The Swiss Tax System

Main features of the Swiss tax system
Federal taxes
Cantonal and communal taxes

2025 edition

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Preface

This brochure is suited primarily for foreign nationals interested in learning about the Swiss tax system. It gives an easy-to-understand overview of the taxes levied by the Confederation, cantons and communes.

This brochure is issued by the Swiss Tax Conference (SSK), which all cantonal tax administrations and the Federal Tax Administration (FTA) are part of. One of the aims is to foster relations between tax administrations and taxpayers by providing all interested parties with tax-related information in an objective manner. This should help the general public to have a better understanding of tax issues.

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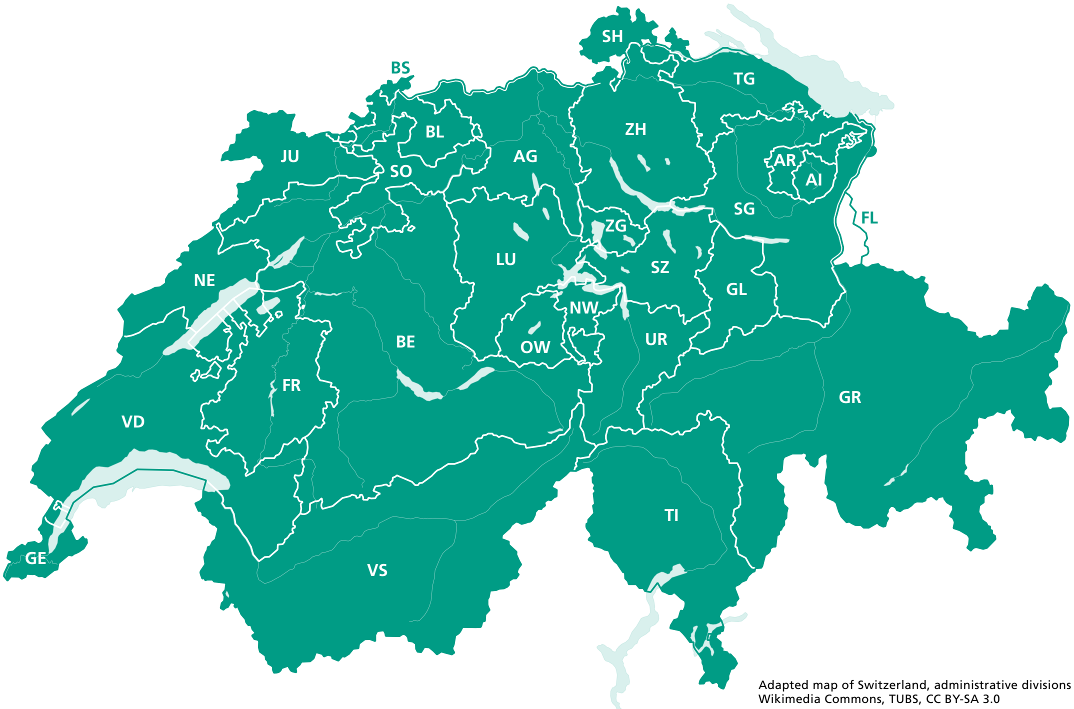
Abbreviations

ABV	Alcohol by volume
AHV	Old age and survivors' insurance
ALV	Unemployment insurance
BGer	Federal Supreme Court
Cst	Constitution of the Swiss Confederation
DFTA	Federal Act on Direct Federal Taxation
dft	direct federal tax
DTHA	Federal Act on the Harmonisation of Direct Taxes of Cantons and Communes
EO	Compensation for loss of earnings
FOCBS	Federal Office for Customs and Border Security
FTA	Federal Tax Administration
IV	Disability insurance
SSK	Swiss Tax Conference
VAT	Value added tax



Adapted map of Switzerland, administrative divisions
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Cantons

AG	Aargau	NW	Nidwalden
AI	Appenzell Innerrhoden	OW	Obwalden
AR	Appenzell Ausserrhoden	SG	St. Gallen
BE	Bern	SH	Schaffhausen
BL	Basel Landschaft	SO	Solothurn
BS	Basel Stadt	SZ	Schwyz
FR	Fribourg	TG	Thurgau
GE	Geneva	TI	Ticino
GL	Glarus	UR	Uri
GR	Graubünden	VD	Vaud
JU	Jura	VS	Valais
LU	Lucerne	ZG	Zug
NE	Neuchâtel	ZH	Zurich

Main features of the Swiss tax system

1 General

The term "tax system" refers to all taxes levied in a country, even if they are not consciously harmonised.

Theory distinguishes between a **traditional** or **historical** tax system and a **rational** or **theoretical** tax system depending on whether the system's development over time was more by accident than planned or whether it was intentionally structured on the basis of scientific findings.

Tax System	
Traditional or historical	Rational or theoretical

According to this doctrine, the Swiss tax system's development is **historical** in nature. It reflects the Confederation's **federal structure**. Consequently, all of the 26 **cantons** have their own tax laws and tax income and wealth, net profit and capital, inheritances, capital and property gains, and other tax objects differently.

The some 2,120 **communes** may either levy communal taxes or decide on supplements relative to the cantonal basic tax scale or the cantonal tax payable.

The **Confederation** also taxes income, although its tax receipts predominantly come from other sources, primarily from value added tax (VAT), withholding tax, customs duties and special consumption taxes (for example tobacco tax or mineral oil tax).

1.1 Historic development of the tax system

During the period of the **Helvetic Republic** (1798–1803), Switzerland, for a short time, had a standardized tax system with new direct and indirect taxes. However, this partly existed only on paper and it was never completely applied and implemented.

Following the collapse of the Helvetic Republic and the return to a federation of states, the cantons regained their tax autonomy and their tax systems developed fairly independently. This led to a large variety in the construction of the tax systems and the structure of the individual taxes.

Swiss federation of states pre-1848
Cantons' tax sources:
Customs duties, bridge tolls and other duties Taxes on wealth

While some cantons returned to the pre-French Revolution indirect taxes[1], i.e. primarily consumption taxes (customs duties, bridge tolls, etc.), others kept the taxes from the Helvetic system that best suited them, particularly the wealth tax.

[1] See *page 10* for an explanation of the terms "direct" and "indirect" taxes.

Swiss federal state 1848
Federal tax sources:
customs duties
Cantonal tax sources:
wealth income

This tax system underwent thorough change with the **foundation of the federal state in 1848**. The supreme customs authority was transferred entirely to the Confederation and therefore, the cantons were forced to generate their tax receipts from taxes on wealth and income. Thus, direct taxes, particularly wealth taxes, gradually acquired a dominant position in cantonal tax systems during the 19th century, whereas indirect taxes became insignificant. They were nevertheless the backbone of federal finances in the form of customs duties.

This distribution of tax sources remained unchanged until **1915**.

It was already apparent, however, that the wealth tax was not flexible enough to satisfy the cantons' growing financial needs.

But also the Confederation's tax system had reached its performance limit and could not have withstood any additional (financial) strain.

Following World War I and its financial repercussions, the Confederation and cantons had to adapt their tax legislation and tax systems. Towards the end of the war, in addition to the customs duties stamp duties were added at the federal level. Moreover, it was necessary to abandon the principle according to which the cantons were entitled to levy direct taxes whereas the fiscal authority to levy indirect taxes lay with the Confederation.

The high defence costs obliged the Confederation to levy direct taxes as well. In particular, it collects a tax on the income of individuals and on the profits of legal entities, and this provisionally until the end of 2035.[2]

The Confederation's financial situation was in each case the reason for introducing or maintaining federal taxes. The following table gives an overview of the introduction of the individual federal taxes, customs duties and levies.

[2] It's a matter of a temporary provision in the Constitution of the Swiss Confederation from 18 April 1999 (Cst). Its extension requires the approbation of the people and the cantons.

1.2 Overview of the introduction and duration of the individual federal taxes, customs duties and contributions

Levied	Type of tax
since 1849	Customs duties
since 1878	Military service exemption tax (previously compensatory military tax)
since 1887	Taxation of distilled spirits
1915–1920	War gains tax
1916–1917	War tax
since 1918	Federal stamp duties
1921–1932	New extraordinary war tax
since 1933	Tobacco tax
since 1934	Beverage tax (beer tax)
1934–1940	Federal crisis contribution
1939–1946	War gains tax
1940–1942	One-off contribution for national defence
since 1941	Direct federal tax (until 1982: national defence tax)
since 1941	Value added tax (until 1995: turnover tax)
1941–1945	Emigrants national defence contribution
1941–1954	Equalization tax
1942–1959	Luxury tax
since 1944	Withholding tax
1945–1947	New contribution for national defence
since 1997	Mineral oil tax and automobile tax (previously customs duties of a fiscal nature)
since 2000	Casino tax
since 2024/2025	Swiss and international supplementary tax (within the scope of the OECD/G20 minimum taxation)

Thanks to these additional revenues, the **Confederation** managed to reduce the debt it had built up during the two world wars to a level that was bearable. However, new tasks have continually been assigned to the Confederation since the end of World War II. Its expenditures rose to such an extent in the post-war period that a return to the pre-war tax system was no longer conceivable. Consequently, the Confederation has largely continued to levy the federal taxes introduced during the war years.

From 1941 to 1958, **direct federal tax** (dft; previously called national defence tax) was comprised of an income tax and a supplementary wealth tax.
The wealth tax for individuals was abolished in 1959, and the capital tax for legal entities followed suit in 1998. Since then, the dft has been levied solely on personal income and on the profits of legal entities.

Unlike the Confederation, which introduced a series of new taxes, the **cantons** mostly made do with their existing tax types. Initially, wealth tax was the most important tax collected by the cantons. Earned income was taxed only as a complement. However, the cantons gradually switched from the traditional taxes on wealth and income to a general income tax with a supplementary wealth tax.

This transition, which involved a reduction in wealth tax and an increase in income tax, was first implemented by the canton of Basel Stadt back in the 19^{th} century. By 1945, another ten cantons had followed. The last canton to change its tax system was Glarus in 1970.

It is also worth noting in this regard that the canton of Schwyz did not introduce a tax on earned income until 1936. Until then, it only taxed wealth.

Originally, these taxes were levied at a proportional tax scale. Progressive taxation began to prevail over time and social deductions were introduced in consideration of taxpayers with modest incomes and families. The term "progressive" means that the tax rates increase as the taxpayer's income increases, i.e. they are not proportional.

Fictitious example

The tax rate for an income of CHF 50,000 is 10 %, the tax rate for an income of CHF 100,000 is 20 %.

2 Fiscal sovereignty

As already mentioned, the Confederation, the cantons and even the communes levy taxes in Switzerland.

However, the right of these public bodies to levy taxes is restricted by the Cst. It distributes the respective fiscal sovereignties so that, on the one hand, the three public bodies do not interfere with each other and, on the other hand, no excessive burden is placed on taxpayers. The Cst therefore grants the Confederation the right to levy certain taxes and denies this right to the cantons.

The main features of the federalist structure are set out in art. 3 Cst which regulates the relation between Confederation and cantons as follows:

> **"The Cantons are sovereign except to the extent that their sovereignty is limited by the Federal Constitution. They exercise all rights that are not vested in the Confederation."**

Applied to taxes, this implies the following distribution of powers:

- The **Confederation** may levy only those taxes that it is expressly empowered to levy by the Constitution.
- By contrast, the **cantons** are generally free to choose their taxes, except where the Constitution expressly prohibits the levying of certain taxes by the cantons or reserves the right for the Confederation.

The fact that the Constitution empowers the Confederation to levy a tax does not, however, automatically exclude the right of the cantons to levy a similar tax. That would require an explicit prohibition. Such a prohibition does not exist for direct taxes. That is why **both the Confederation and the cantons levy direct taxes** (e.g. income tax) and thus compete with one another in this area (regarding the harmonization in this area *see chapter 7.3*).

While the Confederation and the cantons have **original fiscal sovereignty,** the **communes** may levy taxes only to the extent they are explicitly authorised to do so by their respective canton. This right is granted to them because, as autonomous self-governing bodies, they are of major importance in Switzerland's social structure.
In contrast to original sovereignty, this is referred to as **derived or delegated** fiscal sovereignty. However, this does not detract from the fact that the communes have genuine fiscal sovereignty that is integrated in the Swiss tax system as another important component in addition to the powers of the Confederation and of the cantons.

Aside from local tasks (e.g. waste disposal), they also carry out tasks that in other countries fall under the responsibility of a higher level of government, e.g. primary education or social welfare. Even if these tasks are partially carried out under state supervision and with its financial support, the communes mainly bear the costs of performing these tasks. This is why they have to share in the utilisation of the available sources of funding. Consequently, the communes' tax-related independence goes hand in hand with their functional autonomy.

The taxes levied in Switzerland can be subdivided into **direct taxes** (e.g. income and wealth taxes for individuals and profit and capital taxes for legal entities) and **indirect taxes** (consumption taxes and taxes on property or expenditures).

There are **different ways of distinguishing** between direct and indirect taxes.
In the case of direct taxes, the tax debtor (tax subject) and the taxpayer (the economically burdened person) respectively the tax object and the calculation basis are identical. This is the case for the income tax, for example.
However, there is no consensus among academics on the classification of indirect taxes. According to one notion, an indirect tax is given when the tax debtor and the taxpayer are not identical, i.e. when the tax debtor has to transfer the tax to the taxpayer (for example VAT or withholding tax). According to the other opinion, the tax object and the calculation basis don't coincide in indirect taxes (for example customs duties).

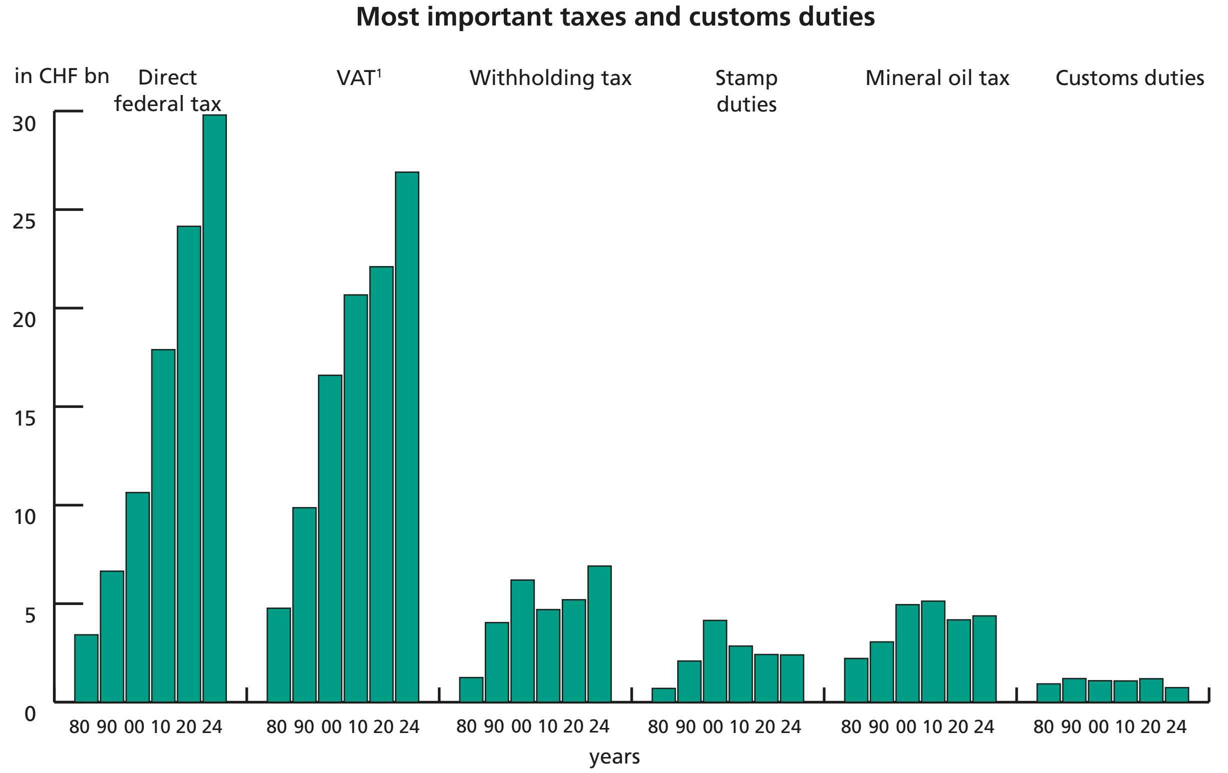
In 2022, the tax revenues for the different levels of government according to the consolidated financial statistics[3] amounted to around CHF 159 billion, broken down as follows:

- Confederation: CHF 72 billion
- Cantons: CHF 53.5 billion
- Communes: CHF 33.5 billion

Consumption taxes (indirect taxes) are the main source of revenue for the Confederation, with VAT generating the most receipts.

Direct taxes account for slightly more than a third of the Confederation's tax receipts. In terms of revenue, dft accounts for the lion's share here.

[3] National consolidation and comparability are ensured with the so-called FS Model of financial statistics. This model is generally based on the Harmonised Accounting Model for the Cantons (HAM2).



[1] before 1995: turnover tax

The picture is different for the cantons and communes. Their most important tax sources are income and wealth taxes for individuals (including tax at source) and profit and capital taxes for legal entities. In 2022, these accounted for 86,6 % of the cantons' and communes' total tax receipts.

3 Constitutional principles

Fiscal sovereignty refers to the legal and actual right of a public body to levy taxes. Concerning the exercise of fiscal sovereignty, the Cst requires that every tax have a formal legal basis (known as the principle of legality; Art. 127 para. 1 Cst).

In order to levy a tax, a **legal fiscal relationship** must exist. This includes several elements that must be regulated in the Cst or in a formal law, including the tax subject as well as the tax object. The **tax subject** (usually an individual or a legal person) is the party in the legal fiscal relationship who is subject to the fiscal sovereignty of the public authority. The **tax object** (e.g. income or the sale of goods within the country) refers to the object of the tax liability.

In terms of the arrangement of fiscal sovereignty, Swiss tax law has to abide by the following principles and prohibitions enshrined in the Constitution:

- Principle of equality before the law;
- Principle of economic freedom;
- Principle of guarantee of ownership;
- Principle of freedom of religion and conscience;
- Prohibition of inter-cantonal double taxation;
- Prohibition of unjustified tax benefits.

3.1 Principle of equality before the law

The cantons have to respect the constitutional and legally enforceable principle of equality before the law (art. 8 Cst) in their tax legislation as well as in their tax collection and tax-related jurisprudence. There is a violation of equality before the law if the ban on objectively unjustified unequal treatment in legislation or the application of the law is violated.

In tax law, the principle of equality before the law is implemented in the substantive constitutional principles of universality and uniformity of taxation as well as the principle of taxation according to taxpayers' ability to pay (Art. 127 para. 2 Cst).

3.2 Principle of economic freedom

The principle of economic freedom may not be impaired by tax law provisions and measures (art. 27 and art. 94–107 Cst). A violation of the principle of economic freedom can be challenged in court. Thus, the cantonal legislator may not impinge on the free play of economic competition by introducing special trade taxes which reduce the competitiveness of certain branches.

3.3 Principle of guarantee of ownership

The principle of guarantee of ownership is violated if the tax burden becomes confiscatory in nature (art. 26 Cst). The idea whereby the guarantee of ownership constitutes a limit to taxation is nowadays recognised not only in doctrine, but also in jurisprudence.

3.4 Principle of freedom of religion and conscience

The principle of freedom of religion and conscience constitutes another limit to taxation (art. 15 Cst). It can be inferred from this constitutional standard that no church taxes may be levied on people who do not belong to the corresponding religious community.

According to the Federal Supreme Court's (BGer) jurisprudence, only individuals (but not legal entities) can invoke this constitutional provision.

3.5 Prohibition of inter-cantonal double taxation

The prohibition of inter-cantonal double taxation (art. 127 para. 3 Cst) indicates that one and the same taxpayer may not be subject to the same tax by more than one canton for the same time period and for the same tax object (e.g. salary).

The Constitution mandates the Confederation to take the measures necessary to prevent this double taxation. No federal law has been passed to date, which is why the extensive case law of the BGer regulates inter-cantonal double taxation instead of legislation.

This prohibition arises only in the case of competing demands by two or more cantons, but not in the relation between Confederation and canton.

Double taxation can also occur between sovereign states (international relationship). The avoidance of such international double taxation is governed by means of intergovernmental agreements (so-called double taxation agreements, or DTAs). To this day, Switzerland has signed more than 100 DTAs in accordance with the international standard.

3.6 Prohibition of unjustified tax benefits

Because of tax competition, there was a certain temptation for the cantons to attract wealthy (foreign) individuals by granting objectively unjustified tax breaks. For reasons of legal equality, the Cst gives the Confederation the right to combat abuses of this type through legislation (art. 129 para. 3 Cst).

However, the Confederation has in principle not yet had to use this power, as the cantons have effectively voluntarily remedied the situation with a mutual agreement (inter-cantonal concordat on the exclusion of tax agreements).

Though, with the enactment of the Federal Act on the Harmonisation of Direct Taxes of Cantons and Communes from 14 December 1990 (DTHA), the concordat has lost its significance insofar as specific federal provisions now exist (see in particular art. 5, art. 6, and art. 23 para. 3 DTHA). In the area of dft, tax agreements are not permitted due to the lack of a legal basis.

4 The people have the final say

Aside from the unique feature that the Confederation, the cantons as well as the communes all levy taxes, the Swiss tax system also sets itself apart by letting citizens decide for themselves which taxes may be levied on them. This is because the state can impose only those obligations on them – including taxes – that are provided for in the Constitution and laws, and constitutional amendments imperatively have to be subject to a popular vote (**mandatory referendum**) at both the federal and cantonal level. Only a few cantons have a mandatory referendum also for the revision of laws. In the other cantons, the **optional referendum** generally applies, although in some cantons the mandatory or optional referendum applies depending on the type of legislative amendment in question.

The referendum gives voters the opportunity to make a final decision at the ballot box on important parliamentary resolutions. The Cst differentiates between mandatory and optional referendums. The people automatically vote on statutes that are subject to a mandatory referendum. Statutes that are subject to an optional referendum are only subject to a vote if so requested by collecting signatures.

Source: www.parlament.ch

In most cases, the people also have a say when setting **tax rates**, **tax scales** and **tax coefficients**.[4]

In the case of dft, the **maximum rate** of the tax scale is enshrined in the Constitution. It may be increased only if the majority of the people and of the cantons approve. In contrast, the scale can be changed by a federal law (subject to optional referendum).

In the cantons and communes, a tax law revision is required in order to change the tax scale. The situation is different for the tax coefficient: in most cantons, the tax coefficient is determined by parliament. In communes, this authority lies with the municipal council or the communal assembly. These decisions are usually subject to an optional referendum, and at the municipal level sometimes even to a mandatory referendum.

[4] See *chapter 6.1* for an explanation of the terms “tax rate”, “tax scale” and “tax coefficient”.

5 Assessment and collection of taxes

This section deals with the assessment and collection of taxes using the example of income and wealth taxes for individuals.

5.1 Assessment

In Switzerland, the assessment of income and wealth taxes is based on a **tax return** that is submitted to all taxpayers and has to be completed truthfully and exhaustively by them. The tax return has to be submitted to the competent authority within the deadline determined by the canton. In general, an extension can be requested. If the deadline is missed, a reminder is sent to the taxpayer and a new deadline is set. If taxpayers do not submit their tax return despite a reminder, they are assessed ex officio (using dutiful judgement).

Once the assessment authority has received the duly completed and signed[5] tax return, together with the required enclosures, it generally determines the tax factors and the tax amount.

If the tax return contains data that is clearly erroneous and if it is discovered, it is rectified ex officio. Finally, as soon as the tax factors are determined, the tax amount is calculated on the basis of the **tax scale**.

If the tax return and enclosures do not allow the tax factors to be determined, the assessment authority has to carry out the necessary investigations by requesting evidence, examining accounting books, making onsite visits, questioning the taxpayer, etc.

If these investigations do not lead to a result, or an insufficient one for assessment, income and wealth have to be estimated by the assessment authority within the bounds of its dutiful discretion.

Anyone who does not agree with the assessment decision can (usually within 30 days) file an objection in writing. The procedure is generally free of charge.
An appeal can be filed against an objection decision.

The taxpayer receives notification of the assessment by means of a written ruling. This ruling contains the decisive tax factors as well as the tax amount for the tax year in question. It also indicates the legal remedies (generally an objection), the form and time frame to be observed and the authority to which the objection is to be addressed.

[5] In all cantons except Thurgau there exists the possibility to submit the tax return **electronically** and **without signature.**

If there is no objection to the duly notified assessment decision within the set deadline, it takes legal effect. Legally binding assessments can however be changed to the detriment of the taxpayer by a supplementary tax procedure if it subsequently transpires that they are insufficient, e.g. because of tax evasion or tax fraud. They may also be changed in the taxpayer's favour if there are reasons to justify a revision, e.g. new significant facts or decisive evidence.

5.2 Tax collection

The collection of income and wealth taxes for **individuals** is usually carried out by the same office that performed the tax assessment.

While dft is generally collected by the cantonal tax administration, the organisation for cantonal and communal taxes differs. Here, tax collection is partly carried out by a central cantonal office, partly by the commune of residence, or cantonal taxes (also called state taxes) are collected by the canton and communal taxes are collected by the communes.

Collection of direct federal tax (income tax)	
by the canton	by the commune of residence
all cantons except LU, UR and SG	cantons of LU, UR and SG

Collection of cantonal and communal taxes			
central	by communes	cantonal tax by canton, communal tax by communes	other systems
OW, NW, GL, ZG, AR, AI, TG[1], NE, GE, JU	ZH, LU, SZ, TG[2]	FR[3], SO[3], BL[4], BS[5], GR[1], TI, VS	BE[6], SH[7], UR[8], SG[8], AG[7], VD[9]

1. For the legal entities, the cantonal and communal taxes are levied centrally by the canton.
2. For the individuals, the cantonal and communal taxes are levied by the communes.
3. The communes and parishes can also delegate tax collection to the canton.
4. For around half of the communes, communal tax is collected by the canton.
5. The city of Basel does not collect any communal tax, as only the canton has the right to collect tax. In contrast, communal taxes are collected in addition to the cantonal taxes on income, wealth and property gains in the communes of Bettingen and Riehen. The canton levies the communal taxes of the commune of Bettingen. The commune of Riehen continues to levy its own communal taxes.
6. Five decentralised cantonal collection offices collect cantonal and communal taxes (including church tax). In the cities of Bern, Biel and Thun, cantonal and communal taxes (including church tax) are collected by the communal authorities. The collection coordinator of the law and coordination division of the cantonal tax administration is responsible for the functional coordination of the collection offices.
7. The cantonal tax administration collects the taxes from legal entities and tax at source. The taxes of individuals are collected by the communes. In the canton of SH, some communes have delegated collection to the canton.
8. The collection of income and wealth taxes for individuals is carried out collectively for both the canton and the communes via the political communes' tax offices. The taxes for legal entities are collected centrally by the canton.
9. Almost all of the communes have delegated tax collection to the canton.

The taxes have to be paid by set **due dates**. For example, dft becomes payable on 1 March of the year following the tax year, with a grace period of 30 days.

In most cantons, cantonal and communal taxes are collected in several provisional instalments during the tax year. The balance, i.e. the difference between what has already been paid and the sum actually due, either still has to be paid or else is refunded to the taxpayer as soon as the tax assessment is definitive.

The data in the table below and the associated notes refer solely to the number of provisional instalments.

Several cantons also allow for the possibility of the advance payment of cantonal and communal taxes, in some cases also for dft. In some cantons, taxpayers have the option of paying the entire tax due in a one-off advance payment upon receipt of the provisional tax bill or before a certain date. In return, the taxpayer gets a discount.

Tax collection				
once	twice	three instalments	three, four or five instalments	nine, ten or twelve instalments
dBSt, LU, UR, SZ[1], OW, NW, ZG[2], BS, BL[3], AG	GR[4]	BE, GL[5], SO, SH, TI, ZH[6], AR[6], AI[6], SG[6], TG[6]	VS[7]	FR[8], NE[9], GE[10], VD[10], JU[11]

1. Possibility of paying in three instalments.
2. Advance invoice mid-year with the possibility of paying in one or more instalments by the end of December.
3. Advance invoice in January with the possibility of paying in instalments in the following months up to the end of September.
4. The communes can make deviating arrangements.
5. The amount shown in the provisional invoice can be paid in total or in three instalments as of June 1, September 1 and December 1, with a 30-day payment period in each case from the date of delivery.
6. In principle in three instalments, but – upon request – also possible in seven instalments (ZH), in one or 11 instalments between February and December (AI), in a maximum of 11 instalments (AR and SG), as well as in a maximum of 12 instalments (TG).
7. In principle in five instalments.
8. In principle in nine instalments. However, payment possible also in one instalment or for dft in six voluntary instalments.
9. In principle in ten instalments.
10. In principle in 12 monthly instalments with the possibility of integrating dft (upon request, GE also allows the dft and cantonal and communal taxes to be paid in ten instalments).
11. In 12 monthly instalments.

Except for the Canton of Basel Stadt, which has a special system, in all other cantons, both the installments paid during the tax year and the one-time payments are **always paid on the basis of provisional invoices,** which are calculated according to the previous year's assessment or the tax amount expected to be owed based on the information provided by the taxpayer.

The taxpayer is informed of any balance due, at the earliest, in the **following year with the final statement**.

6 Tax burden in Switzerland

Switzerland's taxes are not among the highest by international standards. However, there are significant differences in the tax burden within its borders, not only from canton to canton, but also from commune to commune within the same canton.[6] The differences concern primarily income and wealth taxes, and to a lesser extent consumption taxes, which are collected mainly by the Confederation and are not subject to regional differences in terms of the tax burden.

6.1 Reasons for the different tax burdens in Switzerland

Each canton has its own tax law and therefore fixes the extent of its deductions and tax scales. This is one of the reasons for the different tax burdens.

In almost all of the cantons, the tax scales contained in cantonal tax laws define simple rates (basic rates). These simple rates are then multiplied by cantonal and communal coefficients to obtain the actual tax rate. The tax coefficient is a multiple (expressed in units or percent) of the statutory simple rates. These tax coefficients are usually adjusted annually in line with the financial needs of the political bodies (canton, commune, parish).[7]

To illustrate, consider the following example. A single taxpayer living in the city of Zurich has a gross earned income of CHF 50,000. Based on the statutory tax scale, the basic income tax is CHF 1,416. The canton collects 98 % of this basic tax, the commune of Zurich 119 % (communal tax). The parish collects church tax of 10 % of the basic cantonal tax amount.

[6] For more information see *appendix part I*.

[7] In the case of dft and the canton of Valais, the tax amount payable can be taken directly from the scale. Consequently, there is no need to set a tax coefficient.

Basic tax according to the scale		CHF	1,416
Tax coefficient (multiple)			
Canton of Zurich:	98 %	CHF	1,388
Commune of Zurich:	119 %	CHF	1,685
(Roman Catholic) parish:	10 %	CHF	142
Personal tax		CHF	24
Total income tax		**CHF**	**3,239**
Tax burden in percent			6,48

Dft is owed, in addition to the cantonal and communal taxes. It amounts to CHF 214 with a gross earned income of CHF 50,000.

The differences in the cantonal and communal tax burdens are the result of the considerable fiscal autonomy of each public body. It would be possible to eliminate these differences only if **fiscal sovereignty** were withdrawn from the cantons and communes and reserved solely for the Confederation. However, such unilateral fiscal sovereignty would also have adverse effects. The cantons' independence would undoubtedly take a major hit.

In order to prevent the tax burden differences between rich and poor regional bodies from becoming too big, Switzerland applies both national fiscal equalization between the Confederation and the cantons as well as 26 cantonal fiscal equalization systems. In this way, the financially weak cantons and communes receive equalization payments that enable them to keep their tax burden as low as possible or even reduce it.

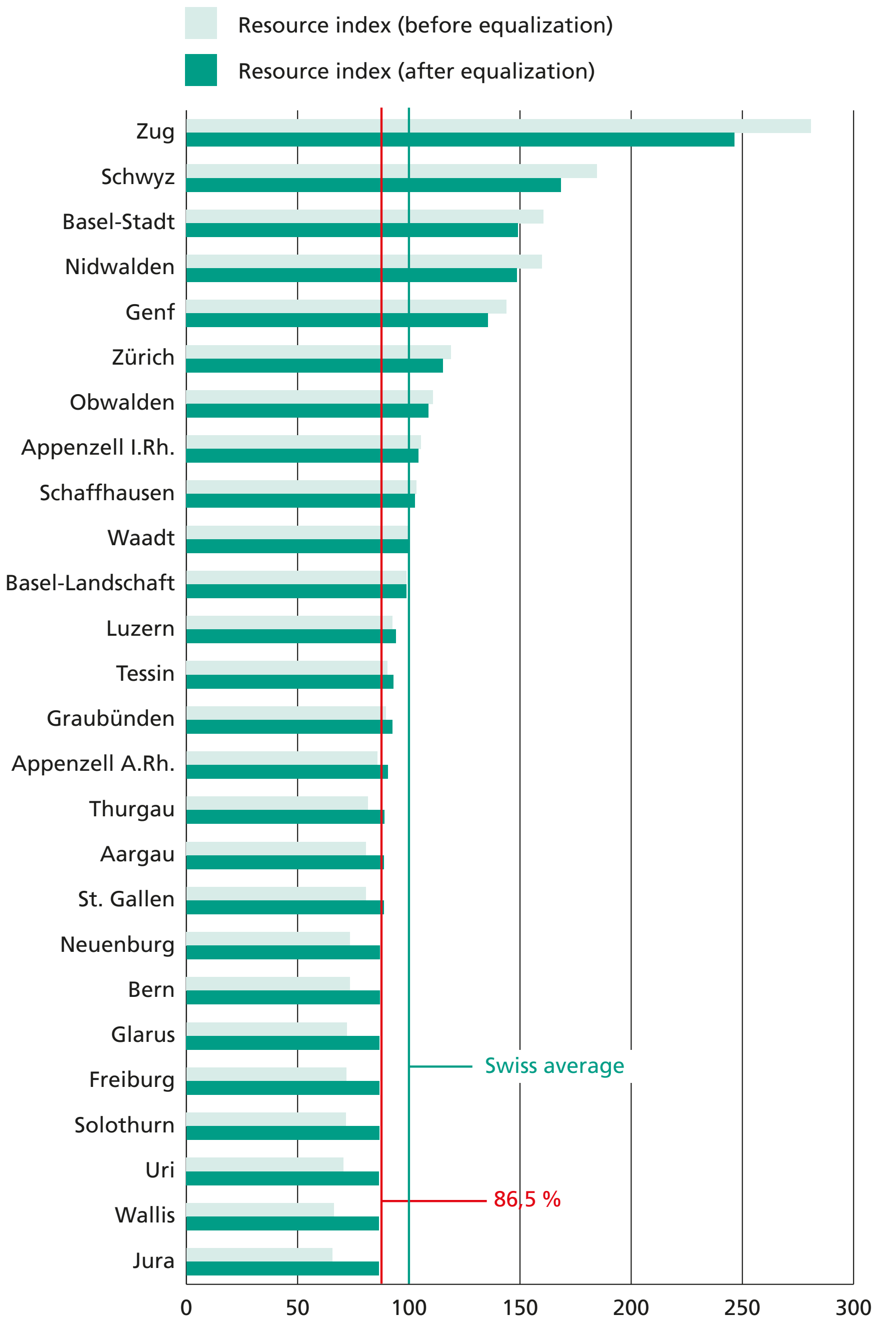
6.2 National fiscal equalization

Federalism is one of the fundamental principles of the Cst. The cantons and communes thus have extensive powers, e.g. in the form of financial and tax autonomy. This autonomy brings with it sometimes significant differences among the cantons and communes in terms of their financial capacity. As part of the new system of fiscal equalization and the division of tasks between the Confederation and the cantons (NFE), a totally revised fiscal equalization and cost compensation system came into force in the beginning of 2008. This aims to boost the cantons' financial autonomy and reduce the disparities. It provides the necessary compensation mechanisms and thereby creates the financial prerequisites needed to maintain the federal structure of Switzerland (art. 135 Cst).

National fiscal equalization consists of non-earmarked resources, with a distinction being made between resource equalization (redistribution of financial resources) and cost compensation (compensation for excessive exceptional burdens). In addition, there are three minor, temporary compensation mechanisms, namely the hardship compensation, mitigating measures and supplementary contribution.

Resource equalization is based on the resource index. It reflects the cantons' resource potential, i.e. the fiscally utilisable added value. Resource equalization is financed jointly by the Confederation (vertical resource equalization) and by the financially strong cantons (horizontal resource equalization). The resource equalization payments to the financially weaker cantons are calculated in such a way that the weakest cantons benefit disproportionately. Thus, in 2025 all of the cantons dispose of financial resources per capita of at least 86,5 % of the Swiss average.

The following chart shows the compensation effect of resource equalization in 2025.

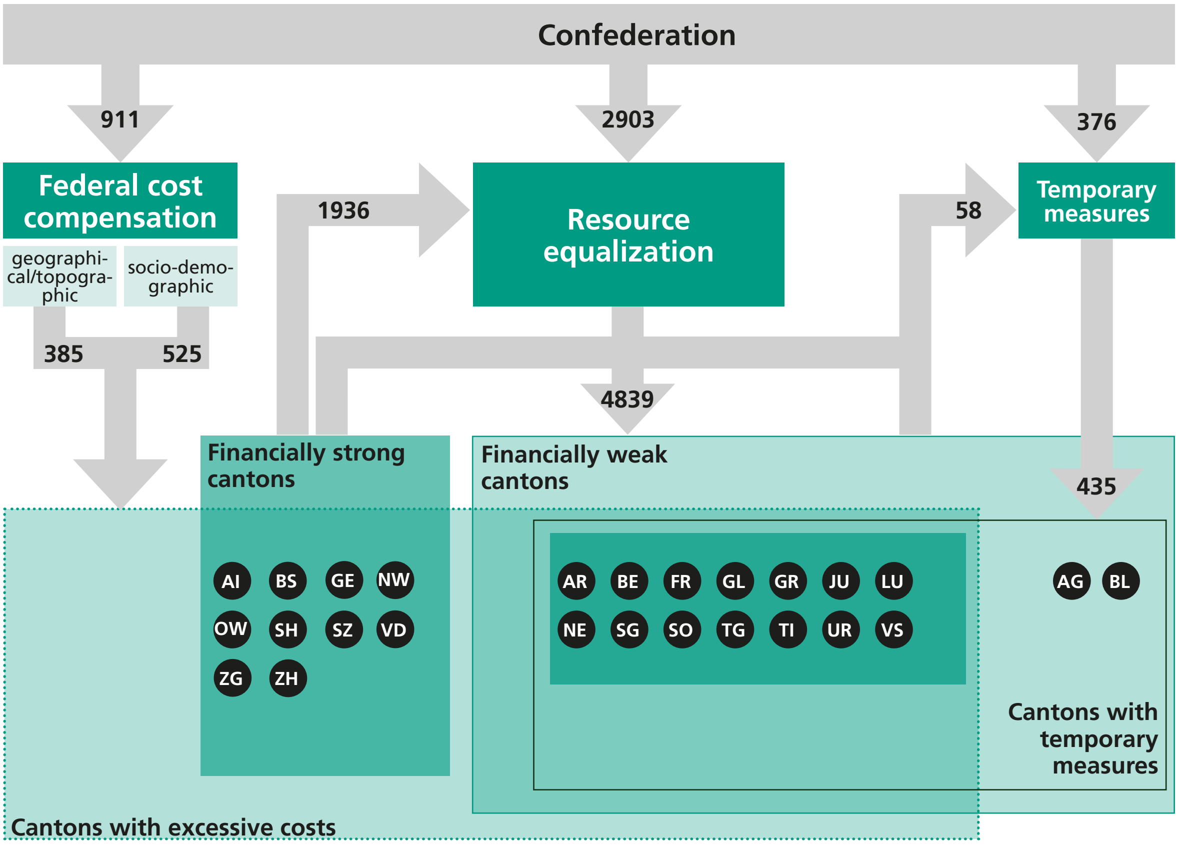


Source: Federal Finance Administration (FFA)

Cost compensation consists of geographical/topographic and socio-demographic cost compensation, and is financed entirely by the Confederation. While geographical/topographic cost compensation offsets the excessive costs due to low population density and topographic conditions in peripheral cantons, socio-demographic cost compensation benefits primarily urban cantons. It compensates them for excessive costs that arise as a result of the population structure or the role of core cities as centres.

The fiscal equalization system is shown in the following diagram. The amounts indicated for the individual equalization components are payments for 2025.

Payments in m CHF



Source: Federal Finance Administration (FFA)

7 Development of the Swiss tax system

7.1 Taxation principles in the Confederation's financial regime

The taxation principles are part of the Confederation's so-called financial regime, which is governed by art. 126 to 135 Cst. It sets out the principles for the federal finances in three pillars: budget management (debt brake), taxation principles and fiscal equalization as well as cost compensation.

Aside from the general taxation principles, the financial regime also contains a list of taxes that the Confederation is authorised to collect. These include: dft, VAT, various excise taxes (including on tobacco, spirits, automobiles and mineral oil), stamp duties, withholding tax and customs duties. The revenue from these taxes accounts for approximately 95 % of the Confederation's total tax receipts. Regarding the other tax receipts, the Confederation's power to impose duties is governed either by the respective political area in the Cst (e.g. motorway tax, heavy vehicle charge) or at the statutory level (e.g. CO_2 tax, casino tax).

Maximum rates are set out in the Constitution for the most important sources of receipts, i.e. dft and VAT. Consequently, the approval of the people and the cantons (mandatory referendum) is always required to increase those rates. This clearly limits the possibility of raising taxes to offset imbalances in the federal budget. The debt brake, which defines the relationship between the Confederation's expenditure and receipts in a binding manner, transposes this limitation to the expenditure side as well.

Moreover, the power of the Confederation to collect dft and VAT has always been temporary. It was last extended to the end of 2035 with the revision of the Confederation's financial regime which entered into force on 1 January 2021 (art. 196 no. 13 and 14 Cst). The time limitation obliges the Confederation to fundamentally rethink the receipts side of its budget at regular intervals and to let the people and the cantons decide on the fundamentals of the federal financial regime.

7.2 Aims and principles of the Confederation's financial policy model

The Confederation's financial policy model specifies aims, principles and instruments for the Confederation's fiscal policy. It is a management tool of the Federal Council. It points the way for fiscal policy decisions by the executive authority and the administration, but it does not supersede the Confederation's policy objectives.

The primary aim of fiscal policy is to ensure stability and support economic growth, and thereby promote employment, welfare and social cohesion. This primary aim includes the following subordinate aims which are relevant for tax policy:

- Revenue and expenditure policy has to **favour growth**.
- The **tax-to-GDP ratio, tax-and-social-security-contributions-to-GDP ratio and general government expenditure ratio** have to be among the **lowest** in the Organisation for Economic Cooperation and Development (OECD). The level of development of the economies in question has to be taken into account when making comparisons.

The above-mentioned aims are supplemented by some principles in the Confederation's financial model. The following apply in particular in terms of taxation principles:

- The **tax burden** is to be distributed **equitably** among taxpayers, in compliance with the constitutional principles of universality and uniformity of taxation, as well as the principle of proportionality (taxation according to ability to pay).
- Taxes are to be structured in such a way that the **burden** for the taxpayer is **as low as possible** and the adverse effect on economic activity is minimised. If state services produce an individual, allocable benefit, full or partial financing via originator-oriented fees and amounts has to be examined.
- The tax system is to be structured in such a way that Switzerland's **appeal as a location** can be maintained and **enhanced**. High taxes and high marginal tax rates[8] are to be avoided insofar as possible.
- The tax system contributes to the long-term **preservation of natural resources**.
- Taxes are to be structured in such a way that they have a **stabilising effect on the economic situation** and employment (principle of economic policy effectiveness).

[8] The marginal tax rate refers to the tax rate applied to the next bracket of the tax base. It indicates the part of an additional taxable franc that has to be paid as tax.

7.3 Tax harmonisation

Tax harmonisation is another key component of the Swiss tax system.

In implementation of a constitutional mandate (art. 129 Cst) adopted in 1977 in order to harmonise the taxes on income and wealth and on profits and capital, respectively, Parliament passed the DTHA on 14 December 1990. This is a **framework law.** It addresses the cantonal and communal legislators and stipulates the principles according to which they have to design the tax regime in terms of tax liability, the object of the tax and the tax period, procedural law and the law relating to tax offences (art. 129 para. 2 Cst).

In compliance with the constitutional mandate, the DTHA specifies that the **cantons** remain **responsible** for the setting of **tax scales, tax rates and tax exemption amounts** (art. 129 para. 2 Cst, as well as art. 1 para. 3 DTHA).

In principle, the Act does not contain provisions on the organisation of authorities. This remains reserved for the cantons, as the state and administrative structure of each one has its own specific features.

The DTHA entered into force on 1 January 1993. After the expiration of the eight-year transitional period for the cantons, federal law applies directly in the event of contradicting cantonal tax law (art. 72 paras. 1 and 2 DTHA). The DTHA has already been revised several times since coming into effect.

The individual taxes

8 Federal taxes

Direct taxes	Consumption taxes and other indirect taxes
Direct federal tax – on the income of individuals – on the profit of legal entities Federal casino tax Military service exemption tax	Value added tax Federal withholding tax Federal stamp duties Tobacco tax Beer tax Mineral oil tax Automobile tax Tax on spirits Customs duties Motorway tax

8.1 Taxes on income and profit as well as other direct taxes

8.1.1 Direct federal tax

The competence of the Confederation to levy direct taxes, initially in part based on emergency law, was only anchored on the constitutional level in 1958. In 1982 the "national defense tax" was renamed "direct federal tax" (dft). The duration of validity of the dft is still limited and is prolonged periodically. It was most recently prolonged until the end of 2035, within the scope of the New financial regime 2021.

Legal basis

Art. 128 Cst

Federal Act on Direct Federal Tax of 14 December 1990 (DFTA)

The dft is levied on the **income** of individuals and the **net profit** of companies. The wealth of individuals and the capital of companies are in contrast not targeted by the dft.

This distribution key has applied since 1 January 2020 due to the implementation of the Federal Act on Tax Reform and AHV Financing of 28 September 2018 (TRAF). Up to the end of 2007, the Confederation received 70 % of the dft receipts and the cantons 30 %. With the entry into force of the NFE on 1 January 2008, 83 % went to the Confederation and 17 % to the cantons.

The **cantons** assess and collect the dft under the supervision of the Confederation. Each canton delivers generally **78.8 %** of the tax amount, fines and interest it collects to the Confederation. The **cantonal share** thus amounts to **21.2 %**.

In order to establish the taxation factors and the tax amount, a **temporal assessment** is required. The income tax is determined and collected for each tax period based on the income actually earned during this period. The tax period corresponds to the calendar year for individuals. The tax on the net profit of legal entities is also determined and collected for each tax period, whereby it corresponds to the business year.

8.1.1.1 Income tax for individuals

Individuals who are **permanent or temporary residents** in Switzerland are subject to **unlimited tax liability** based on a personal affiliation. Tax residence is deemed to exist in the case of a stay in Switzerland (irrespective of a temporary interruption) if a person:

- spends at least 30 days in Switzerland and is gainfully employed; or
- spends at least 90 days in Switzerland and is not gainfully employed.

Moreover, individuals without tax domicile or residence in Switzerland are subject to **limited tax liability** based on an economic affiliation if there is an **economic relationship** between the individual and certain tax objects (e.g. business operations, permanent establishment, landed property) located in Switzerland.

According to the principle of **family taxation and taxation of spouses**, the married couples form a community and therefore also an economic unit from a tax point of view. Consequently, the incomes of spouses living in a legally and effectively intact marriage are aggregated for tax purposes irrespective of the marital property regime. They are jointly liable to tax and exercise their procedural rights and obligations jointly as well. The same system applies by analogy to registered partnerships.[9]

The joint assessment is triggered by marriage whereupon the spouses are assessed jointly for the whole tax period concerned. In case of death of one of the spouses, marriage ends and therefore also the joint assessment. In case of a divorce, a separation decreed by a court or even an actual separation, the spouses are assessed separately for the whole tax period.

[9] With the entry into force of same-sex marriage, the registered partnership in Switzerland was abolished as of June 30, 2022. However, partnerships registered before that date remain in force if they are not converted into a marriage.

The income of minors is added to that of the holder of parental responsibility, with the exception of earned income, for which the child is taxed independently.

Dft is levied on the **total income**, for example:

- income from salaried employment and secondary activities (including supplementary income like long-service awards, tips, financial benefits from employee shares etc.);
- income earned on a self-employed basis (including capital gains from the sale of business assets);
- revenue from movable and immovable property;
- income from pension schemes (annuities and lump sum benefits from 1st and 2nd pillar as well as from recognized forms of tied private pension schemes);
- other income (e.g. substitute earnings and alimony, as well as certain gaming winnings).

Expenses incurred in order to earn the income, e.g. the professional expenses of employed taxpayers, are deductible from gross income.

With the inclusion of the **general deductions** (e.g. private debt interest up to a certain amount, alimony, premiums and contributions to AHV/IV/EO/ALV, to occupational funds and tied private pension schemes as well as for life, health and accident insurance, interest from savings capital, costs of professionally oriented education and further training, deduction for dual income married couples, deduction of third-party childcare costs) one arrives at the **net income.** This net income, reduced by the **social deductions** (e.g. personal deductions, deductions for children, married couples and persons in need of support), constitutes the **taxable income** which serves as the basis for calculating the tax amount. Thereby, the income tax takes into consideration the economic capacity of the respective person liable to tax.

Dft on the income of individuals is levied based on three progressive scales: a basic scale for single persons, a scale for married persons and a parental scale. The scale for married persons takes into account the limited financial capacity of a household with several individuals relative to a single-person household. Taxpayers who live together with children or persons in need of support in the same household and who take care of most of their upkeep are taxed according to the parental scale. This is comprised of the scale for married persons (basis) and a **deduction** of CHF 263 **from the tax amount** for each child or person in need of support.

Because tax amounts of less than CHF 25 are not collected (**collection minimum**), tax collection for the 2025 tax period commences with a taxable income of CHF 32,200 for married persons and single parent families, and respectively CHF 18,500 for all other taxpayers.

The **statutory maximum dft rate** (average tax rate) is defined in the Cst and is 11.5 % (art. 128 para. 1 lit. a Cst). According to the tax rate applicable for the fiscal year 2025, this is reached starting from a taxable income of CHF 940,900 for married persons and single parent families or respectively CHF 793,400 for all other taxpayers.

The scales for dft are applied directly for calculating the tax amount. Therefore, contrary to most cantons, there is no tax coefficient.

Bracket creep occurs when the increased nominal income of a taxpayer is burdened by a higher average tax rate, due to a progressive tax scale, even though the real income has not increased respectively. This leads to a decrease in spending power.

To compensate for the consequences of **bracket creep,** the scales and deductions for individuals are adjusted annually in line with the National Consumer Price Index. The level of the index on 30 June before the start of the tax period is decisive. An adjustment is excluded in the event of negative inflation.

The Cst also specifies that the Confederation, in fixing the taxation rates, shall take into account the burden of direct taxation imposed by the cantons and communes (art. 128 para. 2 Cst).

The gross revenue from dft on individuals amounted to approximately CHF 14.2 billion (including cantons' share) in 2024.

8.1.1.2 Profit tax for legal entities

While individuals are taxed on their income and, on a cantonal level, also on their wealth, the legal entities are taxed on their profit and on their capital (cantonal level only). Also for legal entities, two different types of tax liability are distinguished: Legal entities headquartered or effectively managed in Switzerland are generally liable to tax based on personal affiliation (**unlimited tax liability**). A **limited tax liability** and therefore an economic affiliation exists for example for Swiss establishments belonging to foreign companies.

A distinction is made between two categories of legal entities:

- **corporations** (stock corporations, partnerships limited by shares, limited liability companies), as well as **cooperatives** which are taxed in the same manner as corporations;
- **associations, foundations and other legal entities** (public and ecclesiastical entities and institutions, as well as collective investment schemes with direct real estate ownership).

The gross revenue from dft on the profits of legal entities amounted to approximately CHF 15.6 billion (including cantons' share) in 2024.

Corporations and cooperatives

These companies pay a **tax on net profit**. There is no federal capital tax.

The tax rate of the dft is **proportional** and amounts to **8.5 %** of net profit. No tax coefficient is applied. The tax paid is deductible, reducing the effective tax rate.

In order to prevent multiple taxation the profits of domestic and foreign subsidiary companies, which are distributed to Swiss corporations and cooperatives, are indirectly exempt from taxation. Under certain conditions, this also applies to capital gains from the sale of subsidiaries, provided that the sales proceeds exceed the initial costs. This so called **participation deduction** applies to corporations or cooperatives that have a stake of at least 10 % in the share capital or at least 10 % in profits and reserves of other companies or which have an interest in such capital with a market value of at least CHF 1 million. The tax on net profit is reduced based on the relationship between the net revenue from these financial interests and total net profit.

The participation deduction is applied to capital gains if the **stake sold** amounts to at least 10 % of the share capital or establishes an entitlement to at least 10 % of the profits and reserves and a holding period of one year has been met.

Associations, foundations and other legal entities

Associations, foundations and the other legal entities (e.g. public or ecclesiastical entities as well as institutions of the Confederation) are generally subject to profit or income tax at the federal level with a **proportional tax rate** of **4.25 %** of net profit, provided they are not tax exempt due to their public, charitable or religious purpose.
The same applies for collective investment schemes with direct real estate ownership.

The profit is not taxed unless it amounts to CHF 5,000 or more. Legal entities with non-profit purposes don't have to pay taxes on profits of up to CHF 20,000 if they are dedicated exclusively and irrevocably to non-profit purposes.

Top-up Tax

In the context of the OECD/G20 minimum taxation, Switzerland levies a top-up tax to compensate for the difference between the effective tax rate and the minimum tax rate of 15 %. This affects multinational corporate groups with a consolidated annual turnover of at least 750 million Euros. On the one hand, this prevents tax revenue from flowing out of Switzerland while, on the other hand, ensuring that the required minimum taxation is achieved without adjusting federal and/or cantonal profit taxes.

In Switzerland, this minimum taxation has been implemented by means of the Ordinance on minimum taxation of large corporate groups from 22 December 2023. Within six years, the Federal Council has to submit a federal law to the parliament to replace the ordinance.

At its meeting on 4 September 2024, the Federal Council decided to bring the so-called Income Inclusion Rule (IIR) into force as of 1 January 2025. This international Top-up Tax extends the Swiss Top-up Tax (QDMTT) that was already introduced in 2024.

8.1.2 Federal casino tax

Legal basis
Art. 106 Cst
Federal Act on Gambling of 29 September 2017 (GamblA)

Following the removal of the casino ban from the Constitution in 1993, the Confederation received the power to collect a special tax on the receipts of casinos. However, this may not exceed 80 % of the gross gaming revenue, and it is assigned to the AHV/IV fund. Since 1 January 2019, the receipts of casinos holding an extended concession can also derive from operating online-gambling. If the canton where the casino is located also collects a similar tax, the Federal Council can reduce the tax levied by the Confederation on the gross gaming revenue of the terrestrial (land-based) casinos holding a type B concession. The reduction corresponds to the amount of the cantonal tax, but it may not exceed 40 % of the total casino tax due to the Confederation.

Casino tax is collected by the Federal Gaming Board. Gross gaming revenue is calculated as the difference between all game stakes and all winnings paid out in a regular fashion. The commissions collected by casinos for table games (as poker for instance) are also part of gross gaming revenue.

In 2024 the revenue from this tax generated around CHF 358 million for the AHV/IV fund and CHF 43 million for the cantons where the casinos holding a type B concession are located.

8.1.2.1 Tax scales

Depending on the category, the following tax rates apply:

- **Gross gaming revenue from terrestrial casinos:**
  The basic tax rate is 40 % for the first CHF 10 million of gross gaming revenue. For each additional million, the tax rate is increased by 0.5 % until it reaches the maximum rate of 80 %.
- **Gross gaming revenue from online-casinos:**
  The basic tax rate is 20 % for the first CHF 3 million of gross gaming revenue.
  The marginal tax rate increases thereafter according to the following levels to up to 80 %:

  a 2 % for each million gross gaming revenue between CHF 3 and 10 million;

  b 1 % for each million gross gaming revenue between CHF 10 and 20 million;

  c 0.5 % for each million gross gaming revenue between CHF 20 and 40 million;

  d 0.5 % for each tranche of CHF 4 million gross gaming revenue between CHF 40 and 80 million;

  e 0.5 % for each tranche of CHF 10 million gross gaming revenue of more than CHF 80 million.

The Federal Council can reduce the tax rate by half during the first four years of a casino’s operation.

8.1.2.2 Tax reductions for casinos

The Federal Council can reduce the tax rate for casinos by up to a quarter, provided that the casino's revenue is largely used for public interests in the region, particularly for promoting cultural activities or for charitable purposes (e.g. promotion of sport, social measures, promotion of tourism). The tax reduction does not apply for online-gambling.

The Federal Council can lower the tax rate by up to a third if the casino is in a region that is economically dependent on highly seasonal tourism. If both reasons for a reduction apply, it can cut the tax rate in half at most. The tax reduction does not apply for online-gambling.

8.1.3 Military service exemption tax

Every Swiss male is required to perform military service (art. 59 para. 1 Cst). Anyone who, for whatever reason, fails (in whole or in part) to fulfil this duty personally by doing **military or civilian service** has to pay military service exemption tax in accordance with the MSETA. Despite the name, this is not a tax in the pure sense, but rather a **compensation charge**. The MSETA makes provision for various reasons for exoneration (art. 4 MSETA).

Legal basis

Art. 40 para. 2 and art. 59 para. 1 and 3 Cst

Federal Act on the Military Service Exemption Tax of 12 June 1959 (MSETA)

The cantons collect the military service exemption tax under the supervision of the Confederation. They receive a collection commission of 20 % for this.

In accordance with dft legislation, this exemption tax is levied on the total net income that the person liable to the tax earns in Switzerland and abroad. Dft forms the assessment basis. If the exemption tax cannot be determined on the basis of dft, it is assessed on the basis of a special exemption tax declaration.

The **exemption tax amounts to CHF 3 per CHF 100** of income liable to tax, but no less than CHF 400. However, it is reduced according to the total number of service days performed by the end of the relevant year. Likewise, the days served in the civil defense are credited. The reduction is one tenth for 50 to 99 military service days (75 to 149 civilian service days), plus another tenth for each set of 50 additional military service days (75 civilian service days) or fractions thereof.

The exemption tax assessment is carried out annually, generally in the year following the exemption year.

Only those who have performed the total number of mandatory service days are entitled to a refund of the exemption tax paid.

The revenue from military service exemption tax amounted to approximately CHF 167 million (including the cantons' collection commission of 20 %) in 2024.

8.2 Consumption-based taxation

8.2.1 Value added tax

Legal basis

Art. 130 Cst and Art. 196 no. 14 Cst transitional provisions

Federal Act on Value Added Tax of 12 June 2009 (VATA))

VAT was introduced on 1 January 1995. The change in system from turnover tax to VAT was due largely to the establishment of VAT in all EU member states.

The completely revised VATA came into force on 1 January 2010. It contains numerous simplifications relative to the previous law and is generally more user-friendly. As of 1 January 2018 the VATA was partially revised, especially to eliminate VAT related disadvantages for domestic companies towards their foreign competitors. The last component of this partial revision came into force on 1 January 2019: foreign mail order companies are subject to taxation in Switzerland if they ship goods worth at least CHF 100,000 to Switzerland that are not subject to import tax due to their low value. As of 1 January 2024, all tax rates have been raised in favour of Old age and survivors' insurance. On January 1, 2025, an amendment to the VATA came into force that, among other things, includes the tax liability for online mail order platforms and annual reporting.

8.2.1.1 Taxation principle

VAT is a **general consumption tax**. It targets non-business-related domestic consumption of goods and services. It is levied at all stages of production, trade and the service sector (domestic tax), on the acquisition of services from companies domiciled abroad (acquisition tax), as well as on the importation of goods (import tax).

Anyone who carries on a business and is not exempt from tax liability is liable to the tax (domestic tax). Companies with their registered office, domicile, or permanent establishment in Switzerland are generally liable to tax unless a tax exemption is stipulated. Companies with their registered office, domicile, or permanent establishment abroad are generally liable to tax if they provide services in Switzerland.

Exemption from tax liability is granted to any person domiciled or with a permanent establishment on Swiss territory, who:

- generates turnover of less than CHF 100,000 from taxable services on Swiss and/or foreign territory in a given year;
- generates turnover of less than CHF 250,000 from taxable services on Swiss and/or foreign territory as a non-profit, voluntarily-run sporting or cultural association or as a charitable organisation; or
- provides domestic services that are exclusively excluded from tax.

Anyone who has their registered office, domicile, or a permanent establishment abroad and provides services in Switzerland is exempt from tax if they:

- generate less than CHF 100,000 in turnover from taxable services on Swiss and foreign territory within a year (CHF 250,000 for charitable organizations and non-profit sporting or cultural associations);
- only provide services in Switzerland that are tax exempt or excluded from taxation; or
- only provide certain services in Switzerland or supply energy linked to a network to companies liable to tax.

Those who are not liable for domestic tax may become liable for acquisition tax if they receive services for more than CHF 10,000 subject to acquisition tax within a calendar year. This mainly concerns services provided by companies based abroad.

The customs debtor is liable for import tax, i.e. the tax on the import of goods from abroad into Switzerland.

There are currently around 423,000 VAT payers in Switzerland.

The assessment basis is the revenue agreed or earned on domestic deliveries and services. In their VAT returns, taxpayers may deduct the tax paid on the goods and services they themselves acquire, as well as on the goods they import. This **input tax deduction** prevents a cumulative tax effect (taxed purchases and turnover taxation), i.e. net all-phase principle.

This principle is overridden in the case of services that are excluded from tax because the suppliers of such services are not entitled to any input tax deduction *(see special features below)*.

As VAT is intended to be borne by consumers, it is generally passed on to them by inclusion in the retail price or is added separately on the invoice.

8.2.1.2 Special features

The law makes a distinction between **exempt** and **excluded services**. No tax has to be paid for either of these categories. However, there is a difference in terms of the entitlement to the input tax deduction. This entitlement exists only for the acquisition of goods and services that are used to provide services that are exempt (genuine tax exemption).

The following in particular are exempt (right to input tax deduction):

- deliveries of goods that are directly transported or dispatched abroad;
- cross-border transport services;
- services for recipients whose place of business or residence is abroad.

If, in contrast, the goods and services acquired are used to provide services that are excluded from tax, no input tax deduction may be applied on the goods and services in question (non-genuine tax exemption).

Concerned are for example services in the area of healthcare, education, culture, sports, banking and insurance as well as for letting or selling properties.

8.2.1.3 Tax rates

The percentage VAT rates in our neighbouring countries are as follows (as of 1.1.2025):

Germany	19 / 7
France	20 / 10 / 5.5 / 2.1
Austria	20 / 13 / 10 / (13)
Italy	22 / 10 / 5 / 4

Normal rate

The normal rate is **8.1 %**.

Special rate

Accommodation services (overnight stays with breakfast) in the hotel and accommodation business (e.g. letting of holiday apartments) are subject to a rate of **3.8 %**.

Reduced rate

A reduced rate of **2.6 %** applies for certain categories of goods and services, particularly for:

- foodstuffs (except alcoholic beverages) according to the Foodstuffs Act of 20 June 2014 (exception: the normal rate applies for foodstuffs that form part of restaurant services);
- cattle, poultry, fish;
- seeds, living plants, cut flowers;
- grains;
- animal feed and fertilizer;
- medications;
- newspapers, magazines, books and other printed products without advertising character of the kinds to be stipulated by the Federal Council;
- electronic newspapers, magazines and books without advertising character of the kinds to be stipulated by the Federal Council;
- services of radio and television companies (exception: the normal rate applies for services of a commercial nature);
- products for menstrual hygiene.

Taxpayers whose annual turnover does not exceed CHF 5,024,000 and whose tax bill does not exceed CHF 108,000 per year can opt for a simplified tax return. The tax due is calculated by multiplying the total taxable gross turnover (VAT included) by the **net tax rate** for the sector in question.

With the application of such net tax rates, which are always lower than the tax rate according to Art. 25 VATA, there is no need to determine the eligible input tax deductible from the tax on turnover, as it is already taken into account when determining the net tax rate (examples: net tax rate for architects = 6.2 %, for bakeries = 0.6 %).

The net tax rates are used solely to simplify the calculation of the tax due in VAT returns of the FTA. In contrast, the statutory tax rates of 8.1 %, 3.8 % and 2.6 % have to be applied in transactions with the recipients of services.

8.2.1.4 Tax collection

The FTA is responsible for levying and collecting the domestic and acquisition taxes.

In contrast, the Federal Office for Customs and Border Security (FOCBS) is responsible for levying tax on imported items.

8.2.1.5 Earmarking of some receipts

According to the currently applicable constitutional provisions (art. 130 Cst, as well as art. 196 no. 14 Cst transitional provisions), about 20 % of VAT revenue is earmarked for social insurance, major railway projects and health insurance premium reductions, and therefore does not go to the general federal coffers:

- The revenue from one tax percentage point (1 % of the normal rate, 0.5 % of the special rate for accommodation services and 0.3 % of the reduced rate) is earmarked for social insurance.
- The revenue from 0.2 percentage points is used for financing major railway projects.
- 5 % of the remaining amount is used for health insurance premium reductions for lower income groups.

In 2024, the gross tax revenue generated by VAT including interest and fines amounted to approximately CHF 26.9 billion.

8.2.2 Withholding tax

Withholding tax is a **tax withheld at source**, i.e. collected from the tax debtor of the taxable benefits (tax subject), by the Confederation. It is levied on the revenue from moveable capital assets (particularly interest and dividends), on Swiss winnings from gambling as well as from lotteries and skill games for sales promotion and on certain insurance benefits (tax object). A condition for the levy of withholding tax is that the debtor of the taxable benefits is domestic.

Legal basis

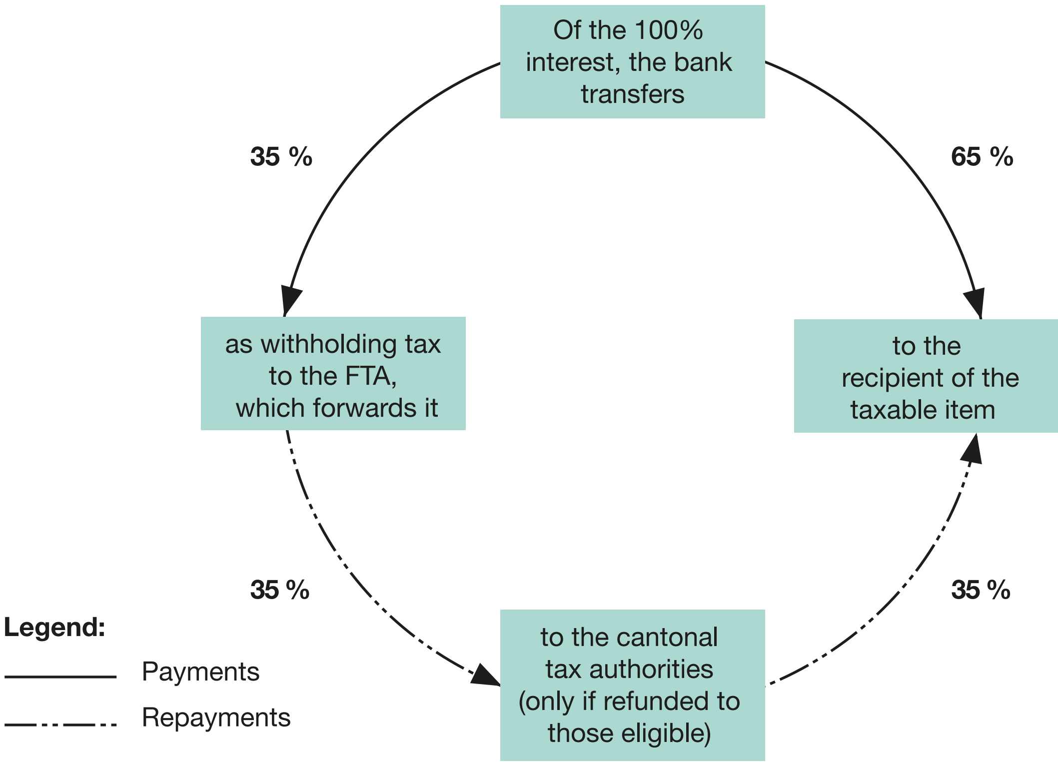
Art. 132 para. 2 Cst

Federal Act on Withholding Tax of 13 October 1965 (WTA)

It aims to prompt the recipients of the taxable benefits to declare to the assessment authorities responsible their earnings and investment income subject to withholding tax, as well as the assets on which taxable profits were generated (so-called **security purpose** of the withholding tax). It is thus primarily a means of combating tax evasion.

Under certain conditions, withholding tax is offset against due cantonal and communal taxes or refunded. Consequently, the tax is not definitively charged to the recipients of the taxable benefits domiciled in Switzerland who fulfil their duty to declare concerning taxes on income and wealth.

By the example of an interest payment for the benefit of a domestic individual, the withholding tax mechanism can be shown as follows:



Withholding tax is an **impersonal tax,** i.e. it is levied without taking into account the economic capacity of the recipient of the taxable benefits.

The tax rate is:

- **35 %** for moveable capital revenue and winnings from gambling as well as from certain lotteries and skill games for sales promotion;
- **15 %** for life annuities and pensions;
- **8 %** for other insurance benefits.

Domestic **debtors** of taxable items (tax subject) are **liable to the tax** (e.g. corporations for distributed dividends, banks for distributed interest or insurance companies for paid out insurance benefits). They have to pay the tax on the taxable item and transfer it **coercively** to its recipient (e.g. accountholder) by subtracting the tax from the benefits. In certain cases, the tax claim can entirely or partially be satisfied by **notification** instead of payment.

In accordance with the principle of **self-assessment**, tax debtors have to spontaneously register with the FTA, submit the required statements and supporting documents by the due date, and at the same time pay the tax owed or submit the notification replacing the payment.

If tax amounts are not paid on time, statutory default interest is payable without a reminder being issued. It amounts to 4.5 % for withholding tax amounts that have become due in the calendar year 2025.

A **refund of withholding tax** is granted, **upon request**, as follows:

- To **individuals resident in Switzerland,** provided they duly declared the assets and the revenue earned on them in the relevant tax return for cantonal and communal taxes. Individuals must submit their claim for offsetting or refund to the tax authority of the canton in which they were resident at the end of the calendar year in which the taxable item became due. They must use a claim form for this purpose, which also serves as a **securities index** for the tax return and must be submitted together with the tax return. The refund of withholding tax to individuals is carried out by the cantons, with the sum to be refunded generally being offset against the cantonal tax debt.
- To **legal entities domiciled in Switzerland,** provided that they duly booked particularly the earnings subject to withholding tax as revenue. Legal entities submit their application to the FTA, which will refund the withholding tax directly to them.

It is also subject to the condition that the applicant had the **right to use** the asset generating the taxable income when the taxable item became due.

The recipients of the taxable item have to apply for a withholding tax refund within the **statutory** and therefore **non-extendable period of three years** from the end of the calendar year in which the taxable item became due.

If the aforementioned requirements are not met, no refund entitlement arises or else an existing entitlement is **forfeited**. Moreover, a refund is inadmissible in all cases where it would lead to tax avoidance.

Taxable item recipients who do not exercise their right to a refund or who forfeit it by breaching their tax duties are not released from the duty to declare the revenue and to pay the direct taxes due on the income and assets concerned. The withholding tax is thus not the compensation for the ordinary tax.

Withholding tax constitutes a final tax burden in principle to **recipients domiciled abroad**. However, persons whose country of domicile has entered into a **DTA** with Switzerland are entitled to a full or partial withholding tax refund, depending on the regulations in the agreement, provided they meet the conditions set out therein.

In certain situations, exhaustively listed by the WTA and the Ordinance on Withholding Tax of 19 December 1966, taxpayers can also entirely or partially fulfil their tax duty by **declaring** the taxable item instead of paying the tax. In this case, there is no corresponding refund procedure. Under certain conditions, the same is valid for recipients domiciled abroad (certain companies) whose state of domicile has signed a DTA with Switzerland.

Gross withholding tax revenue totalled approximately CHF 6.9 billion (including cantons' share of 10 %) in 2024.

8.2.3 Federal stamp duties

Legal basis

Art. 132 para. 1 Cst

Federal Act on Stamp Duties of 27 June 1973 (StA)

Stamp duties are taxes levied by the Confederation on certain legal and capital transactions. The StA regulates three types of stamp duties. The levying of these is linked to the creation of participation rights (issuance duty), securities trading (transfer duty) or premium payments for certain types of insurance (duty on insurance premiums). The expression "stamp duties" is to be understood in a historic context and does not refer (anymore) to documents, their seals or stamps.

8.2.3.1 Issuance duty

Issuance duty is levied primarily on the **emission of domestic participation rights**. It is levied on the gratuitous and non-gratuitous issuance of and increase in the nominal value of participation rights in the form of shares of Swiss joint stock companies, capital contributions of Swiss limited liability companies, shares of Swiss cooperatives, profit sharing certificates of Swiss companies or cooperatives and participation certificates of Swiss companies, cooperatives or commercial enterprises under public law.

The issuance duty is **1 %** of the amount that accrues to the company or cooperative as consideration for the participation rights, but at least of the nominal value. Upon the foundation or capital increase of a company, an exemption limit of CHF 1 million generally applies for the non-gratuitous issuance of participation rights. In the case of participation rights, Swiss corporations or cooperatives (tax subject) are liable for payment of the tax.

Participation rights created or increased in association with mergers, conversions or splits of corporations or cooperatives and the transfer of a foreign company's headquarters to Switzerland are exempt from the issuance duty. To strengthen the stability in the finance sector, certain stock and conversion capital has been exempt from issuance duty.

The gross issuance duty revenue was approximately CHF 229 million in 2024.

8.2.3.2 Transfer duty

Transfer duty is levied on **purchases and sales** or similar paid property transfers of Swiss and foreign **securities** by domestic securities dealers.

Among others, the following **taxable documents**, issued by a national resident, are charged by the transfer duty: domestic and foreign obligations and shares, capital contributions of limited liability companies and shares of cooperatives, domestic and foreign profit sharing certificates and participation certificates as well as parts in collective investment schemes.

The duty amounts to:

- 1,5‰ for domestic securities; and
- 3‰ for foreign securities.

The tax is calculated based on the consideration, i.e. on the price paid for the purchase or sale of a security.

The gross transfer duty revenue was approximately CHF 1.33 billion in 2024.

In order to keep the Swiss financial centre attractive despite the internationalisation of securities trading and the growing competition from foreign stock exchanges, the provisions concerning the object as well as the exceptions and exemptions of the duty have already been revised several times.

In particular, the following transactions are **exempt from the duty:**

- the issuing business (with the exception of foreign fund units);[10]
- the contribution in kind of certificates for the payment in full of participation rights;
- trading in subscription rights and options;
- trading in money market papers;
- transactions for the trading portfolio of a professional securities dealer;
- trading on behalf of Swiss and foreign investment funds.

The **Swiss securities dealer** involved in the taxable transaction as an intermediary or contracting party is **liable for the tax**. Aside from banks, bank-like finance companies in terms of the Federal Act on Banks and savings banks of 8 November 1934, also the Swiss National Bank as well as investment advisors and asset managers are, among others, considered as securities dealers.
In addition, Swiss occupational institutions (e.g. pension funds) and restricted financial security institutions, Swiss public bodies

[10] Thereby, an accumulation of issuance and transfer duty can be avoided.

(Confederation, cantons and political communes and their entities) which show more than CHF 10 million of taxable certificates in their balance sheet respectively in their statement of account as well as Swiss social security institutions (e.g. AHV compensation fund) are deemed to be securities dealers.

In order to counteract the emigration of institutional investors' transactions to foreign stock exchanges, certain **investors** are **exempt** from the transfer duty.

In the event of intermediation, the securities dealer has to pay half of the tax for each contracting party that does not provide the dealer with proof of being a registered securities dealer or an exempt investor.

If a Swiss securities dealer acts on his or her own behalf within the framework of his or her own investment portfolio, he or she has to pay half of the tax for him- or herself as contracting party and another half for the counterparty, unless the latter provides proof of being a registered securities dealer or an exempt investor.

8.2.3.3 Duty on insurance premiums

This duty is due mainly on **premium payments** for single-premium redeemable life insurance with a single premium taken out by residents, for civil liability, fire, collision and household contents insurance.

The duty is calculated on the basis of the insurance premium and generally amounts to **5 %**. This does not apply for single-premium redeemable life insurance policies, which are subject to a rate of **2.5 %**.

Swiss insurers are generally liable for payment of the duty. If an insurance policy is taken out with a foreign insurer, the domestic policyholder is responsible for paying the duty.

Particularly personal insurance policies such as life insurance with periodic premium payments and health, accident, disability and unemployment insurance are exempt from the duty.

The gross revenue from the duty on insurance premiums was approximately CHF 834 million in 2024.

8.2.3.4 Tax collection

For all federal stamp duties, the person liable for paying the duty has to spontaneously register with the FTA once the claim is due, submit the prescribed statements and supporting documents and, at the same time, pay the duty owed (principle of self-assessment).

If duty amounts are not paid on time, statutory default interest is payable without a reminder being issued. The interest rate amounts to 4.5 % for stamp duties that have become due in the calendar year 2025.

The law neither prescribes nor prohibits the passing on of stamp duties. Those liable are thus free to choose whether they bear the duties themselves or charge others (e.g. insurance policyholder). But in practice, the duties are generally passed on.

8.2.4 Special consumption taxes

The Confederation's special consumption taxes include tobacco tax, beer tax, mineral oil tax, automobile tax and the tax on spirits.

8.2.4.1 Tobacco tax

This tax is levied on ready-to-use tobacco and substitute products manufactured in Switzerland for commercial purposes, as well as imported tobacco and substitute products.

Legal basis

Art. 131 para. 1 lit. a Cst

Federal Act on Tobacco Taxation of 21 March 1969 (TTA)

Ordinance on Tobacco Taxation of 14 October 2009 (TTO)

Liable to tax are the producers of ready-to-use products manufactured in Switzerland or the customs debtors in the case of imported products.

The **rates** are as follows:

- For **cigarettes**, the tax is calculated per unit and as a percentage of the retail price. It is 11.832 centimes per unit and 25 % of the retail price, but no less than 21.210 centimes per unit.
- For **cigars** and **cigarillos**, the duty is 0.76 centimes per unit and 1 % of the retail price.
- For **fine-cut and water pipe tobacco**, the duty is CHF 46 per kg plus 25 % of the retail price, but at least CHF 90 per kg net weight.
- For **smoking tobacco other than fine-cut tobacco**, the duty is 16 % of the retail price.
- For **chewing tobacco and snuff**, the duty is 10 % of the retail price.
- For **nicotine-containing products** that can be consumed using **refillable electronic cigarettes**, the tax is 20 centimes per milliliter.
- For products that can be consumed using **disposable electronic cigarettes**, the tax is CHF 1 per milliliter.

For a packet of cigarettes sold at CHF 9.20, the total tax amount is CHF 5.408, comprised of CHF 4.667 in tobacco tax, CHF 0.689 in VAT (8.1 % of the selling price) and various other taxes (CHF 0.052).

The duty is levied by the FOCBS, according to the principle of self-assessment for goods produced in Switzerland and according to the applicable regulations for customs duties in the case of imported products.

The total tobacco tax receipts (approximately CHF 1.95 billion in 2024) are mandatorily earmarked for **co-financing AHV/IV**.

8.2.4.2 Beer tax

Legal basis

Art. 131 para. 1 lit. c Cst

Federal Act on Beer Tax of 6 October 2006 (BTA)

Ordinance on Beer Tax of 15 June 2007 (BTO)

Liable to tax are the producers (breweries) for beer produced in the customs territory and the customs debtors in the case of imported beer.

Beer tax is calculated per hectolitre and on the basis of the gravity of the wort, expressed in degrees Plato.

The tax amounts to:

- CHF 16.88 per hectolitre for **light beer** (up to 10.0 degrees Plato);
- CHF 25.32 per hectolitre for **normal** and **special beer** (from 10.1 to 14.0 degrees Plato);
- CHF 33.76 per hectolitre for **strong beer** (14.1 degrees Plato or more).

No tax is levied on beer with an alcohol content of 0.5 % alcohol by volume (ABV) or less (non-alcoholic beer).

The tax is **reduced** as follows for beer brewed by independent producers whose annual production is less than 55,000 hectolitres:

- to 90 % in the case of annual production of 45,000 hectolitres;
- to 80 % in the case of annual production of 35,000 hectolitres;
- to 70 % in the case of annual production of 25,000 hectolitres;
- to 60 % in the case of annual production of 15,000 hectolitres or less.

The tax is levied by the FOCBS, according to the principle of self-assessment for beer produced in Switzerland and according to the applicable regulations for customs duties in the case of imported beer. The tax revenue amounted to approximately CHF 109 million in 2024.

8.2.4.3 Mineral oil tax

Legal basis

Art. 131 para. 1 lit. e and para. 2 Cst

Mineral Oil Tax Act of 21 June 1996 (MinOTA)

The mineral oil tax is a special consumption tax and includes:

- a mineral oil tax on crude oil, other mineral oils, natural gas, the products obtained from the processing thereof and motor fuel;
- a mineral oil surtax on motor fuel.

The tax liability is at the trade level, with the tax being passed on to consumers via the product price. The amount of the mineral oil tax varies according to the product and its use (motor fuel, combustible, technical purposes). The **tax burden** per litre is currently:

- 76.82 centimes on **petrol** (including mineral oil surtax of 31.52 centimes per litre);
- 79.57 centimes on **diesel** (including mineral oil surtax of 31.46 centimes per litre);
- 0.3 centimes on **extra-light heating oil.**[11]

Tax reductions are provided for in the case of motor fuel used in agriculture, forestry and professional fishing, as well as by licensed transport companies, for example.

Tax reductions are also being granted for natural and liquid gas as well as renewable fuel, provided the ecological and social requirements set by the Federal Council are met.

In 2024, consumers had to bear a burden of approximately CHF 4.32 billion, i.e. CHF 2.61 billion in mineral oil tax and CHF 1.71 billion in mineral oil surtax. With part of the net revenue from mineral oil tax on fuel, the Confederation partially finances its expenditures associated with road transport and aviation (approximately CHF 3.01 billion). The remainder of the net revenue (approximately CHF 1.31 billion) is intended for general federal budget expenses.

8.2.4.4 Automobile tax

The FOCBS levies a tax of 4 % on the value of imported or domestically manufactured automobiles.

For the purposes of the law, automobiles are light commercial vehicles with a unit weight of no more than 1,600 kg, as well as passenger vehicles. Due to the insignificance of domestic production, the receipts (approximately CHF 460 million in 2024) are almost exclusively generated upon importation. Among others, vehicles subject to the heavy vehicle charge or vehicles for people with disabilities are tax exempt.

A special feature of automobile tax is that, unlike customs duties and other special consumption taxes, it is levied also in the customs enclave of Samnaun.

Legal basis

Art. 131 para. 1 lit. d Cst

Vehicle Duty Act of 21 June 1996 (VDA)

Vehicle Duty Ordonnance of 20 November 1996 (VDO)

The automobile tax replaced the former customs duties of a tax nature on automobiles and their parts.

[11] Extra-light heating oil is additionally subject to a CO_2 tax of 31.80 centimes per litre.

8.2.4.5 Spirit tax

Legal basis

Art. 131 para. 1 lit. b Cst

Federal Act on Alcohol of 21 June 1932 (AlcA)

Ordonnance on Alcohol of 15 September 2017 (AlcO)

Spirit tax is levied on distilled beverages, regardless of whether they are produced in Switzerland or imported. The tax is levied by the FOCBS. Domestically produced spirits are subject to self-assessment, while imported goods are subject to customs regulations.

All spirits produced in Switzerland or imported into Switzerland are taxed at a **uniform tax rate**. The tax is **CHF 29 per litre** of pure alcohol. It is reduced by 50 % for:

- wines made from fruits, berries or other raw materials with an alcohol content of between 15 % and 22 % ABV, as well as natural wines made from fresh grapes with an alcohol content of between 18 % and 22 % ABV;
- wine specialities, sweet wines and mistelles with an alcohol content of no more than 22 % ABV;
- vermouth and other wines made from fresh grapes flavoured with plants or aromatic substances with a maximum alcohol content of 22 % ABV.

A special tax of CHF 116 per liter of pure alcohol is levied on alcopops. Alcopops are sweet alcoholic beverages that are primarily aimed at young consumers. Various criteria are taken into account for the application of the special tax.

Commercial producers with tax warehouses in Switzerland can store domestic and imported spirits under tax suspension. The spirit tax is only payable when the spirits are removed from the tax warehouse and not when they are produced or imported.

Domestic farmers are entitled to use a limited quantity of spirits for their own use free of tax. In principle, only the raw materials listed exhaustively in the AlkA may be used in the production of distilled spirits. Sales and transfers must always be taxed.

In order to preserve the tradition of small-scale spirits production in Switzerland, domestic small-scale producers receive a tax concession of 30 % on the first 30 liters of pure alcohol per year, provided that the raw materials used to produce the distilled spirits are exclusively home-grown or wild plants collected by the producer.

The net revenue from spirit tax was approximately CHF 254 million in 2024. 90 % is attributed to social security (AHV and IV). The remaining 10 % is attributed to the cantons and has to be used to combat the causes and effects of addiction problems (“alcohol tenth”).

8.3 Customs duties

8.3.1 General

Legal basis

Art. 133 Cst

Customs Act of 18 March 2005 (CustA)

Customs Tariff Act of 9 October 1986 (CTA)

In the case of customs duties, the taxable event consists of crossing the customs border with goods. A customs debt also arises when goods are not used and are instead re-exported, for example. In terms of tax law, customs duties are thus an **economic transaction tax**.

According to art. 133 Cst, the Confederation can levy customs duties and other duties on the cross-border movement of goods. The specifics are set out in the customs tariff (appendix to the CTA).

The rates are almost exclusively **based on weight** (e.g. CHF X per 100 kg gross).

The revenue from customs duties goes into the federal coffers and amounted to approximately CHF 738 million in 2024.

8.3.2 Import duties

8.3.2.1 Working tariff

The **tariff schedule** is based on the appendix to the International Convention on the Harmonised Commodity Description and Coding System.

The customs tariff with its some 7,500 tariff numbers contains the general tariff rates, which – with a few exceptions – are specified in the General Agreement on Tariffs and Trade of 30 October 1947 (GATT). With the entry into force of the Agreement establishing the World Trade Organization (WTO), for Switzerland on 1 July 1995, the customs duty rates constitute the most important form of border protection for agricultural products, as most of the border duties were converted into customs duties.

The GATT is a multilateral free trade agreement signed in 1947 by 23 states in order to harmonise their customs policy and reduce trade barriers. Switzerland joined in 1966. Even though it was formally not an international organization, it was still the only body to regulate world trade, until the WTO was founded in 1995.

The working tariff rates used in practice stem from deviations from the general tariff set independently or in state treaties. The working tariff is published by the FOCBS (electronic customs tariff “Tares”).

8.3.2.2 Tariff preferences

Switzerland has entered into **free trade agreements** with various states and groups of states, for example the EFTA convention or the free trade agreement between Switzerland and the EU. For an exhaustive list see the Website www.seco.admin.ch → Foreign trade & Economic Cooperation → Economic Relations → Free Trade Agreements → Free trade partners of Switzerland.

Within the framework of the Generalized System of Preferences, preferential tariffs are also granted unilaterally to developing countries.

A product can enjoy a preferential rate (customs duty exemption or reduction) only if it fulfils the contractual origin provisions of the corresponding Free trade agreement respectively the regulations of the Ordinance of rules of origin and a valid certificate of origin is supplied.

8.3.2.3 Variable components

To offset the Swiss food industry's price disadvantage on the domestic market, which lies in the fact that the Swiss industry has to produce with more expensive primary materials and labour force than foreign competitors, variable components are levied upon the import of certain processed agricultural products. By levying these variable components, the prices of imported goods are raised to the Swiss level.

8.3.2.4 Revocation of the industrial tariffs

In 2021, the Parliament decided an amendment of the CTA in order to eliminate the industrial tariffs and to simplify the tariff structure in this area. The amendment entered into force on 1 January 2024. The agricultural tariffs stay unchanged.

8.4 Motorway tax (motorway tax sticker)

When it was introduced in 1985, the motorway tax was levied in the form of a sticker with a flat rate of CHF 30. Within Switzerland, the cantons were responsible for levying this tax, while the FOCBS was responsible for levying it at the border and abroad.

In February 1994, the people and the cantons clearly approved the definitive anchoring of the constitutional article and the increase of the annual motorway tax sticker to CHF 40.

The Cst regulates only the basic principles regarding the levying of the motorway tax by means of the sticker. Detailed provisions can be found in the VignettA and VignettO. Since August 1, 2023, users have had the choice between the modern electronic form (e-sticker) or the classic adhesive sticker.

The tax must be paid for motor vehicles and trailers that are registered in Switzerland or abroad and that are used on first- and second-class motorways that are subject to the tax. However, it does not have to be paid for vehicles that are subject to the heavy vehicle charge under the Federal Act on the Mileage-related Heavy Vehicle Charge of 19 December 1997 (HVCA; cf. Art. 3 of the VignettA).

In 2024, the motorway tax sticker generated net revenue of approximately CHF 365 million. The Confederation uses this net revenue from the motorway tax to finance the tasks and costs associated with road transport, in particular for the construction, maintenance and operation of motorways (Art. 86 para. 3 Cst).

Legal basis

Art. 85a and Art. 86 Cst

Federal Act on the Charge for using National Highways of 19 March 2010 (VignettA)

Ordinance on the Charge for using National Highways of 16 June 2023 (VignettO)

9 Cantonal and communal taxes

Legal basis

26 cantonal tax laws, various communal regulations

Federal Act on the Harmonisation of Direct Taxation at Cantonal and Communal Levels of 14 December 1990 (DTHA; see also the section on tax harmonisation in *chapter 7.4*)

As already mentioned earlier, the **cantons** are empowered to levy any type of tax that the Confederation does not claim solely for itself.

Direct taxes	Property and expenditure taxes
Income and wealth taxes	Motor vehicle tax
Poll or household tax	Dog tax
Profit and capital taxes	Entertainment tax
Inheritance and gift taxes	Cantonal stamp duty
Gambling winnings tax	Lottery tax
Property gains tax	Water tax
Real estate tax	Miscellaneous
Real estate transfer tax	
Cantonal casino tax	
Miscellaneous	

By contrast, the **communes** may levy taxes only to the extent authorised by the cantons (delegated fiscal sovereignty). Frequently, the communes levy their taxes in the form of supplements to the cantonal tax (communal tax coefficient), or else they get a share of the cantonal tax revenue.

The city of Basel does not levy any communal tax, as solely the canton has the right to levy taxes and as the communal tax is already included in the cantonal tax. However, the communes of Bettingen and Riehen levy communal taxes as a supplement to the cantonal taxes on income, wealth and property gains. The cantonal share amounts to 50 %. Therefore, the communes have the possibility to fix the tax coefficient autonomously within the scope of the communal tax ratio of 50 %. Thus, the canton levies only 50 % of the cantonal taxes on the income, wealth and property gains of the inhabitants of the two communes (cantonal tax ratio). In addition, since 1 January 2020, the canton levies the communal taxes of the commune of Bettingen. The commune of Riehen continues to levy its own communal taxes.

The taxes levied by the communes are stated in communal regulations in some cantons, whereas they are set out in cantonal laws in other cantons.

In the canton of Uri, separate tax rates are set out in the law on direct taxes for the canton, communes and parishes. Moreover, these three tax jurisdictions set the tax coefficient annually.

In the canton of Schwyz, aside from the communes, also the districts possess their own tax jurisdiction and thus have their own annual tax coefficient.

In the majority of the cantons, the **parishes** of the national churches (Protestant, Roman Catholic and, if represented, Christian Catholic) levy a church tax on their members and usually also on the legal entities subject to tax in the canton.

The canton of Vaud does not have a church tax. Religious expenditure is included in the cantonal budget.

In the canton of Valais, where these costs are included in the communal budget, church tax is levied only in some communes.

The payment of this tax is optional for individuals in the cantons of Ticino, Neuchâtel and Geneva.

The payment of church tax is optional for legal entities in the cantons of Ticino and Neuchâtel. The cantons of Basel Stadt, Schaffhausen, Appenzell Ausserrhoden, St. Gallen, Aargau and Geneva do not impose any such tax on them.

The high number of taxes levied in Switzerland and the overlap of tax jurisdictions can appear surprising at first glance. In an international comparison, however, Switzerland does not stand out at all for the numerous taxes levied. What distinguishes it, due to the federalism, is the **absence of a uniform legislative regime**, particularly for the direct taxes. The DTHA only contains principles concerning taxation and procedure.

9.1 Taxes on income and assets as well as other direct taxes

9.1.1 Preliminary remarks

Income and wealth taxes are **periodic (recurrent) taxes**. Consequently, the levying of them necessarily requires a temporal restriction. The time period for which the tax is due is governed by the **tax period**. The **assessment period** (period in which the income underlying the tax return is earned) is decisive for calculating and assessing the taxes. The value on a specific **reference date** (31.12.) is decisive for assessing wealth.

All cantons assess taxes according to the **postnumerando system** with one-year current assessment, whereby the **income actually earned** is taken into account. The assessment period is identical to the tax period (tax year).

In general, these taxes are assessed **annually** based on a **tax return** that taxpayers have to complete and submit to the tax administration.

The applicable tax rate consists of two components in most cantons, i.e. the simple **tax rate** set by law and the **tax coefficient** set periodically.

These cantons' tax laws contain only the **basic tax scale**, i.e. the simple rates. The resultant tax is the "simple cantonal tax". The cantonal or communal tax actually due results from multiplying this simple tax by the tax coefficient. The latter is a ratio and is generally reset annually by the legislative body.

In the case of income and wealth taxes for individuals, the communes generally apply the same assessment basis and the same scales as the canton.

The communes levy these taxes as a multiple (expressed in absolute figures or percent) of the cantonal basic tax scale, i.e. the simple cantonal tax, or as a multiple of the cantonal tax actually due.

With a few exceptions, this system applies also for communal profit and capital taxes for legal entities.

9.1.2 Income tax for individuals

All cantons and communes currently apply a system consisting of a general income tax and a supplementary wealth tax. These income taxes are similar in structure to dft for individuals.

Total income is generally taxed in all cantons, i.e. no distinction is made between the individual components or their source.[12] Individuals therefore have to pay tax on all revenues, in particular on their earned income from self-employment and salaried employment (from both their main and secondary occupations), their income from pension schemes, their revenue from movable and immovable property and any other income.

The Swiss system for the taxation of married couples is based on the principle of **household taxation** *(see chapter 8.1.1.1)*. This means that the **income** of married couples living together is **aggregated**, and the income of minors is generally added to the income of the person holding parental custody as well. However, an exception is made for the employment income of minors, which is subject to an independent tax liability.

In all cantons, **expenses incurred in order to earn the income** (e.g. professional expenses or extraction costs) are **deductible** from the total gross income determined in this way.

Furthermore, **general deductions** (deductions for insurance contributions, AHV/IV/EO/ALV premiums and contributions, contributions to occupational and tied individual pension funds, deduction in the event of both spouses earning an income, as well as private debt interest up to a certain amount, etc.) and **social deductions** (for married couples, for single parent families, for children and persons in need of support, etc.) are permitted. The amount of these deductions as well as the granting of additional deductions vary considerably from canton to canton.

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[12] The partial taxation of dividends is an exception to this rule.

The income tax scales are **progressive**[13] in almost all cantons, i.e. the tax rate increases as income increases, up to a certain limit. Poignancy and effect of the progressiveness of the scales vary from one canton to the next.

All cantons take account of the **family situation** by making provision for special relief measures instead of or in addition to the deduction for married couples for spouses and equivalent taxpayers, e.g. single parent families, registered partnerships *(see Appendix II)*.

9.1.2.1 Taxation at source

All cantons tax at source the earned income of foreign citizens without a residence permit (C permit) who, however, have their domicile or residence in Switzerland for tax purposes, and of certain employees living abroad (withholding tax).[14]

The employer is obliged to deduct the tax due from the salary and to deliver this to the tax authority. The sum deducted covers the income taxes of the Confederation (dft), cantons and communes (including any church tax).

9.1.2.2 Expenditure-based taxation

In most cantons, individuals without Swiss citizenship who take up domicile or residence in Switzerland for tax purposes for the first time or following an absence of at least ten years and who do not exercise any gainful activity here can pay expenditure-based tax instead of income tax (art. 14 DFTA and Art. 6 DTHA). The taxpayer stating a claim for expenditure-based taxation has to submit the designated tax return and has to prove that the requirements therefore are met.

In the canton of Basel Landschaft, expenditure-based taxation is now possible only in the year of arrival in the canton and only until the end of the tax period under way. In the cantons of Zurich, Basel Stadt, Schaffhausen and Appenzell Ausserrhoden the expenditure-based taxation was abolished.

In some cantons, taxes on income as well as on wealth can be calculated according to expenditure-based taxation, instead of the ordinary taxes with submission of a tax return. This tax is generally calculated on the basis of the annual expenditure of taxpayers and their families. However, it may not be lower than the taxes calculated according to the ordinary scale on the income and wealth components of Swiss origin, as well as the income of foreign origin for which the taxpayer requests a partial or full remission of the foreign taxes by applying one of the DTAs concluded by Switzerland.

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[13] In the cantons of Uri and Obwalden, the income tax scale is proportional (flat-rate tax).
The canton of Basel Stadt has an "almost" flat rate tax with two tax brackets.

[14] In the canton of Geneva, the income of minors is also taxed at source irrespective of their nationality.

9.1.3 Poll or household tax

In the cantons of Zurich, Lucerne, Uri[15], Nidwalden, Solothurn, Schaffhausen, Ticino, Vaud, Valais and Geneva, this fixed cantonal and/or communal tax has to be paid by (all) adults or the working population. It is levied in addition to income tax. The rates are low.

In the cantons of Vaud and Valais, only the communes are authorised, but not obliged, to levy this tax (optional communal tax).

9.1.4 Wealth tax for individuals

The cantons and communes levy a tax on the assets of individuals. This is assessed annually at the same time as income tax (only one tax return). A specific reference date is set for wealth tax.

In general, the **total assets** are subject to wealth tax. Total assets include all of the property and rights of which the taxpayer is the owner or holder of a usufruct. They are usually assessed at market value.

Taxable assets include in particular movable assets (e.g. securities, bank deposits, car) and immovable assets (e.g. real estate), redeemable life and annuity insurance, and assets invested in a business or farm.

Household goods and personal effects are not taxed.

The **assessment basis** for wealth tax is **net assets**, i.e. gross assets minus the taxpayer's documented debt.

Furthermore, **social deductions** that vary from canton to canton are also granted on net assets. Certain cantons do not provide for any social deductions and instead have a **tax-free minimum** that can be fairly high and that varies from canton to canton.

Most of the scales for wealth tax are **progressive**. The cantons of Lucerne, Uri, Schwyz, Obwalden, Nidwalden, Glarus, Appenzell Innerrhoden, St. Gallen and Thurgau have fixed tax rates (proportional tax). The canton of Appenzell Ausserrhoden taxes wealth according to a two-stage rate, the canton of Basel Landschaft according to a three-stage rate.

Taking account of the deductions granted and the tax-free minimums, wealth tax liability starts at very different levels depending on the canton (in 2024, the amounts went from net assets of CHF 51,000 to CHF 402,000 for a married taxpayer without children).

In the case of foreign nationals with expenditure-based taxation, the cantons determine the extent to which that covers wealth tax.

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[15] The tax is levied by the communes and parishes.

9.1.5 Profit and capital taxes for legal entities

Like for dft, the principle applicable for cantonal and communal taxes is that legal entities have to pay taxes where they are headquartered or effectively managed or are deemed to have economic affiliation based on certain facts.

Nearly all cantons and communes provide for a net profit tax as well as a tax on paid-up share capital and reserves for corporations and cooperatives.

In the canton of Uri in contrast, legal entities are not subject to a cantonal tax on capital but to a communal tax.

Legal entities are not subject to any communal tax in the canton of Basel Stadt.

The tax is assessed for each tax period, which corresponds to the **business year**.

The tax on net profit is most commonly proportional (fixed tax rate). The rates are expressed in percent and are sometimes based on the earnings intensity or return (ratio of profits to capital and reserves):

- **proportional tax:** Zurich, Lucerne, Uri, Schwyz, Obwalden, Nidwalden, Glarus, Zug, Fribourg, Solothurn, Basel Stadt, Basel Landschaft, Appenzell Ausserrhoden, Appenzell Innerrhoden, St. Gallen, Graubünden, Aargau, Thurgau, Ticino, Geneva and Jura;
- **mixed system** with a combination of several rates depending on earnings intensity or the amount of profits: Bern, Schaffhausen, Vaud, Valais and Neuchâtel.

Expressed in parts per thousand, the **tax on capital** is **proportional** in almost all cantons. However, the scale is slightly progressive (double tax rate) in the cantons of Graubünden and Valais.

The cantons have the option of **offsetting profit tax against capital tax** (art. 30 para. 2 DTHA). Therefore, the taxpayers pay only the amount of the higher of the two taxes.

Corporations or cooperatives that have a stake of at least 10 % in the share capital or in the profits and reserves of other companies, or which have an interest in such capital with a market value of at least CHF 1 million, benefit from a tax reduction based on the relationship between the net revenue from these financial interests and total net profit. This **participation deduction** is granted in order to prevent multiple taxation by profit tax.

The TRAF was approved in the referendum of 19 May 2019. This came into force on 1 January 2020 and includes, among other things, the abolition of the arrangements for cantonal status companies (holding companies and management companies), which are no longer accepted internationally.

The cantons may extend the reduction to capital gains from participations as well as to proceeds from associated subscription rights if the participation sold amounted to at least 10 % of the share capital of another company or constituted a claim to at least 10 % of the profits and reserves of another company and was held by the corporation or cooperative for at least one year.

Concerning equity capital that is allotted to certain rights or loans, the cantons can provide for a tax reduction (art. 29 para. 3 DTHA).

The cantons can make provision in their legislation for the granting of tax relief in the form of temporary total or partial tax exemption for a maximum of ten years to **newly created companies** that serve the economic interests of the canton.

In the case of the other legal entities (associations, foundations, etc.), the profit tax procedure is generally the same as for corporations, but other scales may be applicable.

All cantons tax the capital of these entities. They usually use a different scale or different tax rates for legal entities than for individuals.

9.1.5.1 Minimal tax and minimum tax amount

In order to ensure that so-called non-profit companies of economic significance are also captured for tax purposes, some cantons subject these legal entities to a **minimal tax** which is applied instead of ordinary profit and/or capital taxes if it exceeds those taxes. As an impersonal tax, it is calculated on the basis of substitute factors, generally landed property, but also turnover or invested capital.

Many cantons have a **minimum tax amount** as well, or instead of the minimal tax only a minimum tax amount. It is not calculated on the basis of substitute factors, and is instead levied as a set amount defined by law if the (ordinary) tax payment falls below this amount (between CHF 50 and 900 per year, depending on the canton).

The Confederation and the cantons of Zurich, Bern, Glarus, Neuchâtel, Geneva and Jura have neither a minimal tax nor a minimum tax amount.

9.1.6 Inheritance and gift taxes

Subject to inheritance tax is the **transfer of assets** to the statutory and designated heirs and to legatees.

Inter vivos gifts are subject to gift tax, with the definition of "gift" under civil law generally being applied.

Inheritance and gift taxes are levied only by the cantons and not by the Confederation. In a few cantons, the communes are also authorised to levy inheritance and gift taxes, but most of them do not levy the taxes themselves and instead merely take a share of the cantonal tax revenue.

In the canton of Zug, the tax is levied by the canton but the revenue goes to the communes. The communes have their own fiscal sovereignty in the canton of Graubünden.

Although almost all cantons levy both inheritance and gift taxes, the canton of Lucerne does not tax gifts. However, gifts made during the five years preceding the death of a decedent are included in the calculation of inheritance tax.

The cantons of Schwyz and Obwalden levy neither inheritance nor gift taxes.

In general, the **canton of the decedent's last place of residence** is entitled to levy inheritance tax on **movable assets**.

Inherited **real estate** is to be taxed in the **canton where it is located.**

The tax on gifts of movable assets is levied by the **canton where the donor is resident** at the time of the gift being given. The gift tax on immovable property is levied again by the canton where the property is located.

Inheritance tax is almost entirely structured as a **hereditary succession tax**. As such, it is levied individually on the inheritance share of each heir or legatee.

The canton of Solothurn levies an **estate tax** on the entire undivided estate left behind by the deceased in addition to hereditary succession tax.

In general, the recipients of an inheritance or gift are **liable to tax** in all cantons. These are **heirs** and **legatees** in the case of inheritance tax, and **donees** in the case of gift tax.

Inheritance and gift taxes are **one-off taxes**. In the case of inheritance, it is generally calculated on the basis of the value of the assets at the time of the decedent's death. The value of the gift at the time of asset transfer is decisive for gift tax.

In principle, the market value is decisive for calculating both taxes. Deviations from this principle apply in certain cantons in particular for securities, real estate and insurance benefits.

Tax exemptions, personal deductions and tax-free amounts are regulated differently in the individual cantons. However, the **surviving spouse** or **registered partner** is exempt from tax in all cantons.

Direct descendants are exempt from tax in most cantons, with the exception of Appenzell Innerrhoden (deduction of CHF 300,000), Vaud (tax-free amount of CHF 1 million, followed by a degressive deduction up to CHF 2 million) and Neuchâtel (deduction of CHF 50,000 for the inheritance tax). Only the communes can levy tax on the inheritance of direct descendants in the canton of Lucerne (tax-free limit of CHF 100,000).

Direct ascendants (depending on the canton only the parents, stepparents or adoptive parents) are exempt from tax in the cantons of Uri, Nidwalden, Zug, Fribourg, Solothurn, Basel Landschaft, Appenzell Ausserrhoden, Graubünden, Aargau, Ticino, Valais and Geneva. They are taxed in all other cantons, although most of them make provision for personal deductions (tax-free amounts).

In the canton of Geneva, exemption from inheritance and gift tax is not permitted if the decedent (or the donor) was subject to expenditure-based taxation according to one of the last three definitive assessment decisions before the time of death (or at the time of the gift).

The **tax scales** for inheritance and gift taxes are structured very differently in the various cantons. However, they are identical for both taxes in most cantons and are progressive in almost all cases. The tax burden generally depends on the degree of kinship and/or the amount of the assets. The cantons of Uri, Nidwalden, Appenzell Ausserrhoden, Appenzell Innerrhoden and St. Gallen apply linear tax rates depending on the degree of kinship.

The assessment of inheritance tax is mostly based on an **inventory of the estate** that has to be prepared upon the death of the decedent.

Gift tax is assessed on the basis of a **tax return**, which has to be submitted by the donee in most cantons.

9.1.7 Tax on winnings from gambling as well as from lotteries and skill games for sales promotion

Winnings from gambling as well as from lotteries and skill games for sales promotion are taxed in all cantons. Winnings from gambling in Swiss casinos *(see chapter 8.1.2)* as well as winnings from small games of chance are exempt from tax in all cantons.

In the cantons of Schwyz, Ticino, Valais and Jura, these winnings are being taxed separately from all other income with a **special rate** or **special scale**. In the cantons of Bern and Neuchâtel, lottery winnings are being assessed together with all other income, but taxed separately with a separate scale.

In all other cantons, in contrast, such winnings are subject to **ordinary income tax** together with the other income.

However, the cantons tax these winnings only if they exceed a certain amount.

9.1.8 Capital gains on movable private assets

Gains on the **sale of movable private assets** (securities, works of art, etc.) are **tax-free** both on the federal and cantonal level.

9.1.9 Property gains tax

At **federal level**, gains on the sale of **real estate** under **private assets** are explicitly **tax-free**. Only capital gains realised on the sale of real estate under business assets (part of the assets of a self-employed person or a legal entity) or derived from commercial trading in immovable property are subject to dft.

In contrast, all cantons tax property gains realized by the taxpayer on the sale of real estate. In some of the cantons (Zurich, Bern, Uri, Schwyz, Nidwalden, Basel Stadt, Basel Landschaft, Ticino and Jura), all of these property gains are subject to an **extraordinary tax** called "property gains tax" that is levied on the gains of individuals as well as those of legal entities. This is an exclusive tax, i.e. the gains are covered exclusively by this tax and are not burdened in any other way (unitary system).

In the other cantons (Lucerne, Obwalden, Glarus, Zug, Fribourg, Solothurn, Schaffhausen, Appenzell Ausserrhoden, Appenzell Innerrhoden, St. Gallen, Graubünden, Aargau, Thurgau, Vaud, Valais, Neuchâtel and Geneva), only property gains on the sale of individuals' **private assets** are subject to this extraordinary tax. In contrast, capital gains realized on the sale of real estate under **business assets** (self-employed persons or legal entities) or derived from commercial trading in immovable property (gains generated by real estate traders in the course of their business) are generally covered by **ordinary income or profit tax** and are added to the other income/profits (dual system).

In most cantons, the tax is levied exclusively by the canton. In the cantons of Lucerne, Obwalden, Fribourg, Basel Stadt, Schaffhausen, Graubünden and Jura, it is levied by both the canton and the communes. In the cantons of Zurich and Zug, only the communes levy such a tax in accordance with the regulations in the cantonal tax law.

Where property gains tax is levied exclusively by the canton, the communes generally get a share of the cantonal tax revenue in one form or another.

9.1.10 Real estate tax

Aside from wealth and capital taxes, more than half of the cantons also levy a **tax on real estate**.

This periodic real estate tax (also called property tax) is assessed and levied annually. It is generally assessed and calculated on the basis of the decisive tax value at the end of the tax period. It is primarily a communal tax. Where it is a cantonal tax, the communes generally get a considerable share of its revenue.

All of the communes in the cantons of St. Gallen, Ticino, Valais and Jura levy a communal tax on the real estate of individuals and legal entities located in the canton, whereas the communes in the cantons of Bern, Obwalden, Fribourg, Appenzell Innerrhoden, Graubünden and Vaud are authorised but not obliged to levy such a tax (optional communal tax).

Real estate tax is levied solely by the canton in the cantons of Thurgau and Geneva (no communal tax).

The cantons of Ticino and Valais levy a cantonal tax on the real estate of legal entities in addition to the communal tax on all real estate.

The canton of Vaud additionally has a cantonal and a (optional) communal surtax, but only on legal entities' real estate used for investment purposes. However, the real estate – or parts thereof – of legal entities that the entity uses for its own commercial or industrial purposes as well as social housing is exempt.

The canton of Neuchâtel levies a tax only on the real estate of legal entities and individuals used for investment purposes and on the real estate of occupational pension institutions. The real estate tax is levied by the canton and by certain communes ("extraordinary" communal tax).

The **property is to be taxed where it is located**, without taking the taxpayer's place of residence into account.

When calculating the tax, non-agricultural real estate is generally calculated at its **market value**, whereas agricultural and forestry real estate is assessed at its **capitalised income value**. Real estate tax is calculated on the full value of the immovable property, i.e. without taking account of any debts on it, which cannot be deducted.

In the canton of Neuchâtel, real estate tax is calculated on the cadastral value of real estate used for investment purposes. It is not possible to deduct debt.

The tax is always **proportional**. Expressed in parts per thousand, the tax rate varies from **0.1‰** to **3.0‰** of the market, capitalised income or cadastral value.

The cantons of Lucerne, Obwalden, Nidwalden, Basel Stadt, Schaffhausen, Appenzell Ausserrhoden, Thurgau and Ticino levy a so-called **minimal tax** on the real estate of legal entities if this is higher than the sum of profit and capital taxes. The cantons of Obwalden and Nidwalden also levy such a tax on the real estate of individuals.

The canton of Uri has a similar minimal tax, but only on the immovable property of individuals who pay less than CHF 300 in cantonal, communal and church taxes in the canton per tax year.

The cantons of Zurich, Schwyz, Glarus, Zug, Solothurn, Basel Landschaft and Aargau **do not levy any real estate tax**.

9.1.11 Real estate transfer tax

Real estate transfer tax is a **legal transaction tax** on all **transfers of ownership of immovable property** (and the associated rights). It is thus a tax on the change of ownership as such.

Real estate transfer taxes or fees are levied in all cantons and generally by the canton. Only in the cantons of Appenzell Ausserrhoden, St. Gallen and Graubünden[16] is real estate transfer tax a communal tax, whereas in the cantons of Fribourg, Vaud and Valais, the communes can levy this tax as well as the canton. When only the canton levies the tax, the communes sometimes get a share of the revenue.

The cantons of Zurich, Uri, Schwyz, Glarus, Zug, Schaffhausen, Aargau and Ticino do not levy any real estate transfer tax as such, only ownership transfer fees or land registry fees.

In principle, the tax is calculated on the basis of the purchase price. The buyer of the immovable property (individual or legal entity) is, without stipulation of the contrary, liable for payment of the tax. In the cantons of Obwalden, Basel Landschaft and Appenzell Ausserrhoden, buyer and seller each generally pay half of the tax.

The tax rate is generally fixed **(proportional tax)** and amounts to between **1 %** and **3.3 %** of the purchase price.

9.1.12 Cantonal casino tax

All cantons with casinos holding a type **B concession** introduced a tax on casinos' gross gaming revenue, although this may not be more than 40 % of the total casino tax due to the Confederation *(see chapter 8.1.2)*.

The cantons cannot levy any tax on grand casinos holding a type A concession.

The cantons that received a type B concession are Bern, Schwyz, Fribourg, St. Gallen, Graubünden, Ticino, Valais, Neuchâtel, Geneva and Jura.

[16] The canton's communal and church tax act forms the statutory basis; the commune sets the tax rate (max. 2 %).

9.2 Property and expenditure taxes

9.2.1 Motor vehicle tax

In order to be allowed on the roads, all motor vehicles and trailers located in Switzerland must be duly registered. The cantons, generally the vehicle licensing office in the owner's canton of residence, are responsible for registering vehicles and issuing the **registration papers** (vehicle registration document) and **number plates** in the name of the vehicle owner.

For the cantons of Obwalden and Nidwalden, motor vehicle tax is levied by the Traffic safety centre OW/NW (Verkehrssicherheitszentrum).

Registered motor vehicles and trailers are subject to a motor vehicle tax, which is levied annually in all cantons. However, the tax does not apply to vehicles registered in the name of the Confederation, cantons, communes and their subdivisions, as well as foreign states' diplomatic representations.

The holder of the vehicle in whose name the vehicle registration document and number plates were issued is liable to payment of the tax. Unlike in some neighbouring countries, Swiss number plates are tied to the vehicle owner (provided the owner stays in the same canton). Consequently, they do not follow the vehicle in the event of a change of ownership.

The tax amount varies according to the vehicle type. The assessment criteria are technical features (depending on the canton: tax-related horsepower, kilowatts, engine displacement, load capacity, overall or unladen weight, environmental impact rating, etc.). The tax burden for the same vehicles varies considerably from canton to canton.

Certain vehicle categories or types of propulsion are in part tax exempt in some cantons or benefit from tax reductions (e.g. electric or hybrid vehicles, vehicles in categories A or B according to the federal energy label or CO_2 emissions).

For the sake of completeness, it should be mentioned here that the cantons also have a watercraft tax, particularly for motorboats, sailboats and barges, which have to be registered with a cantonal shipping authority.

9.2.2 Dog tax

The cantons and/or communes levy an annual dog tax. It can vary depending on the size or weight of the dog.

The tax amount can sometimes vary even from one commune to another within the same canton.

In certain cases there are tax reductions or tax exemptions (guide dogs, rescue dogs, etc.). In addition, many communes allot a reduction for watchdogs on farms.

9.2.3 Entertainment tax

Entertainment tax is a tax on public events with payment of a fee and is levied in the form of either a **ticket tax** (usually 10 % of the admission fee or gross receipts) or a **flat-rate charge**.

It is levied in the cantons of Fribourg, Appenzell Ausserrhoden and Ticino (only cinemas). Entertainment tax is an optional communal tax in the cantons of Lucerne, Solothurn, Vaud and Neuchâtel.

9.2.4 Cantonal stamp duties and register duties

Aside from the federal stamp duties *(see chapter 8.1.2)*, cantonal stamp duties or register duties are also levied in the cantons of Ticino, Vaud, Valais and Geneva on documents issued by court or administrative authorities to individuals (judgments, identity documents, register extracts, etc.), documents and petitions submitted by individuals to the aforementioned authorities (pleadings, requests, appeals, etc.), as well as documents regarding legal transactions of all types (contracts, wills, receipts, etc.).

In the canton of Vaud, only contracts creating a charge on immovable property are subject to stamp duty.

The canton of Valais additionally levies stamp duty on playing cards.

The canton of Geneva has register duties, which are closely related to stamp duties and are tax-like in nature. They are levied on the mandatory and optional entry of private and public documents in an official register. The stamp duty, however, was abolished on January 1, 2019.

According to art. 134 Cst, no cantonal or communal stamp or register duties may be levied on documents that are subject to federal stamp duty according to art. 132 para. 1 Cst or that have been declared as exempt by it.

9.2.5 Lottery tax

A tax is levied on public, non-professionally organised lotteries, raffles, etc. in most cantons. This is usually levied by the canton and more rarely by the communes. The communes sometimes get a share of the revenue from the tax levied by the canton.

However, this tax is usually in the form of an **authorisation fee**. It is tax-like in nature in only a few cantons.

The events subject to fees or taxes are regulated very differently in the individual cantons. This is also the case for the amount of the tax. It is usually based on the amount of the lottery or stake total (either with a fixed rate or a degressive or progressive percentage), but it can sometimes be according to other criteria (e.g. size of the event premises).

The cantons of Basel Stadt, Schaffhausen, Thurgau and Neuchâtel have no tax or duty of this type.

9.3 Other duties

9.3.1 City tax/visitor's tax

A city tax and/or visitor's tax is levied in most cantons. Only the cantons of Zurich and Thurgau have no such taxes. In the cantons of Solothurn, Graubünden, Aargau (only communes with health resorts) and Vaud, the law allows the communes to levy such a tax, but it does not oblige them to do so.

It is usually collected by the local tourist office, and sometimes by the commune.

9.3.2 Tourism promotion tax

The cantons of Appenzell Innerrhoden and Geneva levy a so-called "tourism promotion tax" on companies that carry out a business or commercial activity and benefit from the direct or indirect effects of tourism.

It is based on the benefits and added value that the taxpayers derive from tourism. The revenue from this tax is intended for developing and promoting tourism.

Communes in the cantons of Bern, Lucerne, Glarus, Fribourg, Graubünden, Ticino, Vaud and Valais also have the option of levying such a tax or a similar one.

9.3.3 Fire brigade exemption tax

Most cantons have a fire brigade exemption tax that is levied by either the canton or the commune. In principle, it is levied on individuals subject to fire brigade service who do not do any such service.

There is no such tax in the cantons of Zurich, Basel Stadt, Ticino, Vaud and Geneva.

9.3.4 Water tax

This tax must be paid by hydroelectric power stations for using the hydropower beyond a certain gross output.

There is no such tax in the cantons of Fribourg, Basel Stadt, Basel Landschaft, Thurgau and Ticino.

It has to be distinguished from the water charge levied for disposing of water (water sovereignty), which represents a payment for water used.

Appendix

I Tax burden

Because of the differences in cantonal tax laws the tax burden may vary not only from canton to canton, but also from commune to commune within the same canton.

For calculating the tax burden, we refer to the tax calculator of the FTA: swisstaxcalculator.estv.admin.ch

This online-calculator allows for the calculation of the tax burden for income and wealth, profit and capital as well as for inheritance and capital withdrawals from retirement plans for all communes and for the years 2010–2025. Moreover, comparative calculations between communes can be generated, and the tax implications of forthcoming changes in personal circumstances (marriage, salary increase, etc.) can be calculated.

In the "Tax burden statistics" module, various calculation models can be generated interactively and displayed either in tabular form over several tax years or else on a map for the whole of Switzerland. The "Basic data" module includes historical tax data (deductions, tax rates and coefficients) that can be downloaded for study purposes, for example.

II Tax relief measures for married couples

Due to the progressive nature of the income tax scales, the family taxation principle can lead to unjustified increases in the tax burden. In order to prevent a tax disadvantage for married couples via-à-vis cohabiting couples, the Confederation and cantons introduced – in addition to possible personal deductions – the following relief measures in favour of married couples:

Special scales for single persons, married couples and families: dft.

Double scale: aside from a singles' scale, there is a married persons' scale that provides relief for married couples in Zurich, Bern, Lucerne, Zug[17], Basel Stadt[18], Appenzell Ausserrhoden, Ticino and Jura.

Splitting procedure: Schwyz, Nidwalden, Glarus, Fribourg, Solothurn, Basel Landschaft, Schaffhausen, Appenzell Innerrhoden, St. Gallen, Graubünden, Aargau, Thurgau, Neuchâtel and Geneva apply full or partial splitting. The total income of the family is taxed at the rate that would be applicable to:

- 50 % of total income: Fribourg, Basel Landschaft, Appenzell Innerrhoden, St. Gallen, Aargau, Thurgau and Geneva (full splitting);
- 52 % of total income: Neuchâtel (divisor 1,92);
- 52.63 % of total income: Schwyz, Solothurn, Schaffhausen and Graubünden (divisor 1.9);
- 54.05 % of total income: Nidwalden (divisor 1.85);
- 55.56 of total income: Geneva (divisor 1.8);[19]
- 58.82 % of total income: Glarus (divisor 1.7).

A total taxable income of CHF 100,000, for instance, is thus taxed at the rate for a taxable income of CHF 50,000 in Fribourg, Basel Landschaft, Appenzell Innerrhoden, St. Gallen, Aargau, Thurgau and Geneva, at the rate for CHF 52,000 in Neuchâtel, at the rate for CHF 52,630 in Schwyz, Solothurn, Schaffhausen and Graubünden, at the rate for CHF 54,000 in Nidwalden, at the rate for CHF 55,556 in Geneva and at the rate for CHF 58,824 in Glarus.

Taxation according to consumption units: In order to determine the tax rate, the total income of the family is divided by a divisor that varies according to the composition and size of the family. Only the canton of Vaud has this system.

Within the scope of dft, families with children receive further relief by means of a parent scale (deduction of CHF 263 on the tax amount as a complement to the deduction for children) and a deduction of a maximum of CHF 25,800 for third-party childcare.

What is splitting?

With a splitting procedure, the income of married couples is still added together, but a specific divisor (2 for full splitting, 1.1 to 1.9 for partial splitting) is applied to this total income to determine the relevant tax rate. Therefore, the couple's total income is then taxed at this tax rate, which is usually significantly lower.

[17] The married persons' scale corresponds practically to full splitting.

[18] See footnote 17.

[19] Partial splitting for separated or divorced parents with alternating custody and equal sharing of costs for the children without paying an alimony.

Example

For a married couple with two children, the divisor is 2.8 (1 × 1.8 for the couple + 2 × 0.5 for the children).

A total taxable income of CHF 100,000 is thus divided by 2.8. The result (CHF 35,700) forms the basis for determining the tax rate, although the rate is applied to the income of CHF 100,000.

The quotients are as follows:

- 1.0 for single, separated, divorced or widowed individuals;
- 1.8 for married couples living together (corresponds to the splitting for married couples without children);
- 1.3 for single, separated, divorced or widowed individuals living in a household with children who are minors, apprentices or students for whom they are financially entirely responsible; cohabiting couples are not entitled to a quotient of 1.3;
- 0.5 for each child who is a minor, apprentice or student for whom the taxpayer is financially entirely responsible.

However, in order to limit the impact of this system for high incomes, the canton of Vaud has a provision that caps the reduction of the relevant income.
Furthermore, an additional family deduction is granted to spouses living in a joint household. An additional amount is also granted for each dependent child for whom the spouses or parents receive a share in the family quotient of 0.5. This additional deduction is limited for high incomes.

Three cantons have **another system:**
These are Uri (social deductions that take into account different family circumstances. Deduction from net income: CHF 26,900 for married couples; CHF 21,200 for single parents; CHF 15,300 for single people, i.e. the deductions are scale like in nature), Obwalden (percentage deduction on net income) and Valais (tax rebate).

The aim of all of these procedures is to "break" the progressivity of tax scales and thereby bring the tax burden of married couples into line with that of cohabiting couples.

III Teaching materials on taxes

Aside from this brochure, the **Team Tax Documentation** of the FTA has elaborated other teaching materials (in French and German and sometimes Italian). They are as follows:

- Young people can familiarise themselves independently with the topic of taxation on www.steuern-easy.ch, where they will discover what they need to know about tax matters. They can test what they have learned with quizzes and fill out interactive tax returns for five characters in a fun way. It is not available in English, but in French, German and Italian.
- The brochure **"Guide for future taxpayers"**, with its numerous illustrations and caricatures, gives readers an overview of the assessment of individuals' income and wealth taxes in a language everyone can understand. It also goes into more detail on special tax circumstances often faced by young and new taxpayers. This publication is designed primarily for teaching at school, but it can be of great help to all taxpayers. It is not available in English, but in French, German and Italian.
- The **"Tax information"** dossier supplies detailed information regarding a wide range of tax-related topics. It is not available in English, but in French and German.

The "Guide for future taxpayers", "The Swiss Tax System" and the "Tax information" dossier can be viewed on the Website of the FTA in the available languages.

- "The Swiss Tax System" in English can be found at: www.estv.admin.ch/estv/en/home.html → The FTA → Swiss tax system → The Swiss Tax System.
- In addition, there is a link leading to the Website www.steuern-easy.ch.

It can also be ordered in hardcopy form at:

- Eidgenössische Steuerverwaltung
  Hauptabteilung Steuerpolitik
  Team Steuerdokumentation
  Eigerstrasse 65
  3003 Bern
  E-Mail: ist@estv.admin.ch
- or at
  www.estv.admin.ch/estv/en/home.html → The FTA → Swiss tax system → The Swiss Tax System → Order publication.

IV Tax administration addresses

FTA	Address:	Federal Tax Administration Eigerstrasse 65, 3003 Bern
	Telephone:	058 462 71 06
	Email:	(contact via website)
	Website:	www.estv.admin.ch
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