



# Clarity on Swiss Taxes

Playing to natural strengths





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# Welcome

Switzerland remains competitive on the global tax stage according to KPMG's "Swiss Tax Report 2019". This annual study analyzes corporate and individual tax rates in Switzerland and internationally, analyzing data to draw comparisons between locations.

After a long and drawn-out reform process, the Swiss Federal Act on Tax Reform and AHV Financing (TRAF) is reaching the final stages of maturity. Some cantons have already responded by adjusting their corporate tax rates, and others are sure to follow in 2019 and 2020. These steps towards lower tax rates confirm that the Swiss cantons are committed to competitive taxation. This will be welcomed by companies as they seek stability amid the turbulence of global protectionist trends, like tariffs, Brexit and digital service tax.

It's not just in Switzerland that tax laws are being revised. The national reforms of recent years are part of a global shift towards international harmonization but also increased legislation. For tax departments, these regulatory developments mean increased pressure. Their challenge is to safeguard compliance, while also managing the risk of double or over-taxation. In our fast-paced world, data-driven technology and digital enablers will play an increasingly important role in achieving these aims.

Going forward, it's important that Switzerland continues to play to its natural strengths to remain an attractive business location and global trading partner. That means creating certainty by finalizing the corporate tax reform, building further on its network of FTAs, delivering its "open for business" message and pressing ahead with the Digital Switzerland strategy.

Our multidisciplinary teams closely follow shifts in the international and Swiss tax landscape, seek innovative ways to respond to change, and deliver expert advice – whatever your current tax topic.



Peter Uebelhart



**Peter Uebelhart**

Head of Tax & Legal, KPMG Switzerland

# Corporate taxation

## Corporate income tax

Attractive tax rates remain a natural strength in Switzerland. With some cantons already preparing for the changes that Switzerland's new tax law will bring, the cluster of lower tax cantons in central and eastern Switzerland is less striking due to lower rates overall. Switzerland compares favorably to most of Europe and is likely to retain this position even as countries like the UK and France successively lower their rates.

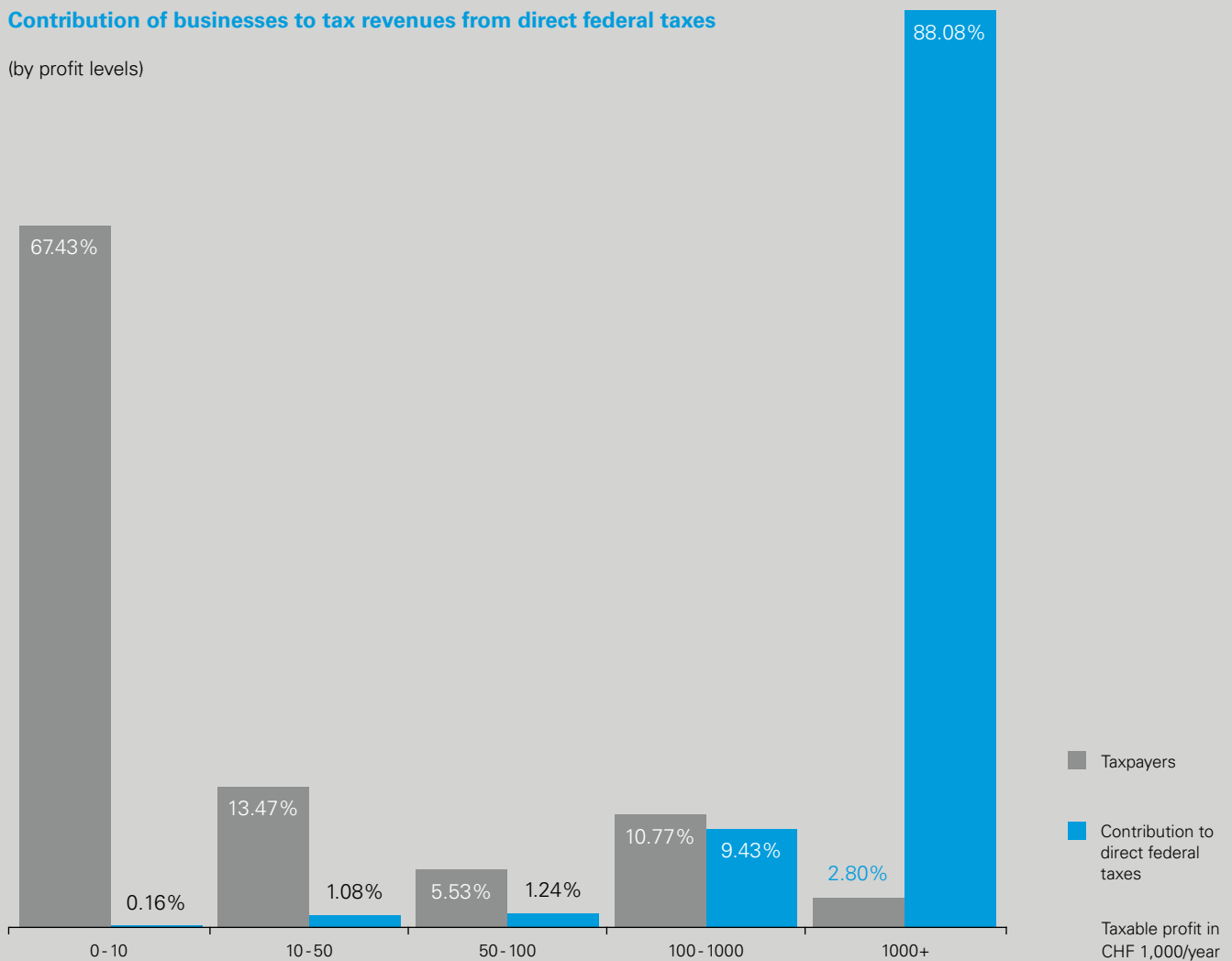


# Which businesses are shouldering the tax burden in Switzerland?

While over two-thirds of taxable companies pay virtually no tax, 2.80% carry around 90% of the total direct (federal) tax burden. This means the tax burden is shouldered by an even smaller number of companies than in the prior year (2018: 2.93%).

## Contribution of businesses to tax revenues from direct federal taxes

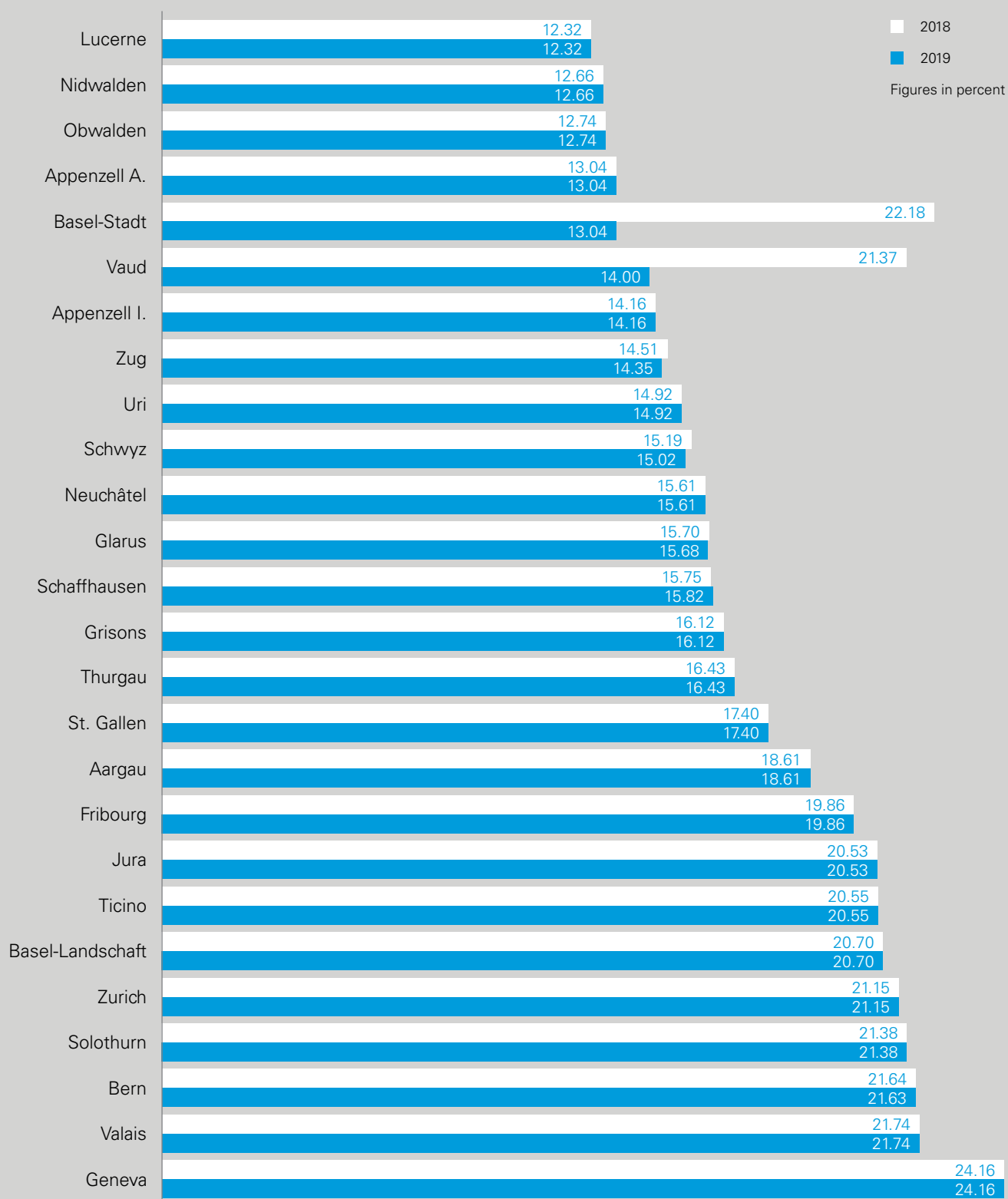
(by profit levels)



Note: Latest available data for the tax period 2015. Source: Swiss Federal Tax Administration FTA, 2019, <https://www.estv.admin.ch/estv/de/home/allgemein/steuerstatistiken/fachinformationen/steuerstatistiken/direkte-bundessteuer/dbst-jp-kantone-2015.html>.

### Corporate income tax rates in the cantons – 2018 and 2019

The cantons of central Switzerland continue to dominate in terms of lowest ordinary corporate income tax rates. Tax rates in these cantons were generally stable, with very modest downward adjustments in Zug, Schwyz and Glarus only, and a negligible increase in Schaffhausen. Basel-Stadt and Vaud stand out for their drastic tax cut rates (from 22.18% to 13.04% and 21.37% to 14.00%, respectively) in anticipation of the changes to come from TRAF. Further cuts are expected in higher tax cantons, including Geneva, Bern and Zurich, also in connection with TRAF.

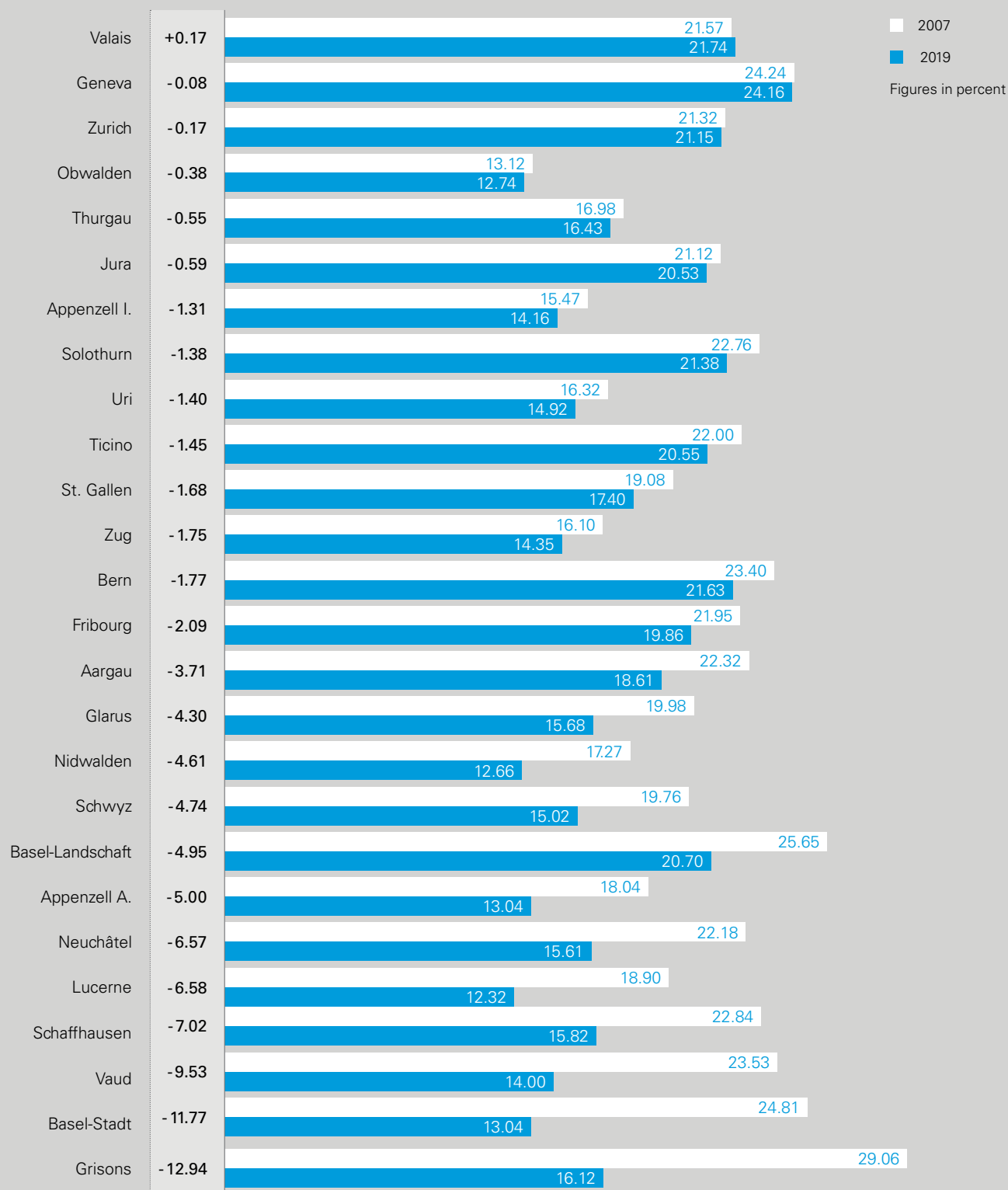


Note: max. effective rate on pre-tax profits for federal/cantonal/municipal taxes in the respective cantonal capital. Corporate income tax figures for AI, GL, NE, GE, JU and SG for 2018. The income tax rate of Schaffhausen is based on the tax rate before the vote on 24 March 2019. Source: KPMG Switzerland.



### Corporate income tax rates in the cantons – trend 2007 to 2019

Ordinary corporate income tax rates barely changed in the Mittelland, Western Switzerland and city cantons. Only Bern, Uri and Ticino cut rates more extensively. Corporate income tax rates fell particularly sharply in Neuchâtel, Schaffhausen, Grisons, Basel-Stadt and Vaud. It is interesting to note that 12% has become established as the minimum rate in practice.

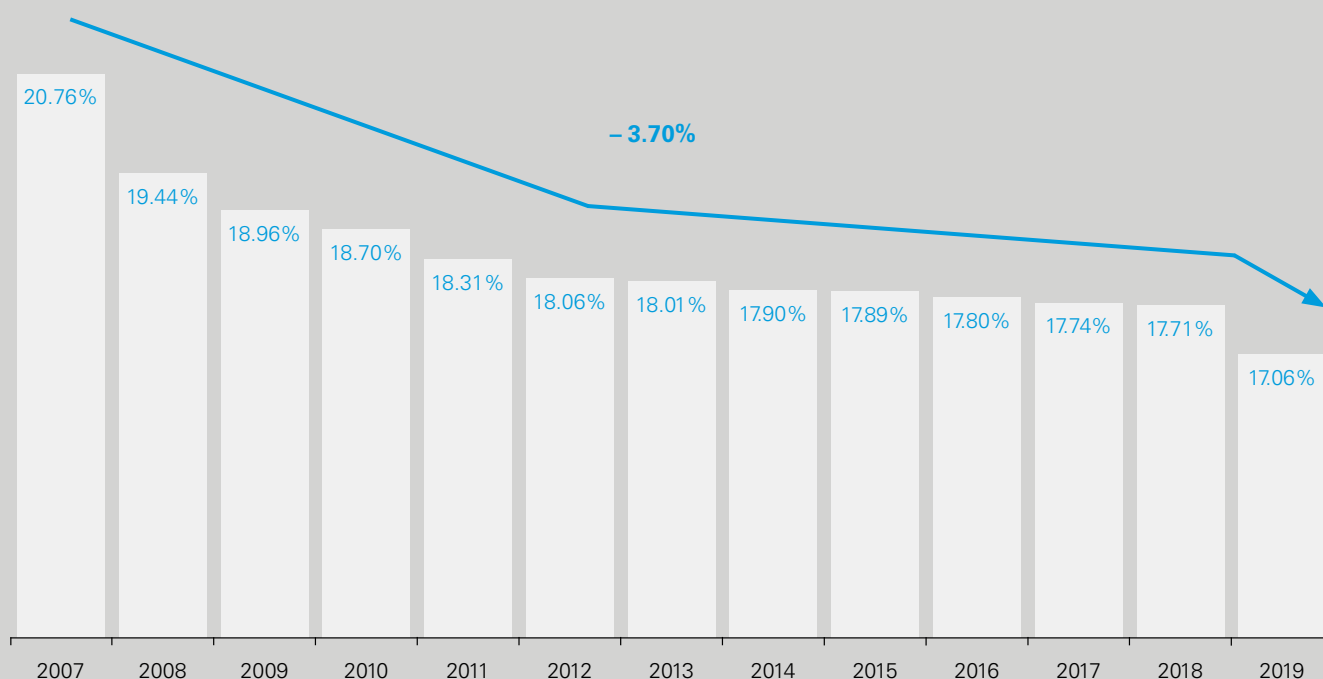


Note: max. effective rate on pre-tax profits for federal/cantonal/municipal taxes in the respective cantonal capital. Corporate income tax figures for AI, GE, GL, JU, NE and SG for 2018.  
Source: KPMG Switzerland.



### Corporate income tax rates in the cantons – trend 2007 to 2019

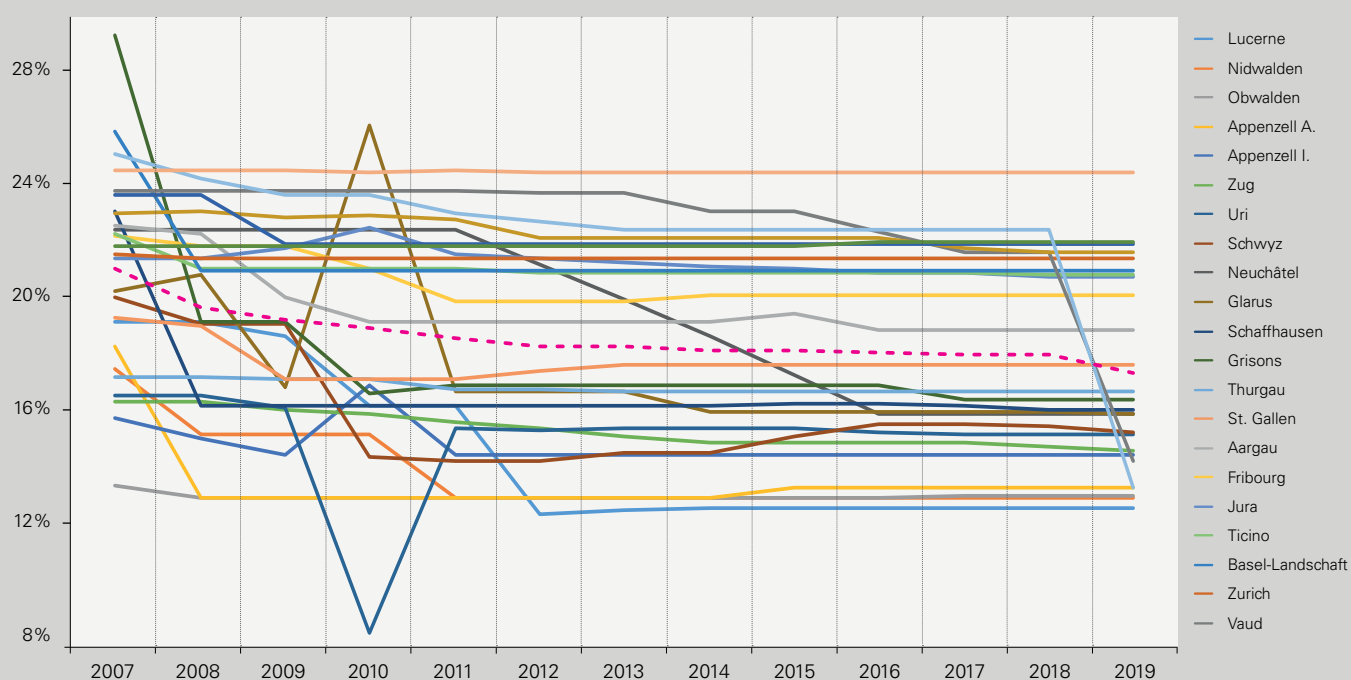
The recent dip in average Swiss tax rate is attributable primarily to the cuts in Basel-Stadt and Vaud. The trend is set to continue with a larger fall in 2020 when new legislation (TRAF) is expected to come into force.



Note: max. effective rate on pre-tax profits for federal/cantonal/municipal taxes in the respective cantonal capital. Corporate income tax figures for AI, GE, GL, JU, NE and SG for 2018.  
Source: KPMG Switzerland.

### Corporate income tax rates in the cantons – trend 2007 to 2019

The trend towards stagnation of corporate tax rates continues in 2019. Only Basel-Stadt and Vaud reduced their corporate tax rates.



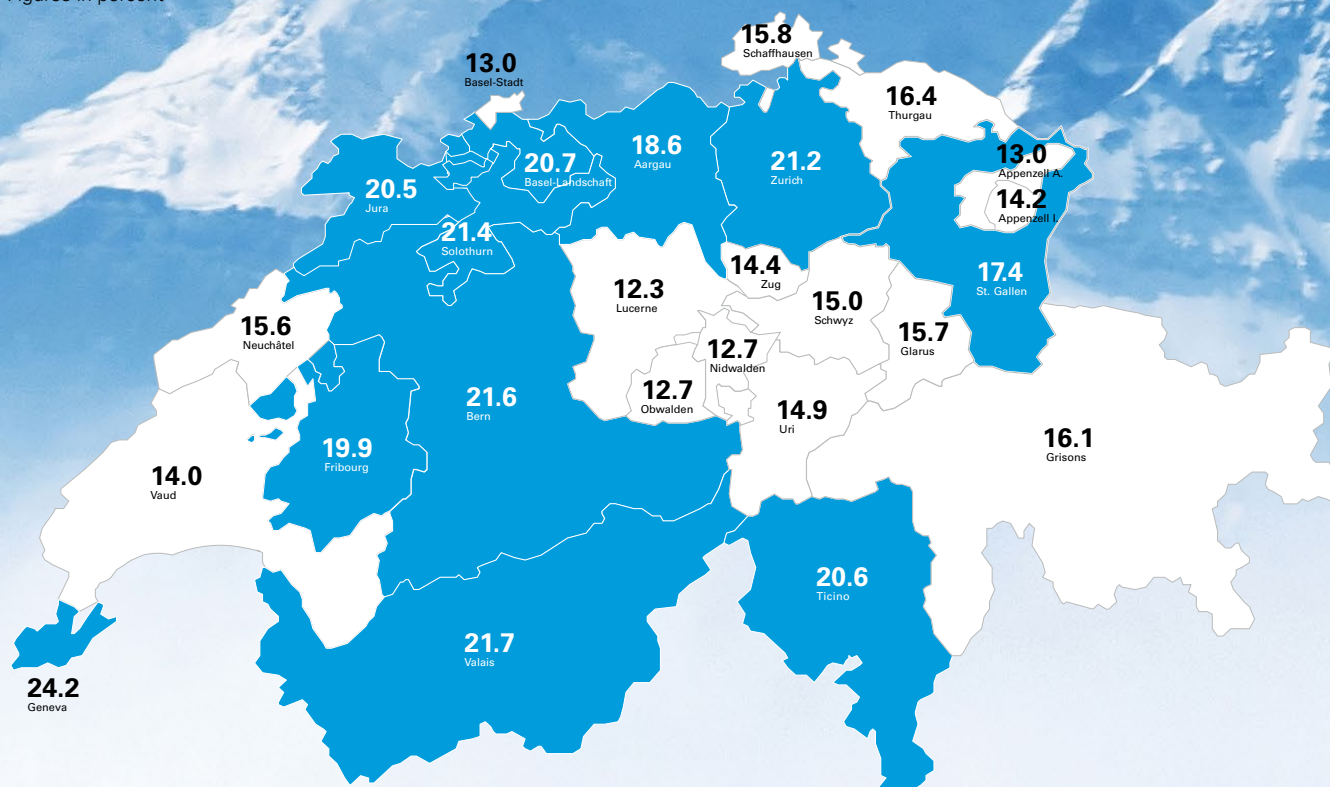
Note: max. effective rate on pre-tax profits for federal/cantonal/municipal taxes in the respective cantonal capital. Corporate income tax figures for AI, GE, GL, JU, NE and SG for 2018. Source: KPMG Switzerland.

# Corporate income tax rates in the cantons 2019



- Cantons with a corporate income tax rate above the Swiss average (17.06%)
- Cantons with a corporate income tax rate below the Swiss average (17.06%)

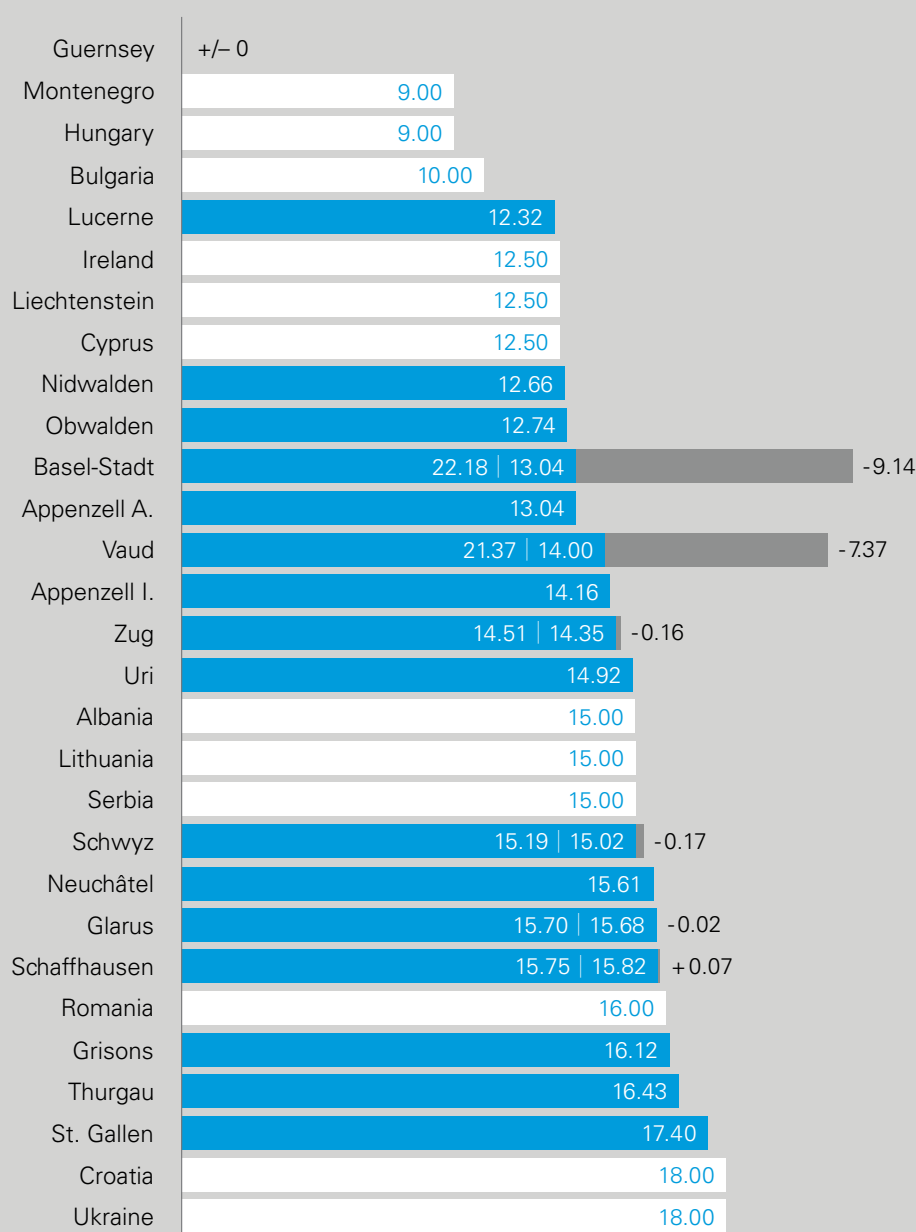
Figures in percent



### The cantons compared with European countries

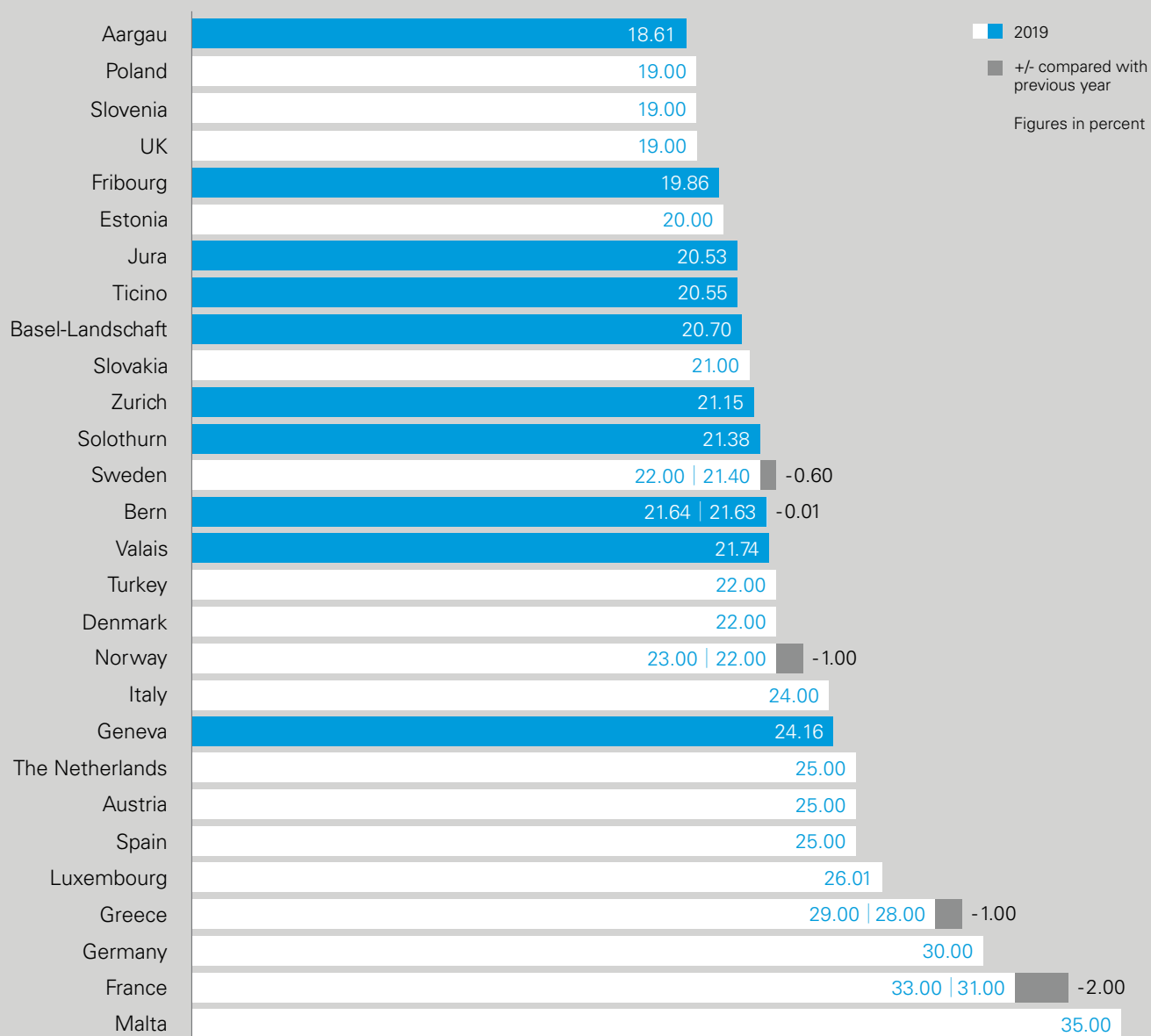
The comparison with Europe shows hardly any change in lower tax rates, with the cantons of central Switzerland enjoying a particularly positive position. They are joined now by Basel-Stadt and Vaud. The Channel Islands and certain (south) eastern European states are the only locations to offer even lower ordinary corporate income tax rates. Ireland remains Switzerland's main competitor in Europe.

There is little change in Europe's center field, with only minimal changes in income tax rates to report in some of the Swiss cantons.



Maximum corporate income tax rates, CH: max. effective rate on pre-tax profits for federal/cantonal/municipal taxes in the respective cantonal capital. Corporate income tax figures for Hungary, Liechtenstein, Albania, Ukraine, NE, AI, GL and SG for 2018. Sources: KPMG Switzerland, KPMG International, <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>.

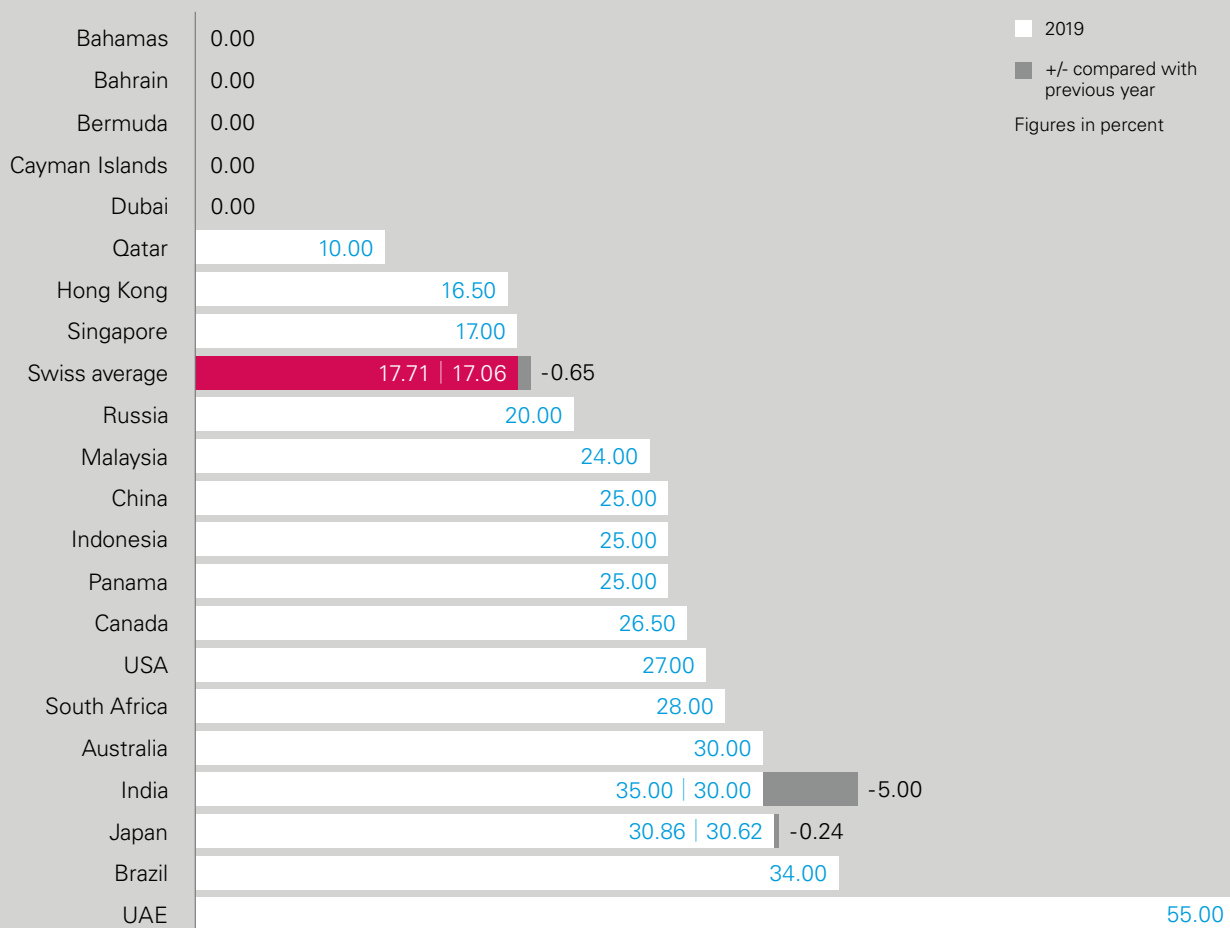
At the lower end of the attractiveness ranking for ordinary corporate tax rates are various European countries. Norway, France and Sweden reduced their rates once again in 2019, with France planning successive cuts to bring its rate down to 25% by 2022.



Maximum corporate income tax rates, CH: max. effective rate on pre-tax profits for federal/cantonal/municipal taxes in the respective cantonal capital. Sources: KPMG Switzerland, KPMG International, <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>.

**Global comparison** (selected countries)

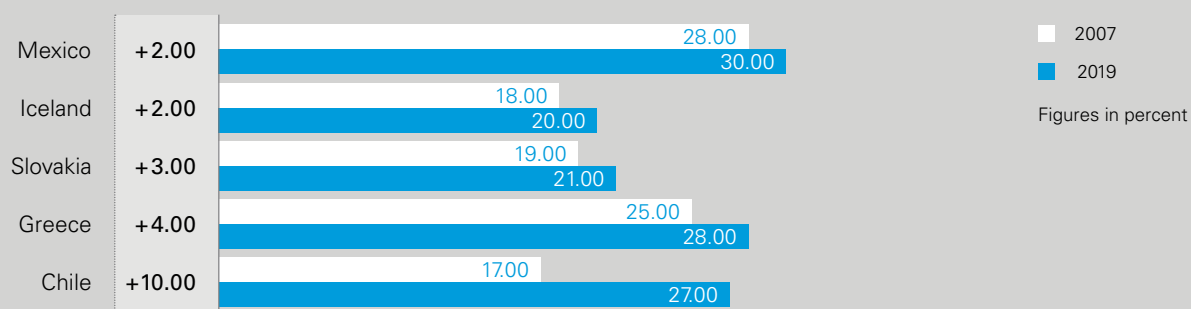
The traditional offshore domiciles plus Hong Kong and Singapore remain the clear leaders in terms of tax appeal. In a global comparison, Switzerland retains its place in the top third – this year with a lower average tax rate overall thanks mainly to cuts in Basel-Stadt and Vaud.



Maximum corporate income tax rates, CH: max. effective rate on pre-tax profits for federal/cantonal/municipal taxes in the respective cantonal capital. Corporate income tax figures for Bermuda and UAE for 2018. Sources: KPMG Switzerland, KPMG International, <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>.

**Trend: countries 2007 – 2019**

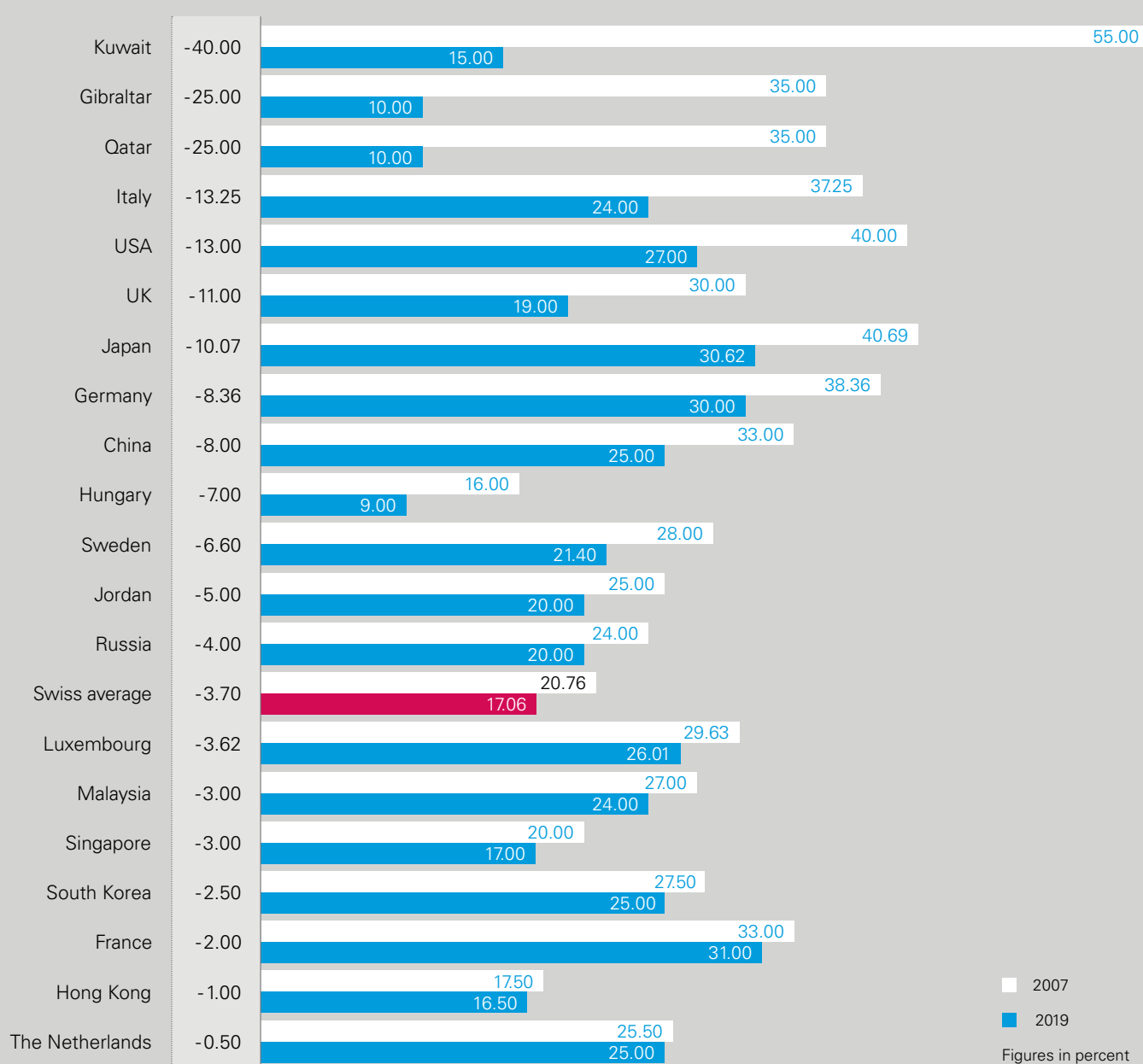
Only a few countries have actually increased their corporate income tax rates since 2007. Even then increases have generally been modest (2% to 3%), with the exception of Chile, which has increased its rate by 10% in total since 2007.



Maximum corporate income tax rates, Source: KPMG International: <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>.

**Trend: countries 2007 – 2019**

In recent years, corporate income taxes have seen huge reductions, especially in the Middle East and, with its reform now implemented, the US. The UK and France have also already announced larger cuts.



Maximum corporate income tax rates, CH: max. effective rate on pre-tax profits for federal/cantonal/municipal taxes in the respective cantonal capital. Corporate income tax figures for South Korea, Hungary and Qatar for 2018. Sources: KPMG Switzerland, KPMG International, <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>.



# Individual taxation

## Income tax

Income tax rates in Switzerland and internationally are generally stable, with the significant decrease in the canton of Nidwalden a striking exception. Switzerland remains a highly attractive location not just for businesses, but also for individuals.

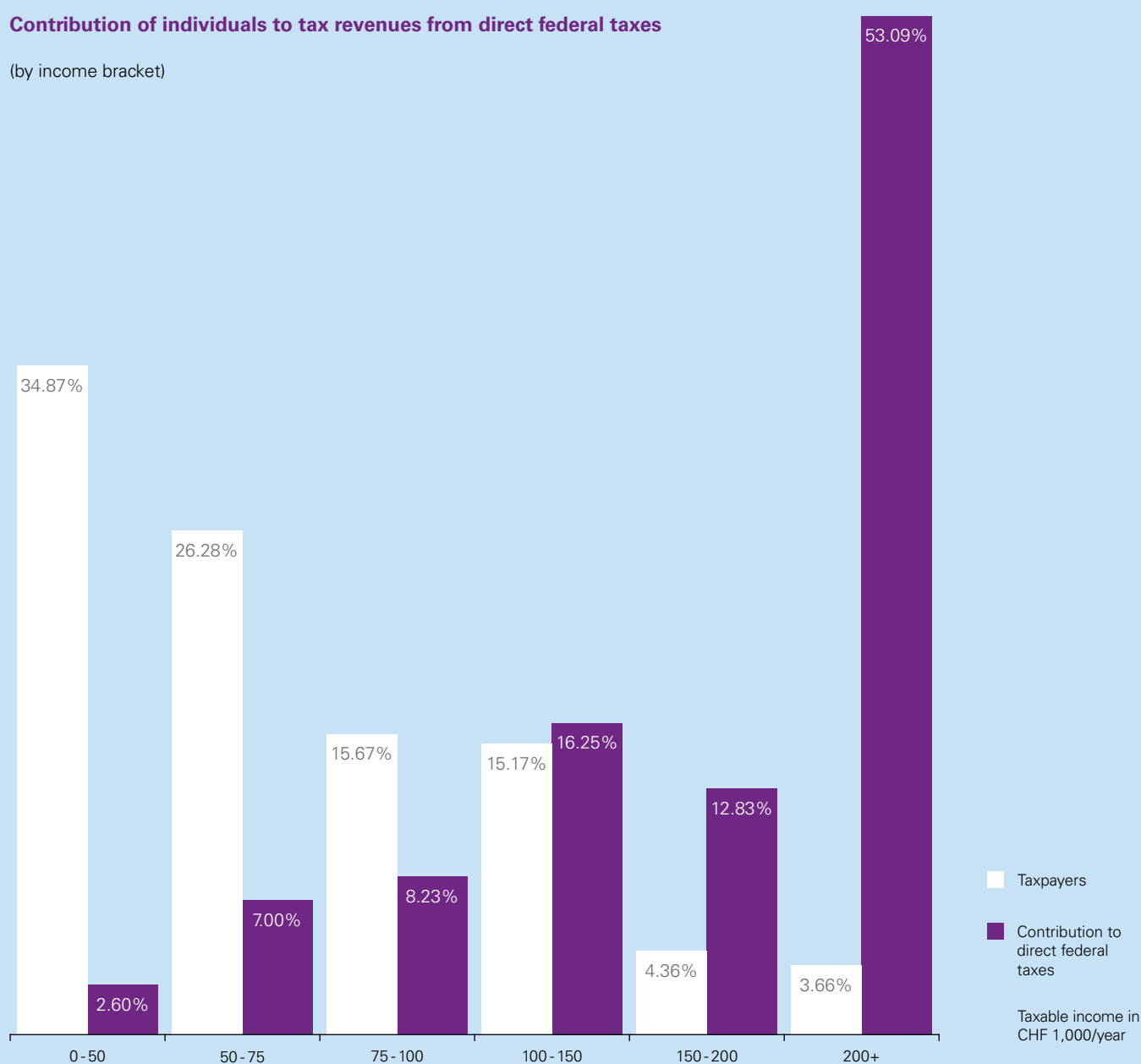


# Who shoulders the tax burden in Switzerland?

In Switzerland, 3.66% of taxpayers, i.e. those with the highest income, pay more than 50% of direct federal taxes from natural persons.

## Contribution of individuals to tax revenues from direct federal taxes

(by income bracket)

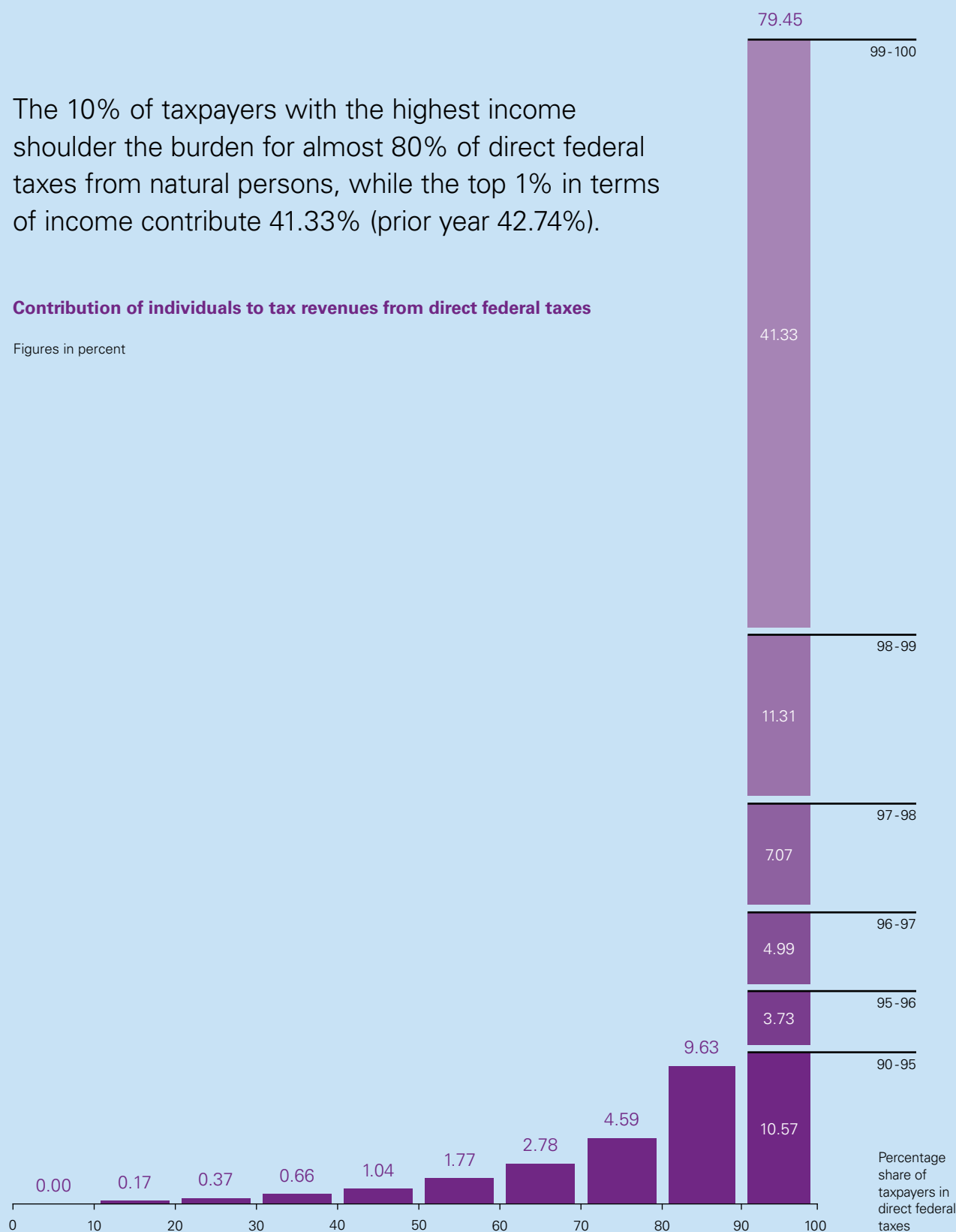


Note: latest available data for the tax period 2015. Source: Federal Tax Administration FTA, 2019, [https://www.estv.admin.ch/estv/de/home/allgemein/steuerstatistiken/fachinformationen/steuerstatistiken/direkte-bundessteuer/np\\_kanton\\_dbs\\_2015.html](https://www.estv.admin.ch/estv/de/home/allgemein/steuerstatistiken/fachinformationen/steuerstatistiken/direkte-bundessteuer/np_kanton_dbs_2015.html).

The 10% of taxpayers with the highest income shoulder the burden for almost 80% of direct federal taxes from natural persons, while the top 1% in terms of income contribute 41.33% (prior year 42.74%).

### Contribution of individuals to tax revenues from direct federal taxes

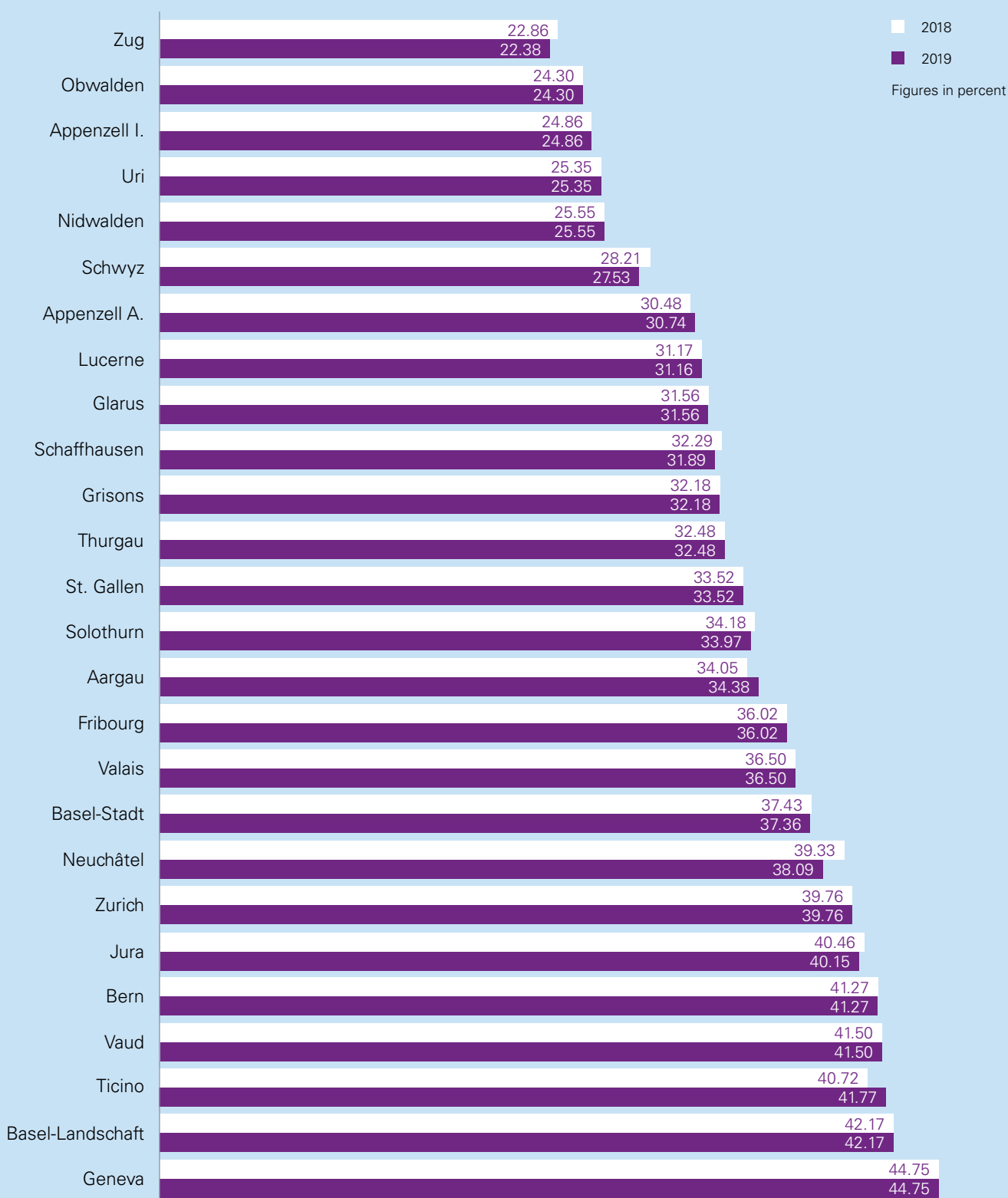
Figures in percent



Note: latest available data for the tax period 2015, including persons taxed on a lump-sum basis and taxpayers where income taken into account in determining the tax rate is different from the taxable income. Source: Federal Tax Administration FTA, 2019, <https://www.estv.admin.ch/estv/de/home/allgemein/steuerstatistiken/fachinformationen/steuerstatistiken/direkte-bundessteuer.html>.

### Income tax rates in the cantons – 2018 and 2019

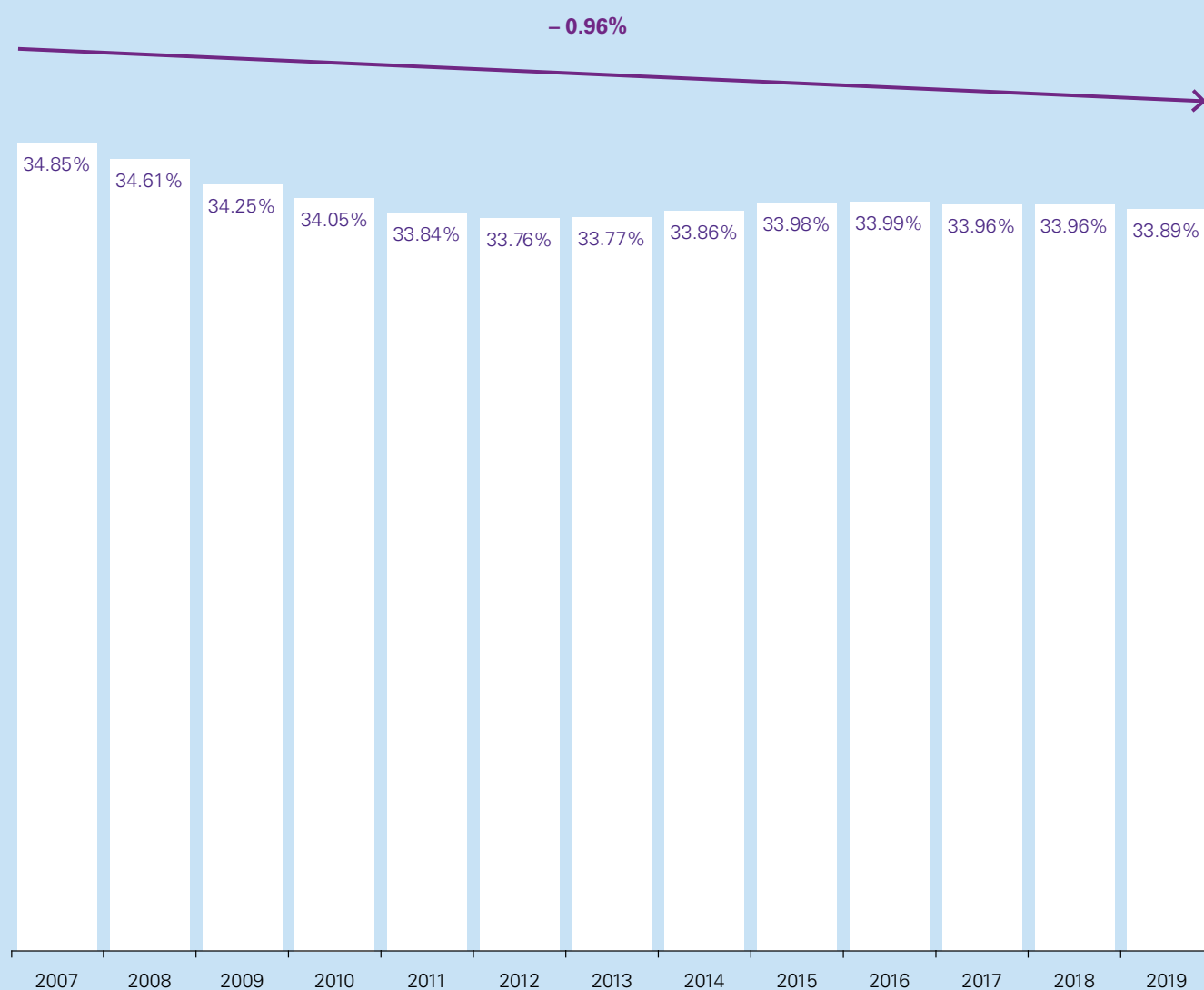
The cantons of central Switzerland also lead the tax league for individual taxation. Overall, tax rates in the lower tax cantons were very stable, with some tiny downward movements and one marginal increase (in Appenzell Ausserrhoden). The highest cantonal tax rates for individuals are found in Western Switzerland and the Mittelland region. Rates increased in Aargau and Ticino, but fell in Jura and Neuchâtel.



Note: max. income tax rates for single taxpayers with no children and no religious denomination living in the respective cantonal capital. Income tax figures for AI, GL, OW, SG and UR for 2018. Source: KPMG Switzerland.

**Income tax rates in the cantons – trend 2007 to 2019**

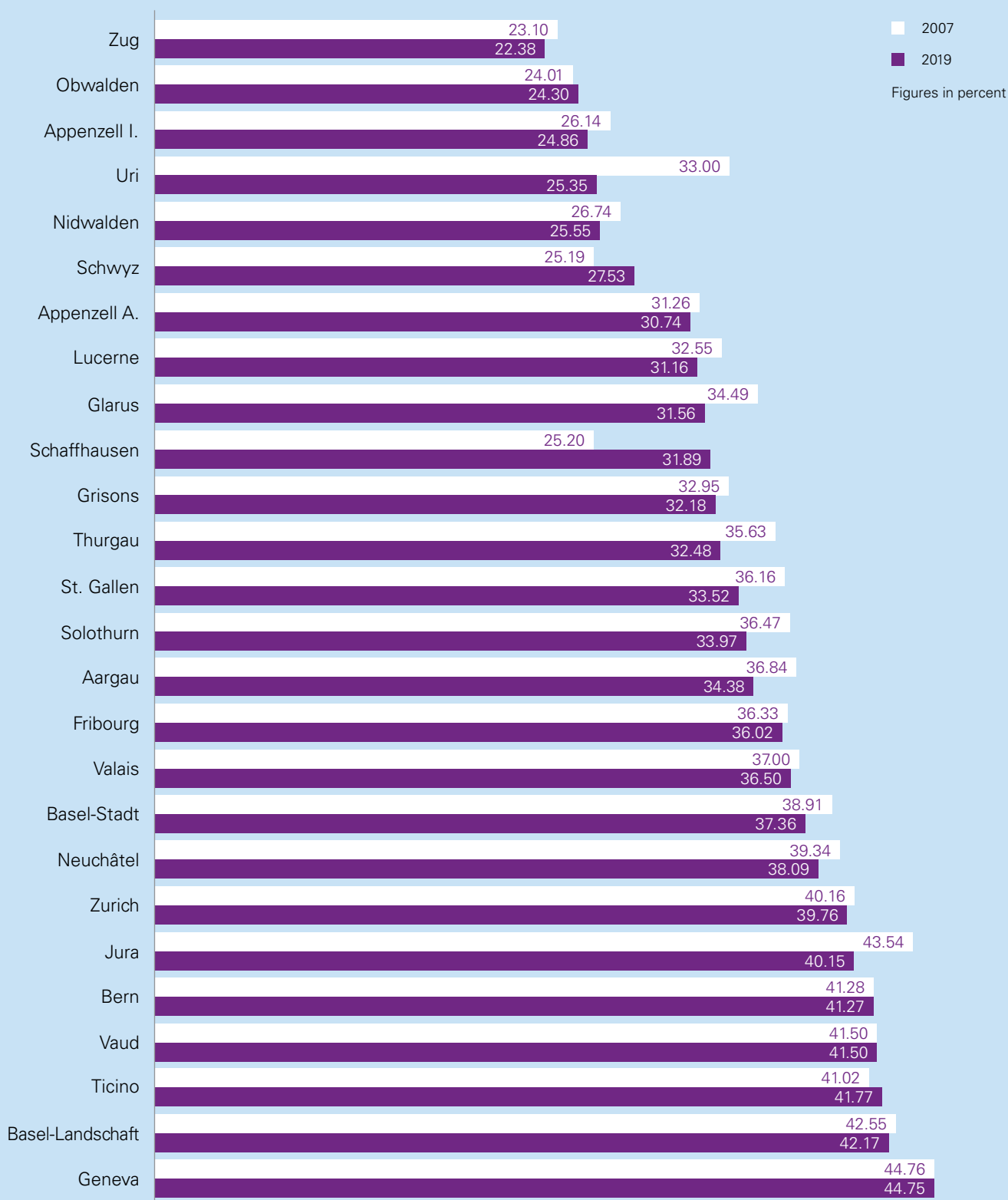
Following two years without change in the average maximum tax rates, the figure has decreased slightly but remains stable.



Note: max. income tax rates for single taxpayers with no children and no religious denomination living in the respective cantonal capital. Income tax figures for AI, GL, OW, SG and UR for 2018.  
Source: KPMG Switzerland.

### Income tax rates in the cantons – trend 2007 to 2019

The cantons of central Switzerland have occupied the top spots in the tax attractiveness ranking for over a decade. Various cantons of eastern Switzerland have reduced their income tax rates, while Obwalden, Schwyz and Schaffhausen have increased theirs. There has been very little movement in the higher tax cantons over the last 12 years. Neuchâtel, Bern, Vaud and Geneva have maintained the same rates for this entire period.

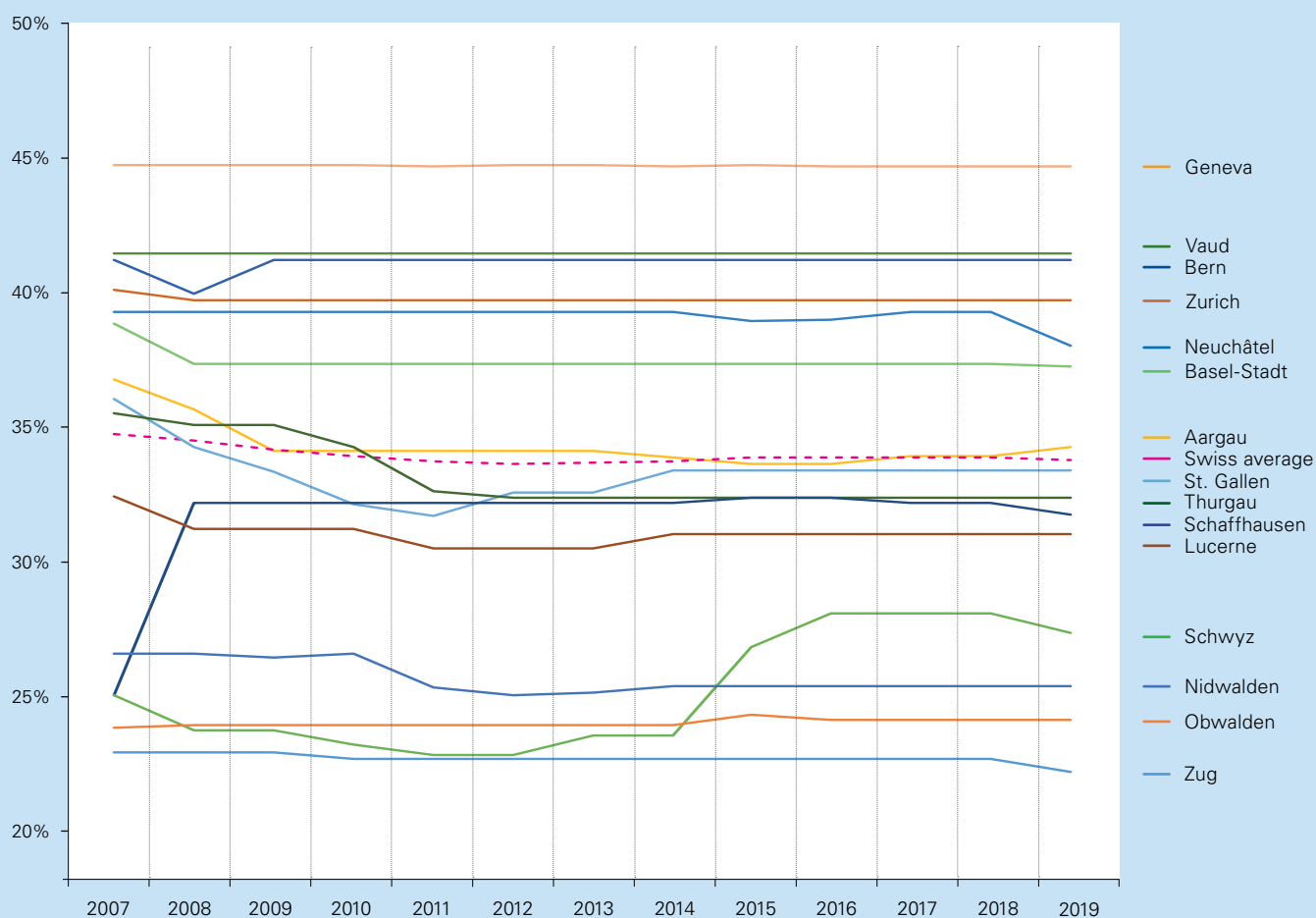


Note: max. income tax rates for single taxpayers with no children and no religious denomination living in the respective cantonal capital. AI, GL, OW, SG and UR: income tax rates for 2018. Source: KPMG Switzerland.



### Income tax rates in the cantons – trend 2007 to 2019

The majority of top tax rates saw marginal variations in recent years. Alongside significant cuts in Aargau, Thurgau and St. Gallen, increases were notable in Schaffhausen and Schwyz.

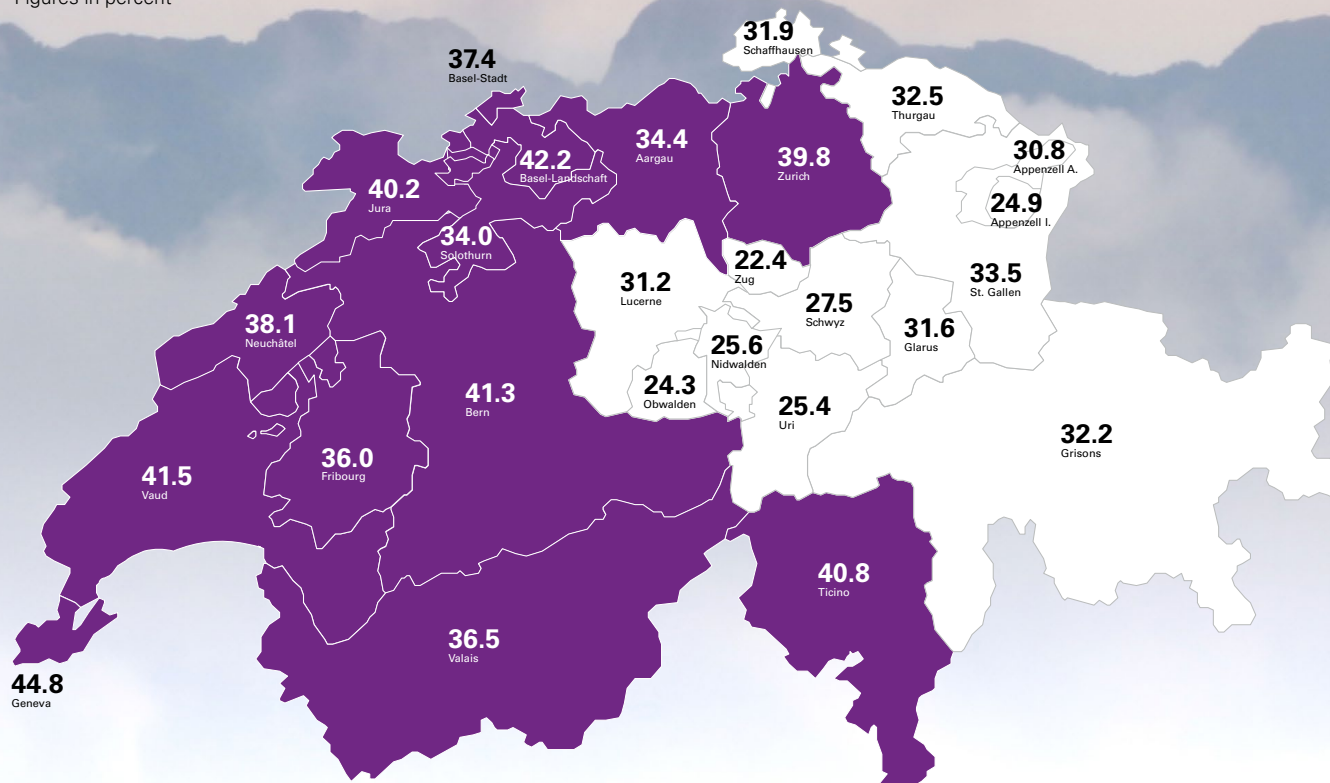


Note: max. income tax rates for single taxpayers with no children and no religious denomination living in the respective cantonal capital. AI, GL, OW, SG and UR: income tax rates for 2018. Source: KPMG Switzerland.

# Individual income tax rates in the cantons 2019

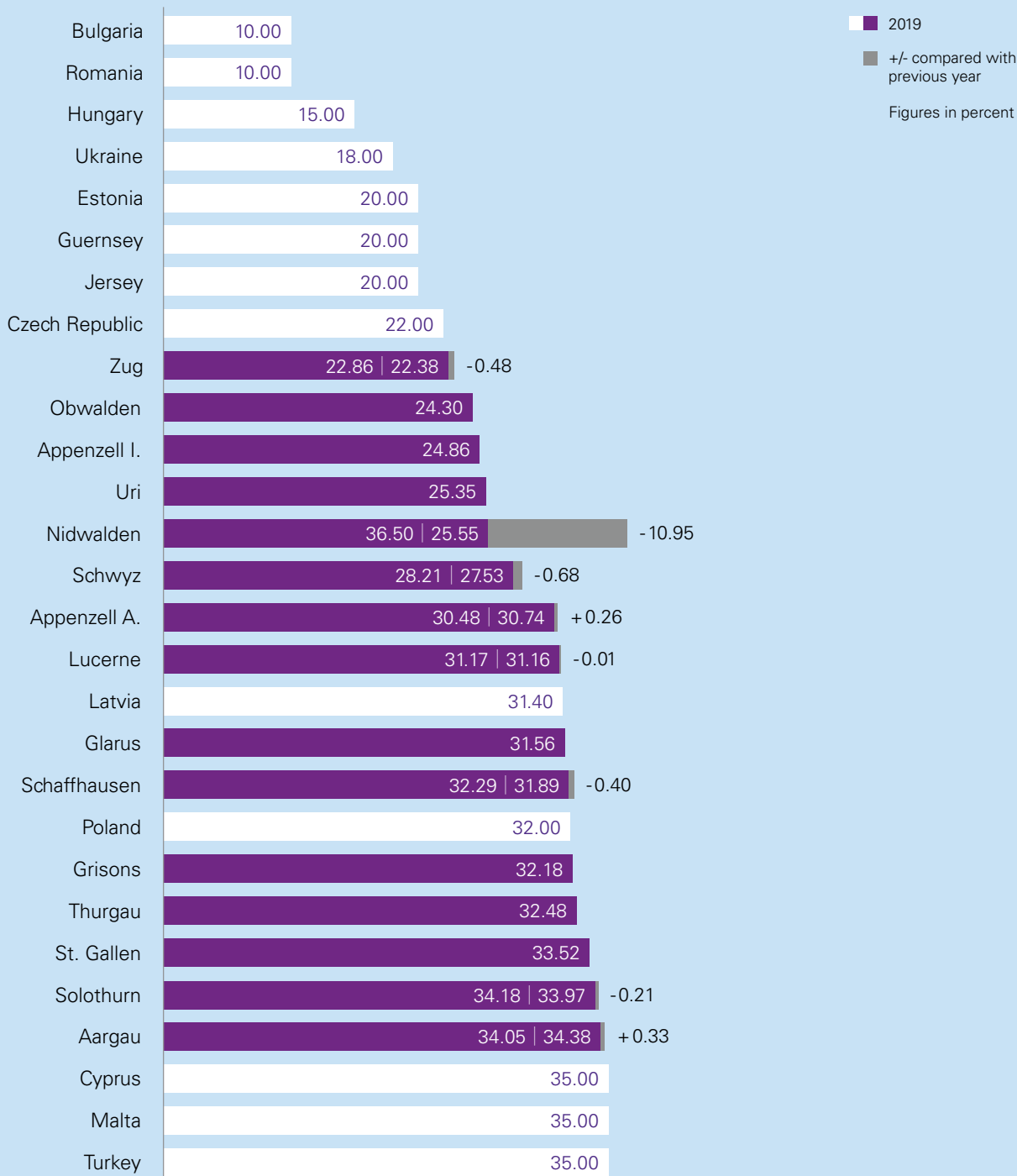
- Cantons with an individual income tax rate above the Swiss average (33.89%)
- Cantons with an individual income tax rate below the Swiss average (33.89%)

Figures in percent



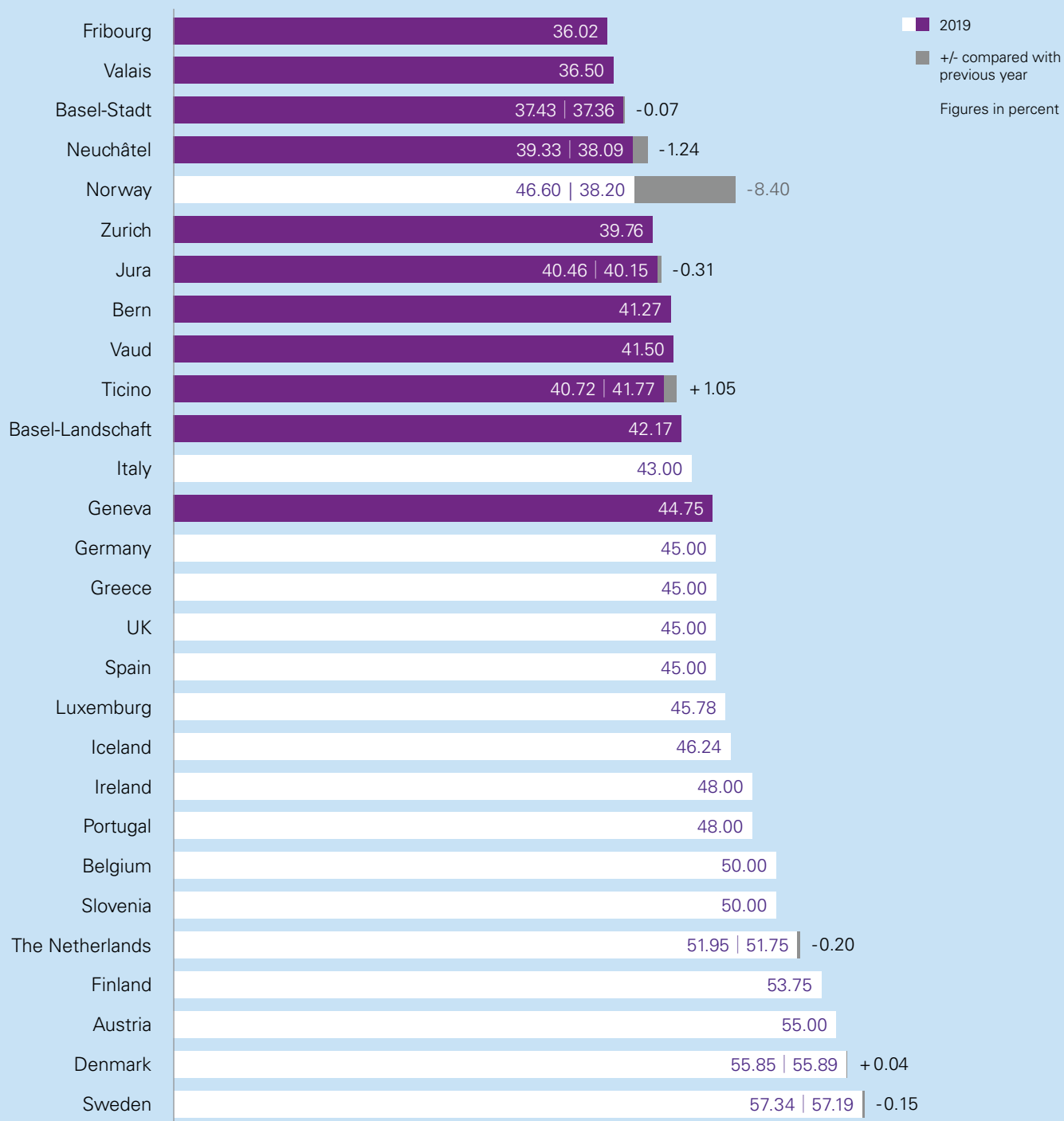
### The cantons compared with European countries

The tax payable on top incomes remains particularly low in the countries of (south) eastern Europe (partly due to flat rate systems). Lithuania recently increased its tax rates to – a still competitive – 20%. Most of the Swiss cantons compare to the European average when it comes to top income tax rates. Tax rates in Europe are generally stable, with the significant decrease in Nidwalden a striking exception.



Max. income tax rates for single taxpayers with no children and no religious denomination living in the respective cantonal capital. Hungary and Ukraine: income tax rate for 2018. Sources: KPMG Switzerland, KPMG International, <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/individual-income-tax-rates-table.html>.

Individual income tax rates are especially high in western Europe and Scandinavia. The Netherlands and Sweden once again reduced their rates slightly, while Denmark implemented a small increase. On average, tax rates across Europe have been stagnating in recent years, however.



Max. income tax rates for single taxpayers with no children and no religious denomination living in the respective cantonal capital. Sources: KPMG Switzerland, KPMG International: <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/individual-income-tax-rates-table.html>.

### Non-european comparison (selected countries)

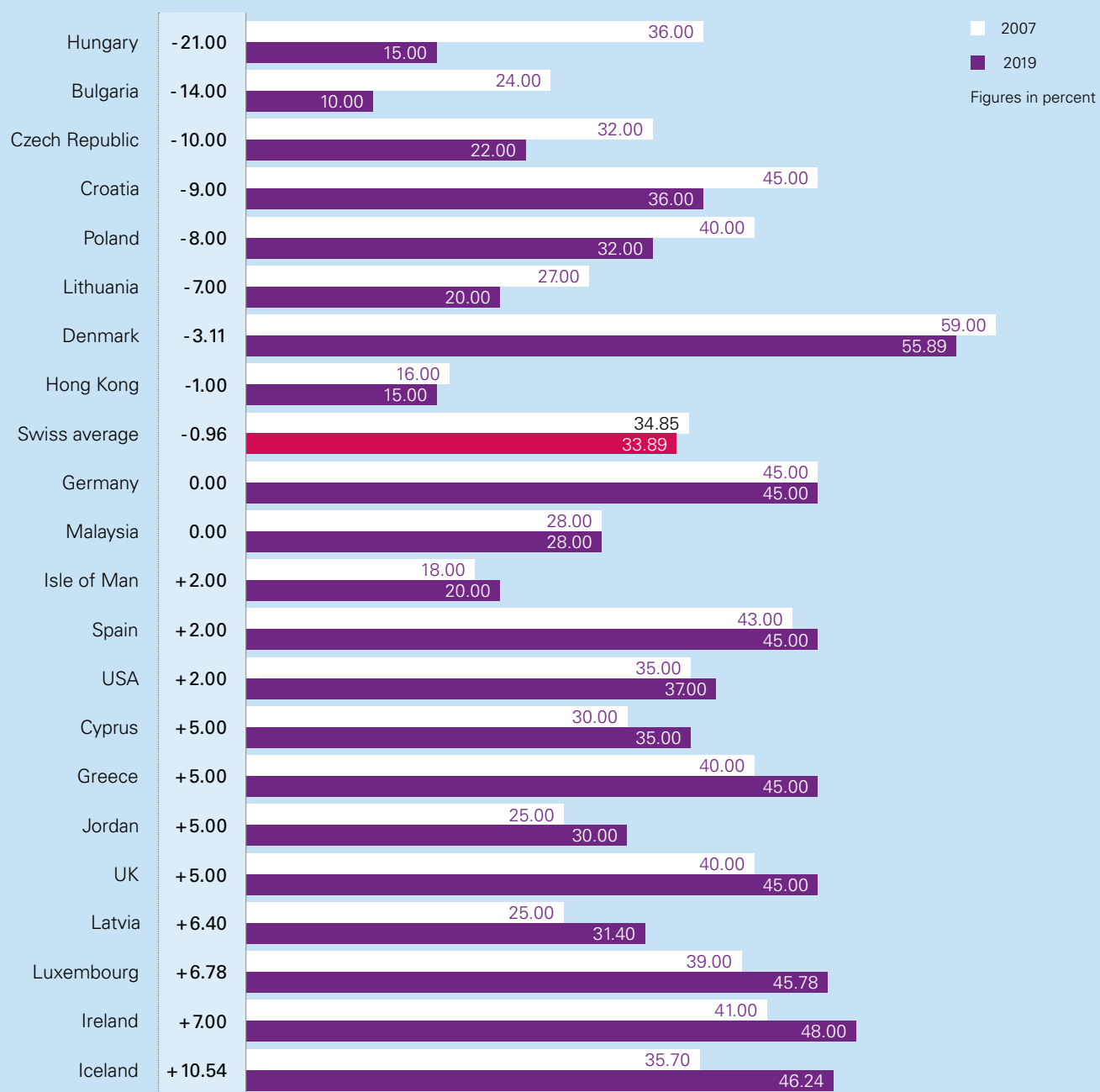
The well-known offshore domiciles as well as several states in the Middle East remain committed to their zero income tax policies. Countries like South Africa, Australia, China and Japan have very high tax rates by global standards. Only in Jordan was there a significant hike in income tax rates (from 20% to 30%).



Max. income tax rates for single taxpayers with no children and no religious denomination living in the respective capital. New Zealand and Bermuda: income tax rates for 2018.  
Sources: KPMG Switzerland, KPMG International, <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/individual-income-tax-rates-table.html>.

**Trend: countries 2007 – 2019**

Following the introduction of flat rate taxes, the income tax rates for the highest earners have fallen massively in central Europe over the past 12 years. Rising top income tax rates can be observed in northern Europe, Luxembourg and the Mediterranean in particular.



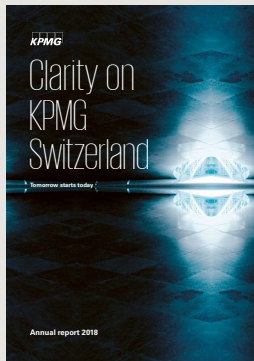
Max. income tax rates for single taxpayers with no children and no religious denomination living in the respective capital. Hungary: income tax rates for 2018. Sources: KPMG Switzerland, KPMG International, <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/individual-income-tax-rates-table.html>.



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## For further information on Clarity on Swiss Taxes

### Please contact:

#### Peter Uebelhart

Head of Tax & Legal and Member of  
the Executive Committee  
+41 58 249 42 24  
puebelhart@kpmg.com

### Your local contacts for tax matters:

Zurich / Ticino

#### Stefan Kuhn

Partner  
+41 58 249 54 14  
stefankuhn@kpmg.com

Central Switzerland

#### Dr. Frank Lampert

Partner  
+41 58 249 49 84  
flampert@kpmg.com

Mittelland

#### Hans Jürg Steiner

Partner  
+41 58 249 20 57  
hsteiner@kpmg.com

Eastern Switzerland

#### Dr. Peter Michael

Partner  
+41 58 249 25 54  
pmichael@kpmg.com

Western Switzerland

#### Vincent Thalmann

Partner  
+41 58 249 64 18  
vthalmann@kpmg.com

Basel

#### Reiner Denner

Partner  
+41 58 249 42 40  
rdenner@kpmg.com

### Publisher

KPMG AG  
Badenerstrasse 172  
PO Box  
CH-8036 Zurich

### Orders

Tax Marketing  
+41 58 249 29 69  
CH-FMTAXMarketing@kpmg.ch

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Céline Fontanive, KPMG AG  
Simone Graven, KPMG AG

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