

## Switzerland

*This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.*

*Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.*

Switzerland		2008			
The tax/benefit position of single persons					
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		51 160	76 740	127 900	51 160
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family		0	0	0	0
Dependent children		0	0	0	12 200
Deduction for social security contributions and income taxes		5 653	8 480	13 922	5 653
Work-related expenses		1 900	2 048	3 419	1 900
Other		1 700	1 700	1 700	3 100
	Total	9 253	12 228	19 041	22 853
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	6 765
<b>4. Central government taxable income (1 - 2 + 3)</b>		41 900	64 500	108 800	35 000
<b>5. Central government income tax liability (exclusive of tax credits)</b>		282	920	3 915	83
<b>6. Tax credits</b>					
Basic credit					
Married or head of family					
Children					
Other					
	Total	0	0	0	0
<b>7. Central government income tax finally paid</b>		282	920	3 915	83
<b>8. State and local taxes</b>		3 489	7 218	16 112	1 327
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		5 653	8 480	13 922	5 653
Taxable income					
	Total	5 653	8 480	13 922	5 653
<b>10. Total payments to general government (7 + 8 + 9)</b>		9 424	16 618	33 949	7 063
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	6 765
	Total	0	0	0	6 765
<b>12. Take-home pay (1-10+11)</b>		41 736	60 122	93 951	50 862
<b>13. Employer's compulsory social security contributions</b>		5 653	8 480	13 922	5 653
<b>14. Average rates</b>					
Income tax		7.4%	10.6%	15.7%	2.8%
Employees' social security contributions		11.1%	11.1%	10.9%	11.1%
Total payments less cash transfers		18.4%	21.7%	26.5%	0.6%
Total tax wedge including employer's social security contributions		26.5%	29.5%	33.8%	10.5%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		27.0%	28.7%	36.8%	19.7%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		34.3%	35.8%	42.6%	27.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.


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## Switzerland

2008

## The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		76 740	102 320	127 900	102 320
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family		2 500	15 000	15 000	15 000
Dependent children		12 200	12 200	12 200	0
Deduction for social security contributions and income taxes		8 480	11 306	14 133	11 306
Work-related expenses		2 048	3 948	3 948	3 948
Other		4 700	4 700	4 700	3 300
	Total	29 928	47 154	49 981	33 554
<b>3. Tax credits or cash transfers included in taxable income</b>		6 765	6 765	6 765	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		53 500	61 900	84 600	68 700
<b>5. Central government income tax liability (exclusive of tax credits)</b>		324	562	1 380	766
<b>6. Tax credits</b>					
Basic credit					
Married or head of family					
Children					
Other					
	Total	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		324	562	1 380	766
<b>8. State and local taxes</b>		3 705	5 985	9 583	7 395
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		8 480	11 306	14 133	11 306
Taxable income					
	Total	8 480	11 306	14 133	11 306
<b>10. Total payments to general government (7 + 8 + 9)</b>		12 509	17 853	25 096	19 468
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		6 765	6 765	6 765	0
	Total	6 765	6 765	6 765	0
<b>12. Take-home pay (1-10+11)</b>		70 996	91 231	109 568	82 852
<b>13. Employer's compulsory social security contributions</b>		8 480	11 306	14 133	11 306
<b>14. Average rates</b>					
Income tax		5.3%	6.4%	8.6%	8.0%
Employees' social security contributions		11.1%	11.1%	11.1%	11.1%
Total payments less cash transfers		7.5%	10.8%	14.3%	19.0%
Total tax wedge including employer's social security contributions		16.7%	19.7%	22.9%	27.1%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		24.1%	26.9%	29.6%	26.9%
Total payments less cash transfers: Spouse		20.9%	27.4%	30.2%	27.4%
Total tax wedge: Principal earner		31.7%	34.1%	36.6%	34.1%
Total tax wedge: Spouse		28.7%	34.6%	37.1%	34.6%

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The national currency is the Swiss franc (CHF). In 2008, CHF 1.08 equalled USD 1. The Secretariat has estimated that in that same year the average production worker earned CHF 76 740.

Cantonal and communal income taxes are very substantial in relation to direct federal tax. Here, the canton and commune of Zurich have been selected as an example of the tax system of the 26 cantons. Local income tax is not deductible when calculating federal income tax.

## 1. Personal income tax systems

### 1.1. Income tax collected by the federal government (Confederation)

#### 1.1.1. Tax unit

The income of spouses living together is taxed jointly, regardless of the property regime under which they were married. Income of children living under parental authority is added to the income of their custodian. Children's labour income is taxed separately and in some cases, as in Zurich, is exempt from tax.

#### 1.1.2. Tax reliefs and tax credits

**1.1.2.1. Standard reliefs for "postnumerando" taxation** [i.e. annual taxation on the basis of actual earned income, assessed at the end of the year]

- Basic deduction

There is a basic deduction of CHF 2 500 for married couples for direct federal tax.

- Deduction for children

A CHF 6 100 deduction is allowed for each child under 18 years of age; the deduction is allowed for older children if they are apprentices or still in school.

- Deductions for social insurance contributions and other taxes

Premiums for old age and disability insurance (5.05% of gross earned income) and for unemployment insurance (1% for income up to CHF 106 800, the contribution being waived for the portion of pay in excess of that amount) are deductible in full. Compulsory contributions to the pension fund are also fully deductible. Health and life insurance premiums are deductible up to CHF 3 300 for married persons and CHF 1 700 for taxpayers who are widow(er)s, divorced or single (such premiums are not considered social contributions). These amounts are increased by CHF 700 for each dependent child.

- Work-related expenses

Taxpayers are allowed a deduction corresponding to 3% of net income (i.e. gross income less contributions for old age and disability insurance, unemployment insurance and work-related provident funds). This deduction may be no less than CHF 1 900 and no more than CHF 3 800.

- Deduction for two-income couples

50% of the smaller income can be deducted, but no less than CHF 7 600 and no more than CHF 12 500.

### 1.1.2.2. Main non-standard reliefs available to the average worker

- Interest payments on qualifying loans

This is the main non-standard relief available to the average worker. It is allowed for all sorts of loans.

- Medical expenses

Expenses incurred as a result of illness, accidents or disability striking the taxpayer or a dependant are deductible if the taxpayer bears the expenses personally and they exceed 5% of his or her net income.

### 1.1.3. Tax base

Allowable deductions from gross income	Single taxpayer (CHF)	Married taxpayer, 2 children (CHF)
Work-related expenses <sup>1</sup>	1 900-3 800	1 900-3 800
Personal deduction	–	2 500
Deduction for 2 dependent children	–	12 200 (6100*2)
Social contributions		
Old age insurance	5.05%	5.05%
Unemployment insurance	1% <sup>2</sup>	1% <sup>2</sup>
Pension fund	5%	5%
Maximum deductions for health insurance premiums and loan interest <sup>3</sup>	1 700 plus 700 per child	3 300 plus 700 per child
Deduction for two-income couples <sup>4</sup>		7 600-12 500

1. 3% of net income, minimum CHF 1 900, maximum CHF 3 800.

2. 1% of income up to CHF 106 800; contribution waived on the portion exceeding that amount.

3. For the purposes of this publication, taxpayers are assumed to always receive the relevant maximum deduction.

4. 50% of smaller income, minimum CHF 7 600, maximum CHF 12 500.

### 1.1.4. Tax schedules

#### 1.1.4.1. Rates for persons living alone

Taxable income (CHF) <sup>1</sup>	Base amount (CHF)	Plus % of excess (CHF)	
Up to 13 600	–	–	–
13 600 to 29 800		0.77	13 600
29 800 to 39 000	124.70	0.88	29 800
39 000 to 52 000	205.65	2.64	39 000
52 000 to 68 300	548.85	2.97	52 000
68 300 to 73 600	1 032.95	5.94	68 300
73 600 to 97 700	1 347.75	6.60	73 600
97 700 to 127 100	2 938.35	8.80	97 700
127 100 to 166 200	5 525.55	11.00	127 100
166 200 to 712 400	9 826.90	13.20	166 200
712 500	81 937.50	–	–
Over 712 500 <sup>2</sup>	–	11.5 of total income	

1. Fractions of less than CHF 100 are disregarded.

2. The calculation model disregards this part of the schedule.

### 1.1.4.2. Rates for spouses living together and for widowed, separated, divorced taxpayers or unmarried taxpayers living with their own children.

Taxable income (CHF) <sup>1</sup>	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 26 700	–	–	–
26 700 to 47 900		1	26 700
47 900 to 54 900	212	2	47 900
54 900 to 70 900	352	3	54 900
70 900 to 85 100	832	4	70 900
85 100 to 97 400	1 400	5	85 100
97 400 to 108 100	2 015	6	97 400
108 100 to 117 000	2 657	7	108 100
117 000 to 124 000	3 280	8	117 000
124 000 to 129 300	3 840	9	124 000
129 300 to 132 900	4 317	10	129 300
132 900 to 134 700	4 677	11	132 900
134 700 to 136 500	4 875	12	134 700
136 500 to 843 600	5 091	13	136 500
843 600	97 014	–	–
Over 843 600 <sup>2</sup>	–	11.5 of total income	

- Fractions of less than CHF 100 are disregarded.
- The calculation model disregards this part of the schedule.

## 1.2. Taxes levied by decentralised authorities (Canton and commune of Zurich)

### 1.2.1. General description of the system

The system of cantonal and communal taxation has the same features as that of direct federal tax.

The tax base is comprised of income from all sources.

Once the basic amount of tax is set, cantons, communes and churches levy their taxes by applying a multiple, which may change from year to year. In 2008, for example, the canton applied a multiple of 1.0, the commune of Zurich 1.19 and the reformed church 0.10. The basic amount of tax is therefore multiplied by a total of 2.29. However, following the decision no longer to include church tax in *Revenue Statistics*, it is no longer included in the calculations for *Taxing Wages*. The basic amount of tax is therefore multiplied by a total of 2.19.

### 1.2.2. Tax base

Allowable deductions from gross income	Single taxpayer (CHF)	Married taxpayer, 2 children (CHF)
Work-related expenses <sup>1</sup>	1 900-3 800	1 900-3 800
Personal deduction	–	–
Deduction for 2 dependent children	–	13 600 (6800*2)
Social contributions		
Old age insurance	5.05%	5.05%
Unemployment insurance	1% <sup>2</sup>	1% <sup>2</sup>
Pension fund	5%	5%
Maximum deductions for health insurance premiums and loan interest <sup>3</sup>	2 400 plus 1 200 per child	4 800 plus 1 200 per child
Deduction for two-income couples		5 400

- 3% of net income, minimum CHF 1 900 CHF, maximum CHF 3 800.
- 1% of income up to CHF 106 800; contribution waived on the portion exceeding that amount.
- For the purposes of this publication, taxpayers are assumed to always receive the relevant maximum deduction.

### 1.2.3. Postnumerando tax rates

#### Cantonal income tax (Zurich)

a) Basic income tax rates for married, divorced, widowed or single taxpayers living with children:

Taxable income (CHF) <sup>1</sup>	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 12 400	–	0	–
12 400 to 18 100	–	2	12 400
18 100 to 25 200	113	3	18 100
25 200 to 33 800	326	4	25 200
33 800 to 43 700	670	5	33 800
43 700 to 56 500	1 165	6	43 700
56 500 to 84 900	1 933	7	56 500
84 900 to 113 300	3 921	8	84 900
113 300 to 156 000	6 192	9	113 300
156 000 to 207 100	10 035	10	156 000
207 100 to 262 500	15 145	11	207 100
262 500 to 324 400	21 238	12	262 500
Over 324 400	28 905	13	326 400

b) Basic income tax rates for other taxpayers (single without children).

Taxable income (CHF) <sup>1</sup>	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 6 200	–	0	–
6 200 to 10 500	–	2	6 200
10 500 to 14 800	85	3	10 500
14 800 to 21 800	214	4	13 700
21 800 to 30 400	494	5	24 000
30 400 to 40 300	924	6	30 400
40 300 to 51 700	1 518	7	40 300
51 700 to 67 300	2 316	8	51 700
67 300 to 97 200	3 564	9	67 300
97 200 to 126 900	6 255	10	97 200
126 900 to 173 900	9 225	11	126 900
173 900 to 234 900	14 395	12	173 900
Over 234 900	21 714	13	234 900

1. Fractions below CHF 100 are disregarded.

c) Annual multiple as a percentage of basic tax rates:

Canton of Zurich	100
Commune of Zurich	119
Roman Catholic church tax	12 (for info.)
Reformed Church tax	10 (for info.)

A personal tax of CHF 24 is added.

### 1.2.4. Tax rates used for this study

This study uses the rates of tax levied by the federal, cantonal and communal tax authorities.

## 2. Compulsory social security contributions to schemes operated within the government sector

### 2.1. Employee contributions

#### 2.1.1. Retirement pensions

- 5.05% of gross income for old age insurance.
- 5% of gross income for the pension fund.

#### 2.1.2. Health insurance

–

#### 2.1.3. Unemployment

1% on the portion of income up to CHF 106 800; contribution is waived on any income in excess of that amount.

#### 2.1.4. Work-related accidents

–

#### 2.1.5. Family allowances

–

#### 2.1.6. Other

–

### 2.2. Employer contributions

#### 2.2.1. Retirement pensions

- 5.05% of gross income for old age insurance.
- 5% of gross income for the pension fund.

#### 2.2.2. Health insurance

–

#### 2.2.3. Unemployment

1% on the portion of income up to CHF 106 800; contribution is waived on any income in excess of that amount.

#### 2.2.4. Work-related accidents

–

#### 2.2.5. Family allowances

The employer pays a benefit for dependent children. The Confederation's benefit is CHF 4 111 per child per year and CHF 2 654 per year for each additional child. See Section 3.2. This benefit is taxable along with other components of income.

#### 2.2.6. Other

–



### 3. Universal cash benefits

#### 3.1. Benefits linked to marital status

No such benefits are paid.

#### 3.2. Benefits for dependent children

The employer pays a benefit for dependent children. The Confederation's benefit is CHF 4 111 per child per year and CHF 2 654 per year for each additional child See Section 2.25. This benefit is taxable along with other components of income.

### 4. Main changes in the tax/benefit system since 1998

On 1 January 1999, the canton of Zurich switched from biennial praenumerando taxation to annual postnumerando taxation on individual income. As a result, direct federal tax is based on annual postnumerando taxation as well.

As of 1 January 2008, the basic deduction for married couples and the deduction for two-income couples were introduced. These measures are intended to minimise the marriage penalty and to reduce the high taxation of secondary earners, thereby increasing labour force participation of skilled secondary earners.

### 5. Memorandum item

#### 5.1. Identification of the average worker

The population includes men and women working in industry, arts and crafts. The stated income is for the average of workers in the same sector. The geographical scope is the entire country, whereas the amount of tax is computed in respect of the canton and commune of Zurich.

#### 5.2. Method of calculation used

- Unemployment benefits: not included;
- Sick leave payments: not included;
- Paid leave allowances: included;
- Overtime: included;
- Periodic cash bonuses: included;
- Fringe benefits: not included;
- Basic method used for calculation: monthly wages are multiplied by 12;
- Close of the income tax year: 31 December;
- Reference period for computing wages: from 1 January to 31 December of the year in question.

## 2008 Parameter values

AW earnings	Ave_earn	76740	Secretariat estimate
Tax allowances	Child_al	6100	
	partner_rate	0.5	
	partner_min	7600	
Partner Allowance	partner_max	12500	
Basic deduction for married couples	Married_ded	2500	
Partner income local	partner_local	5400	
Single parent	sing_par_al	0	
Work related	work_exp	0.03	
	work_exp_min	1900	
	work_exp_max	3800	
Allowances for local tax	local_basic	0	
	local_child	6800	
Federal tax	IFD_min_s	–	
Single	IFD_sch_s	0	12600
		0.0077	27400
		0.0088	35900
		0.0264	47900
		0.0297	62900
		0.0594	67700
		0.066	89800
		0.088	116800
		0.11	152700
		0.132	655000
		0.132	
Married	IFD_min_m	–	
	IFD_sch_m	0	24500
		0.01	44000
		0.02	50500
		0.03	62200
		0.04	78200
		0.05	89600
		0.06	99400
		0.07	107600
		0.08	114100
		0.09	118900
		0.1	122200
		0.11	123900
		0.12	125600
		0.13	775800
		0.13	
Cantonal tax	Zurich_min	24	
Single	Zurich_sch_s	0	6200
		0.02	10500
		0.03	14800
		0.04	21800
		0.05	30400
		0.06	40300
		0.07	51700
		0.08	67300
		0.09	97200
		0.1	126900
		0.11	173900
		0.12	234900
		0.13	

**2008 Parameter values (cont.)**

Married	Zurich_sch_m	0	12400
		0.02	18100
		0.03	25200
		0.04	33800
		0.05	43700
		0.06	56500
		0.07	84900
		0.08	113300
		0.09	156000
		0.1	207100
		0.11	262500
		0.12	326400
		0.13	
Canton and Commune Tax Multiple	statetax_mult	2.19	
Social security contributions	old_age	0.05	
Pension	pension_rate	0.0505	
Unemployment	unemp_rate	0.01	
	unemp_rate2	0	
income ceiling	unemp_ciel	106800	
	unemp_ciel2	0	
Cantonal deductible limit	local_dedn	2400	
deductible extra for child	local_dedn_c	1200	
Max other insurance deduction			
single	max_dedn_s	1700	
married couples	max_dedn_m	3300	
child	max_dedn_c	700	
Child cash transfer	child_ben1	4111	
	child_ben2	2654	

### 2008 Tax equations

The equations for the Swiss system in 2008 are mostly calculated on a family basis.

Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “\_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “\_princ” and “\_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “\_spouse” values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	partner_al	J	IF(earn_spouse>0,(Married*MAX(partner_min,MIN(partner_max,partner_rate*MIN(earn_princ,earn_spouse))))),0)+Married*Married_ded
Children	children_al	J	Children*Child_al+ (Children>0)*(Married=0)*sing_par_al
Soc. sec. contributions	SSC_al	B	SSC
Work related	work_al	B	MAX(work_exp_min, MIN(work_exp_max, work_exp*(earn-SSC_al)))
Other	oth_al	J	IF(Married,IF(Children>0,max_dedn_m+Children*fed_dedn_c,max_dedn_m),IF(Children>0,max_dedn_s+Children*fed_dedn_c,max_dedn_s))
Total	tax_al	J	partner_al+children_al+SSC_al+work_al+oth_al
3. Credits in taxable income	taxbl_cr	J	Cash_tran
4. CG taxable income	tax_inc	J	positive(earn_total-tax_al+taxbl_cr)
5. CG tax before credits	CG_tax_excl	J	IF(Married+Children=0, Tax(tax_inc, IFD_sch_s)+IFD_min_s*(Tax(tax_inc, IFD_sch_s)>0), Tax(tax_inc, IFD_sch_m)+IFD_min_m*(Tax(tax_inc, IFD_sch_m)>0))
6. Tax credits :	tax_cr	J	0
7. CG tax	CG_tax	J	CG_tax_excl
8. State and local taxes	local_tax_inc	J	MAX(earn_total+taxbl_cr-local_basic*(1+Married)-Children*local_child-work_al-SSC-(local_dedn*(1+Married)+Children*local_dedn_c)-(earn_spouse>0)*partner_local,0)
	local_tax		IF((Married+Children)>0, Tax(local_tax_inc, Zurich_sch_m)*statetax_mult+(1+Married)*Zurich_min*(Tax(local_tax_inc, Zurich_sch_m)>0), Tax(local_tax_inc, Zurich_sch_s)*statetax_mult+(Tax(local_tax_inc, Zurich_sch_s)>0)*Zurich_min)
9. Employees' soc. security	SSC	B	(pension_rate+old_age)*earn+IF(earn<=unemp_ciel, earn*unemp_rate, IF(earn<=unemp_ciel2, unemp_ciel*unemp_rate+(earn-unemp_ciel)*unemp_rate2, unemp_ciel*unemp_rate+unemp_ciel2*unemp_rate2))
11. Cash transfers	Cash_tran	J	IF(Children=1,child_ben1,IF(Children>1,child_ben1+(Children-1)*child_ben2,0))
13. Employer's soc. security	SSC_empr	B	SSC

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

## Part III

# Country Details, 2008

This part of the publication provides the individual country details for 2008 that lie behind the comparative analysis. For each country, a table of detailed country results is followed by a description of the tax/benefit system.

All thirty country tables in this part of the report have a similar format. The left hand page of each table specifies the tax-benefit position of single persons in four cases, which differ by wage level and the presence of children (0/2). The right hand page of the table specifies the tax-benefit position of married couples, again discerning between four cases, which now differ by wage level, the presence of children (0/2) and one-/two earner situations.

All tables start with gross wage earnings (line 1) and derive taxable income for the personal income tax levied by central government (line 4), taking into account a number of standard tax allowances (line 2) and taxable cash transfers (line 3). Taxable income allows one to determine central government income tax paid (line 7); including reductions in the form of tax credits (line 6). Total payments to general government (line 10) also include state and local income taxes (line 8) and employees' compulsory social security contributions (line 9). Take-home pay (line 12) is calculated as gross wage earnings less all payments to general government, plus universal cash transfers received from general government (line 11).

Line 13 reports employers' compulsory social security contributions (including payroll taxes).

Average tax rate (line 14) are then calculated as:

- the share of income tax in gross wage earnings;
- the share of employees' social security contributions in gross wage earnings;
- the share of income tax and employees' social security contributions minus benefits in gross wage earnings; and
- the share of income tax and all social security contributions minus benefits in gross labour costs.

Marginal tax rates (line 15) are calculated similarly as:

- the increase in income tax and employees' contributions minus benefits as a share of the related increase in gross wage earnings (both for the principal earner and the spouse); and
- the increase in tax and all social security contributions minus benefits as a share of the related increase in gross labour costs (both for the principal earner and the spouse).

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### Part I

#### International Comparisons

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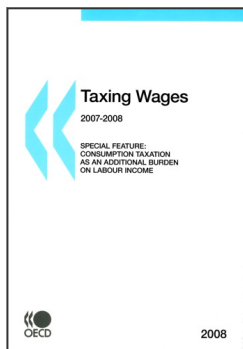
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