

Press release «BAK TAXATION INDEX 2009 for highly qualified manpower»

Swiss taxation for highly qualified manpower highly attractive

Basel, 09.02.2010 (BAKBASEL) – The today published BAK Taxation Index 2009 for highly qualified persons shows that in an international comparison, the Swiss cantons tax their highly-qualified manpower only moderately. The values of the canton's capitals vary between 24.0% und 37.3% of the gross labour costs. When considering the variations within individual cantons, most of them become even more attractive. Many locations in Switzerland tax the income significantly less than the respective canton's capital. The canton Schwyz is the lowest in Switzerland with a minimal burden of 20.4% for highly qualified persons. While the Swiss cantons are well positioned within the European environment, parts of Asia and the US constitute strong competition. The observed range of the effective tax burden for highly qualified manpower in the 46 survey locations varies between 11.6% in Singapore and 56.5% in Belgium.

The stated percentage shows the effective tax burden which accumulates on the employment of a highly qualified person, assuming a remaining net income of 100'000 Euro. While an employer has to spend just about 113'000 Euro in the low-taxing Singapore, the average value in Germany amounts to 165'000 Euro and about 230'000 Euro in Belgium. In Switzerland, this amount varies between 132'000 and 159'000 Euro, taking the respective cantons capital as a benchmark. This corresponds to an average tax burden between 24.0% and 37.3%. It therefore shows that even the higher taxing Swiss cantons are very competitive in Western Europe.

Switzerland gains additional attractiveness when considering the difference in the tax burden within a single canton, revealing partly lower rates in some communities in comparison to the canton's capital. This variation within countries and cantons is incorporated in the study for the first time in 2009. In most of the cantons the minimal burden is about two to four percentage points lower than in the respective capital. With respect to the range among the cantons, the lowest tax rate is in Schwyz with only 20.4%. This also marks the Swiss minimum. Regarding the minimal tax burden, Switzerland can claim the top position within all in the study included European countries! However, this is particularly the case because most of the other countries do not have regional variations for the taxation of natural persons. Comparably big ranges can only be observed in the already high-taxing countries Norway and Belgium.

Since 2007 the effective tax burden for highly qualified manpower slightly decreased in most observed countries. Most of the Swiss cantons reduced the burden only by one per cent or less, the canton St. Gallen with the highest reduction amounting to 2.2 per cent. Significantly stronger reductions were observed in Slovenia (-2.8%), in Poland (-6.5%) and in the Czech Republic (-22.1%). The latter was in the last third of the ranking in 2007 and now takes the leading position within the European countries. Therefore, Switzerland is not the only fiscally attractive country in Europe. An increase of the tax burden only occurred in Slovakia (+1.7%), in Ireland (+2.4%) and in Hungary (+3.9%).

For the coming years, the positions are expected to be shifting even more. It is not clear, however, if these changes will primarily be tax reductions. At the moment, the impact of the difficult financial situation in the public sector on the tax competition is more than uncertain. But it has to be assumed that tax reliefs are likely

to become more difficult, if not even increases in taxation might occur. The BAK Taxation Index will continuously monitor the further developments and, in the future, focus more on the topic sustainability of tax policies and the possibilities on how to quantify this data.

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 highly qualified manpower** measures the effective tax burden for the employment of a highly skilled person. It incorporates all relevant taxes, including the respective regulations for determining the tax base, e.g. the deductibility of employee contributions to social security and occupational retirement provision. It also contains social security contributions, if these have tax character as well as directly from the employers discounted taxes. Only this enables meaningful international comparisons of tax burdens among locations. To apply just 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 effective tax burden for a highly skilled person (single, no children), earning EUR 100.000, after taxes and charges. Another figure is employment costs which specify the costs an employer has to pay for the same person, illustrating the employer's burden in the international competition for highly skilled manpower. Further figures and different cases (income level, civil status) are available as well. The BAK Taxation Index calculates qualitatively and objectively comparable indicators for 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 discussion about a region's competitiveness and its attractiveness as a residential area can not be confined solely to the tax burden. Rather, other location factors play an important role (e.g. innovation, quality of life, regulations, etc.), if not more important than the tax burden.

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.

Contact:

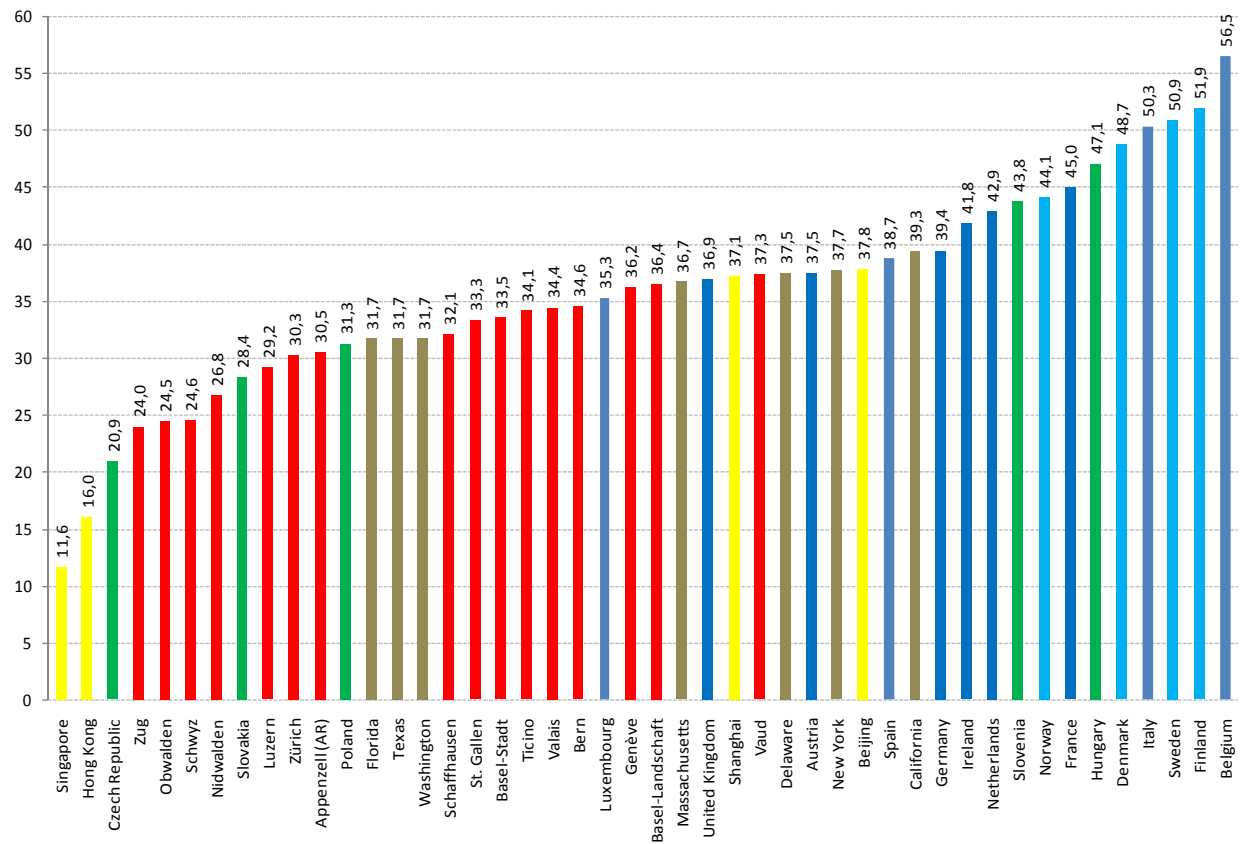
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Figure 1: BAK Taxation Index 2009 on highly qualified manpower

Disposable income of EUR 100.000, single employee, tax burden in %, capital (Kantonshauptort)



Source: ZEW/BAKBASEL

Note: The index shown is the effective average tax rate (EATR) in %. It is based on the employment costs, i.e. gross salary plus all taxes which must be paid by an employer for the relevant employee. Accordingly, the average tax burden refers to all taxes, regardless whether they are paid by the employee or the employer.

Table: BAK Taxation Index 2009 on highly qualified manpower

Disposable income of EUR 100.000, single employee

Location	Category	Tax Burden in %	Employment Costs in Euro
Singapur		11.6	113.122
Hong Kong		16.0	119.048
Schwyz	min	20.4	125.628
Tschechien		20.9	126.422
Zug	min	23.5	130.719
Zug	cap	24.0	131.579
Obwalden	cap /min	24.5	132.450
Schwyz	cap	24.6	132.626
Nidwalden	min	24.6	132.626
Zug	max	24.8	132.979
Luzern	min	25.2	133.690
Schwyz	max	25.8	134.771
Obwalden	max	25.9	134.953
Zürich	min	26.5	136.054
Nidwalden	cap	26.8	136.612

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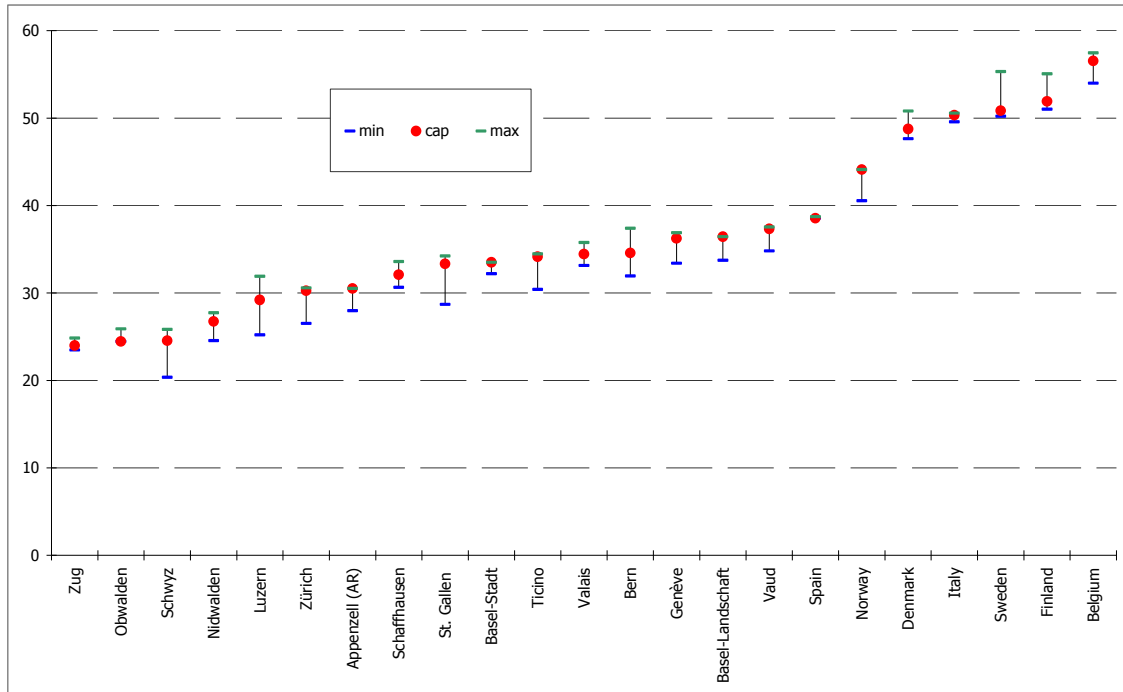
Location	Category	Tax Burden in %	Employment Costs in Euro
Nidwalden	max	27.7	138.313
Appenzell Ausserrhoden	min	28.0	138.889
Slowakei		28.4	139.665
St. Gallen	min	28.7	140.252
Luzern	cap	29.2	141.243
Zürich	cap	30.3	143.472
Ticino	min	30.4	143.678
Appenzell Ausserrhoden	cap /max	30.5	143.885
Zürich	max	30.6	144.092
Schaffhausen	min	30.6	144.092
Polen		31.3	145.560
Florida		31.7	146.413
Texas		31.7	146.413
Washington		31.7	146.413
Luzern	max	31.9	146.843
Bern	min	32.0	147.059
Schaffhausen	cap	32.1	147.275
Basel-Stadt	min	32.2	147.493
Valais	min	33.2	149.701
St. Gallen	cap	33.3	149.925
Genève	min	33.4	150.150
Basel-Stadt	cap /max	33.5	150.376
Schaffhausen	max	33.6	150.602
Basel-Landsch.	min	33.8	151.057
Ticino	cap	34.1	151.745
St. Gallen	max	34.2	151.976
Valais	cap	34.4	152.439
Ticino	max	34.5	152.672
Bern	cap	34.6	152.905
Vaud	min	34.8	153.374
Luxemburg		35.3	154.560
Valais	max	35.8	155.763
Genève	cap	36.2	156.740
Basel-Landsch.	cap /max	36.4	157.233
Massachusetts		36.7	157.978
Genève	max	36.9	158.479
Großbritannien		36.9	158.479
Shanghai		37.1	158.983
Vaud	cap	37.3	159.490
Bern	max	37.4	159.744
Delaware		37.5	160.000
Österreich		37.5	160.000
Vaud	max	37.6	160.256
New York		37.7	160.514
Peking		37.8	160.772
Spanien	cap /min	38.6	162.866
Spanien	max	38.7	163.132
Kalifornien		39.3	164.745
Deutschland		39.4	165.017
Norwegen	min	40.5	168.067
Irland		41.8	171.821
Niederlande		42.9	175.131
Slowenien		43.8	177.936
Norwegen	cap /max	44.1	178.891
Frankreich		45.0	181.818
Ungarn		47.1	189.036
Dänemark	min	47.6	190.840
Dänemark	cap	48.7	194.932
Dänemark	cap	48.7	194.932
Schweden	min	50.2	200.803
Italien	cap	50.3	201.207
Italien	max	50.6	202.429
Dänemark	max	50.8	203.252
Schweden	cap	50.9	203.666
Finnland	min	51.0	204.082
Finnland	cap	51.9	207.900
Belgien	min	54.0	217.391
Finnland	max	55.1	222.717
Schweden	max	55.3	223.714
Belgien	cap	56.5	229.885
Belgien	max	57.4	234.742

Source: ZEW/BAKBASEL

Note: Category: "cap": tax burden in capital resp. the economically most important city of a region (Swiss Cantons: Kantonshauptort) - identical to figure above; "min"/"max": location in the region with the lowest/highest burden (condition: at least 2000 inhabitants); no specification: all three values are identical.

Figure 2: BAK Taxation Index 2009 on highly qualified manpower

Range of the effective tax levels, disposable income of EUR 100.000, single employee, tax burden in %



Source: ZEW/BAKBASEL

Note: The index shown is the effective average tax burden in % (effective average tax rate, EATR). It is based on the employment costs, i.e. gross salary plus all taxes which must be paid by an employer for the relevant employee. Accordingly, the average tax burden refers to all taxes, regardless whether they are paid by the employee or the employer.

"cap": burden in capital resp. the economically most important city of a region (Swiss Cantons: Kantonshauptort); "min"/"max": location in the region with the lowest/highest burden (condition: at least 2000 inhabitants).