



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Finance FDF
Federal Finance Administration FFA

Fiscal Equalization in Switzerland

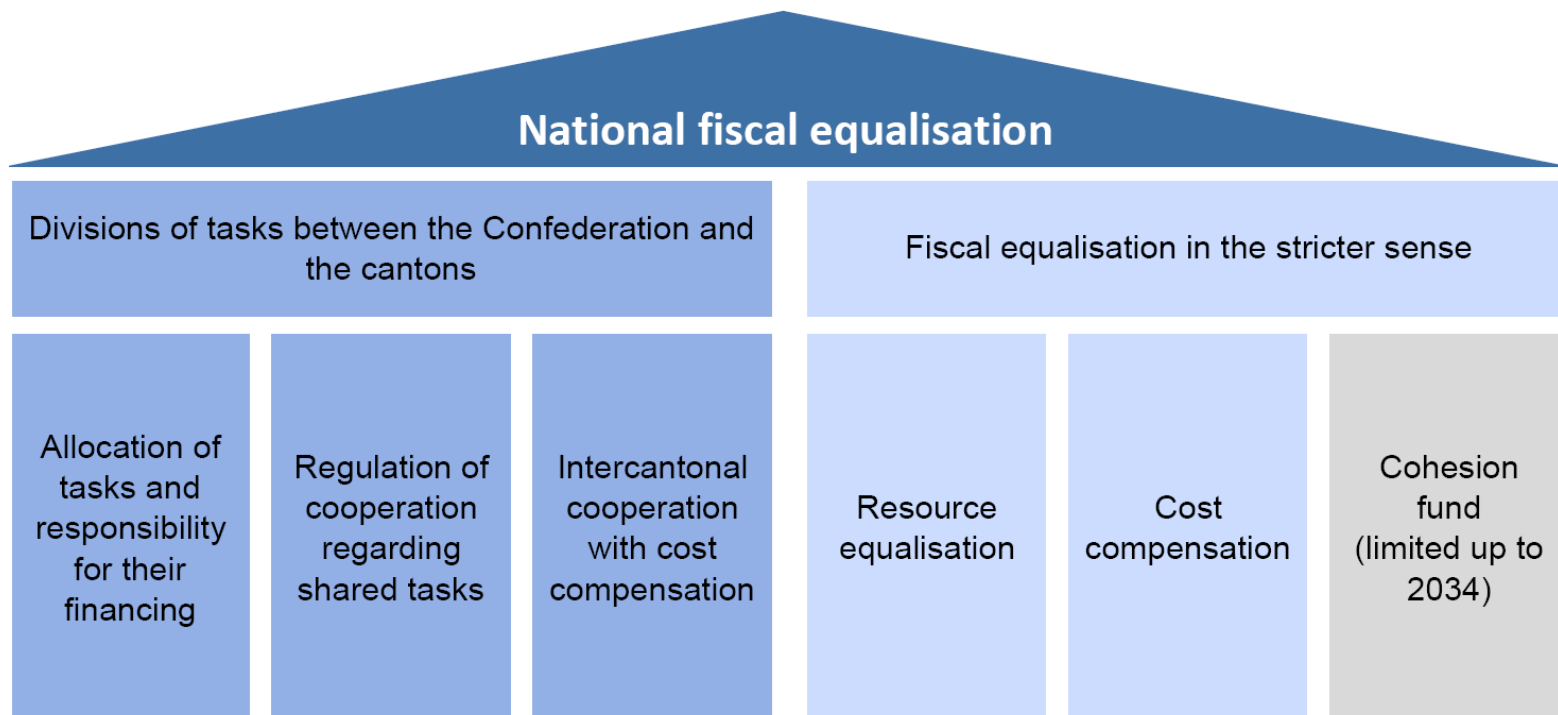
Pascal Utz and Werner Weber

Swiss Federal Finance Administration

December 6, 2018



Reform 2008





Resource equalization

Goals

- Reduction of disparities between cantons regarding financial capacity and tax burden
- Minimal endowment in financial resources for each canton to carry out their functions (goal 85% of national average)

Financing (2018)

Confederation	CHF 2.4 bn
Financially strong cantons	CHF 1.7 bn
Total resource equalisation	CHF 4.1 bn

- Non-earmarked payments



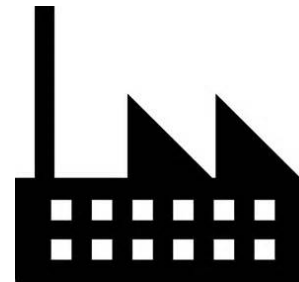
Resource potential

The resource equalization is based on the resource potential of the cantons:



Individual taxpayers

- Taxable income
- Taxable assets



Companies

- Taxable profit



Resource equalization

Data Collection

- Data on taxable income on individual basis provided yearly by cantons
- Process of quality assurance: Federal Audit Office, Group of experts

Calculation of payments

- Rule-based process of annual calculation
- Review by cantons (check if data provided is correct)



Resource potential 2018 (per capita)





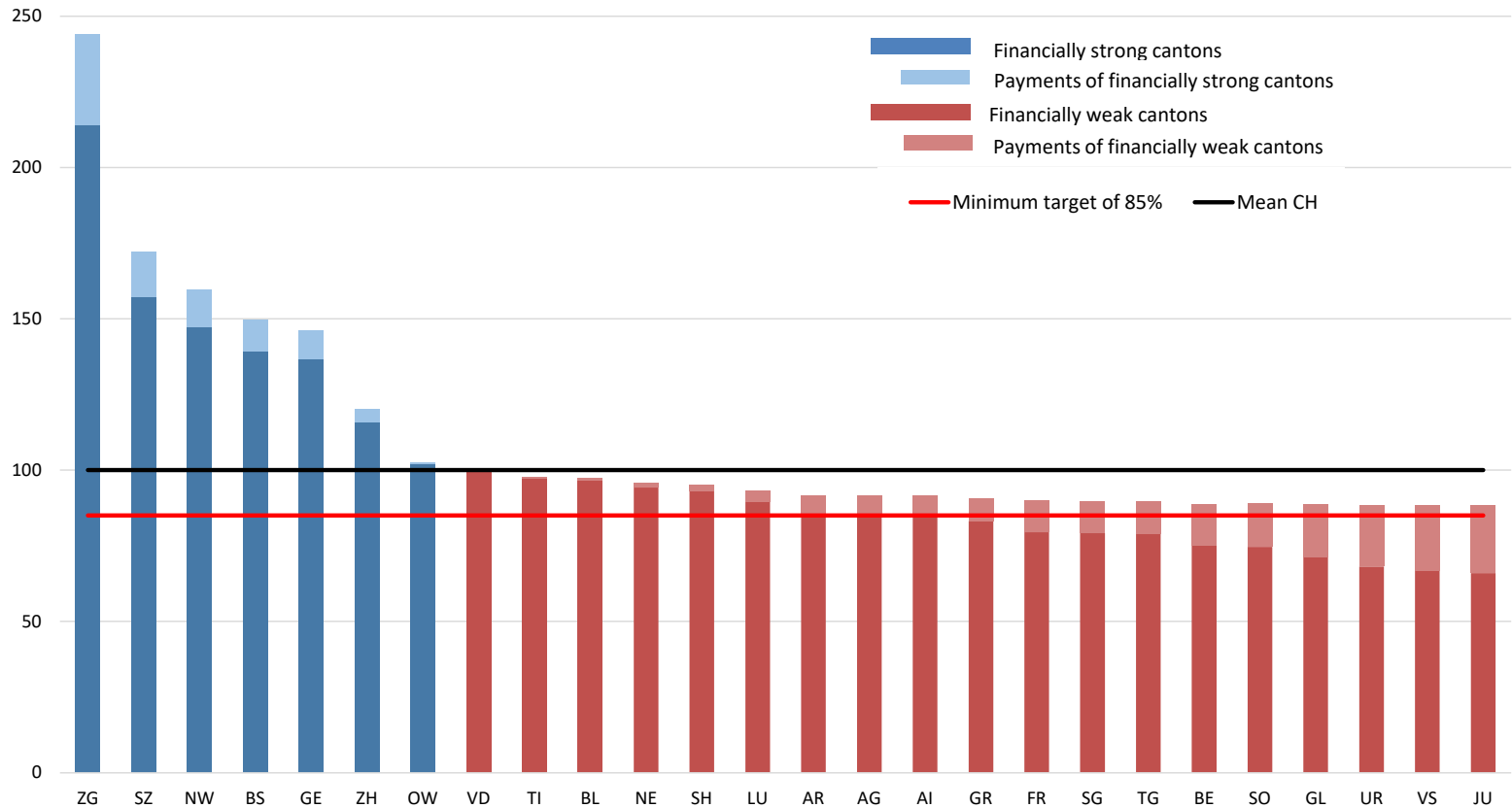
Resource index

Resource Index (RI): the resource potential per capita of each canton is compared to the Swiss average

- $RI > 100$: financially strong → contributor cantons
- $RI < 100$: financially weak → recipient cantons

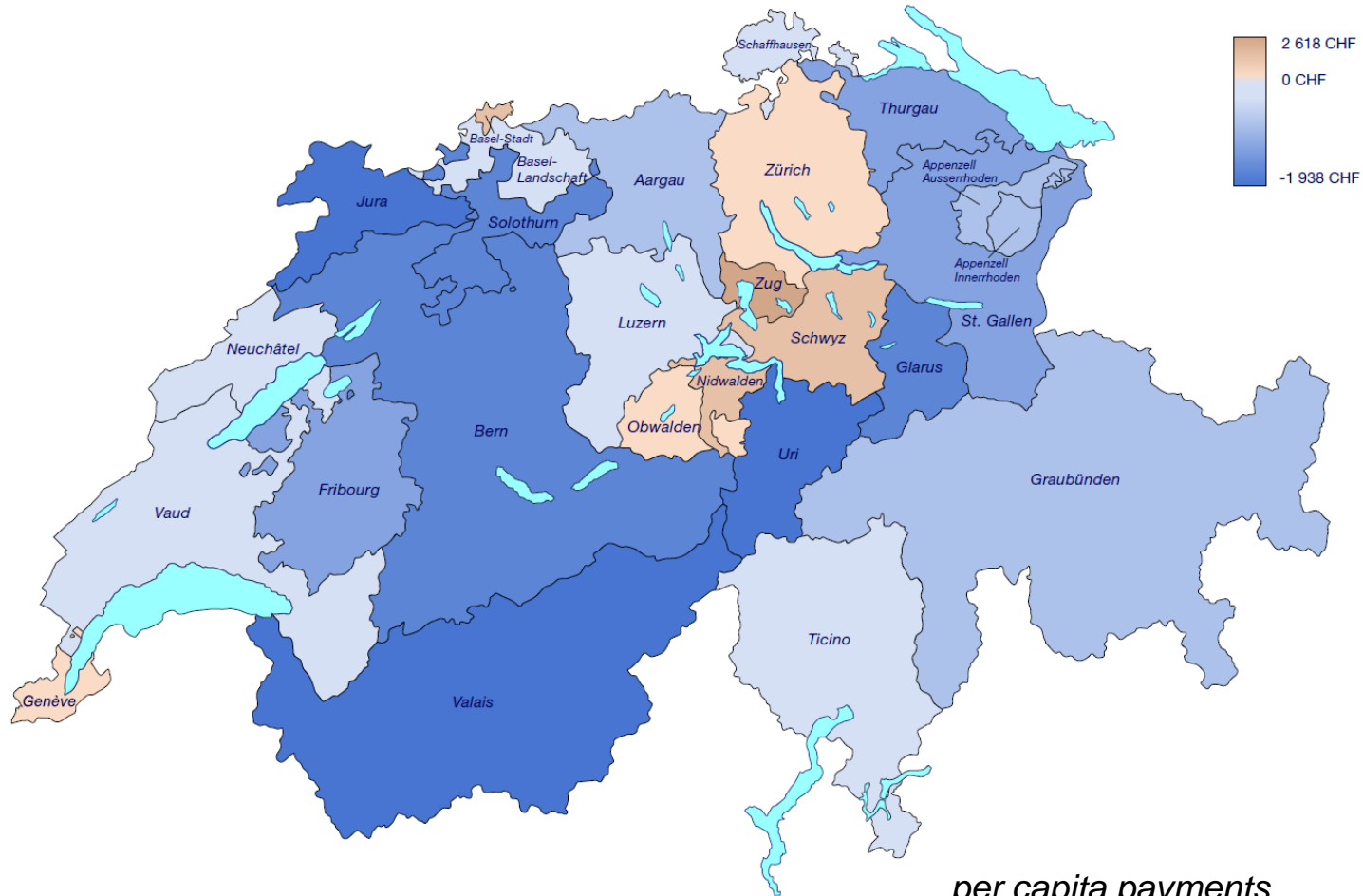


Resource index in 2018, before and after equalization





Resource equalization (2018)

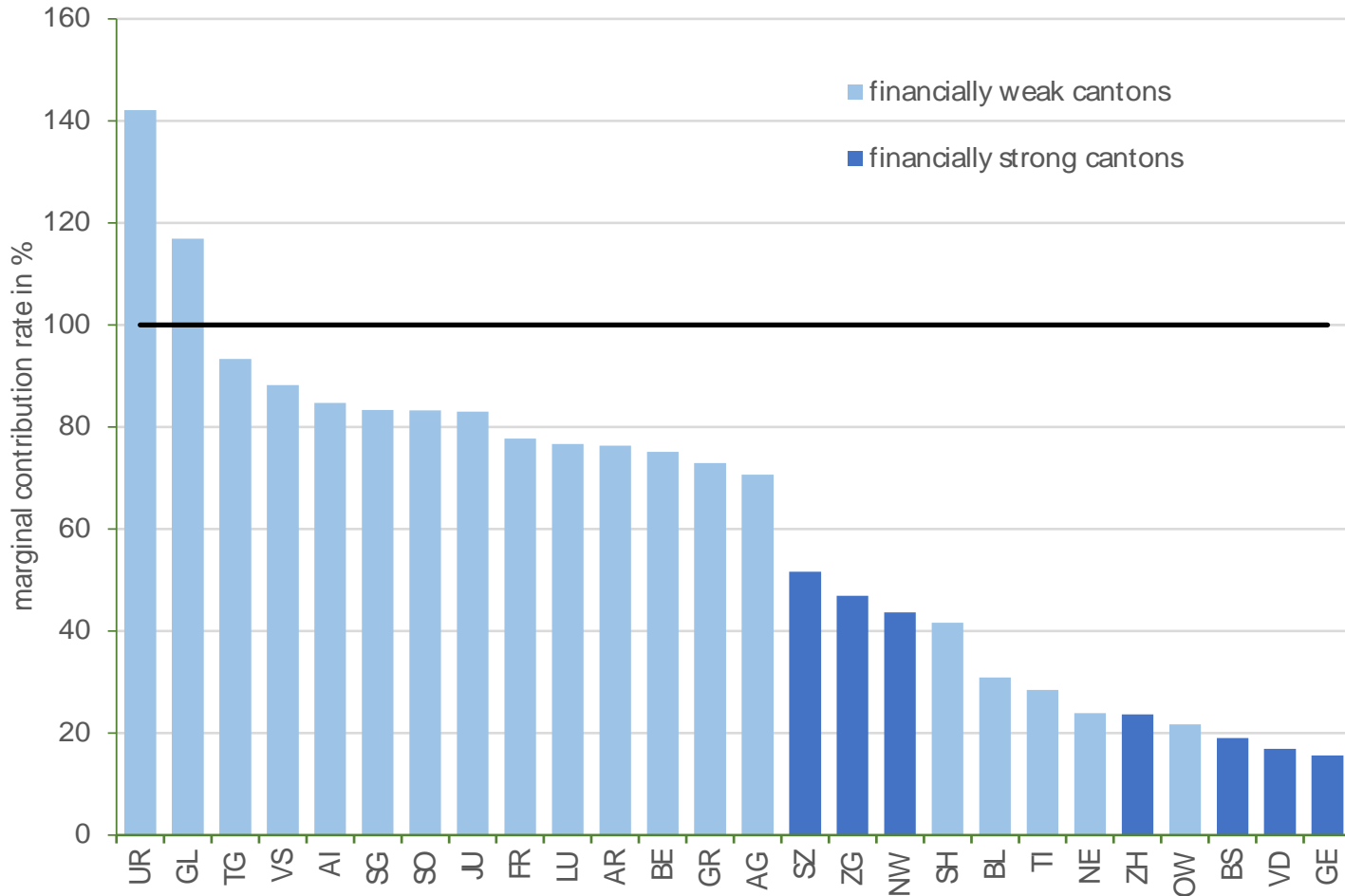


per capita payments

*brown = inpayments of financially strong cantons
blue = outpayments to financially weak cantons*



Resource Equalization: Incentive effects





Resource equalization

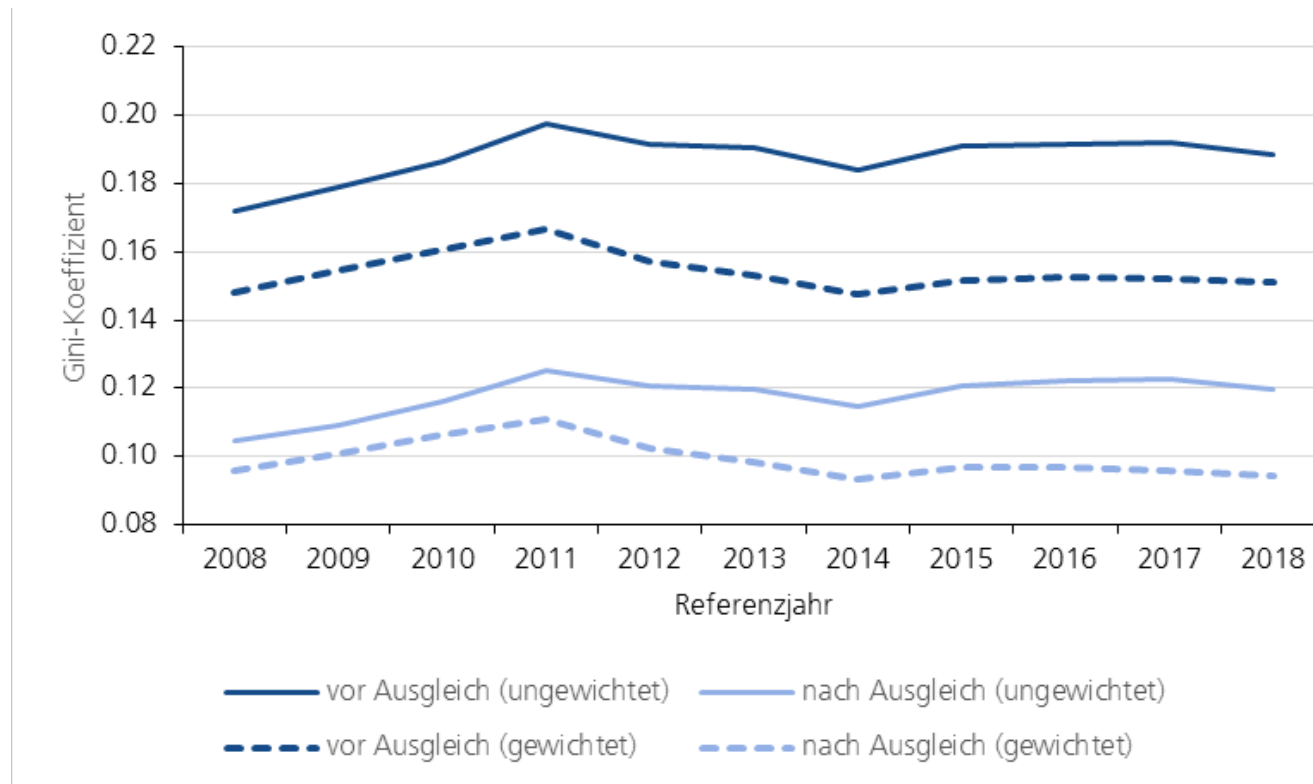
Political Supervision

- Government prepares evaluation report every 4 years
- Parliament decides on financing for a 4-years-period (discretionary element)
- Rule-based system within 4-years-period
- Legal framework to be adjusted occasionally



Resource equalization

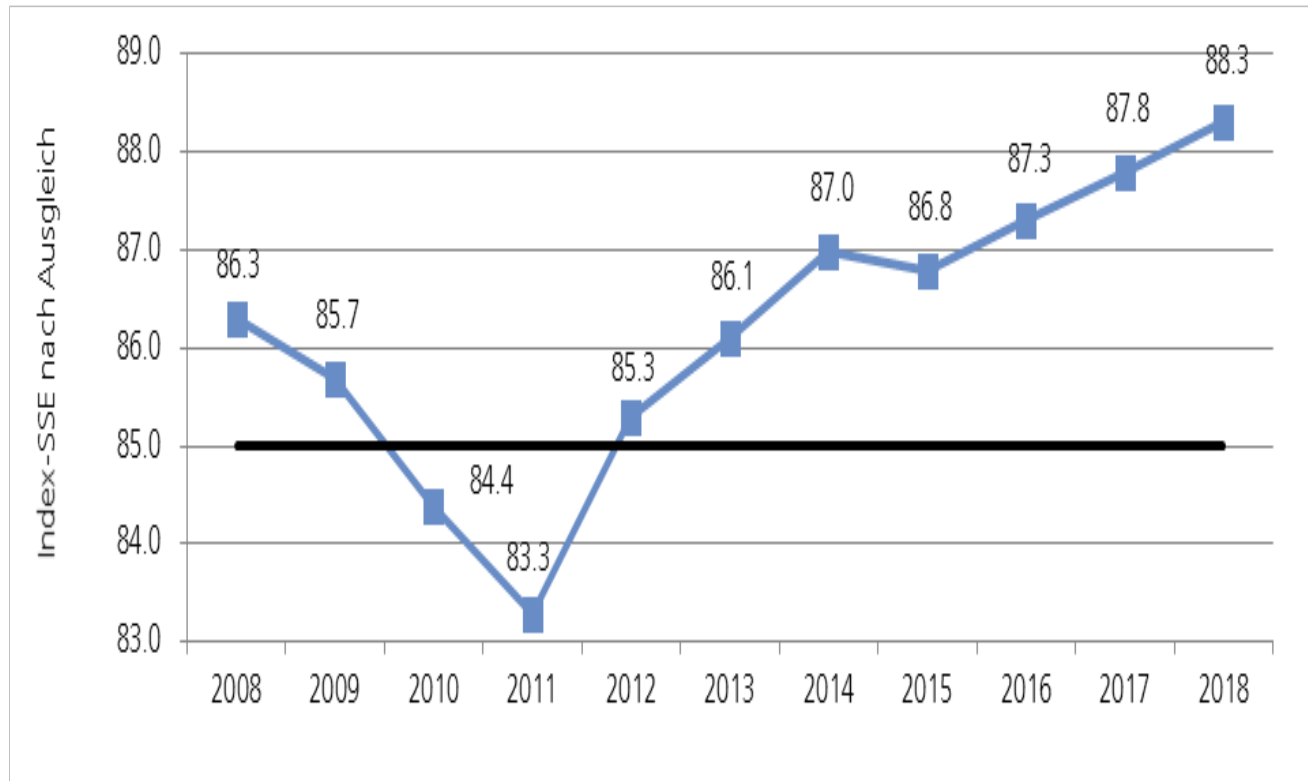
Results: Reduction of disparities by 1/3





Resource equalization

Results: Minimal endowment





Resource equalization

Reform 2020

- Minimal endowment guaranteed at 86.5% for weakest canton.
 - Amount for resource equalization endogenously determined by minimal endowment and evolution of disparities
 - Parliament decides on occasional adjustment of legal framework
 - No parliamentary decision on funding every 4 years
- => More rule-based system



Cost Compensation

Goals

- **Geographic cost compensation:** takes account of the higher expenses incurred by the alpine cantons.
- **Socio-demographic cost compensation:** takes account of the additional expenses incurred by a unfavorable population structure.

Financing (2018)

Cost compensation is entirely financed by the Confederation.

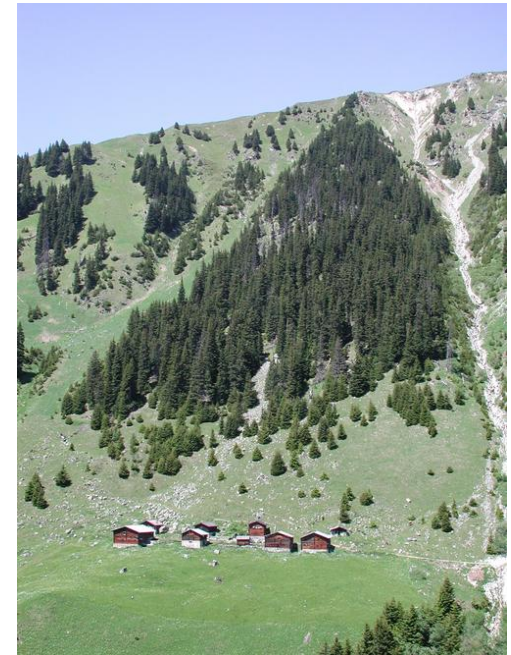
Geographic cost compensation	CHF 359 m
Socio-demographic cost compensation	CHF 359 m
Total cost compensation	CHF 718 m



Geographic cost compensation (GCC)

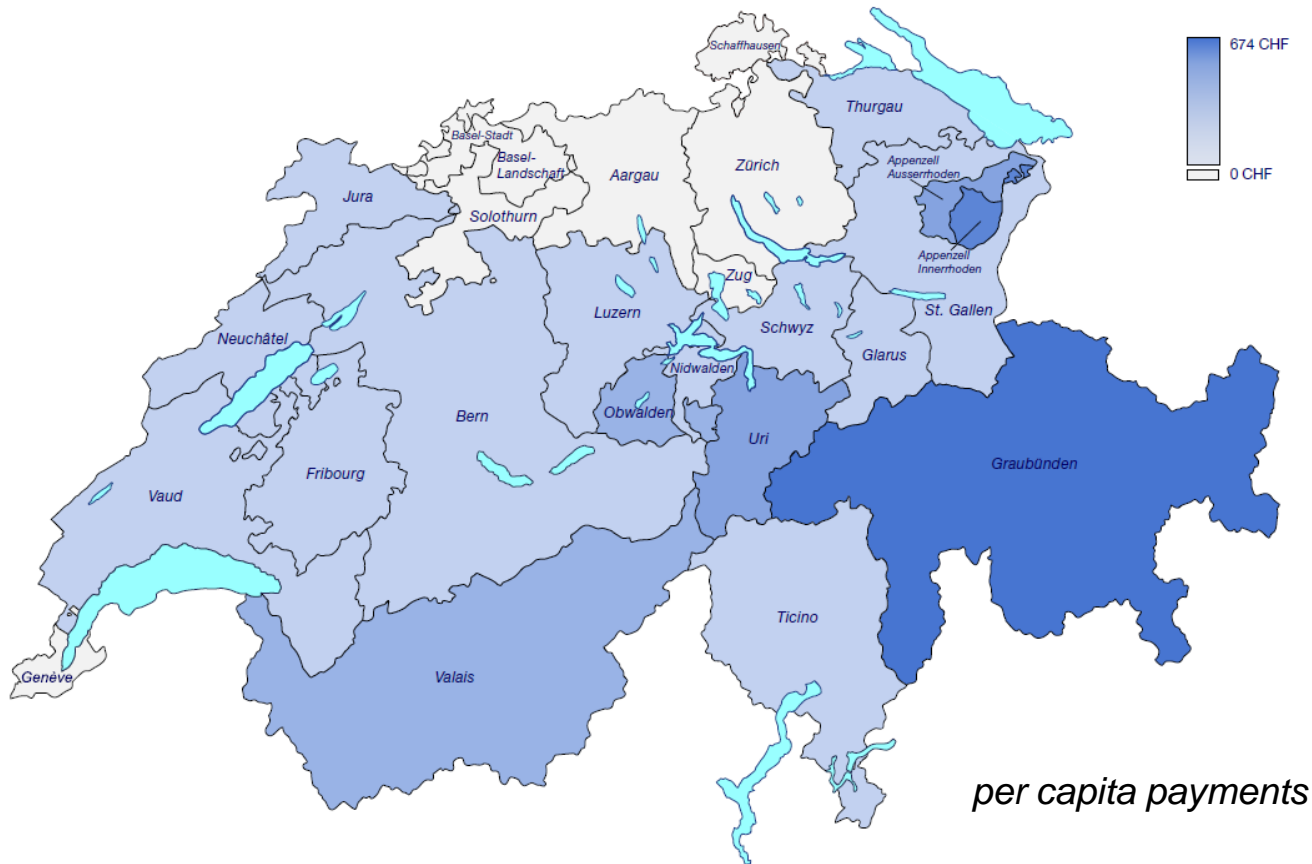
Costs of the «width»:

- Altitude
- Steepness
- Low settlement density
- Low population density





Geographic cost compensation 2018



per capita payments



Sociodemographic cost compensation

Costs relating to the population structure

- Old age
- Poverty
- Integration of foreigners



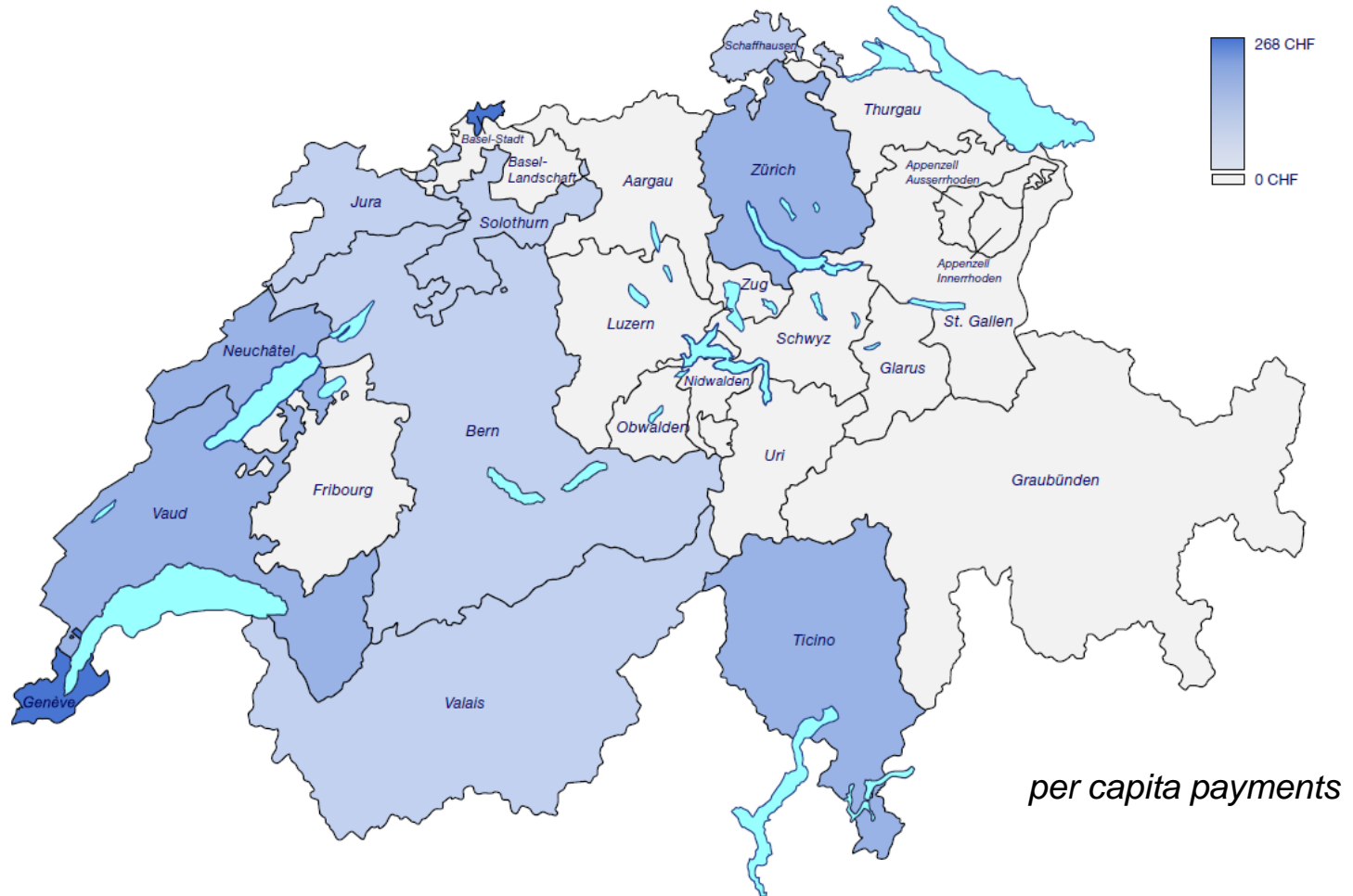
Costs of the «density» (nucleated cities)

- Number of inhabitants
- Population density
- Employment rate





Sociodemographic cost compensation 2018



per capita payments



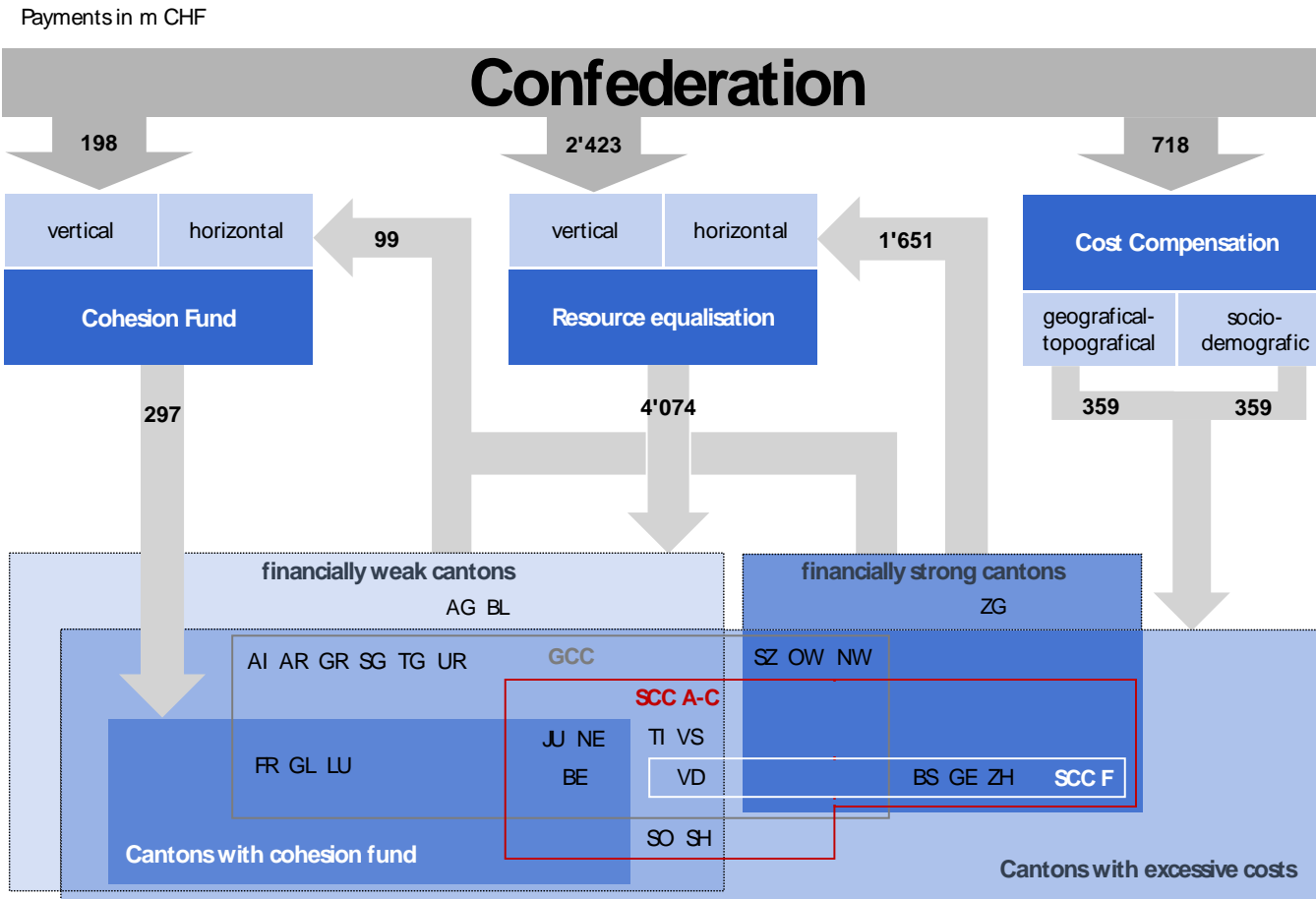
Cost Compensation

Reform 2020

- Amount for cost compensation determined by rate of price increases
- Parliament decides on occasional adjustment of legal framework
- No parliamentary decision on funding every 4 years
=> More rule-based system



Financial flows in 2018





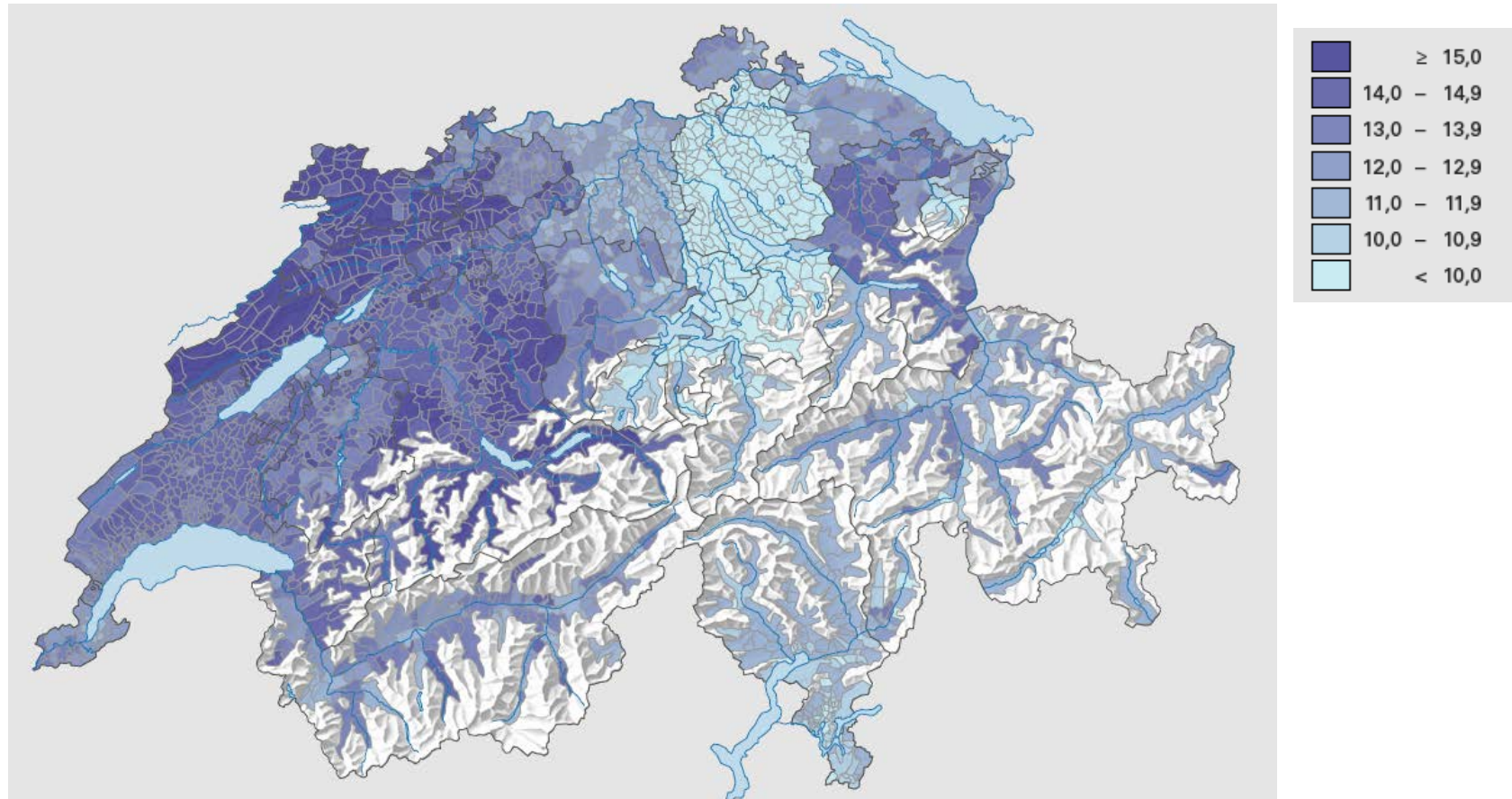
Thank you for your attention!



Additional Slides



Tax burden



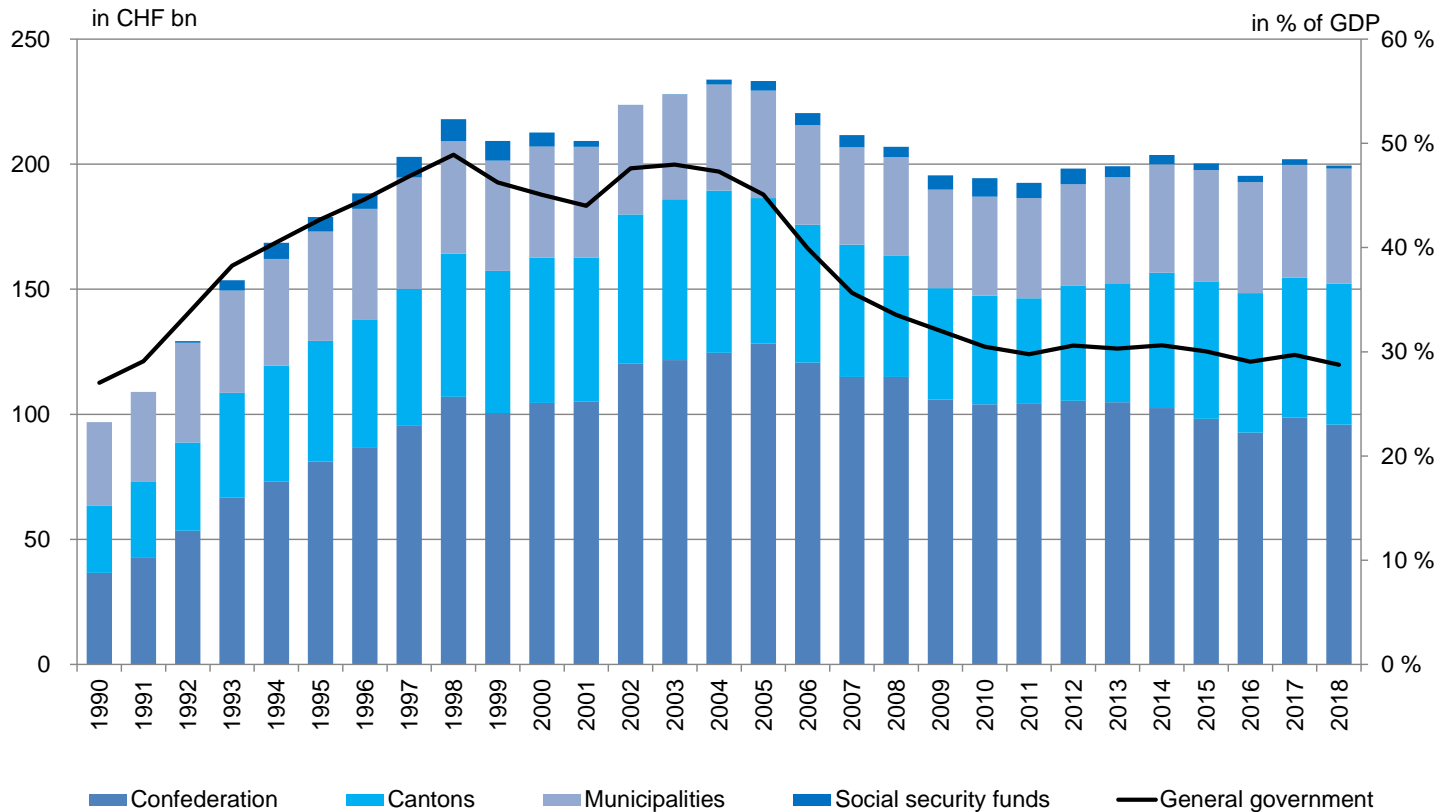
Tax burden of unmarried citizens with a gross income of CHF 80'000 (2016)

Year: 2016; References: Federal Tax Administration © Federal Statistical Office, ThemaKart, Neuchâtel 2009-2016



Public Debt in Switzerland

Gross debt and debt ratio of general government (1990–2018)



Debt and debt ratio with reference to the Maastricht definition; Source: Federal Finance Administration