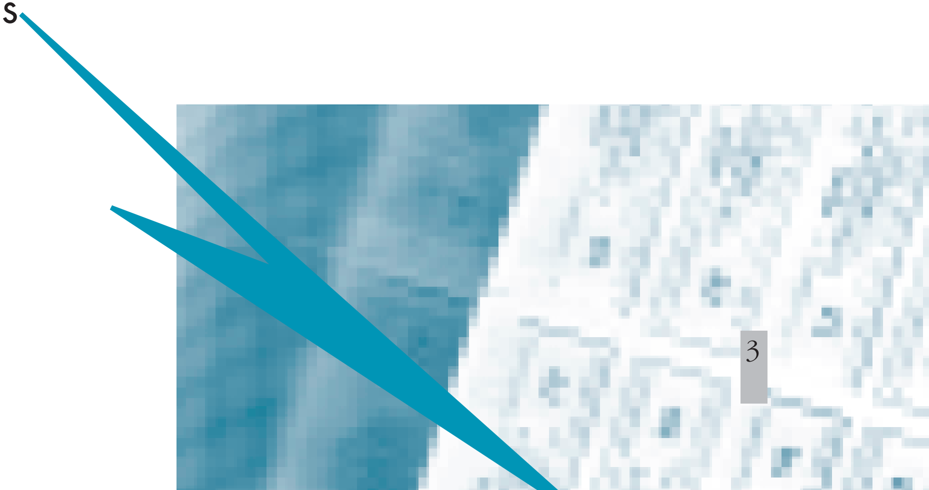
THE ADVANTAGES OF THE SWISS TAX SYSTEM

Swiss Tax Conference
2002 Edition

Location:Switzerland
Location

A number of good reasons to invest in Switzerland

- Excellent geographical location
  (Switzerland at he hub of Europe)
- Optimal transport connections
  (by rail, road and air)
- Model infrastructure
- First-class communications system
- Political and monetary stability (low inflation)
- Outstanding level of education
- Highly-skilled, mobile workforce
- Expert counselling
- Optimal security for persons and goods
- Social and industrial harmony
- Renowned banking sector
- Moderate levels of corporation tax
  (especially for holding companies) and executives
- Tax relief for new companies
- Countless leisure opportunities and fascinating, unspoiled landscapes



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Foreword

Seldom in the past has Switzerland's tax system undergone the degree of change that it is experiencing today.

Nevertheless, our tax system is still characterised by one federal tax law and 26 cantonal tax laws. Even though the law on tax harmonisation introduced in 2001 has served to simplify the principles of taxation regarding direct taxes imposed by the cantons and the communes, responsibility for the setting of tax levels and the determination of tax-free allowances remains in the hands of the cantons. Thus, tax harmonisation at national level in Switzerland exists formally, but not substantively.

Tax, along with a host of other factors, is an important consideration for businesses both large and small when choosing a location. In order to retain and improve the attractiveness of the country as a location for business in spite of international competition, Switzerland has spent several years giving intensive consideration to tax conditions. Subsequently, capital tax for legal entities has been abolished at federal level and a proportional rate has been introduced with regard to gains tax.

A draft bill on merger, demerger, restructuring into a different legal entity and asset transfer is presently being debated in parliament. This bill aims to create even greater flexibility within the juridical forms and enable optimal legal organisation of corporate structures.

This brochure presents only a summary of the Swiss tax system and its advantages. Nevertheless, it undoubtedly provides an indication that our country continues to offer an attractive fiscal environment for natural and legal persons alike. Every company – be it an industrial enterprise, headquarters, holding or financial company, a service or management company – can find an excellent fiscal location in Switzerland thanks to our domestic tax legislation and a broad network of double taxation conventions.

The overall harmonisation of Swiss direct taxes will not alter two characteristic features of Switzerland's tax landscape:

- The cantons will continue to determine for themselves the tax burden levied on those liable to tax. Competition between the cantons will remain in place and contribute to ensuring that Switzerland remains well-positioned in the future by international standards.

- Swiss citizens will still have the last say in setting tax levels and rates. Our fiscal system has the additional characteristic that the people themselves decide which taxes should be levied.

Your contacts in matters regarding location or taxation are still the cantonal and communal tax authorities, who are prepared to discuss specific questions on taxation at any time. If you envisage moving to or setting up a company in a particular canton, don't hesitate to get in touch with the administration. They are there to help you!

Swiss Tax Conference
The President

R. Zigerlig

Saint-Gall, January 2002

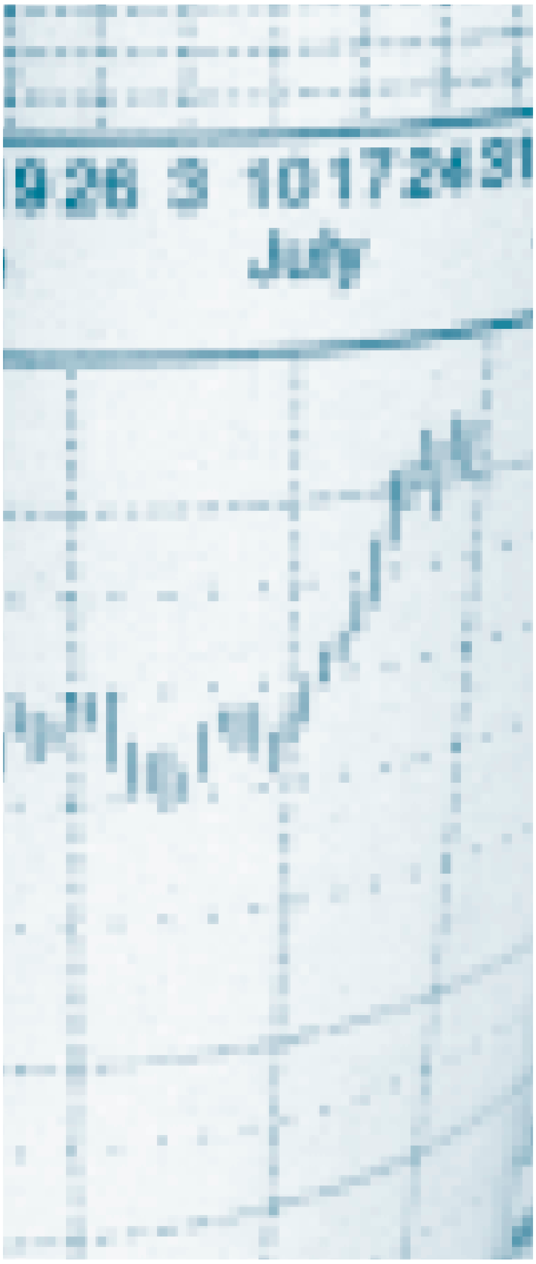
I Introduction

There are three levels of taxation in Switzerland: the Confederation, the cantons as well as the communes are empowered to levy taxes. This is in accordance with the Swiss system of federalism and is rooted in Switzerland's historical development.

The cantons are free to decide which taxes they choose to levy unless the Federal Constitution specifically bars them from collecting a given tax or reserves the exclusive right to do so to the Confederation.

This explains why there are differences between tax laws at the federal and cantonal level and also between the individual cantons as well.

At first glance, the large number of taxes levied by the Confederation, cantons and communes may seem astonishing. However, in comparison with other countries, Switzerland does not stand out in any way with regard to the variety of taxes levied.



Tax harmonisation

Harmonisation is intended to rationalise and simplify the Swiss system of taxation. On June 12, 1977, the Swiss people and the cantons approved a constitutional article on tax harmonisation.
This article (Art. 129 FC) provides for both vertical (Confederation, cantons and communes) and horizontal harmonisation (among cantons, within a given canton, and among communes). In order to achieve this goal, the Confederation passed two laws on December 14, 1990: the Federal Law on the Harmonisation of Direct Cantonal and Communal Taxes, and the Federal Law on Direct Federal Tax.

Harmonisation law

The Federal Law on the Harmonisation of Direct Cantonal and Communal Taxes, which entered into force on January 1, 1993, constitutes a **framework law.**

It contains fiscal principles with regard to tax liability, taxable units and assessment periods, procedure and criminal law. However, the fixing of schedules, tax rates and tax-free allowances remains a competence of the individual cantons.

The most important principles may be summarised as follows:

- standardised assessment periods for both individuals and legal entities;
- full taxation of social welfare services and full deduction of premiums paid out;
- retention of family taxation;
- moderate taxation of rentable value;
- tax exemption for (private) capital gains on movable assets and taxation of earnings derived from the sale of immovables;
- standardisation of tax deducted at source;
- deduction of taxes for legal entities;
- tax relief for mergers, demergers and restructuring into a different legal entity;
- tax relief for holding and management companies;
- tax relief for newly incorporated companies.

Following the entry into force of this law, the cantons were granted eight years (i.e. until January 1, 2001) to align their own tax legislation.

Direct Federal Tax

The Federal Law on Direct Federal Tax has been in force since January 1, 1995. It has been aligned as closely as possible with the Federal Law on the Harmonisation of Direct Cantonal and Communal Taxes and takes into consideration the concerns of the cantons with regard to tax harmonisation.

II The Swiss Taxation System

1 Historical background

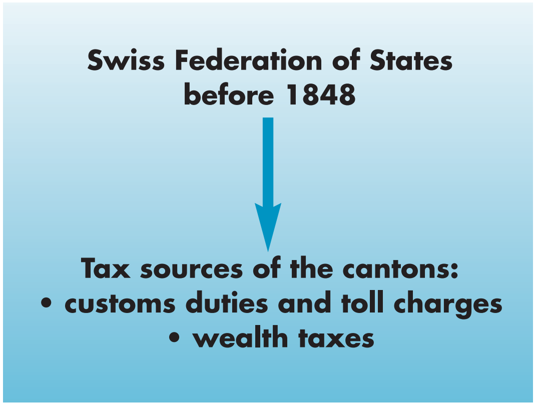
The Swiss system of taxation has been strongly marked by history. When Switzerland was still a federation of states, the cantons derived the bulk of their revenue from customs duties. In addition, some cantons had also even introduced a wealth tax.

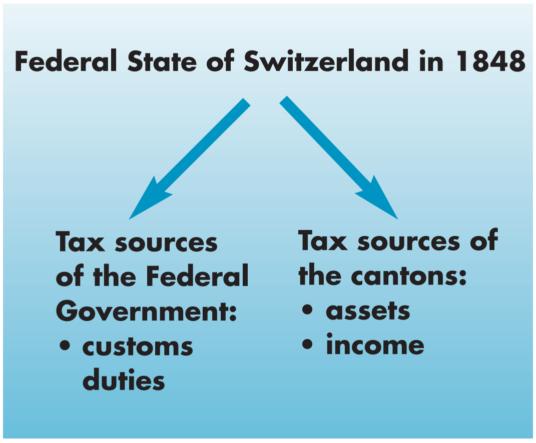
The right to levy customs duties was transferred from the cantons to the Confederation in 1848, the year in which the Swiss Federal State was founded. However, the cantons retained the right to levy tax on income and assets.[1]

Until the First World War, revenue derived from customs duties was sufficient to cover the Confederation's expenditure. Towards the end of the war, however, stamp duties were introduced. Later on, as the federal government needed additional financial means, it turned to direct taxes, previously a domain granted to the cantons. This evolution culminated in the introduction of the so-called National Defence Tax (1941). Today, along with Value Added Tax, Direct Federal Tax (formerly known as National Defence Tax) is an important cornerstone of fiscal revenue and subsequently of the federal budget.

Initially, wealth tax used to be the principle tax levied by the cantons; taxation on income was merely supplemental. However, a conversion took place over time from the traditional system of taxes on wealth and income to a common system of taxation on income with a supplementary tax on wealth and assets.

Originally, these taxes were levied proportionally. Over time, progressive taxation became the rule in taxation on income and wealth, and social deductions were introduced to take account of taxpayers in the lower-income bracket or with families.





1) Switzerland (the Federal State) is composed of 26 **cantons** (member states) and the **Confederation** (central state). The cantons are made up of some 3,000 **communes.** The cantons are the original holders of sovereignty. The Confederation holds those sovereign rights which are expressly granted to it by the Federal Constitution. The extent of the communes' autonomy is determined by cantonal law.

Taxes levied on the three levels are apportioned as follows:

2 The three levels of taxation

Taxes on income and wealth	**Taxes on goods and services/ Taxes on property and expenditure**
Confederation	
Income tax	Value Added Tax
Tax on profits	Tobacco tax
Swiss withholding tax	Beer tax
Military and civil service exemption tax	Tax on distilled spirits
	Tax on mineral oil
	Automobile tax
Stamp duties	Customs duties
26 cantons	
Income and wealth taxes	Motor vehicle tax
Poll tax or household tax	Dog tax
Tax on profits and capital	Entertainment tax
Inheritance and gift taxes	Stamp duties
Immovable property gains tax	Tax on hydraulic power stations
Real estate tax	Sundry taxes
Transfer tax	
Lottery tax	
3,000 communes	
Income and wealth taxes	Dog tax
Poll tax or household tax	Entertainment tax
Tax on profits and capital	Miscellaneous taxes
Inheritance and gift taxes	
Immovable property gains tax	
Real estate tax	
Transfer tax	
Lottery tax	
Trade tax	

3 Constitutional foundations

The Swiss tax system reflects **the federalist state structure** of our country. As shown in the previous table, taxes and other duties are levied on all three levels: the Confederation, the 26 cantons and the some 3,000 communes.

The delimitation of fiscal jurisdiction is regulated by the Constitution. However, the right of these entities to levy taxes is limited by the Constitution. The aim is to apportion fiscal sovereignty in such a way as to ensure that none of the three bodies hinders the others and that the taxpayer does not bear a disproportionately heavy tax burden. As a result, the Federal Constitution authorises the Confederation to levy certain taxes while barring such taxes for the cantons.

The general principles which govern the apportionment of competence between the Confederation and the cantons are laid out in Article 3 of the Federal Constitution (hereafter FC):

"The Cantons are sovereign insofar as their sovereignty is not limited by the Federal Constitution; they shall exercise all rights which are not transferred to the Confederation."

When applied to taxes, this apportionment of competence has the following consequences:

✘ The **Confederation** may only levy those taxes which the Federal Constitution expressly authorises it to collect.
The fact that the Constitution empowers the Confederation to levy a tax does not automatically bar the cantons from also levying a similar tax; there must be a specific prohibition to this effect. As a result, in some situations both Confederation and cantons levy direct taxes, such as on income and profits.

✘ The **cantons** on the other hand are in principle authorised to levy any type of tax and decide how the resulting revenues should be used, unless the FC specifically bars them from levying a given tax or specifies exclusive jurisdiction for the Confederation.
As the Confederation may only claim exclusive jurisdiction for relatively few types of taxes (Art. 130 FC: VAT; Art. 131 FC: special expenditure taxes; Art. 132 FC: Stamp duties and Swiss withholding tax; Art. 133 FC: Customs duties), the cantons are given broad scope to define their own tax legislation.
As a result, each canton has its own tax legislation and taxes as appropriate the income and assets of individuals, the profits and capital of legal entities, inheritances and donations, property gains, etc.

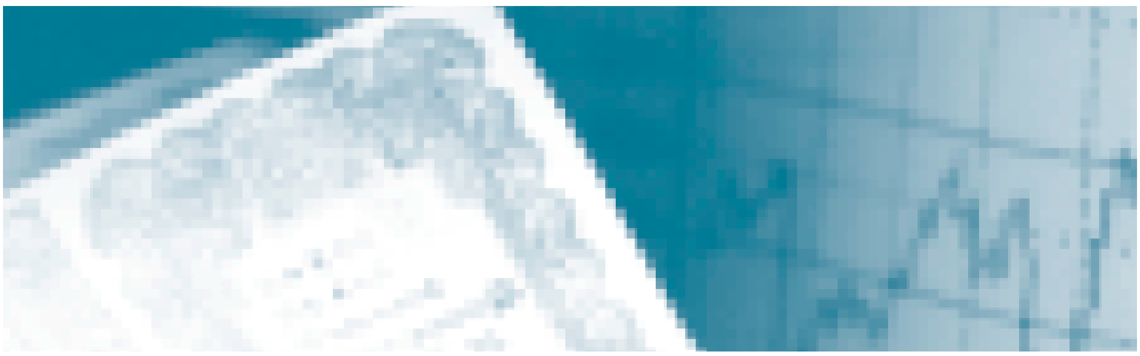
✘ The approximately 3,000 **communes** may only levy taxes which their canton empowers them to levy.[2)]
In contrast to original sovereignty, here we are dealing with **derived or delegated fiscal sovereignty.** However, this does not alter the fact that this represents a genuine fiscal sovereignty which operates, in addition to that of the Confederation and the cantons, as an essential component of the Swiss tax system.
In practice, the communes often levy such taxes as multiples of the cantonal basic rate, i.e. the basic State tax, or as a multiple of the State tax effectively owed.
The cantonal constitutions define the types of taxes that the communes are entitled to levy.

2) The communes are granted the right to levy taxes because, as autonomous self-governing entities, they have a very important role in the social structure of our country. In addition to the duties they perform as local communities, the communes are also authorised to a broad extent to perform duties whose execution lies elsewhere in the exclusive sphere of state competence, such as primary education, social welfare and health.
Even though these duties are partly under state supervision and enjoy financial assistance from the State, the resultant costs are to a large extent borne by the communes. This in turn makes it necessary to permit the communes to share in existing sources of financing. Consequently, the resultant fiscal autonomy goes hand in hand with the functional autonomy of the communes.

The taxes levied in Switzerland are subdivided into **taxes on income and wealth** as well as **consumption, property and expenditure taxes.** The Confederation, the cantons and the communes all levy individual taxes from both categories, usually termed as direct or indirect taxes.

Swiss tax legislation is characterised by the following **principles of form** enshrined in the FC:

- Principle of equality before the law (Art. 8 FC)
- Principle of economic freedom (Art. 27 FC)
- Principle of right to property (Art. 26 FC)
- Principle of freedom of religion and philosophy (Art. 15 FC)
- Prohibition of intercantonal double taxation (Art. 127, para 3 FC)
- Prohibition of unjustified tax advantages (Art. 129, para 3 FC)



4 International double taxation

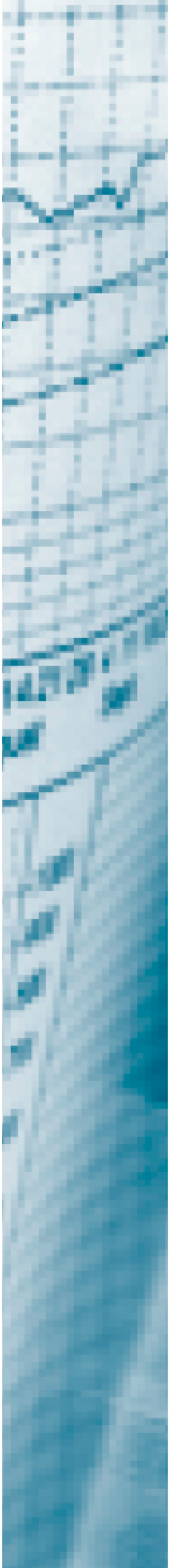
Double taxation results from the overlapping of different tax jurisdictions. As a consequence, the taxpayer is simultaneously subject to similar taxes on the same item by two different fiscal jurisdictions. Double taxation occurs both in intercantonal and in international relations. Intercantonal double taxation conflicts are settled on the basis of the practice established by the Federal Supreme Court. The avoidance of international double taxation is achieved by means of international double taxation conventions.

So far, Switzerland has concluded comprehensive double taxation conventions with more than sixty countries.

There are two principal methods for the elimination of double taxation, namely, the **exemption method** and the **credit method.** Under the exemption method, the country of residence is required to exempt from tax those items of income and/or capital allocated to the source country. Exempted items may nevertheless be taken into account in determining the rate of tax applicable to the remaining income (exemption with progression). Under the credit method, both countries keep the right to tax a specific item. However, the country of residence must credit the source country's tax against its own tax.

The annex contains two tables under figure 1:

- a list of double taxation conventions concluded by the Confederation;
- an enumeration of tax relief for Swiss dividends and interest.



III Specific Taxes

1 Federal taxes[3)]

1.1 Taxes on income/ profits and other direct taxes

Direct Federal Tax

Legal basis

Art. 128 FC
Federal Law on Direct Federal Tax of December 14, 1990.

General

Direct Federal Tax is levied only on the income of individuals; legal entities are, as a rule, subject to tax on profits.

For individuals, the tax is generally assessed annually on the basis of the actual income earned.[4)] Legal entities are assessed for each tax period (which corresponds to the financial year).
Taxes are collected annually by the cantons for the Confederation, under the latter's supervision.

Income tax

Residents or temporary residents engaged in gainful activities in Switzerland are, as a rule, subject to tax (unlimited tax liability).

Limited tax liability applies to non-residents having specific economic relations with Switzerland. In such cases, the tax is not levied on an international basis but only on specific items of income having their source in Switzerland (e.g. property, permanent establishments, etc.).

Pursuant to the principle of family taxation[5)], income earned by a married couple in a joint household is calculated without regard to their marriage property regime (see also section IV, fig. 3).

The total income is subject to Direct Federal Tax, e.g.:

- Income from dependent and independent gainful employment
- Compensatory income (such as annuities and pensions)
- Subsidiary income (such as seniority allowances and tips)
- Income from movable and immovable property
- Capital gains and increases in value of property and rights, if they were realised in an enterprise
- Prizes in lotteries and pools.

Generally, expenses related to the earning of income, i.e. costs necessary to earn this income (e.g. professional expenses), are deductible from gross income.

In addition, so-called **general deductions** are granted for insurance contributions, premiums and contributions to old age, company or individual pension schemes, for double-income married couples etc. as well as for **social deductions** for children and dependants.

[3)] The following pages are limited to a description of the most important federal taxes. "Military and civil service exemption tax" is not mentioned, for example, because it is not a tax in the strict sense of the word, but rather a financial substitute to be paid by all Swiss citizens who do not perform their military or civil service. The same applies to several specific consumption taxes, such as the tax on tobacco and beer, distilled spirits, mineral oil as well as automobiles, which are not covered in detail below.
For an outline of all federal, cantonal and communal taxes, please refer to the table on page 10.

[4)] In the tax period 2001/2002 (base period 1999/2000), the conventional "praenumerando" system (two-year assessment based on previous income) still applies in the cantons of TI, VD and VS.

[5)] Swiss tax legislation operates on the principle that the family forms an economic unit as far as income and wealth are concerned. Consequently, income earned by the wife is aggregated with the husband's income.

The **rates** at which Direct Federal Tax is levied on individuals are progressive. Married couples in a joint household and one-parent families benefit from a more favourable rate than other taxpayers ("double schedule" system).

Rates directly determine the tax calculation; no annual multiple is used (see section IV, fig. 2 for further details).

The maximum legal rate is 11.5% (Art. 128, para 1, clause a FC).
Bracket creep is offset (index clause).

Taxes on profits of legal entities

As a rule, legal entities having either their registered office or their effective administration in Switzerland are **liable for tax.**

Two categories of legal entities may be distinguished:

- **corporations** (joint stock companies, limited partnerships, limited liability companies) and **cooperative societies;**
- **other legal entities** (associations, foundations, public and ecclesiastical entities and institutions as well as investment funds with direct property holdings).

Corporations and cooperatives

At the federal level, corporations and cooperatives pay a proportional tax on profits amounting to 8.5%.
No annual multiple is applied.

Holding companies are companies which have significant holdings in the capital of other companies. They benefit from a reduction in the tax on net profits in relation to the net investment profits out of total gains. This is done to avoid double or multiple taxation which would arise if a company with holdings in another company were liable to taxation on the (already taxed) earnings paid out.
Pure holding companies, meaning those companies which consist entirely of holdings in other companies, pay no tax on profits.

Other legal entities

Associations, foundations, public and ecclesiastical bodies and institutions as well as entities under cantonal law generally pay a proportional federal profit or income tax of 4.25% unless they are exempt from tax on the basis of their charitable, social or other purpose or due to their modest incomes.
The same also applies for investment funds with direct property holdings.

Swiss withholding tax (anticipatory tax)

Legal basis

Art. 132, para 2 FC
Federal Law on Withholding Tax of October 13, 1965.

Principle of taxation

The withholding tax is an anticipatory tax deducted at source on income derived from movable property (35%; especially on interest and dividends), Swiss lottery winnings (35%) and insurance payments (8 or 15%).
Under certain conditions, it is reimbursed in cash or through crediting with cantonal and communal taxes. An individual, resident in Switzerland and liable to tax, who meets his declaration obligations will thereby not be definitively burdened by the tax.

It is the domestic debtor who is liable for the tax. He is required to pay the tax on the taxable object and to deduct the tax from the amount due to the recipient. In cases where the recipient is a Swiss resident, he is entitled to a refund or the equivalent in credit of the tax withheld, as long as he declares the income and constituent assets. The aim of this concept is to make tax evasion unattractive for domestic taxpayers.

For taxpayers resident abroad, the withholding tax represents a final tax burden. Only persons whose country of residence has concluded a double taxation convention with Switzerland, may, depending on the terms of the convention, be able to claim a full or partial refund of the withholding tax, as long as proof can be provided that the revenue subject to the withholding tax has been taxed in their country of residence.

Stamp duties

Legal basis

Art. 132, para 1 FC
Federal Law on Stamp Duties of June 27, 1973.

Principle of taxation

Tax liability arises if specific legal transactions occur, particularly the issuing and trading of securities, i.e. acquisition and movement of capital. There are three different types of duty:

Stamp duties are levied **on the issuing** or increase in the nominal value of shares of Swiss corporations, Swiss private companies, Swiss cooperative societies, or bonds and money market papers. Tax liability rests with the domestic issuing company.

The duty on shares issued by resident debtors is 1%. Start-ups or capital increase of a joint stock company or a limited liability company by means of shares issued for a fee benefit from a tax exemption limit on the first CHF 250,000.
The duty on debentures issued by resident debtors is 1.2‰ for every full or partial year for which these debentures are issued and 0.6‰ for bank-issued medium-term notes.

No issue tax is levied on holdings taken or increased in connection with mergers, demergers or restructuring into a different legal entity of corporations or cooperatives, as well as transfers of company seats from abroad to Switzerland.
Recognised risk capital companies are also exempt.

A **stamp duty** is levied on the purchase or sale of domestic or foreign securities transacted by domestic securities dealers and foreign members of a Swiss stock exchange (remote members). Also included under the heading of securities dealers required to pay stamp duty are banks subject to banking law, investment advisors and asset managers as well as holding companies.

The following are exempt from stamp duty: the issue of Eurobonds; dealing with bonds in transactions which are exclusively carried out in foreign countries; the trade in purchase rights, options and money market papers; certain foreign investors; the trading stock of professional securities dealers; and trade on behalf of domestic and foreign investment funds.

Duty is levied at the rate of 1.5‰ for domestic securities and 3‰ for foreign securities. Duty is calculated on the remuneration, i.e. the price paid on the sale or purchase of securities.

The stamp duty **on insurance premiums** is due on payments of premiums on insurance policies for third party liability and comprehensive car insurance as well as on certain property insurance policies. The duty is not charged in particular on personal insurance such as life insurance, the premiums of which have to be paid periodically, and on policies covering illness and accidents. In general, the domestic insurer must pay the duty.

The duty is calculated on insurance premiums and is levied at the rate of 5% (or 2.5% for redeemable life insurance financed by a single premium).

The person liable for the duty must provide the Federal Tax Administration with the necessary documents; simultaneously, he is required to pay the duty (self-assessment system).

1.2 Taxes on goods and services

Value Added Tax (VAT)

Legal Basis

Art. 130 FC
Federal Law on Value Added Tax of September 2, 1999.

Principle of taxation

The Value Added Tax is a **general use and consumption tax.** It is levied on all phases of production and distribution as well as on the import of goods, domestic service industries and the procurement of services from companies based abroad.

Tax liability originates in the exercise of an independent occupation or a commercial activity, the purpose of which is to generate income, insofar as its deliveries, services and personal domestic consumption exceed CHF 75,000 per year. Furthermore, Value Added Tax applies to those who procure taxable services from companies based abroad totalling more than CHF 10,000 per year and those who are subject to customs duties for the importation of goods.

The basis for calculation of the tax on domestic deliveries and services is the agreed-upon or the collected gross payment. The **pre-tax deduction** avoids tax cumulation (taxable purchase and taxation of the turnover): each taxpayer can deduct the sum of all pre-taxes from the gross taxes on its turnover (net all-phase principle).

Since the Value Added Tax is intended to be borne by the consumer, it will generally be passed on him by way of its inclusion in the sale price or as a separate item on the bill. Only those subject to the Value Added Tax may make a reference to it.

Particulars

The law differentiates between turnover which is exempt and that which is excluded from Value Added Tax. No tax is levied on either form of turnover. However, a distinction must be made with regard to the right to the pre-tax deduction. The pre-tax deduction is only allowed for all taxes paid for goods and services which are necessary to generate turnover exempt from Value Added Tax (genuine exemption). However, there is no pre-tax deduction for the taxes paid in generating turnover excluded from Value Added Tax (false exemption).

In particular, the following are **tax exempt:**
- export deliveries, insofar as export is documented;
- cross-border transport services;
- services for recipients with personal or business domicile abroad (since 1.1.2001, foreign turnover is no longer subject to VAT).

In particular, the following are **excluded from VAT:**
- services performed in the areas of health, social services, social security;
- education, teaching as well as child- and youth-care;
- cultural activities;
- insurance sales;
- turnover in the area of money and finance (with the exception of the administration of property and the collection business);
- transfer and purchase of real rights to property as well as its assignment for use or utilisation;
- gambling, lotteries and other types of games of chance;
- sale of domestic postage stamps used as such.

Taxation rates

Standard rate: The tax amounts to 7.6%.
Special rate: 3.6% on services rendered in the hotel sector (such as bed and breakfast).
Reduced rate: On certain categories of goods, a reduced rate of 2.4% is applied:

- food and beverages, with the exception of alcoholic beverages and services rendered in the hotel or catering sectors;
- cattle, poultry, fish;
- seeds, living plants, cut flowers;
- grain;
- fodder and fertiliser, etc.;
- medicine;
- newspapers, magazines, books and certain other printed matter;
- services of the radio and television corporations (exception: standard rates for activities of a commercial nature).

Remark:
The Federal Tax Administration offers a simplified tax return for taxable entities with an annual turnover of up to CHF 3 million and whose fiscal debts do not exceed CHF 60,000 per year. This is a flat rate based on a so-called **balanced tax rate** for certain branches.
When this balanced tax rate is applied, there is no need to determine the pre-tax deductible of the Value Added Tax, because this has already been included in the determination of the balanced tax rate (example: flat rate for architects = 6%, for grocers = 0.6%). The flat rate is only used for the calculation of taxes in settling with the Federal Tax Administration; as far as consumers are concerned, the legal rate of either 7.6%, 3.6% or 2.4% applies.

Customs duties

Legal basis

Art. 133 FC
Federal Law on Customs Duties of October 1,1925.

Principle of taxation

Switzerland levies customs duties on imports at rates laid down in the customs tariff. There are no "ad valorem" duties, as Switzerland almost exclusively levies duties based on weight.

2 Cantonal and communal taxes[6)]

The names of the cantons are abbreviated as follows:

AG	= Aargau	NW	= Nidwalden
AI	= Appenzell-Inner Rhodes	OW	= Obwalden
AR	= Appenzell-Outer Rhodes	SG	= Saint-Gall
BE	= Bern	SH	= Schaffhausen
BL	= Basel-Canton	SO	= Solothurn
BS	= Basel-City	SZ	= Schwyz
FR	= Fribourg	TG	= Thurgau
GE	= Geneva	TI	= Ticino
GL	= Glarus	UR	= Uri
GR	= Grisons	VD	= Vaud
JU	= Jura	VS	= Valais
LU	= Lucerne	ZG	= Zug
NE	= Neuchâtel	ZH	= Zurich

[6)] As with Federal taxes, the following text is limited to the most important cantonal and communal taxes. For an outline of all cantonal and communal taxes, please refer to the table on page 10.

Legal basis:

Tax laws of the 26 cantons, various communal regulations (due to Switzerland's federalist structure, each canton has its own tax law) and the Federal Law of December 14, 1990 on the Harmonisation of Direct Cantonal and Communal Taxes (see section I, p. 8 for details).

As already mentioned, the **cantons** are authorised to levy any kind of tax provided that the Confederation does not claim exclusive jurisdiction.

Communes are entitled to levy taxes only to the extent authorised by the cantons (delegated fiscal sovereignty). Communal taxes are in most cases levied as a percentage or multiple of the basic cantonal tax rate; alternately, they may share in cantonal tax revenues. In some cantons, the communes levy taxes based on communal provisions, in other cantons based on cantonal law.

The **parishes** of the three national churches (Reformed, Roman Catholic and, where applicable, "Old Catholic") levy a church tax on their members in almost all cantons and usually also on the legal entities liable for tax in their canton.

2.1 Taxes on income/profits and on assets/capital

Preliminary remarks

Taxes on income/profits and assets/capital are **periodical taxes.** Their collection must therefore be delimited in time. Consequently, the timeframe for which the tax is due is regulated through the tax period. For the calculation and assessment of taxes, the determining factor is the base period.
(See section IV, fig. 1 for details.)

In general, these taxes are assessed by means of a **tax return** which the taxpayer has to complete and return to the tax administration.

In most cantons, the **tax rate** consists of two components: the legally fixed tax rate and the periodically fixed **multiple.**
(See section IV, fig. 2 for details.)

The tax factors multiplied with the tax rate (e.g. taxable income, taxable assets or taxable profits/gains) result in the simple state tax. The effective tax to be paid however is only shown by multiplying this simple state tax with the tax multiple. This is expressed in terms of a co-efficient or as a percentage of the tax rate, generally determined on an annual basis by the legislature.

As far as taxes on income and assets are concerned, the communes generally utilise the same basis for calculation and the same schedule as the cantons.
The communes levy these taxes as multiples of the cantonal basic rate, i.e. the basic state tax, or as a multiple of the actual state tax due.

With a few exceptions, this system also applies to taxes on profits and the capital of legal entities.

Income taxes for individuals

All cantons and communes apply a system consisting of a general income tax and a supplementary net wealth tax. Cantonal income tax legislation is similar to the Direct Federal Tax in structure.

All cantons tax the **total income** without distinction to individual components. Therefore, individuals must declare every item of income, whether it be derived from dependent or independent personal activities, income from compensatory or subsidiary payments or income from movable or immovable property.

As far as the taxation of couples is concerned, the Swiss tax system is based on the principle of **family taxation.** This means that the income of both spouses in a joint household is aggregated and as a rule the income of under-age children is also added to the income of the person who exercises parental authority. There is one exception: income earnings of under-age persons for which a separate tax liability applies.
(See section IV, fig. 3 for details.)

Expenses incurred in the course of earning income are deductible from the gross income (e.g. professional expenses or general costs).

In addition, **general deductions** (insurance contributions, premiums and contributions to AHV/IV/EO, contributions to company and individual pension schemes, private debt interest, double earner deductions etc.) as well as **social deductions** (personal deduction, deduction for married persons, single-parent families, children, dependants etc.) may be claimed.
The amount of these deductions varies considerably from one canton to another.

Income tax rates are **progressive** in all cantons; that is, the tax rate rises as income increases until a certain ceiling is reached. The intensity and impact of the progressiveness of rates vary from canton to canton.

All cantons take the family situation into consideration inasmuch as they – despite or in addition to the deduction for married couples – use a double schedule or tax according to the splitting procedure or based on consumer units.

Taxation at source

All cantons tax at source the earned income of foreigners working temporarily in Switzerland and not in possession of a residence permit (withholding tax).
The employer must withhold the tax due and pay it to the cantonal tax administration. This deduction levied at source covers federal, cantonal and communal income tax liabilities (including any church taxes).
(See section IV, fig. 4 for details.)

Taxation on the basis of expenditure

All cantons allow foreigners resident in Switzerland who are not and have not been engaged in any gainful activity in our country to choose between an ordinary assessed tax or payment of a flat rate.
The basis for assessment of this tax generally consists of the annual expenses of the tax subject.
(See section IV, fig. 5 for details.)

Tax on the assets of individuals

In contrast to the Confederation, **all cantons and communes** levy a tax on the assets of individuals.

In general, tax is applied to the **total assets** of the individual. This includes all of the assets and rights which the taxpayer owns or utilises. These are usually taxed at market value.

In particular, taxable property includes movables (e.g. securities, bank deposits, automobiles) and immovables, redeemable life and annuity insurances, as well as assets invested in a business.
Household and personal equipment are not taxed.

The **basis of assessment** for the tax on assets is net property, i.e. the gross wealth of the taxpayer after deduction of total proved debt.

In addition, certain **deductions** (social deductions) which vary from canton to canton are allowed from net property.

The **rates for the net wealth tax** are generally **progressive.**
Most of the cantons further grant certain **tax exemptions.**

Foreigners who pay tax based on expenditure are not required to pay a separate tax on assets.

Poll tax or household tax

In a minority of cantons, legal adults or persons performing gainful activities are required to pay a fixed amount of cantonal and/or communal tax which is levied in addition to the income tax. The rates are modest.

Taxes on profits and capital of legal entities

For cantonal and communal taxes, as well as for Direct Federal Tax, the principle applies that legal entities are subject to cantonal and communal tax liability where they have their registered office or their place of effective management or, under certain circumstances, due to their economic affiliation.

All cantons and communes, with the exception of communes in BS, levy a tax on profits as well as a tax on paid-in capital (registered capital or share capital) and reserves on **corporations** and **cooperatives.**

Taxes on net profits are generally progressive, with a set minimum and maximum rate. Within these limits the tax rate, which is expressed as a percentage, is generally geared to the earnings intensity or return (earnings: capital and reserves ratio).
The cantons of **LU, SZ, OW, NW, FR, AR, AI, TI, VD, GE** and **JU** have a proportional tax on profits.

Tax on capital, which is expressed in units per thousand, is proportional in almost all cantons and slightly progressive in only two.

Capital companies whose earnings come entirely or partly from Swiss and foreign **interests** (holding companies and participation companies) enjoy **tax relief** in all Swiss cantons. This makes it possible to avoid multiple taxation.
(See section IV, fig. 6 for details.)

In all cantons, **management companies** based in Switzerland yet not conducting any business here enjoy favourable tax treatment.
(See section IV, fig. 6 for details.)

Furthermore, by enacting legislation, the cantons may grant **newly established enterprises** which serve the economic interests of the canton full or partial tax exemption or tax relief for up to ten years.
(See section IV, fig. 7 for details.)

With regard to **other legal entities** (associations, foundations etc.), tax on profits is most often levied in the same manner as for capital companies. It sometimes happens that a different tariff is applied (special tariff or tariff for individuals).
All cantons subject the assets of these entities to tax on capital in accordance with the provisions applicable to individuals, although often at a special tariff.

Minimum tax

In order to take so-called non-profit enterprises with a financial dimension into consideration for tax purposes, the majority of cantons subject legal entities to a minimum tax on turnover, immovable property or invested capital instead of the ordinary tax, in cases where the amount of the former is higher than the latter. Neither the remaining cantons nor the Confederation levy such a tax.

Immovable property gains tax

All cantons tax property gains deriving from the sale of the taxpayer's property.

Roughly half of all the cantons subject property gains to a **special tax,** the so-called immovable property gains tax. This is an **exclusive tax** which means that gains are only covered by this tax and are not liable for any further taxation.
The cantons concerned levy this special tax on gains of both individuals and legal entities.

In the remaining cantons, only property gains from the sale of **private property** are subject to this special tax.
In contrast, capital gains deriving from the sale of immovable business property (from the assets of a self-employed person or a legal entity) or a commercial real estate transaction are usually subject to the **ordinary tax on income and profits** and simply added to the other income or profits.

For the rest, profits from taxpayers' immovable private assets are not taxed by the Confederation.

Capital gains from movable private assets

Gains deriving from the sale of **movable private assets** such as securities, paintings etc. are free from Direct Federal Tax as well as from tax in all cantons.

Tax on winnings in lotteries and pools

Winnings from lotteries, sports pools (prediction of football game scores) and similar events (e.g. betting on horses) are taxed in all cantons (except BS).

Winnings derived from gambling in Swiss casinos however are tax-free.

Real estate tax

In approximately half of the cantons, property is subject not only to the wealth or capital tax but also to a property tax levied periodically (yearly), which is also known as a land or immovable property tax.

The property tax is primarily a **communal tax.** When it is cantonal, the communes usually receive a percentage of the revenue.

The immovable property tax is levied at the **place where the property is situated,** without consideration as to the domicile of the taxpayer.

For the calculation of the tax, non-farm properties usually measure their **market value,** whereas farm and forestry properties measure their **earning power.** The tax is assessed on the full value of the property without allowing for the deduction of debts.

The tax is always **proportional;** the tax rate is expressed in units of thousandths and varies between 0.3 and 4.0‰ of the market value or earning power.

In addition to a possible property tax, almost half the cantons also apply a so-called **minimum tax on properties of corporations,** if the latter is higher than the sum of the tax on profits and the tax on capital or higher than the minimum tax on gross income.

Transfer tax

The transfer tax is a **legal transfer tax** which is levied on any change in ownership of immovable property (and the related rights) which are located in the canton or the commune. Thus, the subject of the tax is the change in ownership as such.

Transfer taxes are levied in almost all cantons, usually by the cantons but sometimes exclusively by the communes or by both simultaneously.

A few cantons levy transfer fees rather than transfer taxes.

The tax is assessed on the purchase price and is usually paid by the purchaser of the property (individual or legal entity) if there is no mutual arrangement.

The **tax rates** are generally **proportional** and amount to between 1% and 4% of the purchase price in the majority of the cantons.

2.2 Inheritance and gift taxes

Only the cantons are entitled to levy inheritance and gift taxes, not the Confederation. In several cantons, the communes are also authorised to collect inheritance and gift taxes. However, in most cases, they merely share in the revenue from the cantonal tax.

Almost all cantons levy inheritance and gift taxes; however, gifts are tax exempt in the canton of LU. The canton of SZ levies neither an inheritance nor a gift tax.

The subject of the inheritance tax is the **transfer of property** to the legal or appointed heirs and to the legatees.

Donations "inter vivos" are subject to a gift tax which is usually geared to the civil law concept of gifts.

The right to tax is attributed to the **canton** in which the **decedent was last domiciled,** with the exception of immovable property which is taxed where it is situated.

Taxes on donations of movable property are levied by the **canton** in which the **donator had his domicile at the time of the donation;** the donation tax on immovable property is levied by the canton in which it is located.

The inheritance tax is almost without exception in the form of a **tax on the devolution of an estate;** as such, it is levied individually on the portion of an heir or a legatee. In addition to the inheritance tax, the cantons of SO and NE also levy death duties on the non-apportioned property of the deceased. The canton of GR levies only a **death duty,** although the communes may additionally levy an inheritance tax.

In all cantons, those **liable for tax** are in principle the recipients of accession to an estate and donations. With the inheritance tax, these are the heirs and the legatees, while with the gift tax these are the recipients.

Inheritance and gift taxes are **non-recurring.** With inheritances, the market value of the estate at the time of the testator's death generally serves as a basis for assessment; with donations, the determining factor is their worth at the time of the transfer of property.

In general, the market value is the decisive factor for **tax assessment** with both taxes. There are exceptions for securities, immovable property and insurance services.

The way in which tax-exempt and tax-free amounts are regulated varies widely from one canton to another.

Furthermore, devolution of the estate to the direct **descendants** is tax-exempt in the cantons of ZH, LU, UR, OW, NW, GL, ZG, FR, SO, BL, SH, AR, SG, AG, TG, TI, VS and NE; devolution of the estate to the (surviving) **spouses** is tax-exempt in the cantons of ZH, BE, LU, UR, OW, NW, GL, ZG, FR, SO, BS, BL, SH, AR, AI, SG, GR, AG, TG, TI, VS and NE (in the latter only if there are children).

Virtually all **tax rates** for inheritance and gift taxes, which are identical for both taxes in the majority of cantons, are progressive. The tax burden is usually based on the degree of relationship and/or the inherited amount.

Upon the death of the decedent, an **inventory of the estate** is generally established which serves as a basis for the **assessment.**

The assessment of the gift tax is based on a tax return which in most cantons has to be filed by the donee.

In conclusion, it should be noted that tax rates and the resultant tax burden are relatively modest from an international point of view.

2.3 Taxes on property and expenditure

Tax on motor vehicles

All motor vehicles and trailers based in Switzerland must bear Swiss number plates. The licensing of motor vehicles and the issuing of the registration papers as well as the number plates made out in the name of the owner of the motor vehicle take place in the canton, and are usually handled by the cantonal motor vehicle department.

All cantons levy an annual tax on motor vehicles and trailers of any kind. As a rule, motor vehicles which are registered in the name of the Confederation, the cantons, the communes and subdivisions thereof, as well as the representations of foreign countries are exempted from this tax.

The person liable for the tax is the **owner of the motor vehicle** in whose name the vehicle documents and number plate have been made out.[7)]

The amount of the tax varies depending on the type of the vehicle. The tax is always based on **technical specifications.** Depending on the canton, this could involve the horsepower, cubic capacity, load capacity, laden or unladen weight, etc.

[7)] In contrast to certain neighbouring countries, vehicle number plates in Switzerland are allocated to the owner of the vehicle (only as long as the person remains resident in the same canton, of course). Consequently, when the vehicle changes hands, the number plate does not follow the vehicle.

IV Particulars

1 Tax periods and base periods

As far as measurement over time is concerned, two major questions may be asked:

- On the basis of the income for which period of time is the tax calculated?
- What is the period of time on which the tax is owed?

Definitions

Income tax is a (periodically) recurring tax. In connection with the assessment over time, certain concepts always arise. The various "periods" are defined as follows:

- **Base period:** period of time during which the income on which the calculation is based is earned.
- **Tax period:** period of time for which the tax is due. As this period usually covers one year, it is often referred to as "tax year".
- **Assessment period:** period of time over which the assessment usually is made or for which an assessment is valid. Today, this notion has as a rule been replaced by "tax period".

In Switzerland, taxes are still assessed according to two different systems, although the present trend indicates that all cantons will adopt the first one in the near future:

✘ **The "postnumerando" system** (= annual assessment based on actual earned income): The tax period and base period coincide and always amount to one year. Taxes are assessed after expiry of the tax period.

2001	2002
Tax period Base period	Assessment

This system is applied for legal entities by all cantons, and by 23 cantons for individuals.

✘ **The "praenumerando" system** (= two-year assessment based on previous income): The two-year base period precedes the two-year tax period. Taxes are assessed before expiry of the two-year tax period, with the average income from the previous two years used as a basis for calculation.

1999/2000	2001/2002
Base period	Tax period Assessment

This system still applies for individuals in cantons TI, VD and VS until the end of 2002.

Remark:
Direct Federal Tax is levied in accordance with cantonal practices and is therefore adapted to the assessment system in the respective canton.

2 Annual multiples

The direct rate for the tax amount due is only applied with the Direct Federal Tax and by the cantons of FR, BS, BL, TI, VS and NE.[8)]

The other cantonal tax laws contain rates that show only the basic amount of tax. This tax basis is multiplied by the annual multiple (expressed as a percentage or as a number of units) to obtain the amount of state and communal tax finally due. As a rule, the multiples are adjusted annually according to the financial needs of the various entities (canton, political commune, parish).

Example (tax year 2001):
A married taxpayer without children and living in Zurich earns a gross income of CHF 120,000. After allowable deductions have been made, taxable income at the cantonal level amounts to approximately CHF 103,500 and, at the federal level, to CHF 105,000. On the basis of the rate laid down by law, the basic amount of income tax is CHF 5,599.

On this amount, the canton applies a multiple of 105%, the city of Zurich 126% (as communal tax) and the parish 11% (church tax).

Basic amount of tax:	CHF	5,599
Multiples:		
• Canton Zurich 105%		5,878
• City of Zurich 126%		7,054
• Parish (reformed church) 11%		615
Subtotal of cantonal, communal and church taxes		13,547
Direct Federal Tax by rate		2,758
Total income tax due:		16,305

8) The cantons of FR and NE do use a basic tariff with annual multiples for individuals. These are 100% in the tax years 2001/2002.

3 Family taxation

Swiss tax laws are based on the principle that the income and wealth of a family represent an economic unit. The institution of household or family taxation applies for Direct Federal Tax as well as for cantonal and communal taxes. Consequently, the income and wealth of married couples in a joint household are aggregated, regardless of the marriage property regime.

Due to the progressive rates applied under Swiss income tax laws, family taxation may lead to a significant increase in the tax burden, particularly in cases where both spouses are employed. Legislators have several **corrective measures** at their disposal to mitigate these effects. Several such measures as applied in Switzerland have been summarised below:

- **Doubles schedule:** In addition to a singles schedule, there is a doubles schedule which eases the tax burden for married couples.
  This system is used by the Confederation and the majority of the cantons.

- **Splitting:** The family's total taxable income is reduced by a certain percentage in order to determine the rate (used in seven cantons).
  Example: An income of CHF 100,000 is taxed using a splitting rate of 55%, which corresponds to an income of CHF 55,000.

- **Taxation based on consumer units:** A variable divisor corresponding to the number of family members is used. The family's total income is divided by these quotients to determine the rate. Only one canton uses this system.

4 Tax deducted at source

Taxation at source concerns two major categories of taxpayers: foreigners with a tax domicile or tax residence in Switzerland, and individuals or legal entities with no tax domicile or tax residence in Switzerland.

Tax deducted at source, which is handled by the employer or debtor of the taxable service, replaces the Direct Federal Tax to be assessed in the ordinary procedure, as well as the cantonal, communal and, if appropriate, church tax. The tax is generally calculated on the basis of gross income and the rates applied depend on the type of taxable service.

The above is subject to regulations to the contrary according to the double taxation treaties which Switzerland has signed with other countries.

Foreigners with a domicile or residence in Switzerland

All persons who are gainfully employed and domiciled in Switzerland, and who do not hold a residence permit issued by the Aliens' Registration Office, are subject to withholding tax. The withholding tax is assessed on gross income, including subsidiary income and allowances in kind and substitute income (subsistence allowances from health, accident or unemployment insurance, etc.).

The **rates** provide for flat rates for professional expenses, insurance premiums and family expenses.

The withholding tax is in principle a final tax burden. Subsequent assessment only applies in the case of taxable services which exceed a certain amount, currently CHF 120,000. Taxes deducted at source are credited thereto.
Exception: Married couples in a joint household are assessed using an ordinary procedure provided one spouse is a Swiss citizen or holds a residence permit.

Individuals and legal entities without a domicile or residence in Switzerland

These taxpayers are domiciled abroad and are therefore, on the basis of financial affiliation, only subject to limited tax liability in Switzerland. Only that part of their income earned from Swiss sources is liable to tax. This tax deduction at source is not solely limited to foreign nationals alone but may also be applied to Swiss citizens resident abroad or legal entities abroad.

This taxation applies in particular to the following:

- non-resident employees (regardless of their nationality) who pursue gainful employment in Switzerland;
- non-resident employees with international transport companies who perform work for an employer with a head office or permanent establishment in Switzerland;
- non-resident artists, athletes or consultants for income from their personal activity exercised in Switzerland;
- non-resident beneficiaries of social payments who receive annuities and sums of money from Swiss private or public social welfare institutions;
- non-resident members of a board or of management who receive royalties, attendance allowances, fixed indemnification or similar compensation from Swiss companies or from foreign enterprises with permanent establishments in Switzerland;
- non-resident creditors or beneficiaries of claims which are secured by mortgages or pledges on immovable property in Switzerland.

A special **rate** applies for each type of income.

5 Taxation based on expenditure

Both federal and cantonal tax legislation provides for the possibility, under certain conditions, of levying a flat rate tax instead of ordinary income and wealth tax.

The "target group" of flat rate taxation are **foreign nationals who take up tax domicile or tax residence in Switzerland for the first time or following an absence of at least ten years.** They must **not exercise any gainful employment** in Switzerland.

Tax based on expenditure is calculated using a **simple procedure,** which can result in an easing of the tax burden.

Basis for assessment

The basis for assessment of the flat rate tax comprises the taxpayers expenditure on the one hand and certain income and asset elements on the other.

✘ Tax assessment

Depending on expenditure, tax is calculated on the basis of the annual cost-of-living expenses, during the base period, of the taxpayer and the persons whom he supports and who live in Switzerland, regardless of whether such expenses are incurred in Switzerland or abroad.

The following types of expenses are taken into consideration: food and clothing, housing, education, culture and entertainment.

These expenses must correspond to at least **five times the rent or corresponding rentable value** of the taxpayer's flat or house or the **double board price** for board and lodging of the taxpayer living in a hotel with his family.

✘ Check with other income and asset holdings

The tax based on expenditure must not be lower than the taxes calculated according to the regular tariff on domestic income and assets as well as certain income from foreign sources for which the taxpayer makes use of a double taxation convention concluded by Switzerland.

Income from domestic sources consists in particular of the following: income from immovable property situated in Switzerland, income from movables situated in Switzerland, proceeds from copyrights, patents and licensing fees exercised in Switzerland, and benefits, annuities and pensions from Swiss sources.

Taxpayers who pay the tax based on expenditure are entitled to benefit from the advantages of double taxation treaties concluded with Switzerland, in particular the provisions related to relief from foreign withholding taxes.

The double taxation conventions with Belgium, Germany, Italy, Canada, Norway, Austria and the USA only allow the treaty advantages (relief from the foreign withholding tax) if all income deriving from these contracting states is subject to regular taxation under Swiss law and if the taxes together with the other income from Swiss sources are levied at the same rate as that for the total income.

Deductions and tax rates

The only permissible deductions from gross income are the costs for the maintenance and management of immovable properties in Switzerland as well as costs for the standard general management of securities and deposits whose yields are taxed. No other expenses, particularly interest on debts, annuities and permanent expenses may be deducted. Social deductions are also excluded. Depending on the individuals personal status (single, married, one-parent family), the same tax rates apply as for ordinary income tax.

Procedure

Taxation based on expenditure is only granted upon the request of the taxpayer and only then when legal requirements are fulfilled. If ordinary taxation is more advantageous for a taxpayer, he has the option, in any tax period, of foregoing the flat rate taxation system and of requesting ordinary taxation.

Swiss anticipatory tax

As incomes from Swiss sources must be declared in the assessment and are thereby visible in the basis for taxation, withholding tax on those taxed elements of income may be reclaimed.

6 Taxation of holding and management companies

Holding companies

In general, the term "holding company" includes joint stock companies, limited partnerships, limited liability companies and cooperatives, whose main purpose is the permanent administration of holdings in other companies (corporations).

In order to avoid any double or multiple taxation, these corporations enjoy tax relief. Accordingly, they are as a rule **exempt from any tax on profits** and pay only a **reduced cantonal tax on capital.**

✘ Tax on profits

The Direct Federal Tax does not recognise the concept of a holding company. However, there is a deduction which can lead to a **100% reduction of the tax on profits,** provided the net earnings from the holdings tally with the net profits. The holding deduction can also be claimed for the **profit on sold shares.**

All cantonal tax legislation provide for full tax exemption of holding companies, as long as the participation level or level of participation revenue is at least $^2/_3$ of the total assets or revenues.
However, the Confederation and all cantons tax the earnings from property situated in Switzerland or the canton concerned.

✘ Tax on capital

The Confederation does not levy any tax on capital.

While the cantons do levy a tax on capital for holding companies, it is at a more moderate rate. Most cantons envisage a minimum tax of between CHF 100 and CHF 500.

Furthermore, the systems and rates vary from canton to canton; in the majority of cantons, proportional (i.e. fixed) rates are applied.

Management companies

Management companies are taken to mean companies which only have a head office in the canton but do not exercise any business activity there. Almost all of their business is conducted abroad.

✘ Tax on profits

Unlike the Confederation, all cantons grant management companies certain tax reliefs: participation revenues and gains on capital and appreciation on participations are exempt from tax while other earnings from Switzerland (also from immovable property) and from abroad are subject to tax at the normal rate.

✘ Tax on capital

The Confederation does not levy any tax on capital.

Almost all cantons apply a reduced rate in the taxation of capital, often the same as for holding companies (minimum tax of between CHF 100 and CHF 500).

7 Tax relief for newly established companies

In all cantons, the cantonal government may promote the founding of new companies which are of economic importance for the canton or the region **by granting total or partial tax relief** (e.g. accelerated depreciation rates and higher provisions). Such privileges are always limited to a maximum of 10 years.

However, the law on Direct Federal Tax envisages no such possibilities. The State Secretariat for Economic Affairs may therefore grant newly founded companies tax reliefs on Direct Federal Tax. The form, extent and duration of these reliefs should not exceed those granted by the cantons.

✘ Tax on profits and capital

The above-mentioned tax reliefs apply primarily to the tax on profits and capital and vary from one canton to another.
They usually take the form of total or partial tax exemption.

✘ Minimum tax

Preliminary remark: The Confederation as well as twelve cantons do not levy a minimum tax on legal entities.

The majority of cantons which levy such a tax expressly provide that all new legal entities are to be **fully exempted from the minimum tax** over a certain period of time, insofar as they have not changed their legal form.

8 Latest developments in corporate taxation

Merger Law

On May 13, 2000, the Federal Council published a message regarding a **"federal law on mergers, demergers, restructuring into a different legal entity and transfer of assets" (Mergers Act).** The draft bill aims to create greater flexibility within the legal forms and to enable an optimal legal organisation of corporate structures by ensuring that civil law aspects of mergers, demergers and restructuring into a different legal entity are regulated in a more efficient manner. During parliamentary debate, the proposal was made by a parliamentary commission that **in the case of mergers, the cantons should no longer** be able to **levy tax on transfers of immovable property** as this tax often presents a hindrance to restructuring.
The minority of the commission shares the view of the Federal Council that the Federal Constitution does not allow such selective intervention in the fiscal sovereignty of the cantons.
The proposal will be debated in parliament's second chamber (National Council) in 2002.

Draft bill on the second reform of corporate taxation

Since the first reform of corporate taxation came into force in 1998, over a dozen "interventions" have been submitted, which despite the improvements, demand further reaching measures in favour of Switzerland's position as a location for business. Almost without exception, these "interventions" share a common aim, namely tax relief on business profits – in particular for small and medium enterprises (SME) – and alleviation from the double economic burden on distributed profits. As the reforms to date have already resulted in noticeable improvements in the competitiveness of Switzerland as a location for business, there is no urgent requirement on the part of the Federal Council to introduce additional general tax reliefs for corporations. It has therefore come to the conclusion that further tax reliefs should be undertaken in a targeted manner in the area of companies engaging in investment. Subsequently, on September 21, 2001, it commissioned the Federal Department of Finance to prepare a consultation proposal for a further reform of corporate taxation by summer 2002. The financial scope for the package is, however, severely restricted.

The insertion of risk capital should also be encouraged through fiscal measures: The core elements of the project are as follows:

- equal tax treatment of dividend payments and sales in cases of "qualifying participations" through the introduction of a partial taxation procedure for the shareholder;
- tax relief in connection with the liquidation and succession of partnerships;
- extended participation deduction for all capital companies and cooperatives.

✘ Partial taxation procedure on "qualifying participations"

A central conclusion from the report of the expert commission on "identical taxation of all enterprises, i.e. irrespective of their legal status", namely the partial taxation procedure, is set to be incorporated into the draft consultation proposal. Only 2/3 of dividend payouts and sales of "qualifying participations" should be taxed (a rate of 5% is conceivable provided the participation amounts to at least CHF 100,000). Consequently, it would be possible to further reduce the double economic burden. In addition, capital gains and dividends would also be dealt with equally. The attractiveness of this form of partial taxation could be improved by lifting cantonal tax on assets for qualifying participations or at least by reducing it, which would only be permissible through corresponding amendments to the law on tax harmonisation. A broadly based process of consultation with the cantons is therefore essential. No changes are envisaged with regard to the present legal situation for "non-qualifying participations".

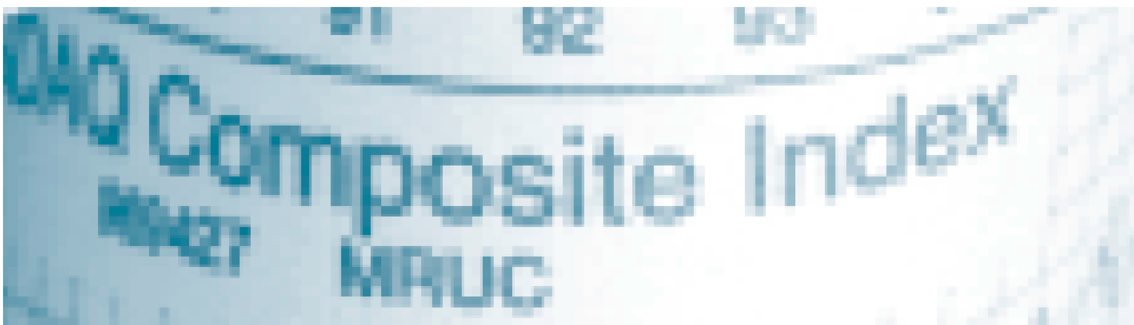
However, the expert committee's stated aim of proposing a system of corporate taxation irrespective of their legal status cannot be realised at present due to the expected shortfall in contributions to social insurance. In order to assess the consequences for AHV law, a working group consisting of representatives from the Federal Office for Social Insurance and the Federal Tax Administration will be formed to address this complex issue and to formulate suitable possible solutions.

✘ Limited financial scope

The financial scope for this package is nevertheless very limited, especially as current tax projects indicate higher financing requirements than those envisaged by the Federal Council. The Federal Department of Finance will therefore put forward a financial policy threshold only in connection with the consultation proposal.

Maintaining Switzerland's fiscal attractiveness as a location for business

Rejecting the Federal Council's recommendation to change the "motion" to a "postulate", the Swiss Parliament adopted a deputee's proposal which intended to enhance the fiscal attractiveness of Switzerland for businesses. This would be achieved by **reducing the level of gains tax** in Direct Federal Tax on legal entities, by **lowering the "progressivity"** of Direct Federal Tax on individuals, and by **diminishing any double economic burden on profits** in the Federal Law on Direct Federal Tax as well as in the Federal Law on the Harmonisation of Direct Cantonal and Communal Taxes. Furthermore, the system of accounting for losses should be improved in both of these legal documents.



V Annex: Tables

This section contains the following tables:

1 International double taxation

– Double taxation conventions concluded by the Swiss Confederation
– Tax relief for Swiss dividends and interest payments

2 Tax burden in Switzerland

– Tax on profits and capital for legal entities
– Effective individual tax rates on income
– Inheritance and gift taxes
– Effective individual tax rates on assets

3 Tax revenues of the Confederation, cantons and communes

– Repartition of tax revenue for Confederation, cantons and communes
– Estimated revenue of the Confederation

4 International comparison

– Taxes and social contributions as a percentage of GDP
– Ratio of direct to indirect taxes

5 Organisation chart of the Federal Tax Administration

6 Addresses of federal and cantonal tax authorities

1 International double taxation

Double taxation conventions concluded by the Swiss Confederation (as of 1.1.2002)

Contracting State	Taxes	Date	Remarks
Albania	income & assets	12.11.1999	
Argentina	income & assets	23. 4.1997 23.11.2000	not yet in force protocol; not yet in force; provisionally applicable from 1.1.2001
Australia	income	28. 2.1980	
Austria	income & assets	30. 1.1974 18. 1.1994 20. 7.2000	 protocol protocol
	inheritance	30. 1.1974	
Belarus	income & assets	26. 4.1999	
Belgium	income & assets	28. 8.1978	
Bulgaria	income & assets	28.10.1991	
Canada	income & assets	5. 5.1997	
China	income & assets	6. 7.1990	
Croatia	income & assets	12. 3.1999	
Czech Republic	income & assets	4.12.1995	
Denmark	income & assets	23.11.1973 11. 3.1997	) also valid for Faroe) Islands (20.3.1978); protocol
	inheritance	23.11.1973	also valid for Faroe Islands (20.3.1978)
Egypt	income	20. 5.1987	
Ecuador	income & assets	28.11.1994	

Contracting State	Taxes	Date	Remarks
Finland	income & assets	16.12.1991	
	inheritance	27.12.1956	
France	income & assets	9. 9.1966	
		3.12.1969	supplementary convention
		22. 7.1997	supplementary convention
	inheritance	31.12.1953	
Germany	income & assets	11. 8.1971	
		17.10.1989	protocol
		21.12.1992	protocol
	inheritance	30.11.1978	
Greece	income	16. 6.1983	
Hungary	income & assets	9. 4.1981	
Iceland	income & assets	3. 6.1988	
India	income	2.11.1994	
		16. 2.2000	amendment protocol
Indonesia	income	29. 8.1988	
Ireland	income & assets	8.11.1966	
		24.10.1980	amendment protocol
Italy	income & assets	9. 3.1976	
		28. 4.1978	supplementary protocol
Ivory Coast	income	23.11.1987	
Jamaica	income	6.12.1994	
Japan	income	19. 1.1971	
Kazakhstan	income & assets	21.10.1999	
Korea (South)	income	12. 2.1980	
Kuwait	income & assets	16. 2.1999	
Kyrgyz Republic	income & assets	26. 1.2001	not yet in force
Liechtenstein	income	22. 6.1995	no comprehensive treaty
Luxembourg	income & assets	21. 1.1993	

Contracting State	Taxes	Date	Remarks
Macedonia	income & assets	14. 4.2000	
Malaysia	income	30.12.1974	
Mexico	income	3. 8.1993	
Moldova	income & assets	13. 1.1999	
Mongolia	income & assets	20. 9.1999	not yet in force
Morocco	income	31. 3.1993	
Netherlands	income & assets	12.11.1951	
		22. 6.1966	supplementary protocol
	inheritance	12.11.1951	
New Zealand	income	6. 6.1980	
Norway	income & assets	7. 9.1987	
	inheritance	7.12.1956	
Pakistan	income	30.12.1959	
		15. 6.1962	protocol
Philippines	income	24. 6.1998	
Poland	income & assets	2. 9.1991	
Portugal	income & assets	26. 9.1974	
Romania	income & assets	25.10.1993	
Russian Federation	income & assets	15.11.1995	
Singapore	income & assets	25.11.1975	
Slovakia	income & assets	14. 2.1997	
Slovenia	income & assets	12. 6.1996	
South Africa	income	3. 7.1967	
Spain	income & assets	26. 4.1966	
Sri Lanka	income & assets	11. 1.1983	

Contracting State	Taxes	Date	Remarks
States of the former Soviet Union	income	5. 9.1986	no comprehensive treaty; only applicable for the Ukraine
Sweden	income & assets	7. 5.1965	
		10. 3.1992	protocol
	inheritance	7. 2.1979	
Thailand	income	2. 2.1996	
Trinidad & Tobago	income	1. 2.1973	
Tunisia	income	10. 2.1994	
Ukraine	income & assets	30.10.2000	not yet in force
United Kingdom	income	8.12.1977	
		5. 3.1981	amendment protocol
		17.12.1993	amendment protocol
	inheritance	12. 6.1956	*)
		17.12.1993	
	income	30. 9.1954	still valid for certain territories **)
United States of America	income	24. 5.1951	
		2.10.1996	
	inheritance	9. 7.1951	
Venezuela	income & assets	20.12.1996	
Vietnam	income & assets	6. 5.1996	

Negotiations are in progress or have taken place with the following countries:

Armenia (treaty signed), Brazil, Chile, Estonia (treaty signed), Ethiopia (airline companies, treaty signed), Georgia (treaty signed), Germany (Taxation of dividends; Amendment protocol signed), Indonesia (Protocol signed), Iran, Israel, Latvia (treaty signed), Lithuania (treaty signed), Norway (Amendment protocol signed), Oman (airline companies), Pakistan (replacement of 1959/62 convention; treaty signed), Turkey, Turkmenistan, Uzbekistan (treaty signed), Yugoslavia, Zimbabwe (treaty signed).

*) Lifted by the convention of 1993; still valid in certain cases.

**) Antigua, Barbados, Belize, Dominica, Gambia, Grenada, Malawi, Montserrat, St. Christopher, Nevis & Anguilla, St. Lucia, St. Vincent, Virgin Islands and Zambia.

Tax relief for Swiss dividends and interest payments

on the basis of double taxation conventions (maturities from 1999 to 2001)

Contracting State	Swiss withholding tax of 35% Relief for				Tax on mortgage interest
(Beneficiary's country of residence)	Dividends		Bond and bank interest		limited
	from %	to % *)	from %	to % *)	to % *)
Albania					
Maturities from 1.1.2001					
Rule	20	15	30	5	5
Holdings from 25%	30	5			
Argentina d					
Rule	20	15	23	12 a	12
Holdings from 25%	25	10			
Australia	20	15	25	10	10 c
Austria	30	5 s	30	5	5
Belarus					
Maturities from 1.1.2000					
Rule	20	15	27	8 a i	15 a i
Holdings from 25%	30	5			
Belgium					
Rule	20	15	25	10 a	10 a
Holdings from 25%	25	10			
Bulgaria					
Rule	20	15	25	10 a	10
Holdings from 25%	30	5			
Canada					
Rule	20	15	25	10 a	10 a
Holdings from 10%	30	5			
China, Peoples' Republic of	25	10	25	10 a	10 a
Czech Republic					
Rule	20	15	35	0	0
Holdings from 25%	30	5			
Denmark	35	0	35	0	0
Ecuador	20	15	25	10 a	10 a
Egypt					
Rule	20	15	20	15 a	15 a c
Holdings from 25%	30	5			
Finland					
Rule	25	10	35	0	0
Holdings from 20%	30	5			

*) The amount not refunded by Switzerland is in principle countable towards income tax of the contracting state.

See page 47 for comments.

Contracting State (Beneficiary's country of residence)	Swiss withholding tax of 35% Relief for: Dividends from %	Dividends to % *)	Bond and bank interest from %	Bond and bank interest to % *)	Tax on mortgage interest limited to % *)
France					
Rule	20	15	35	0	0
Special case b	20	15			
Holdings from 10%	35	0			
Germany					
Rule	20	15	35	0	0
Debtor: border power plants	30	5			
Holdings from 20%	30	5			
Participating debentures and profit- and loss-sharing loans			5	30	
Greece					
Rule	20	15	25	10	10 c
Holdings from 25%	30	5			
Hungary	25	10	25	10	10
Iceland					
Rule	20	15	35	0	0
Holdings from 25%	30	5			
India	20	15	20/25	15/10 a l	15 c
Indonesia					
Rule	20	15	25	10	10 c
Holdings from 25%	25	10			
Ireland					
Rule	20	15	35	0	0
Holdings from 25%	25	10			
Italy	20	15	22,5	12,5	12,5
Ivory Coast	20	15	20	15	15 c
Jamaica					
Rule	20	15	25	10 a	10 c k
Holdings from 10%	25	10			
Japan					
Rule	20	15	25	10 a	10 a c
Holdings from 25%	25	10			
Kazakhstan					
Maturities from 1.1.2000					
Rule	20	15	25	10 a	10 a
Holdings from 10%	30	5 k			
Korea (South)					
Rule	20	15	25	10 a	10 a c
Holdings from 25%	25	10			

*) The amount not refunded by Switzerland is in principle countable towards income tax of the contracting state.
See page 47 for comments.

Contracting State (Beneficiary's country of residence)	Swiss withholding tax of 35% Relief for				Tax on mortgage interest
	Dividends		Bond and bank interest		limited
	from %	to % *)	from %	to % *)	to % *)
Kuwait	20	15	25	10	10
Liechtenstein	–	–	–	–	0
Luxembourg					
Rule	20	15	25	10	0
Holdings from 25%	35/30	0/5			
Macedonia					
Maturities from 1.1.2001					
Rule	20	15	25	10 a	10
Holdings from 25%	30	5			
Malaysia					
Rule	20	15	25	10	10 c
Holdings from 25%	30	5			
Mexico					
Rule	20	15	20	15 a	15 c
Holdings from 25%	30	5			
Moldova					
Maturities from 1.1.2001					
Rule	20	15	25	10 a	10
Holdings from 25%	30	5			
Morocco					
Rule	20	15	25	10	10 c
Holdings from 25%	28	7			
Netherlands					
Rule	20	15	30	5	5 e
Holdings from 25%	35	0			
New Zealand	20	15	25	10	10 c
Norway					
Rule	20	15	35	0	0
Holdings from 25%	30	5			
Pakistan					
Rule	f		f		15 c
Holdings from 33 1/3%	20	15			
Companies			20	15	
Poland					
Rule	20	15	25	10	10
Holdings from 25%	30	5			
Portugal					
Rule	20	15	25	10	10
Holdings from 25%	25	10			

*) The amount not refunded by Switzerland is in principle countable towards income tax of the contracting state.

See page 47 for comments.

Contracting State (Beneficiary's country of residence)	Swiss withholding tax of 35% Relief for Dividends from %	 to % *)	 Bond and bank interest from %	 to % *)	Tax on mortgage interest limited to % *)
Romania	25	10	25	10	10 a
Russian Federation					
Rule	20	15	25	10 a n o	10
Holdings from 20% and min. CHF 200,000	30	5			
Singapore					
Rule	20	15	25	10	10
Holdings from 25%	25	10			
Slovakia					
Rule	20	15	25	10 a	10
Holdings from 25%	30	5			
Slovenia					
Rule	20	15	30	5	5
Holdings from 25%	30	5			
South Africa	27,5	7,5	25	10 g	10 c g
Spain					
Rule	20	15	25	10	10
Holdings from 25%	25	10			
Sri Lanka					
Rule	20	15	25/30	10/5 i	10
Holdings from 25%	25	10			
Sweden					
Rule	20	15	30	5	5
Holdings from 25%	35	0			
Thailand					
Rule	20	15	20/25	15/10 a l	10 c
Holdings from 10%	25	10			
Trinidad and Tobago					
Rule	15	20	25	10	10 c
Holdings from 10%	25	10			
Tunisia	25	10	25	10	10 c
United Kingdom					
Rule	20	15	35	0	0 c
Holdings from 25%	30	5			
United States					
from 1.2.1998 p)					
Rule	20 q	15	35	0	0
Holdings from 10%	30	5			
Pension funds m	35	0			

*) The amount not refunded by Switzerland is in principle countable towards income tax of the contracting state.

See page 47 for comments.

Contracting State (Beneficiary's country of residence)	Swiss withholding tax of 35% Relief for Dividends from %	 to % *)	 Bond and bank interest from %	 to % *)	Tax on mortgage interest limited to % *)
Venezuela					
Rule	25	10	30	5 a	5
Holdings from 25%	35	0		r	
Vietnam					
Rule	20	15	25	10 a	10
Holdings from 20%, but below 50%	25	10			
from 50 %	28	7			

*) The amount not refunded by Switzerland is in principle countable towards income tax of the contracting state.

Remarks

a The tax exemptions for certain interest payments (Egypt: Art. 11 para. 3, Argentina: Art. 11 para. 3, Belarus: Art. 11 para. 3, Belgium: Art. 11 para. 3 and 4, Bulgaria: Art. 11 para. 3, China: Art. 11 para. 3, Ecuador: Art. 11 para. 3 and 4, India: Art. 11 para. 4, Jamaica: Art. 11 para. 3 and fig. 2 of the protocol, Japan: Art. 11 para. 3 and 4, Canada: Art. 11 para. 3 and 4, Kazakhstan: Art. 11 para. 3 lit. a to d, Korea: Art. 11 para. 3, Macedonia: Art. 11 para. 3 lit. a to c, Mexico: Art. 11 para. 2 lit. a and para. 3, Moldova: Art. 3 para. 3, Romania: Art. 11 para. 3, Russia: Art. 11 para. 3, Slovakia: Art. 11 para. 3, Thailand: Art. 11 para. 3 lit a, Venezuela: Art. 11 para. 3, Vietnam: Art. 11 para. 3) are only marginal for Swiss taxes.

b French companies with holdings of at least 10%, insofar as majority interest is held by persons not resident in the EU or Switzerland and the shares neither of the paying-out nor of the beneficiary companies are listed on the stock exchange.

c Taxes on assets are not covered by the convention and are therefore taxed at the full rate.

d For maturities from 1.1.2001.

e Withholding taxes of up to 5% of the net amount are admissible, but not assessed taxes.

f No tax relief.

g No tax relief, insofar as South Africa does not tax foreign interest paid to South African creditors.

h Reduction of withholding tax at source, if the holding comprises more than 50% of the voting rights, which may be exercised in the assembly general meeting.

i Interest on bank loans 5%.

k Full relief for holdings from 50%, if investment amounts to at least USD 1 million, where the government in the parent company's country of residence or an institution named in fig. 2 (a) of the protocol has fully guaranteed or assured and where the government in the subsidiary's country of residence has approved the loan.

l Interest on bank loans 10%.

m Recognised pension funds relieved of tax in the country of residence, which the company paying dividends does not control and over 50% of whose beneficiaries are resident in a contracting state.

n Full relief for interest on bank credits held exclusively for the purposes of the diplomatic and consular missions of the Russian Federation in Switzerland, as well as for interest on credits of the Russian government at the Bank for International Settlements (BIS).

o Interest on bank loans: 5%. Interest on credit sales: exempt from withholding tax.

p Applies for maturities from 1.2.1998. In accordance with the previous treaty of 24.5.1951, the following applies for maturities before this date:
– Relief for dividends at 5% for holdings as of 95%.
– Relief for interest is 30% (non-returnable tax 5%).
– For Swiss citizens resident in the USA, withholding tax may only be refunded insofar as it cannot be credited against US taxes. Relevant refund applications should be claimed using Form 823.

For taxpayers who in accordance with Art. 29 para. 3 of the new treaty of 2.10.1996 opted to be treated in accordance with the provisions of the earlier treaty for an additional 12 month period, the above conditions apply for all maturities until 31.1.1999.

q Full relief for dividend payments to a recognised pension institution exempt from tax based in the USA.

r As Venezuela holds to the territorial principle, only individuals, the state and its political subdivisions, companies controlled 50% by the state, companies controlled by persons resident in Switzerland or Venezuela or a third country with equivalent treaty provisions, and companies listed on the stock exchanges of Maracaibo or Caracas, may benefit from the withholding tax relief.

s For dividends from substantial holdings (holdings of legal entities of at least 20%), full relief will be granted from 2000.

2 Tax burden in Switzerland

Source: Federal Tax Administration, Tax burden in Switzerland 2000, Bern 2001

Tax burden of a joint-stock company with net yield of CHF 400,000 as well as capital and reserves of CHF 2 million in 2000

Cantonal capital	Decisive net yield for tax assessment in CHF	Tax amount in CHF		
		Canton and commune[1]	Confederation	**Total**
	Net profits of CHF 400,000[2]			
Zurich	295,100	79,819	25,083	104,902
Bern	307,700	66,151	26,154	92,305
Lucerne	313,700	59,647	26,665	86,312
Altdorf (UR)	301,600	72,824	25,636	98,460
Schwyz	308,400	65,425	26,214	91,639
Sarnen (OW)	315,300	57,886	26,800	84,686
Stans (NW)	315,400	57,741	26,809	84,550
Glarus	294,400	80,609	25,024	105,633
Zug	329,300	42,668	27,990	70,658
Fribourg	292,700	82,478	24,879	107,357
Solothurn[3]	298,800	75,819	25,398	101,217
Basel	294,600	80,409	25,041	105,450
Liestal (BL)	298,000	76,715	25,330	102,045
Schaffhausen[3]	300,000	74,520	25,500	100,020
Herisau (AR)	303,600	70,631	25,806	96,437
Appenzell (AI)	315,500	57,695	26,817	84,512
Saint-Gall[3]	313,800	59,556	26,673	86,229
Chur (GR)	305,900	68,018	26,001	94,019
Aarau (AG)	303,500	70,757	25,797	96,554
Frauenfeld (TG)[3]	310,000	63,697	26,350	90,047
Bellinzona (TI)	311,100	62,398	26,443	88,841
Lausanne (VD)	290,400	84,979	24,684	109,663
Sion (VS)	292,400	82,743	24,854	107,597
Neuchâtel	268,300	108,834	22,805	131,639
Geneva[4]	297,200	77,539	25,262	102,801
Delémont (JU)	303,200	71,064	25,772	96,836

Remarks:
1) Including church tax
2) Net profits before deduction of taxes paid during the financial year
3) On the basis of average distribution: 4.5% of taxable capital and reserves, but no more than 70% of net profits
4) Excludes trade tax

Effective individual tax burden on income for a married person gainfully employed and in possession of a salary statement, without children, in 2000

(Cantonal, communal, church and direct federal taxes)

Assumptions:
Gross earned income
Deductions:
- 5.05% AHV, IV and EO contributions
- 1.50% ALV contributions
- 5.00% Pension fund contributions, max. CHF 10,000
- 4.30% Health and accident insurance contributions, min. CHF 1,280
- 1.40% other insurance contributions, min. CHF 430
- Deduction for professional expenses: 3% of net income, min. CHF 1,700, max. CHF 3,400 (not applicable in all cantons)
- Personal deduction (not applicable in all cantons)

Cantonal capital	Types of revenue in CHF				
	80,000	100,000	200,000	300,000	500,000
Zurich	6,469	9,433	28,778	53,929	113,479
Bern	9,682	13,777	37,246	65,208	123,904
Lucerne	9,482	13,730	35,599	60,392	110,246
Altdorf (UR)	7,134	10,195	30,727	52,793	98,339
Schwyz	6,057	8,592	23,267	38,342	66,899
Sarnen (OW)	7,850	11,163	27,805	45,458	81,008
Stans (NW)	5,836	8,400	22,380	38,524	69,137
Glarus	8,132	11,631	33,571	58,319	107,758
Zug	4,141	6,171	17,961	32,608	57,575
Fribourg	9,053	12,994	36,350	65,952	117,081
Solothurn	9,294	13,686	38,795	70,175	133,868
Basel	9,714	14,684	39,660	66,148	124,191
Liestal (BL)	8,756	13,102	37,649	62,931	119,417
Schaffhausen	8,410	12,368	35,322	62,346	121,997
Herisau (AR)	7,974	11,499	31,436	53,023	95,780
Appenzell (AI)	6,616	9,305	24,862	43,621	78,380
Saint-Gall	8,763	12,939	36,792	63,668	120,531
Chur (GR)	6,168	9,869	31,143	53,729	98,998
Aarau (AG)	6,979	10,493	32,554	59,578	113,265
Frauenfeld (TG)	8,273	12,024	34,915	60,966	114,973
Bellinzona (TI)	7,812	12,047	37,090	67,229	129,441
Lausanne (VD)	9,552	13,087	35,167	63,590	125,439
Sion (VS)	7,986	11,321	35,660	61,420	110,874
Neuchâtel	9,452	14,035	38,075	66,429	119,323
Geneva	8,804	13,376	38,103	66,847	128,088
Delémont (JU)	10,196	14,597	38,649	69,198	131,171
Confederation	933	1,728	11,484	23,743	48,430

Taxation of inheritance in 2000

	Degree of kinship					
	Inheritance to children in CHF			Inheritance to spouses with children in CHF		
Canton	**50,000**	**100,000**	**500,000**	**50,000**	**100,000**	**500,000**
Zurich	–	–	–	–	–	–
Bern	327	1,000	7,125	–	–	–
Lucerne	–	–	–	–	–	–
Uri	–	–	–	–	–	–
Schwyz	–	–	–	–	–	–
Obwalden	–	–	–	–	–	–
Nidwalden	–	–	–	–	–	–
Glarus	759	2,174	18,596	–	–	–
Zug	–	–	–	–	–	–
Fribourg	–	–	–	–	–	–
Solothurn[1)]	–	–	–	–	–	–
Basel-City	1,080	2,700	19,110	–	–	–
Basel-Canton	733	2,475	22,458	–	–	–
Schaffhausen	–	–	–	–	–	–
Appenzell O.Rh.	–	–	–	–	–	–
Appenzell I.Rh.	–	600	9,000	–	–	–
Saint-Gall	–	–	–	–	–	–
Grisons[1)]	–	–	–	–	–	–
Aargau	–	1,000	18,000	–	–	–
Thurgau	105	780	15,180	–	–	–
Ticino	–	–	–	–	–	–
Vaud	–	984	14,295	–	984	14,295
Valais	–	–	–	–	–	–
Neuchâtel[1)]	–	–	–	–	–	–
Geneva	1,300	3,050	21,550	1,300	3,050	21,550
Jura	500	1,125	9,500	500	1,125	9,500
Commune						
Lucerne (City)	700	1,500	9,500	–	–	–
Fribourg (City)	–	–	–	1,000	2,000	10,000
Chur (GR)	350	1,020	9,700	–	–	–
Lausanne (VD)[2)]	–	984	14,295	–	984	14,295

See bottom of next page for footnotes.

	Degree of kinship					
	Inheritance to brothers and sisters in CHF			Inheritance to non-related persons in CHF		
Canton	**50,000**	**100,000**	**500,000**	**50,000**	**100,000**	**500,000**
Zurich	2,250	6,750	67,500	7,200	16,800	140,400
Bern	3,750	8,288	64,200	10,000	22,100	171,200
Lucerne	4,200	9,000	57,000	14,000	30,000	190,000
Uri	3,000	7,000	50,000	9,000	21,000	150,000
Schwyz	–	–	–	–	–	–
Obwalden	–	–	–	10,000	20,000	100,000
Nidwalden	2,500	5,000	25,000	7,500	15,000	75,000
Glarus	3,027	8,478	77,731	12,075	32,775	287,500
Zug	2,040	4,320	28,360	5,100	10,800	70,900
Fribourg	3,000	6,000	30,000	15,000	30,000	150,000
Solothurn[1)]	3,549	9,340	50,000	10,648	28,021	150,000
Basel-City	3,888	8,820	58,266	11,664	26,460	174,798
Basel-Canton	4,725	11,800	76,091	12,600	31,467	202,909
Schaffhausen	2,600	7,800	70,600	6,500	19,500	176,500
Appenzell O.Rh.	4,500	12,000	96,000	9,750	26,000	208,000
Appenzell I.Rh.	2,280	5,440	39,840	6,000	14,000	100,000
Saint-Gall	8,000	18,000	98,000	12,000	27,000	147,000
Grisons[1)]	–	–	–	–	–	–
Aargau	3,000	6,000	60,000	6,000	12,000	120,000
Thurgau	2,500	6,000	70,000	5,000	12,000	140,000
Ticino	3,485	7,947	59,917	10,455	23,842	179,752
Vaud	3,498	8,118	62,500	10,494	24,354	125,000
Valais	5,000	10,000	50,000	12,500	25,000	125,000
Neuchâtel[1)]	4,500	9,000	45,000	18,000	36,000	180,000
Geneva	8,694	17,619	107,919	24,696	49,896	268,296
Jura	4,219	10,312	70,312	11,250	27,500	187,500
Commune						
Lucerne (City)	–	–	–	–	–	–
Fribourg (City)	2,000	4,000	20,000	10,000	20,000	100,000
Chur (GR)	1,750	5,100	48,500	5,250	15,300	145,500
Lausanne (VD)[2)]	3,498	8,118	62,500	10,494	24,354	125,000

Remarks:
Taxes are progressive depending on:
– degree of kinship
– amount inherited
– extent of heir's own wealth (in many communes in the canton of GR).

[1)] Cantons levying a death duty on non-apportioned property.
[2)] Communes may levy surcharges of up to 100% of the cantonal tax.

Effective individual tax burden on wealth for a married person, gainfully employed and without children, in 2000
(Cantonal, communal and church taxes)

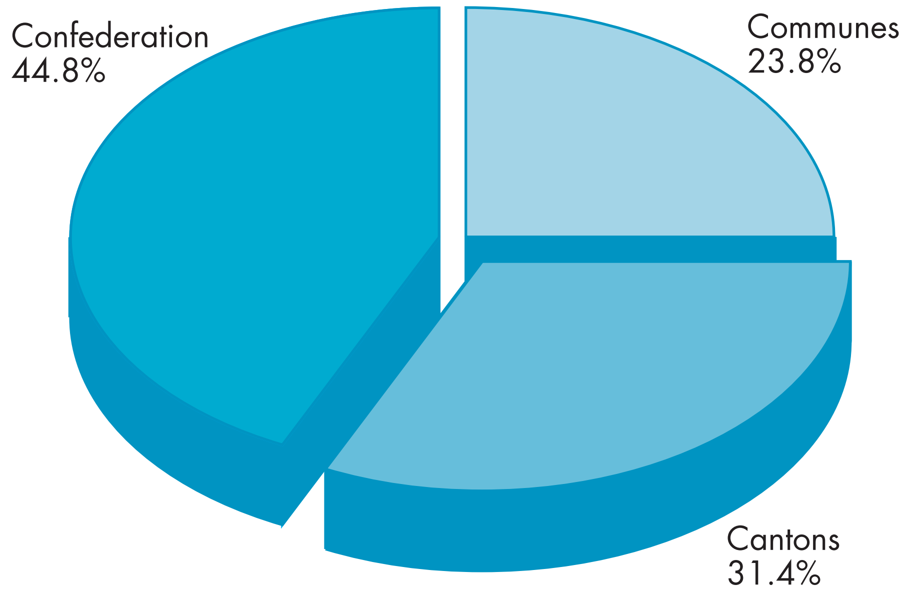
Assumptions:
Net wealth
Personal deduction

Cantonal capital	Net wealth in CHF				
	100,000	200,000	300,000	500,000	1,000,000
Zurich	–	79	202	645	2,268
Bern	–	590	992	1,949	4,953
Lucerne	287	861	1,456	2,706	6,191
Altdorf (UR)	–	255	574	1,407	4,227
Schwyz	–	412	824	1,648	3,708
Sarnen (OW)	195	585	975	1,755	3,705
Stans (NW)	94	281	468	843	1,779
Glarus	130	508	966	1,982	4,659
Zug	–	246	574	1,230	3,198
Fribourg	369	1,025	1,599	2,870	6,970
Solothurn	–	323	806	2,096	5,321
Basel	–	500	1,000	2,000	5,750
Liestal (BL)	–	137	534	1,826	6,476
Schaffhausen	–	243	608	1,701	5,832
Herisau (AR)	–	437	875	1,859	4,374
Appenzell (AI)	–	326	760	1,628	3,798
Saint-Gall	–	450	1,050	2,250	5,250
Chur (GR)	99	368	712	1,548	4,124
Aarau (AG)	70	445	868	1,851	4,482
Frauenfeld (TG)	190	664	1,138	2,086	5,151
Bellinzona (TI)	–	273	663	1,628	4,329
Lausanne (VD)	287	872	1,632	3,153	7,541
Sion (VS)	223	664	1,136	2,211	5,243
Neuchâtel	127	509	1,032	2,470	6,712
Geneva	–	340	787	1,947	5,519
Delémont (JU)	197	595	1,012	2,009	5,143

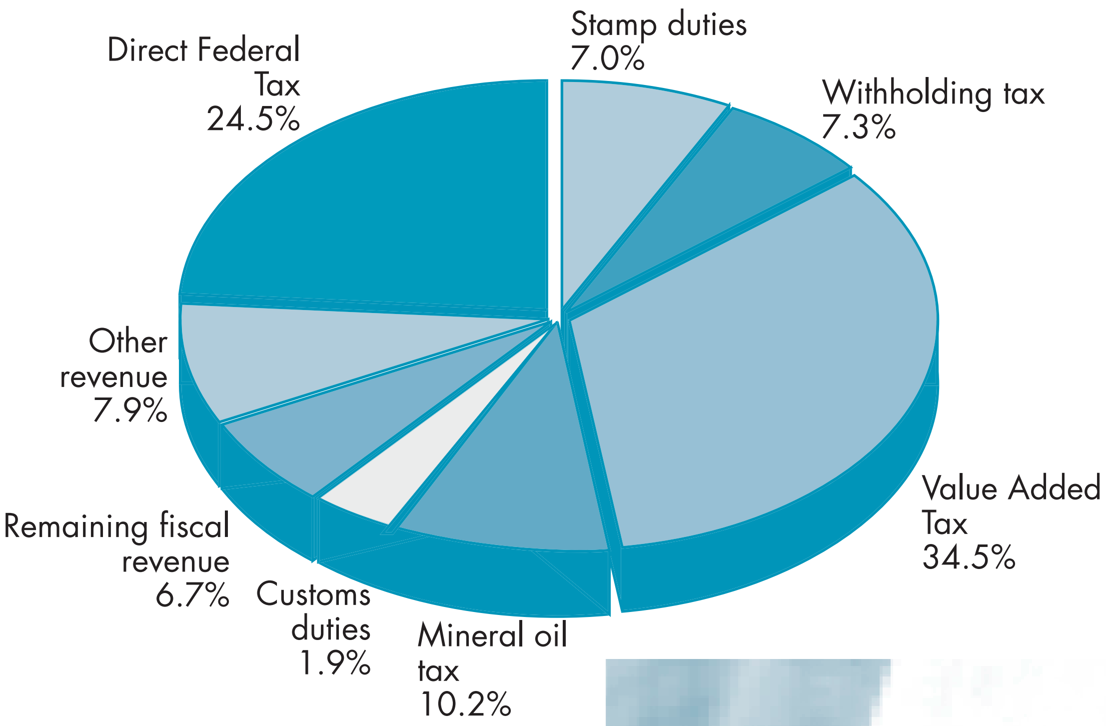
3 Tax revenues of the Confederation, cantons and communes

Source: Federal Finance Administration, Public Finances in Switzerland 1999, Bern 2001

Repartition of tax revenue for the Confederation, cantons and communes in 1999



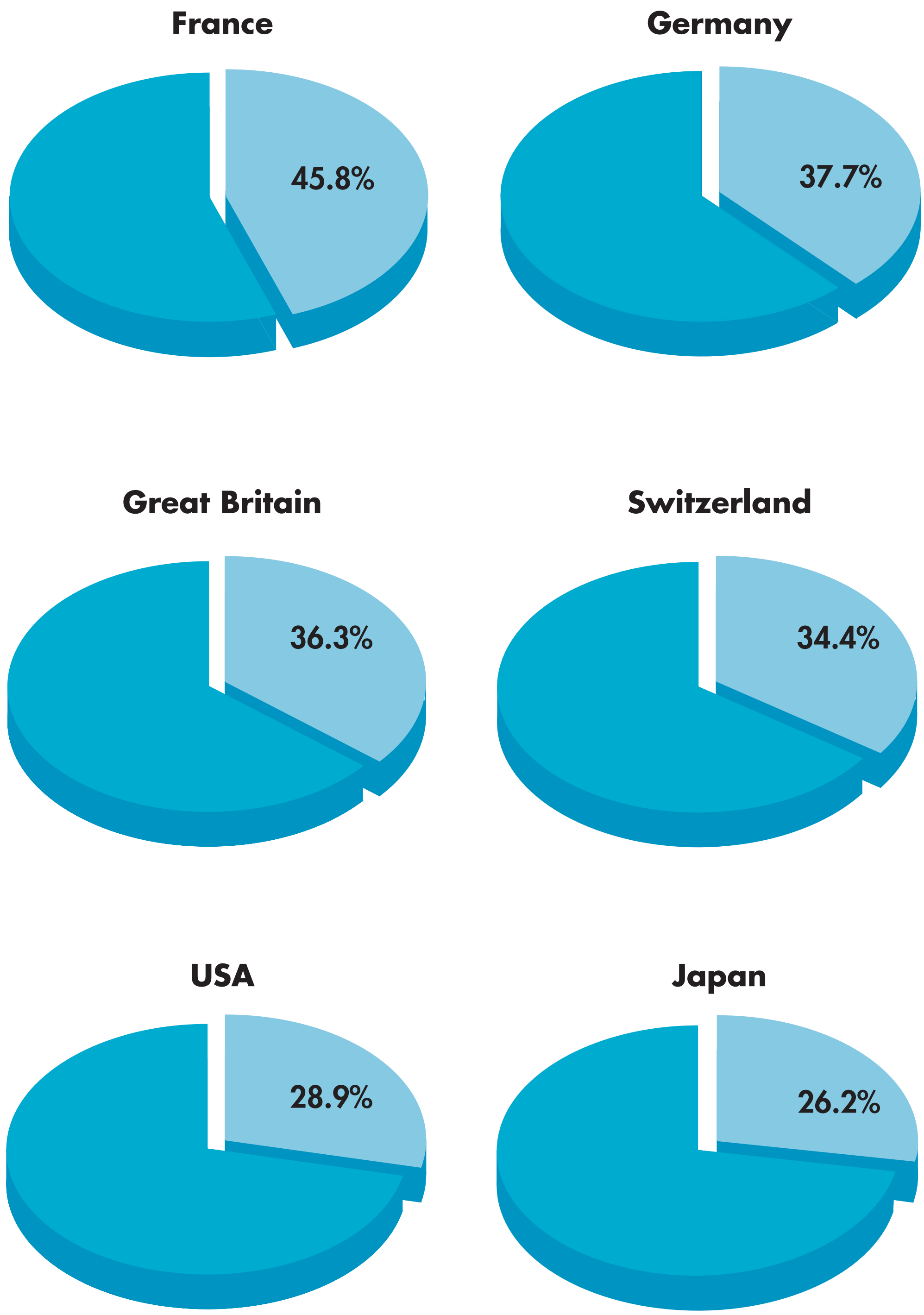
Estimated revenue of the Confederation for 2002

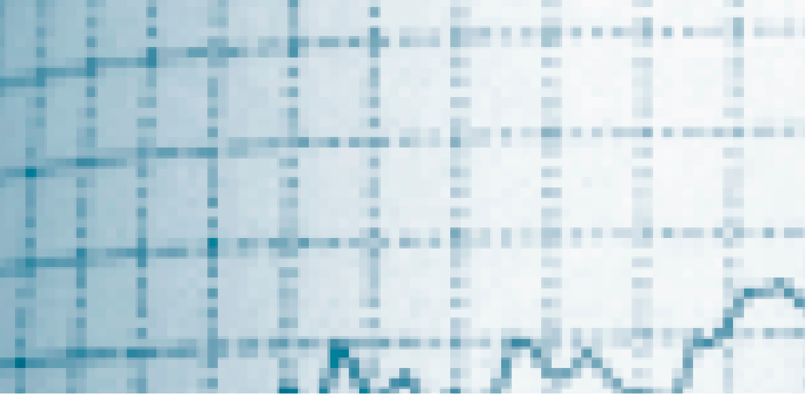


4 International comparison

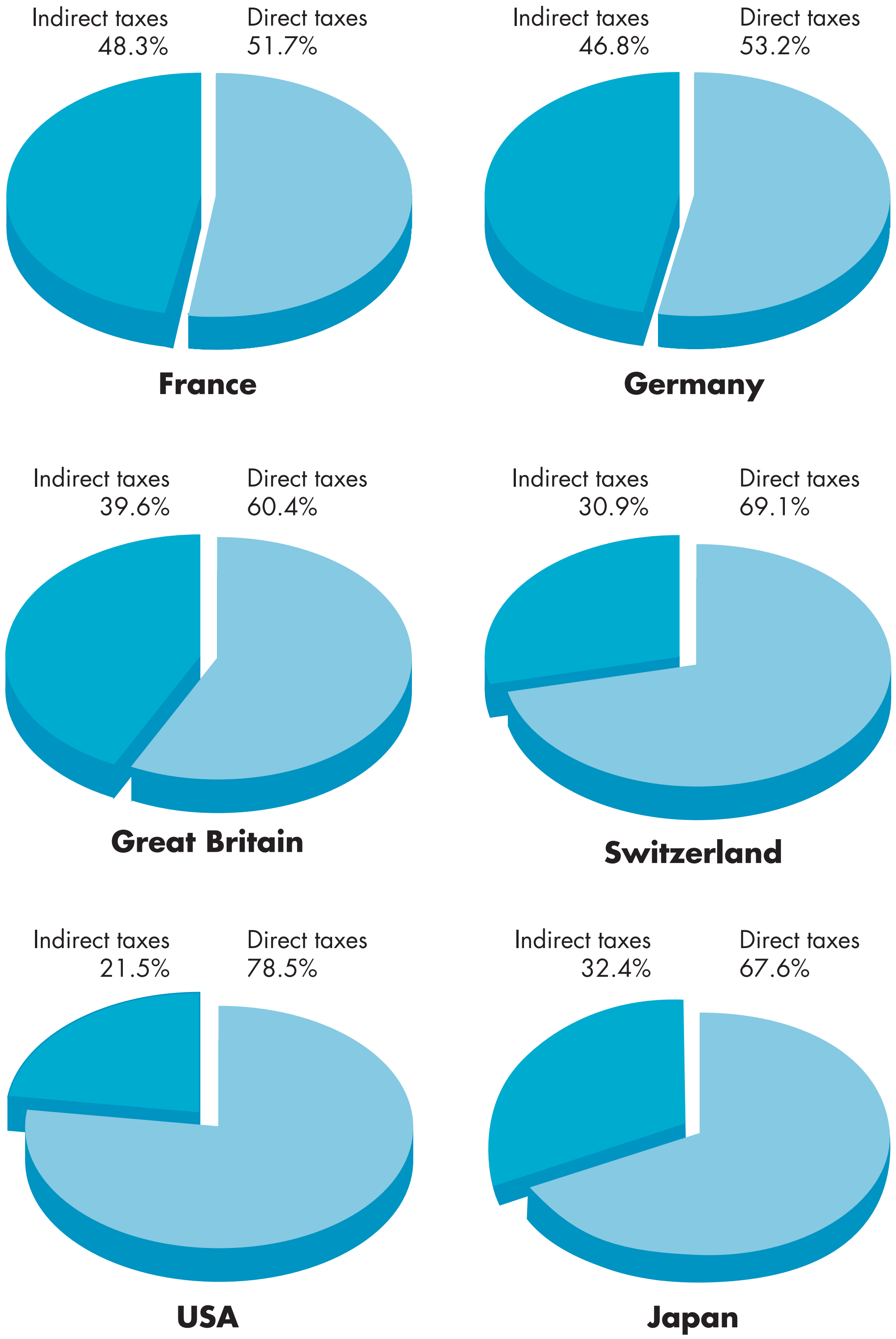
Source: OECD, Revenue Statistics 1965–1999, Paris 2001

Taxes and social contributions as a percentage of GDP in 1999

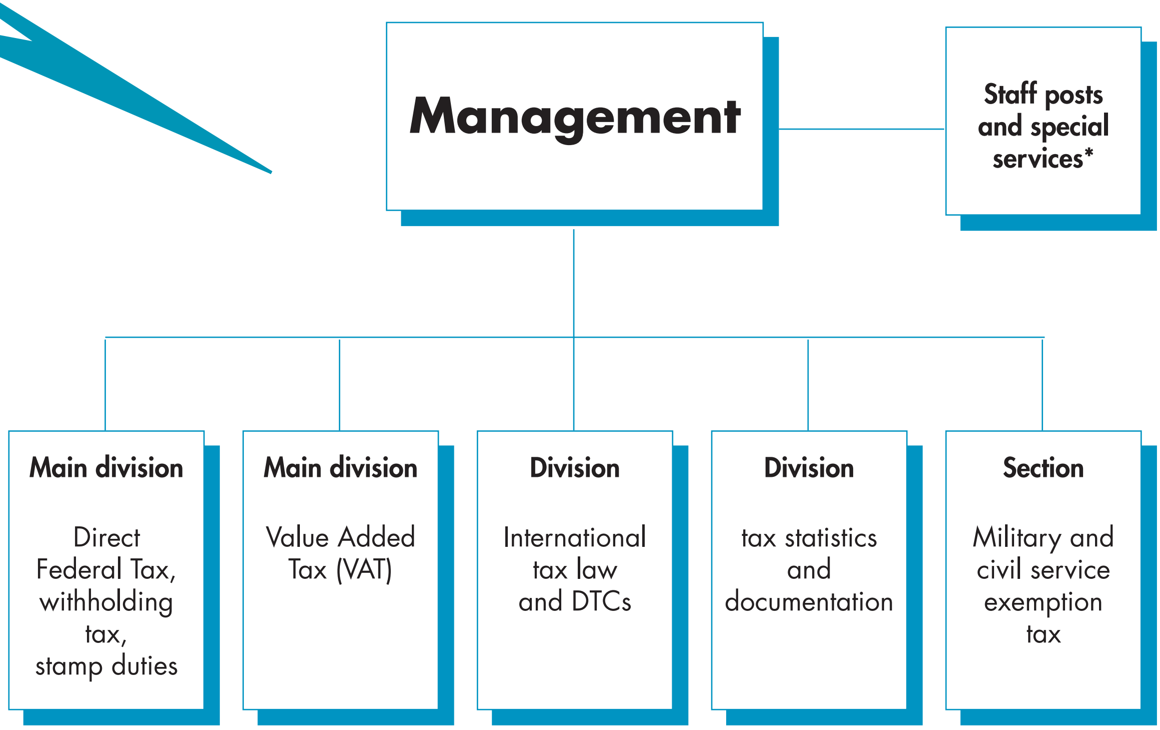




Ratio of direct to indirect taxes in 1999

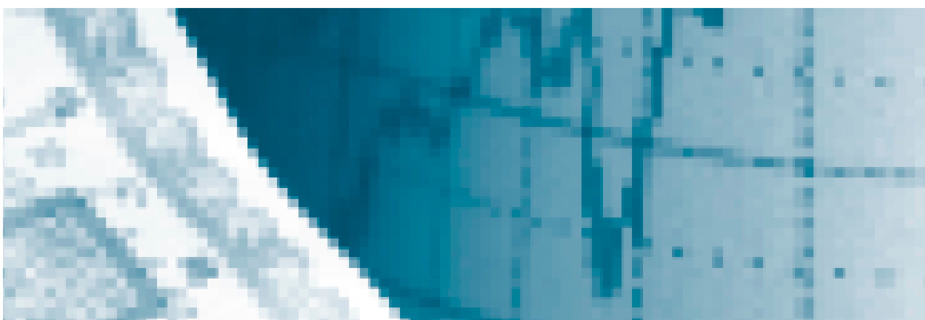


5 Organisation chart of the Federal Tax Administration



*** Staff posts and special services**

– Management Secretariat
– Expert for corporate fiscal matters
– Personnel and Organisation Section
– IT Section
– Fiscal Information Office



6 Addresses of federal and cantonal tax authorities

Confederation	Address:	Eidgenössische Steuerverwaltung, Eigerstr. 65, CH-3003 Bern ✆ ++41/31-322 71 06, Fax ++41/31-322 73 49 www.estv.admin.ch
Aarau (AG)	Address:	Kantonales Steueramt Telli-Hochhaus, CH-5004 Aarau ✆ ++41/62-835 25 30, Fax ++41/62-835 25 39 www.steuern.ag.ch
Altdorf (UR)	Address:	Kantonale Steuerverwaltung Haus Winterberg, CH-6460 Altdorf ✆ ++41/41-875 22 44, Fax ++41/41-875 21 40 www.ur.ch/start.asp?level=10
Appenzell (AI)	Address:	Kantonale Steuerverwaltung Marktgasse 2, CH-9050 Appenzell ✆ ++41/71-788 94 01, Fax ++41/71-788 94 19 www.ai.ch/_d/verwaltung/finanzen.shtml
Basel (BS)	Address:	Kantonale Steuerverwaltung Fischmarkt 10, CH-4001 Basel ✆ ++41/61-267 81 81, Fax ++41/61-267 96 25 www.steuer.bs.ch
Bellinzona (TI)	Address:	Amministrazione cantonale delle contribuzioni Viale S.Franscini 6, CH-6500 Bellinzona ✆ ++41/91-814 39 58, Fax ++41/91-814 39 59 www.ti.ch/DFE/DC
Bern (BE)	Address:	Kantonale Steuerverwaltung Münstergasse 3, CH-3011 Bern ✆ ++41/848 844 411, Fax ++41/31-633 40 10 www.sv.fin.be.ch
Chur (GR)	Address:	Kantonale Steuerverwaltung Steinbruchstrasse 18/20, CH-7000 Chur ✆ ++41/81-257 33 32, Fax ++41/81-257 21 55 www.stv.gr.ch
Delémont (JU)	Address:	Service cantonal des contributions Rue de la Justice 2, CH-2800 Delémont ✆ ++41/32-420 55 30, Fax ++41/32-420 55 31 www.ju.ch/index_etat.html
Frauenfeld (TG)	Address:	Kantonale Steuerverwaltung Schlossmühlestr. 15, CH-8501 Frauenfeld ✆ ++41/52-724 11 11, Fax ++41/52-724 14 00 www.tg.ch/steuern
Fribourg (FR)	Address:	Kantonale Steuerverwaltung Rue Joseph Piller 13, CH-1701 Freiburg ✆ ++41/26-305 11 11, Fax ++41/26-305 32 77 www.fr.ch/scc
Geneva (GE)	Address:	Administration fiscale cantonale Rue du Stand 26, CH-1211 Genève 3 ✆ ++41/22-327 70 00, Fax ++41/22-327 55 97 www.geneve.ch/df/html/vos_impots.html
Glarus (GL)	Address:	Kantonale Steuerverwaltung Hauptstrasse 11/17, CH-8750 Glarus ✆ ++41/55-646 61 50, Fax ++41/55-646 61 98 www.gl.ch/finanzdirektion/index.htm

Herisau (AR)	Address:	Kantonale Steuerverwaltung Gutenberg-Zentrum, CH-9102 Herisau ✆ ++41/71-353 62 90, Fax ++41/71-353 63 11 www.appenzellerland.ch/Verwaltung/
Lausanne (VD)	Address:	Administration cantonale des impôts, Route de Chavannes 37, CH-1014 Lausanne ✆ ++41/21-316 21 21, Fax ++41/21-316 21 40 www.aci.vd.ch
Liestal (BL)	Address:	Kantonale Steuerverwaltung Rheinstr. 33, CH-4410 Liestal ✆ ++41/61-925 51 11, Fax ++41/61-925 69 94 www.baselland.ch/index.htm
Lucerne (LU)	Address:	Kantonale Steuerverwaltung Buobenmatt 1, CH-6002 Luzern ✆ ++41/41-228 56 43, Fax ++41/41-228 66 37 www.steuernluzern.ch
Neuchâtel (NE)	Address:	Administration cantonale des contributions Rue du Docteur-Coullery 5, CH-2300 La Chaux-de-Fonds ✆ ++41/32-889 64 20, Fax ++41/32-889 60 85 www.ne.ch/neat/site/jsp/rubrique/rubrique.jsp?StyleType= marron&CatId=67
Saint-Gall (SG)	Address:	Kantonale Steuerverwaltung Davidstr. 41, CH-9002 St. Gallen ✆ ++41/71-229 41 21, Fax ++41/71-229 41 02 www.steuern.sg.ch
Sarnen (OW)	Address:	Kantonale Steuerverwaltung St. Antonistrasse 4, CH-6061 Sarnen ✆ ++41/41-666 62 94, Fax ++41/41-666 63 13 www.ow.ch/index_regierung_d.html
Schaffhausen (SH)	Address:	Kantonale Steuerverwaltung VGM Mühlentalstr. 105, CH-8201 Schaffhausen ✆ ++41/52-632 71 11, Fax ++41/52-632 72 98 www.sh.ch/kanton/
Schwyz (SZ)	Address:	Kantonale Steuerverwaltung Bahnhofstrasse 15, CH-6431 Schwyz ✆ ++41/41-819 11 24, Fax ++41/41-819 23 49 www.sz.ch/rv/index.html
Sion (VS)	Address:	Administration cantonale des contributions Avenue de la Gare 35, CH-1951 Sion ✆ ++41/27-606 24 51, Fax ++41/27-606 24 53 www.vs.ch/navig2/FinanceEconomie/de/Frame129.htm
Solothurn (SO)	Address:	Kantonale Steuerverwaltung Werkhofstrasse 29c, CH-4509 Solothurn ✆ ++41/32-627 87 87, Fax ++41/32-627 87 00 www.so.ch/fd/stv/
Stans (NW)	Address:	Kantonales Steueramt Bahnhofplatz 3, CH-6371 Stans ✆ ++41/41-618 71 27, Fax ++41/41-618 71 39 www.nw.ch/index_regierung_d.html
Zug (ZG)	Address:	Kantonale Steuerverwaltung Bahnhofstrasse 26, CH-6301 Zug ✆ ++41/41-728 33 11, Fax ++41/41-728 26 95 www.zug.ch/tax/
Zurich (ZH)	Address:	Kantonales Steueramt Walcheplatz 1, CH-8090 Zürich ✆ ++41/1-259 40 50, Fax ++41/1-259 41 08 www.steueramt.zh.ch

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