

Tax policy must not jeopardize the economic recovery

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At a glance

Tax policy is not yet at the forefront of measures to tackle the coronavirus crisis. The Federal Council decided early on to defer tax claims without default interest. Now voices are being raised calling for tax measures to finance the burden of the crisis. These proposals should be rejected because they are counterproductive. They are detrimental to the economic recovery and therefore also to the goal of a balanced national budget.

Harmful coronavirus surcharge on profit tax

ETH Professor Jan-Egbert Sturm proposes financing the financial coronavirus burden in part through a temporary surcharge on profit tax. A profit tax surcharge should be viewed critically in view of the economic recovery. According to OECD economists, profit tax has the most detrimental effect on growth of all tax types, primarily because it prevents investment. There is also a scientific consensus that a substantial proportion of the profit tax is passed on to employees via lower wages. The surcharge therefore counteracts the short-time working program to maintain wage levels.

The surcharge would place a significant burden on the few financially successful companies. Even before the crisis, only around three percent of companies paid 90 percent of federal profit tax. It would be irresponsible to place a heavier tax burden on these companies, which are essential for Swiss economic development and therefore for the recovery after the crisis.

Furthermore, it should be noted that the profit tax automatically has a stabilizing effect. Only those who actually make a profit have to pay it. Companies that get into financial difficulties do not make a profit and do not pay profit tax. Losses can also be carried forward to later tax periods. This reduces the tax burden on affected companies in the aftermath of the crisis and promotes economic recovery. In contrast, companies that are less affected by the crisis automatically contribute to the costs of overcoming the crisis through profit tax as part of their economic success. Discretionary intervention - a special crisis surcharge - is not necessary for this.

Proposal contradicts the Federal Constitution

Not least, the proposal is unsuitable in the context of constitutional practice. For example, the federal profit tax is constitutionally limited to the current level of 8.5 percent (Art. 128 BV). A surcharge in excess of this would require a constitutional amendment including a mandatory referendum. The implementation deadline (retroactivity is also constitutionally excluded) effectively rules out this temporary crisis measure, which would have to be introduced promptly.

The prerequisite for healthy public finances is a healthy economy

The economy rejects a tax policy that exacerbates the crisis or delays economic recovery. A policy of high taxes is not the answer to impending budget deficits. Thanks to a flexible debt brake, the federal government has sufficient financial leeway. On the one hand, deficits are permissible in a recession, which can be substantial depending on the underutilization of the economy. On the other hand, extraordinary expenditure is possible, which must be compensated for in better economic times (whereby long deadlines can be set). economiesuisse has proposed a concrete, binding mechanism for this.

Switzerland took precautions in good times before the crisis thanks to the debt brake. Surpluses and debt reduction were often criticized, but are now paying off in the form of sustainable debt. Ultimately, the prerequisite for stable public finances in the long term is rapid economic recovery. Tax policy should also be geared towards this goal - at the very least, it should not be detrimental to this goal.



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