

Press release «BAK TAXATION INDEX 2009 for companies»

Switzerland sustains its position as a fiscally highly attractive business location

Basel, 02.02.2010 (BAKBASEL) – BAKBASEL is publishing today the 2009 update of the BAK Taxation Index for companies. Despite tax cuts in competing locations, Switzerland remains a fiscally highly attractive location. The tax level for companies in the economic centres of Germany – despite an effective tax reduction of 7.5 percentage points – is still higher than in all surveyed Swiss locations. In the international comparison, a wide range in the effective average tax burden can be observed. Among the 80 investigated locations in highly-industrialized countries, the difference varies from 9.7% in Hong Kong to 41.8% in New York City. Even though a general tendency towards tax cuts is asserted, the identified range did not fully reveal the often feared «race to the bottom» in tax competition.

In comparison to the rest of the world, the tax burden for companies in the Swiss Cantons is significantly lower than the international average. In terms of European capitals, five Swiss Cantons top the ranking. The Cantons Appenzell Ausserrhoden und Obwalden have tax rates of 10.8% and 11.1%, respectively. Only Hong-Kong has an effective tax burden which is lower than these locations. The European countries have a higher tax level in general; only Ireland and some Eastern European countries are on a level comparable to Switzerland. The Swiss Metropolitan Centres such as Zurich and Basel have excellent positions in the international tax competition. The United States have particularly high tax rates for companies (see Fig. 1).

Since the last comprehensive Update of the BAK Taxation Index 2007, a number of locations have further reduced the tax burdens for companies. By implementing substantial tax cuts, the small Swiss cantons Appenzell Ausserrhoden and Schaffhausen are now at the top of the 2009 ranking. Larger Swiss cantons such as St. Gallen and Basel-Stadt improved their position in the international competition.

In the international comparison, the tax burden of Italian regions remarkably declined. However, the highest reductions are observed in Germany. Despite a 7.5% average decrease of company taxes, Germany still lags behind the others.

For the coming years, the various positions are expected to shift even more. The Canton Schwyz will improve its position in the ranking already in early 2010. And with the upcoming tax reform the Canton of Zurich will improve its position. It is still uncertain to which extent the difficult financial situation of the public sectors will affect the tax competition. But it has to be assumed that tax reliefs are likely to become more difficult, and might even have to be reversed. In the future, the BAK Taxation Index will focus on the topic sustainability of tax policies and the possibilities of a quantitative acquisition of data.

There are large differences in tax burdens not only amongst the different monitored locations. Some of the locations even differ significantly within one region. In an additional evaluation, the BAK Taxation Index covers for the first time the variation of the tax burden within a region. It thus does not focus anymore – as shown in

Fig. 2 - only on capitals and core cities. This reveals huge margins, particularly in Germany, but also in some of the medium-taxing Swiss cantons. The minimum tax rates of some of the German Bundesländer, which only amounts to 20%, are almost equal to the high taxing Swiss Cantons. In Switzerland, particularly the Cantons Schwyz und Zurich improve their position slightly. While Schwyz with its cantonal minimum of 12.4% features the third lowest fiscal location of Switzerland, Zurich with a minimal 15.9% undercuts the tax burdens in the tax friendly competing locations such as Poland, Czech Republic and Slovakia.

What is the BAK Taxation Index?

The BAK Taxation Index calculates quantitatively and objectively comparable indicators for the tax burden. In particular, the **BAK Taxation Index for companies** measures the effective, for a company accrued tax burden. It incorporates all relevant taxes, including the respective regulations for determining the tax base, e.g. amortisation allowances. Only this methodology facilitates meaningful international comparisons of tax burdens among locations. To apply only the official tax rates would result in a distorted classification of the tax burden.

The key figure in the BAK taxation Index is the effective average tax rate (EATR). It indicates the burden for an exemplary, highly profitable investment of a company. The EATR is considered as the most relevant tax figure with regard to the decisions for business locations and settlements. There are more figures available in the Index.

The discussion about a region's competitiveness and its attractiveness for a company location can not be confined solely to the tax burden. Rather, other location factors (e.g. innovation, quality of life, regulations, etc.) play an important, if not more important role than the tax burden.

The BAK Taxation Index is updated on a regular basis. Before the current 2009 update, the last complete update of all data in the BAK Taxation Index was undertaken in 2007 and published in January 2008. The BAK Taxation Index analyses and compares the tax burden for companies and highly skilled manpower in more than 80 locations of highly-industrialized countries.

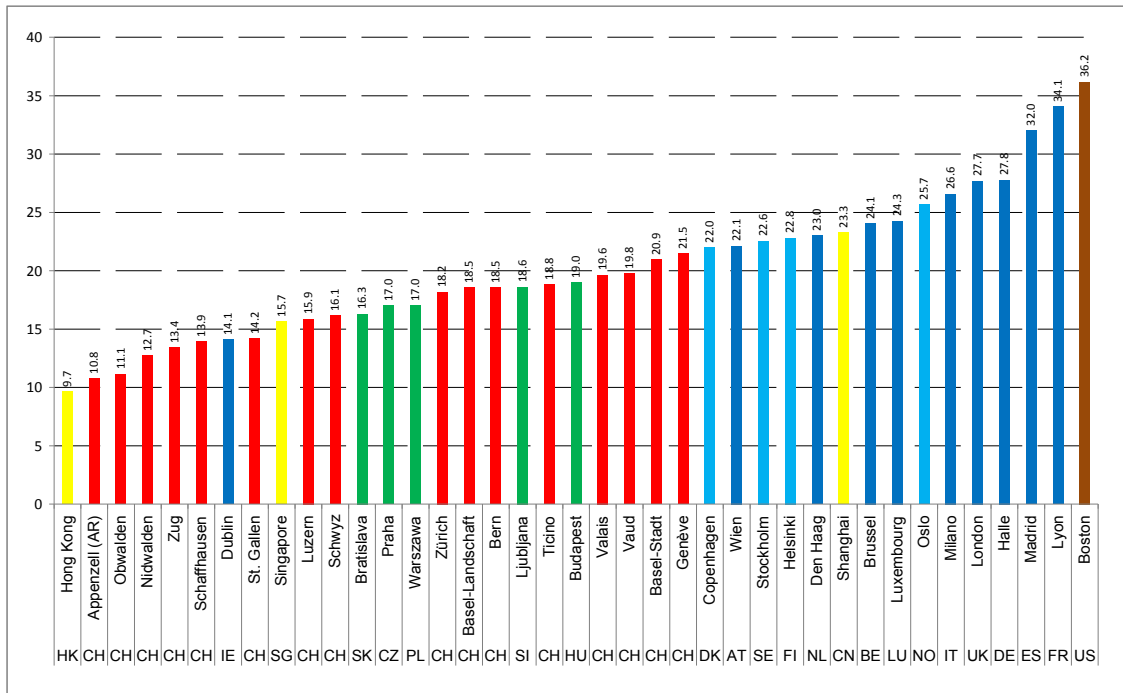
The project BAK Taxation Index, in the context of the International Benchmarking Programme (IBP), is commissioned by BAK Basel Economics AG and executed by the Centre of European Economic Research (ZEW) in Mannheim. An executive summary of this study is available under Reports & Studies at www.bakbasel.com or directly from the contacts listed below.

Current data on the tax burden of highly qualified manpower will be published on 9.2.2010.

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Figure 1: BAK Taxation Index 2009 for companies – EATR (%)



Source: BAKBASEL/ZEW

Note:

EATR – effective average tax burden (in %).

With the exception of Switzerland, the Figure only includes the median location for countries with several locations.

For all locations the burden of the capital or the economic centre is indicated, in Switzerland Canton capitals (Kantons-hauptorte).

Table: BAK Taxation Index 2009 for companies – Ranking of all considered locations

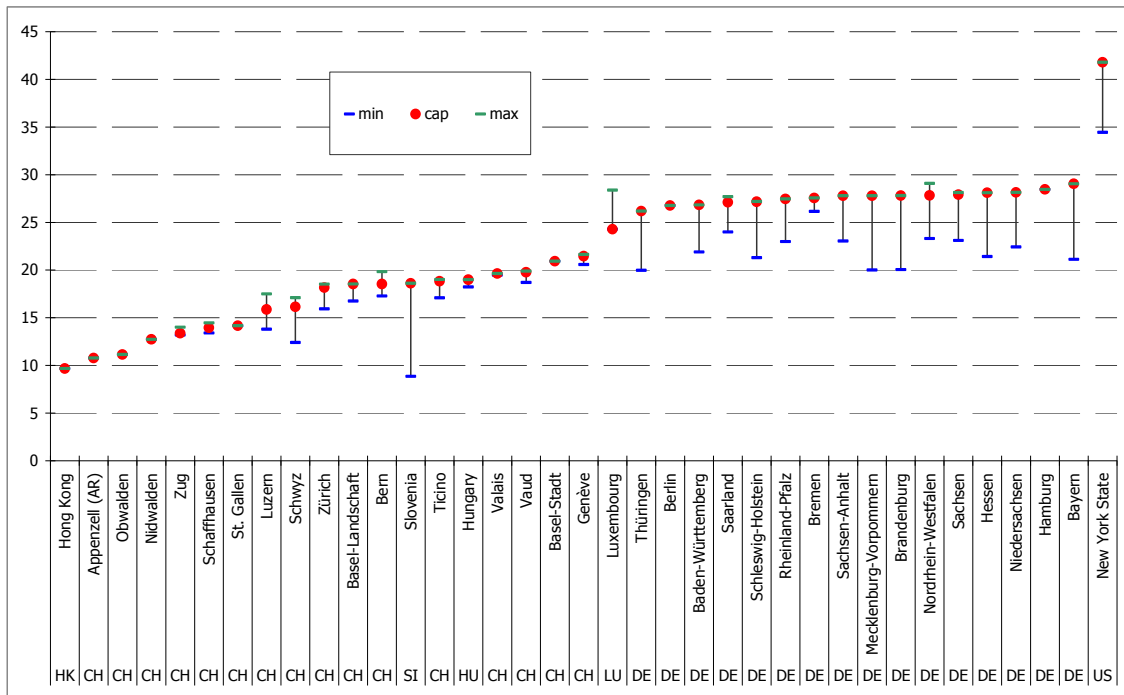
Position (total)	Position (capital)	Country	Region	Category	BAK Tax. Index 2009 (EATR)	Position (total)	Position (capital)	Country	Region	Category	BAK Tax. Index 2009 (EATR)
1		SL	Slovenia	min	8.9	55	26	AT	Wien		22.1
2	1	HK	Hong Kong		9.7	64		DE	Niedersachsen	min	22.4
3	2	CH	Appenzell AR	cap/min/max	10.8	65	35	SE	Stockholm		22.6
4	3	CH	Obwalden	cap/min/max	11.1	66	36	FI	Helsinki		22.8
5		CH	Schwyz	min	12.4	67		DE	Rheinland-Pfalz	min	23.0
6	4	CH	Nidwalden	cap/min/max	12.7	68	37	NL	Amsterdam		23.0
7		CH	Zug	min	13.2	69	38	NL	Den Haag		23.0
8	5	CH	Zug	cap	13.4	70		DE	Sachsen-Anhalt	min	23.0
9		CH	Schaffhausen	min	13.4	71	39	NL	Utrecht		23.1
10	6	CH	Schaffhausen	cap	13.9	72		DE	Sachsen	min	23.1
11		CH	Zug	max	14.0	73	40	NL	Rotterdam		23.1
12	7	IE	Dublin		14.1	74	41	CN	Beijing		23.3
13	8	CH	St. Gallen	cap/min/max	14.2	74	41	CN	Shanghai		23.3
14		CH	Luzern	min	14.4	76		DE	Nordrhein-Westfalen	min	23.3
15		CH	Schaffhausen	max	14.5	77		DE	Saarland	min	24.0
16	9	SG	Singapore		15.7	78	43	BE	Brussel		24.1
17	10	CH	Luzern	cap	15.9	79	44	LU	Luxembourg	cap/min	24.3
18		CH	Zürich	min	15.9	80	45	NO	Oslo		25.7
19	11	CH	Schwyz	cap	16.1	81	46	IT	Valle d'Aosta		25.9
20	12	SK	Bratislava		16.3	82		DE	Bremen	min	26.1
21		CH	Basel-Landschaft	min	16.7	83	47	DE	Thüringen	cap/max	26.2
22	13	CZ	Praha		17.0	84	48	IT	Trento		26.3
23	14	PL	Warszawa		17.0	85	49	IT	Milano		26.6
24		CH	Ticino	min	17.1	86	50	IT	Torino		26.7
25		CH	Schwyz	max	17.1	87	51	IT	Trieste		26.7
26		CH	Bern	min	17.3	87	52	IT	Venezia		26.7
27		CH	Luzern	max	17.6	89	53	DE	Berlin	cap/min/max	26.8
28	15	CH	Zürich	cap	18.2	90	54	DE	Baden-Württemberg	cap/max	26.8
29		HU	Hungary	min	18.2	91	55	DE	Saarland	cap	27.1
30		CH	Zürich	max	18.5	92	56	DE	Schleswig-Holstein	cap	27.2
31	16	CH	Basel-Landschaft	cap/max	18.5	93		DE	Schleswig-Holstein	max	27.2
32	17	CH	Bern	cap	18.5	94	57	DE	Rheinland-Pfalz	cap/max	27.5
33	18	SI	Slovenia	cap/max	18.6	95	58	DE	Bremen	cap/max	27.6
34		CH	Vaud	min	18.7	96		DE	Saarland	max	27.7
35	19	CH	Ticino	cap	18.8	97	59	GB	London		27.7
36	20	HU	Hungary	cap/max	19.0	98	60	DE	Sachsen-Anhalt	cap	27.8
37		CH	Ticino	max	19.0	99	61	DE	Mecklenburg-Vorpommern	cap/max	27.8
38		CH	Valais	min	19.5	100		DE	Sachsen-Anhalt	max	27.8
39	21	CH	Valais	cap/max	19.6	101	62	DE	Brandenburg	cap/max	27.8
40	22	CH	Vaud	cap	19.8	102	63	DE	Nordrhein-Westfalen	cap	27.8
41		CH	Bern	max	19.8	103	64	DE	Sachsen	cap	27.9
42		CH	Vaud	max	19.9	104	65	DE	Hessen	cap/max	28.1
43		DE	Thüringen	min	20.0	105		DE	Sachsen	max	28.1
43		DE	Mecklenburg-Vorpommern	min	20.0	106	66	DE	Niedersachsen	cap/max	28.2
43		DE	Brandenburg	min	20.0	107		LU	Luxembourg	max	28.4
46		CH	Genève	min	20.6	108	67	DE	Hamburg	cap/min/max	28.5
47	23	CH	Basel-Stadt	cap/min/max	20.9	109	68	DE	Bayern	cap/max	29.1
48		DE	Bayern	min	21.1	110		DE	Nordrhein-Westfalen	max	29.1
49		DE	Schleswig-Holstein	min	21.3	111	69	US	Seattle		31.1
50		DE	Hessen	min	21.4	112	70	FR	Paris		31.5
51	24	CH	Genève	cap	21.5	113	71	ES	Madrid		32.0
52		CH	Genève	max	21.6	114	72	FR	Metz		33.5
53		DE	Baden-Württemberg	min	21.9	115	73	FR	Lyon		34.1
54	25	DK	Copenhagen		22.0	116	74	FR	Strasbourg		34.2
55	26	AT	Burgenland		22.1	117	75	FR	Besancon		34.2
55	26	AT	Kärnten		22.1	118		US	New York State	min	34.4
55	26	AT	Niederösterreich		22.1	119	76	US	Houston		35.2
55	26	AT	Oberösterreich		22.1	120	77	US	Miami		35.7
55	26	AT	Salzburg		22.1	121	78	US	Boston		36.2
55	26	AT	Steiermark		22.1	122	79	US	Dover		36.2
55	26	AT	Tirol		22.1	123	80	US	Los Angeles		36.6
55	26	AT	Vorarlberg		22.1	124	81	US	New York State	cap/max	41.8

Source: BAKBASEL/ZEW

Note: EATR – effective average tax burden (in %).

"Category": "capital": burden in capital resp. the economically most important city of a region, for Swiss Cantons the capital (Kantonshauptort) - identical to figure above; "min"/"max": location in the region with the lowest/highest burden (condition: at least 2000 inhabitants)

Figure 2: BAK Taxation Index 2009: Range of effective tax rates (EATR at corporate level) within Swiss cantons and comparably taxing countries, only regions with inter-regional tax differences and selected other regions, 2009, tax burden in %



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