

Tax reforms: And who is talking about the additional revenue?

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At a glance

Offsetting tax losses is legitimate in principle, but often difficult because it is speculative. For example, tax shortfalls were forecast for the 1997 Corporate Tax Reform I, which later failed to materialize. Even with the total revision of VAT in 2010, a shortfall in revenue is still being cited today, although VAT reached an all-time high in the year the reform was introduced. In the case of the capital contribution principle, which is currently being criticized in some quarters, no one ultimately knows how high the shortfall or increase in revenue will be in the end.

If tax losses are nevertheless offset, this should not be done selectively. For example, the equalization of cold progression - a reform that was uncontroversial in parliament and was also supported by left-wing parties - will also result in tax losses over the next few years. In contrast to the corporate tax reform, the effects here are also very easy to estimate. They will reduce the federal budget by several hundred million francs every year. Unlike the corporate tax reform, the losses will not be compensated for by additional revenue as a result of growth effects. The same applies to the reform of family taxation and the mitigation of the marriage penalty, which are all in the same order of magnitude with revenue losses of over CHF 600 million each.

Additional revenue thanks to tax reforms

Offsetting losses is one thing - keeping the additional revenue quiet is another. Over the last twenty years, a number of new taxes have been introduced, all of which have helped the federal government to generate substantial additional revenue. The largest and most productive of all, VAT, has generated revenues of CHF 270 billion since its introduction in 1995. The LSV, which was introduced in 2001 and has been raised several times, has generated revenue of CHF 11 billion to date. Added to this are the CO2 levy, the repeated increase in tobacco tax and the increase in VAT to support the deficit-ridden IV, which will generate additional revenue of CHF 1 billion a year until 2017. Where is the "secret paper" that shows these effects in detail?

Doubled federal revenue

In fact, the figures show that, despite tax reforms, federal revenue has not decreased on balance in recent years, but on the contrary has increased significantly. Federal revenue has almost doubled since 1990. Revenue from direct federal tax has increased by almost 170 percent. Overall, federal revenue has risen significantly faster than the national economy (see chart). These figures do not indicate any loss of revenue due to tax reforms.

State expansion not reduction

The tax policy developments of recent years have also not led to a reduction in the state. The social sector has long been by far the largest area of federal spending. It has been expanding strongly for years. Although the transport sector is less expansive in terms of expenditure, at CHF 8.2 billion per year

it is still the second largest area of federal expenditure (excluding finance and taxes). Together, the two areas account for 45 percent of federal expenditure.

Tax reforms are not an end in themselves

Tax reforms are never an end in themselves, even if the objectives pursued may be different. Improvements to the tax system were at the forefront of the equalization of cold progression, the mitigation of the marriage penalty, the VAT reform or the partial taxation of dividends. The reforms were the right thing to do because they remedied recognized shortcomings and deficits. Other reforms, such as Corporate Tax Reform I and the capital contribution principle in Corporate Tax Reform II, are aimed more at the attractiveness of Switzerland as a business location. Improvements should help to make Switzerland an even more attractive location for companies or to maintain good framework conditions. Ultimately, it's about growth and jobs - and therefore also about the tax base. Many taxpayers will benefit from the reforms listed above.