

BAK Taxation Index:
Swiss and International Update 2025

Taxation of companies

January 2026



Clients

Swiss Federal Tax Administration (ESTV)

Tax and revenue offices, macroeconomic committees and economic development authorities of the cantons of Appenzell A.Rh., Basel-Stadt, Glarus, Grisons, Lucerne, Nidwalden, Obwalden, Schaffhausen, Schwyz, Solothurn, St. Gallen, Thurgau, Uri and Zurich

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Executive Summary

Swiss cantons have increased their tax competitiveness over the past two years. While most companies in Switzerland will see their tax burden reduced between 2023 and 2025 as a result of changes to tax law, many international locations will see companies facing higher taxes in order to meet the increased financing requirements of their governments. According to the BAK Taxation Index, the effective corporate tax burden in 2025 will average 13.4 per cent, which is 10.6 percentage points below the international average of 24.0 per cent. This will strengthen the Swiss cantons' high tax attractiveness and top positions in the ranking. The Top-up tax for large corporate groups introduced with the implementation of the OECD minimum tax in Switzerland is not taken into account here. The challenges surrounding the developments of the OECD minimum tax remain high for the cantons.

BAK Taxation Index: Internationally comparable effective tax burden

The BAK Taxation Index (BTI) regularly records the tax burden for companies and highly qualified workers in the Swiss cantons and their most important international competitor locations. Both are relevant factors influencing companies' location decisions. The BTI is compiled in close cooperation with the ZEW – Leibniz Centre for European Economic Research.

This Executive Summary presents the most important results of the update on the ordinary tax burden for companies to the legal status 2025. The tax-reducing effect of TRAF R&D instruments (patent box, R&D deductions) is not considered here. The OECD minimum tax is also abstracted from.

The main indicator of the BAK Taxation Index for companies is the effective average tax burden (EATR) measured as a percentage of the profit of a highly profitable investment. The calculation takes into account the ordinary taxes on profits, capital and, if applicable, on property at the various levels of government. The most important provisions for determining the tax base (e.g., depreciation rules) are also taken into account.

In Switzerland, the tax burden was calculated for all 26 cantons. The following statements refer to all cantons, but concrete values are only published for the 14 cantons participating in the project.

The tax burden for companies remains largely stable in Switzerland

The updated BAK Taxation Index shows that some Swiss cantons will see tax relief between 2023 and 2025. However, some cantons will impose higher taxes on companies. Among the cantons participating in the project, the tax burden fell in Schwyz (-0.4 percentage points) and Lucerne (-0.3 PP) due to lower tax rates. In Schaffhausen (+1.1 PP), however, it rose due to a higher profit tax rate in response to the introduction of the OECD minimum tax in 2024. The tax burden also rose in Zurich (+0.5 PP) because the deduction for self-financing decreased and the tax rate for companies in the cantonal main location increased. The majority of cantons tax companies at the same rate. This is reflected in a slight decrease in the GDP-weighted average of the effective tax burden (EATR), which now stands at 13.4 per cent (2023: 13.5 per cent). This does not take into account the increased tax burden resulting from the Top-up tax. This

serves to achieve the minimum taxation envisaged by the OECD and affects international corporate groups with a global annual turnover of EUR 750 million.

The range of the cantons' tax burden in 2025 is between 9.8 (Nidwalden) and 16.7 per cent (Zurich). For the vast majority of cantons, the changes in the tax burden over the past two years have resulted in no or only a slight change in rank (+/-1 rank). Therefore, the familiar regional pattern in the Swiss tax landscape remains unchanged: The cantons of Central Switzerland, which tend to tax companies at a low rate compared to other Swiss regions led the national ranking. The tax burden is medium in Eastern Switzerland and high in the other Swiss regions. Cantons with larger cities tend to have higher tax burdens.

Tax increases for companies, particularly in Eastern Europe

In contrast to the Swiss cantons, the tax burden on companies has risen significantly in many international locations, particularly in Eastern Europe. In Slovenia (+2.7 PP), Slovakia (+2.6 PP) and Czech Republic (+1.8 PP), increases in corporate tax rates have led to a higher tax burden. The tax burden is also higher in Poland (+0.9 PP), but this is due to the reduction in the deduction for self-financing. Furthermore, increases in the tax burden can also be seen in the United Kingdom (+4.3 PP), Italy (+1.0 PP) and Denmark (+0.6 PP). While the corporation tax rate was also raised in the United Kingdom, the increased tax burden in Italy is due to the abolition of the notional interest deduction on equity capital and in Denmark to a change in depreciation rules. The tax increases are mainly due to the need to increase government revenues in order to finance increased spending requirements. In contrast to the Swiss cantons, which generally have sustainable public finances, the challenges in many EU countries are significantly greater, as an analysis by BAK Economics on the financial sustainability¹ of fiscal policy shows.

On the other hand, there were reductions in Luxembourg (-3.1 PP) and Austria (-0.9 PP), where the corporate tax rate was lowered. In addition, the tax burden in Germany (-0.2 PP) is also reduced as a result of a reform of property tax.

Among the international locations, the tax burden remains relatively low in Eastern Europe despite recent tax increases, moderate in Scandinavia, rather high in Continental Europe (incl. UK, excl. IE) and high in the US. The ranking of the Asian locations is heterogeneous. While Hong Kong shows a very low tax burden, Singapore is in the upper midfield and China in the lowest ranks.

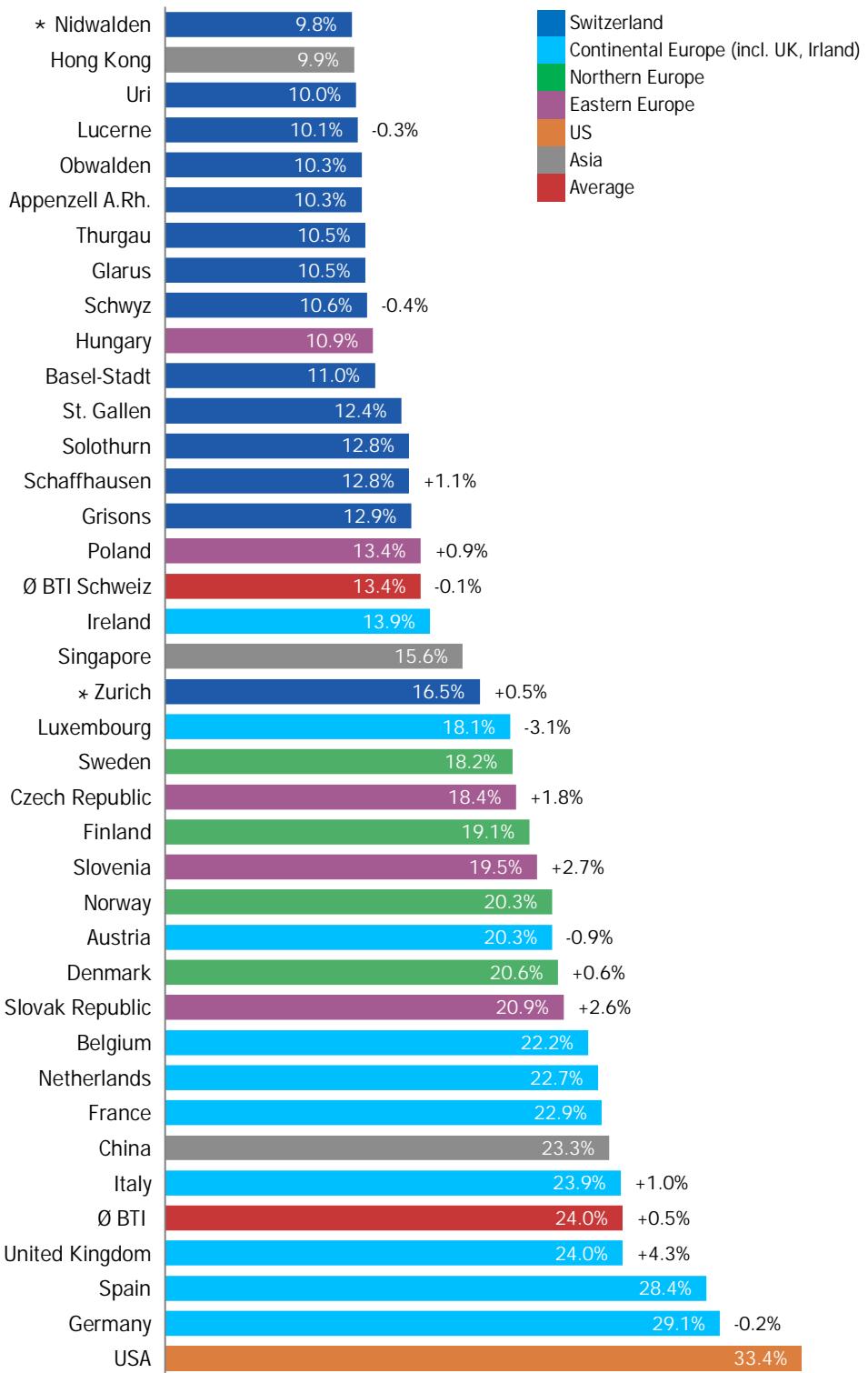
¹ <https://baktaxation.bak-economics.com/en/sustainability-of-fiscal-policy>

Swiss cantons strengthen top positions in international tax competition

While the international BTI average rose from 23.5 to 24.0 per cent between 2023 and 2025, Switzerland's average fell from 13.5 to 13.4 per cent. Switzerland's GDP-weighted average is thus significantly below the GDP-weighted international average of the BAK Taxation Index and also below the tax burden in Singapore (15.6%). Switzerland also has a significantly more attractive tax system than its neighbouring countries, where the tax burden is between 6.9 (Austria) and 15.7 percentage points (Germany) above the Swiss average. Between 2023 and 2025, the Swiss cantons strengthen their high tax attractiveness and top positions in the ranking. Nidwalden is the Swiss canton that led the international ranking of the locations considered. It is followed by Hong Kong and Uri. Overall, eight Swiss cantons are among the ten locations with the lowest taxes. The Swiss cantons can afford to create and maintain attractive tax conditions thanks to their overall sustainable finances.

Nevertheless, the international tax environment remains challenging for the cantons due to developments surrounding the OECD minimum tax. The minimum tax affects international groups with a global annual turnover of at least EUR 750 million. For these companies, the tax burden increases due to the Top-up tax (not included in Fig. 1). This leads to a levelling of the tax burden in international comparison. However, tax competition will not be eliminated, partly due to the substance-based Income Exclusion (SBIE) and the focus on rules governing the tax base (e.g. depreciation). Against this backdrop, the Swiss cantons continue to enjoy a high level of tax competitiveness.

Fig.1 BAK Taxation Index for companies 2025



EATR (i.e., effective average tax burden) for companies in Swiss cantons (measured at the cantonal main location) and international locations (measured at the economic main location) in %. Changes compared to 2023 in percentage points to the right of the bars. For the Swiss cantons, the values of all cantons participating in the project and the GDP-weighted average of all 26 cantons are shown. (*) To show the range of the tax burden in Switzerland, the values for the canton with the lowest (Nidwalden) and the highest burden (Zurich) are shown.

Source: BAK Economics, ZEW

BAK Taxation Index – methodology

The BAK Taxation Index measures the fiscal attractiveness of all 26 Swiss cantons and their main international competitor regions. In the case of the Swiss cantons, the tax burden is calculated for the cantonal capital, in the case of the international locations for the economic capital. The BAK Taxation Index includes all relevant types of taxes at the different government levels and presents the effective tax burden relevant to investors.

The BAK Taxation Index for corporations measures the effective average tax rate (EATR) for companies:

- The index calculation is based on a manufacturing corporation composed to equal parts of various assets (intangible assets, industrial buildings, machinery, financial assets, inventories) and financed from various sources (retained earnings, debt capital, fresh investment capital). The company generates a 20% pre-tax return.
- The calculation takes account of the various types of tax rate burdens, the interaction between taxes and the main rules governing the establishment of the tax assessment base (e.g., depreciation or inventory valuation rules). This allows for meaningful comparative analysis of individual location's tax burdens at the international level. Comparison based on tax rates alone would present an incomplete picture of the actual tax burden.

However, the discussion of a region's competitiveness and its attractiveness as a business and residential location should not be restricted to the tax burden alone. Other location factors play an equally important role (e.g., capacity for innovation, quality of life, regulations, etc.).

The BAK Taxation Index is published by BAK Economics AG in close cooperation with the ZEW - Leibniz Centre for European Economic Research (ZEW Mannheim) since 2003.

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