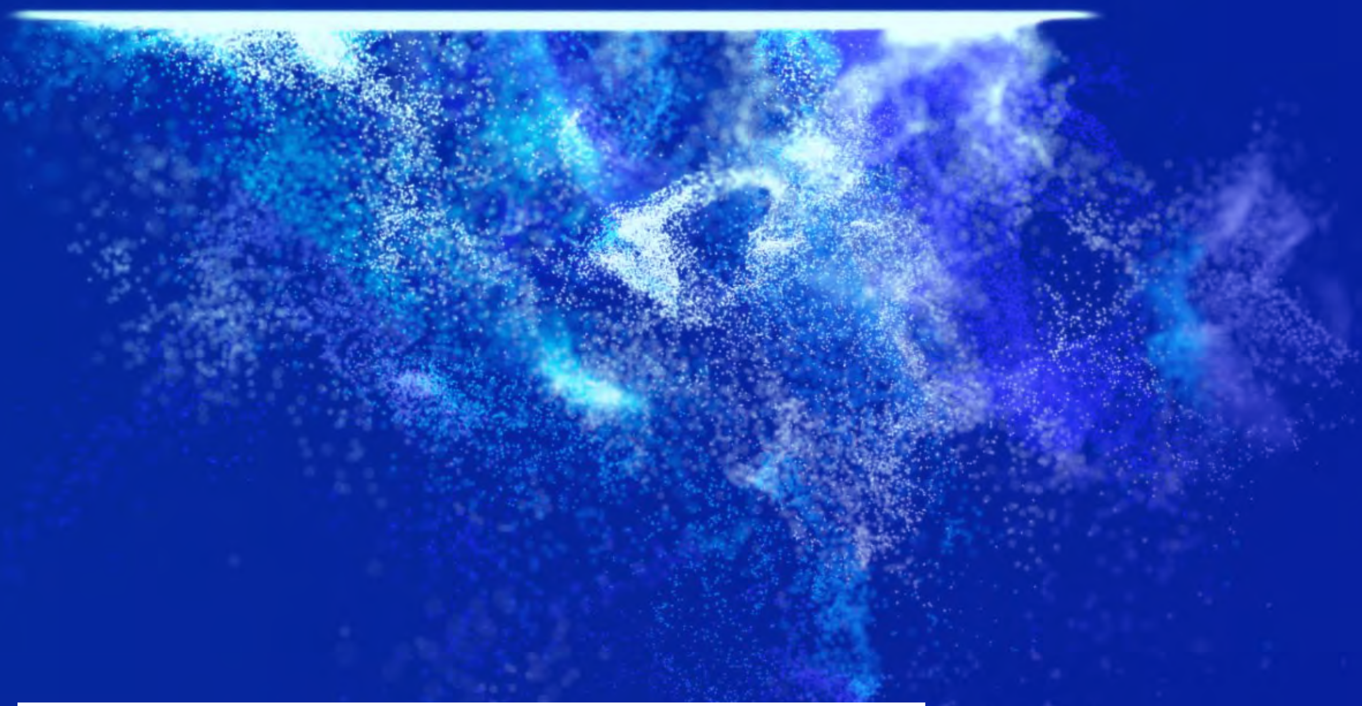
Trend

Countries 2007 – 2024

In the last decade, many Eastern European countries have slashed their tax rates by introducing flat rates, while the Baltic states and some Northern European countries have tended to increase their rates.



Glossary



EU **European Union**

FSR **Foreign Subsidies Regulation**

G20 **Group of Twenty**
A group of 19 countries and the European Union, whose leaders, finance ministers and bank leaders meet regularly to discuss international economic issues*

IIR **Income Inclusion Rule**

OECD **Organisation for Economic Co-operation and Development**
An international organization whose members are countries with advanced economies and whose aim is to encourage economic growth around the world*

QDMTT **Qualified Domestic Minimum Top-up Tax**

QRTC **Qualified Refundable Tax Credit**

USA **United States of America**

UTPR **Undertaxed Profits Rule**

WTO **World Trade Organization**

* Source: Cambridge Dictionary

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