

Media Release: BAK Taxation Index 2021

Effective tax burden for highly qualified employees: Swiss cantons remain attractive

BAK Economics, 25.01.2022 (Basel/Bern/Lugano/Zurich) - The BAK Taxation Index 2021 shows that international tax competition continues in the area of highly qualified professionals: Internationally, the tax burden on their income has fallen slightly on average over the past two years. On the other hand, the average tax burden of the Swiss cantons has increased slightly. Nevertheless, the Swiss cantons remain in a good to very good position in the international ranking. All cantons tax professionals less heavily than the international average. The most important European competitor locations, in particular, show in some cases massively higher tax burdens.

International tax competition takes place not only regarding companies, but also regarding highly qualified professionals. The current edition of the BAK Taxation Index examines how the Swiss cantons compare internationally in this respect. The effective tax burden for a single employee with an after-tax income of 100,000 euros was measured.

Tax burden for highly qualified professionals decreased internationally

The trend toward intensifying international tax competition in the area of highly skilled workers continued between 2019 and 2021 but was more moderate than in previous years. The GDP-weighted effective average tax rate (EATR) for high-skilled individuals decreased by -0.3 percentage points, down from -1.1 percentage points between 2017 and 2019. Overall, more international competitor locations have reduced their tax burden than increased it in the last two years, particularly in Europe. The largest tax reductions were recorded in Hungary (-4.1 %-points), Sweden (-1.9) and Spain (-1.1). The largest increases were measured in Slovakia (+1.3 %-points), Hong Kong (+0.9) and the Czech Republic (+0.7).

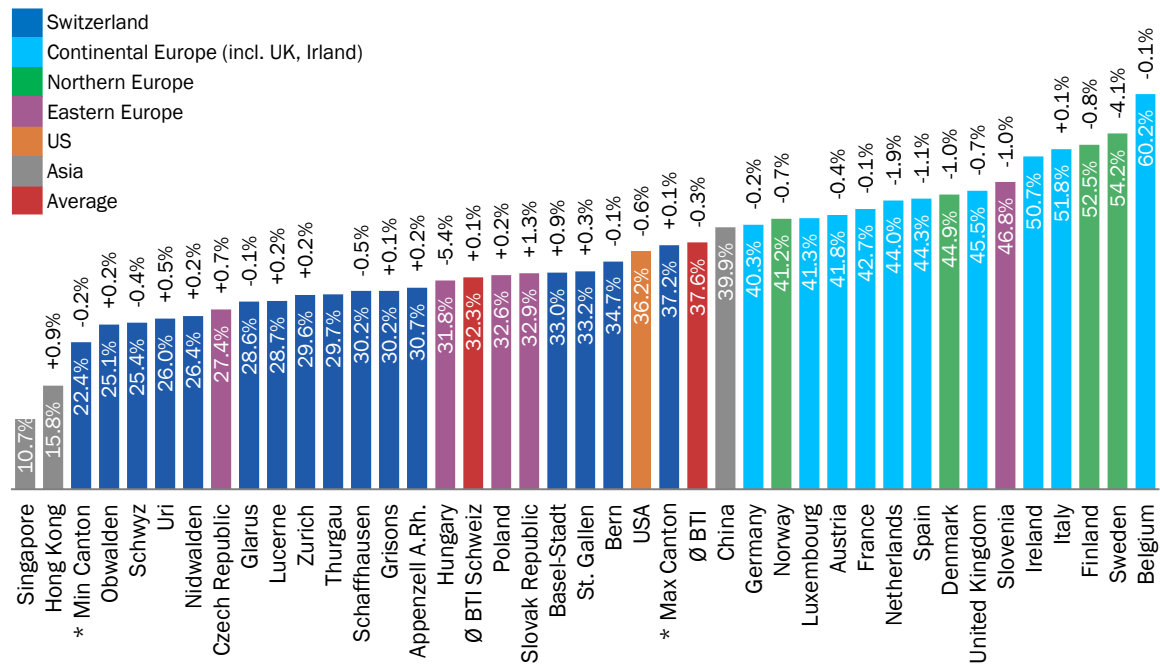
The Swiss average tax burden for the highly qualified has risen slightly between 2019 and 2021 (+0.1 %-points). The number of cantons with increases (14) just exceeded those with decreases (12). However, the changes were all moderate.

Swiss cantons remain attractive

Despite the international trend toward tax cuts for highly qualified individuals, the Swiss cantons currently continue to perform well to very well in the international ranking. The cantons in Central Switzerland, such as Obwalden, Schwyz, and Uri, performed the best. At the other end of the spectrum are the cantons of Western Switzerland. However, the tax burden in all 26 cantons is below the international average (37.6%).

The tax burden for qualified workers in the Swiss cantons is particularly attractive compared to the nearby competitor locations in Western, Southern and Northern Europe. In neighboring Germany, France, and Austria, for example, the tax burden is around 10 percentage points higher than the Swiss average (32.3%), and in Italy it is as much as 20 percentage points higher.

Fig.1 BAK Taxation Index for highly qualified individuals 2021



EATR (i.e., effective average tax burden) for highly qualified employees in Swiss cantons (measured by the cantonal main location) and international locations (measured by the economic main location) in %; in the standard case shown here, a single person without children with an after-tax income of EUR 100,000 is assumed. Changes compared to 2019 in % points above the columns, ignoring exchange rate and inflation changes. For the Swiss cantons, all cantons participating in the project and the GDP-weighted average of all 26 cantons are shown. (*) To show the range of the tax burden in Switzerland, the values for the canton with the lowest (Min Canton) and the highest burden (Max Canton) are also shown (both not involved in the project). Source: BAK Economics

Contacts

Marc Bros de Puechredon
 Management, Communication
 T + 41 79 407 35 86
marc.puechredon@bak-economics.com

Mark Emmenegger
 Chief Economist
 Tel. +41 61 279 97 29
mark.emmenegger@bak-economics.com

BAK Taxation Index – methodology

The BAK Taxation Index measures the fiscal attractiveness of all 26 Swiss cantons and their main international competitor regions. In the case of the Swiss cantons, the tax burden is calculated for the cantonal capital, in the case of the international locations for the economic capital. The BAK Taxation Index includes all relevant types of taxes at the different government levels and presents the effective tax burden relevant to investors.

The BAK Taxation Index for **highly qualified individuals** measures the effective average tax rate (EATR) for highly qualified employees:

- The index calculation is based on the standard case of a single individual without children with an income after taxes of EUR 100,000.
- The calculation takes account of all relevant taxes, including the respective rules governing the establishment of the assessment base, e.g., deductibility of employee contributions to social insurance and occupational pension schemes. It also includes social insurance contributions (provided they have tax character) as well as contributions and payroll taxes paid directly by the employer.

However, the discussion of a **region's competitiveness** and its attractiveness as a business and residential location should not be restricted to the tax burden alone. Other location factors play an equally important role (e.g., capacity for innovation, quality of life, regulations, etc.).

The BAK Taxation Index is published by BAK Economics AG in cooperation with the Centre for European Economic Research (ZEW) on a regular basis since 2003.

www.baktaxation.com