Positive Outlook for Attractive Swiss Cantonal Taxes

Basel, 5 March 2015 – According to the latest study into the viability of fiscal policies, in contrast to most of the examined European countries, the surveyed Swiss cantons have sustainable fiscal policies. The long-term sustainable or nearly sustainable cantonal financial budgets should also make it possible for the Swiss cantons to retain their internationally attractive taxation levels in the future.

Beat Stamm (project director) emphasizes that “current fiscal policy in the majority of Swiss cantons – as in the whole of Switzerland – is regarded as sustainable.” Even Canton Appenzell Ausserrhoden, which is the weakest performer among the 16 compared cantons, falls just short of the sustainability criteria (the revenue shortfall is equal to zero). Canton Basel-Stadt performs best, and is only surpassed by Norway in an international comparison. At the European level, besides Norway, only Hungary and Italy have sustainable government budgets over the long term until 2060.

Thanks to relatively low indebtedness, the comparatively solid financial budgets and continued high economic growth expectations, most cantons are also able to shoulder the expected costs of demographic change over the long term. The assumed upbeat economic performance, which is largely driven by the continuing growth of the active labor force, is helping to offset the expected increases in age-specific expenditure. The underlying assumptions based on general political conditions and the data used represent the status in the 2012 base year. Important structural changes, such as the elimination of the bilateral treaties for example, are not taken into consideration and would require a reappraisal of the initial situation.

Locations with an unsustainable fiscal policy pose a considerable risk of increasing fiscal burdens. As has been documented in the BAK Taxation Index for years, the Swiss cantons are very attractive locations for corporations as well as for highly qualified individuals in terms of taxes. “Beyond this, the Swiss cantons find themselves in an excellent starting position with their sustainable fiscal policies. This will also enable them to retain their attractive tax profiles amongst rival international locations over the long term,” stated Martin Eichler (chief economist).

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The blue dots represent Swiss cantons.
X-axis: Effective average tax burden for corporations (in the principal city; except for Italy: Milan) according to the 2013 BAK Taxation Index. Y-axis: Long-term revenue surplus/shortfall as a percentage of GDP; the X-axis intersects the Y-axis at 27.8%, which is the average tax rate of the BAK Taxation Index (GDP-weighted average over all locations).

Source: BAKBASEL / ZEW
The blue dots represent Swiss cantons.

X-axis: Effective average tax burden for highly qualified individuals (in the principal city) according to the 2013 BAK Taxation Index. Y-axis: Long-term revenues surplus/shortfall as a percentage of GDP; the X-axis intersects the Y-axis at 41.9%, which is the average tax rate of the BAK Taxation Index (GDP-weighted average over all locations).

Source: BAKBASEL / ZEW