

BAK Taxation Index:
Swiss and International Update 2025

Taxation of highly qualified
individuals

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

In order to guarantee the same net salary to a highly qualified individual, companies in Switzerland have to pay a significantly lower gross income than in other European countries, the USA or China. On a weighted average basis, the tax and contribution burden in Switzerland in 2025 for an employee with a net income of EUR 100,000 is almost a quarter lower than the international average. As the BAK Taxation Index (BTI) shows, the Swiss cantons have further strengthened their tax competitiveness compared to international competitor locations between 2023 and 2025. The high tax attractiveness for higher incomes strengthens companies in Switzerland in the international competition for highly qualified individuals.

BAK Taxation Index: Internationally comparable effective tax burden

The BAK Taxation Index (BTI) regularly records the tax burden for companies and highly qualified individuals 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 highly qualified individuals to the legal status 2025.

The main indicator of the BAK Taxation Index for highly qualified individuals is the effective average tax and contribution burden (EATR) measured as a percentage of employment costs for a single employee without children and an after-tax income of 100,000 euros (at 2010 base prices). For comparisons between 2025 and 2023, changes in exchange rates and inflation are filtered out to show the pure effect of changes in tax law. In addition to income taxes, non-wage labour costs of a tax nature on the employer and employee side are also included in the calculations.

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.

Swiss cantons ease the burden on highly qualified individuals

The updated BAK Taxation Index shows that most Swiss cantons have reduced the tax and contribution burden for highly qualified individuals between 2023 and 2025. Nationwide adjustments at federal level to tax rates and social security deductions, as well as cantonal relief through tariff adjustments, increased deductions and a reduction in the tax rate, contributed to this. The largest declines in the tax and contribution burden were recorded in the BTI monitoring in Schaffhausen (-1.7 percentage points), Schwyz (-1.3 PP) and Lucerne (-1.1 PP). The GDP-weighted average of the effective tax and contribution burden of the cantons is 31.9 per cent (-0.8 PP compared to 2023).

The range of the cantons' tax burden in 2025 is between 21.4 and 37.4 per cent. The changes in tax burden led to no or only a slight shift in rank for the vast majority of cantons (+/-1 rank). Therefore, the familiar regional pattern in the Swiss tax landscape remains unchanged: the cantons of Central Switzerland tend to tax highly qualified individuals at a low rate and led the national ranking. The tax burden is medium in

Eastern Switzerland and high in the other major regions. Cantons with larger cities tend to have higher taxes.

Increases in the tax and contribution burden in Eastern Europe

The picture is mixed for the considered locations abroad. Half of them saw reductions in the tax and contribution burden, most significantly in Luxembourg (-1.8 PP), Denmark (-1.7 PP) and Norway (-1.6 PP). The other locations, on the other hand, mostly recorded an increase in the tax and contribution burden – especially in Eastern Europe. In Hungary (+2.1 PP), Czech Republic (+1.7 PP) and Poland (+1.1 PP), the tax and contribution burden increased noticeably. While this is due to an increase in social security contributions in Hungary and Poland, both the tax and social security contributions increased in Czech Republic. This is due to increased financing requirements for public finances and social security systems. 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 public finances shows.

Among international locations, the tax and contribution burden for highly qualified individuals remains relatively low in Eastern Europe (excluding Slovenia) despite recent increases, moderate in the US, and tends to be high to very high in China and Northern and Continental Europe (including the UK and Ireland).

Swiss cantons strengthen their strong international competitive position

Highly qualified individuals and top researchers are in demand, and international competition for these professionals and their mobility means that their salaries are converging internationally, after tax. Put simply, this means that companies have to pay a corresponding gross salary in order to be competitive in the race for the best talent. This is also reflected in the international tax competition for highly qualified individuals, which has intensified overall. The international BTI average for the tax and contribution burden is 40.3 per cent in 2025 (-0.5 PP compared to 2023). The Swiss average is significantly lower at 31.9 per cent (-0.8 PP compared to 2023), and the Swiss cantons could slightly improve their already high tax competitiveness.

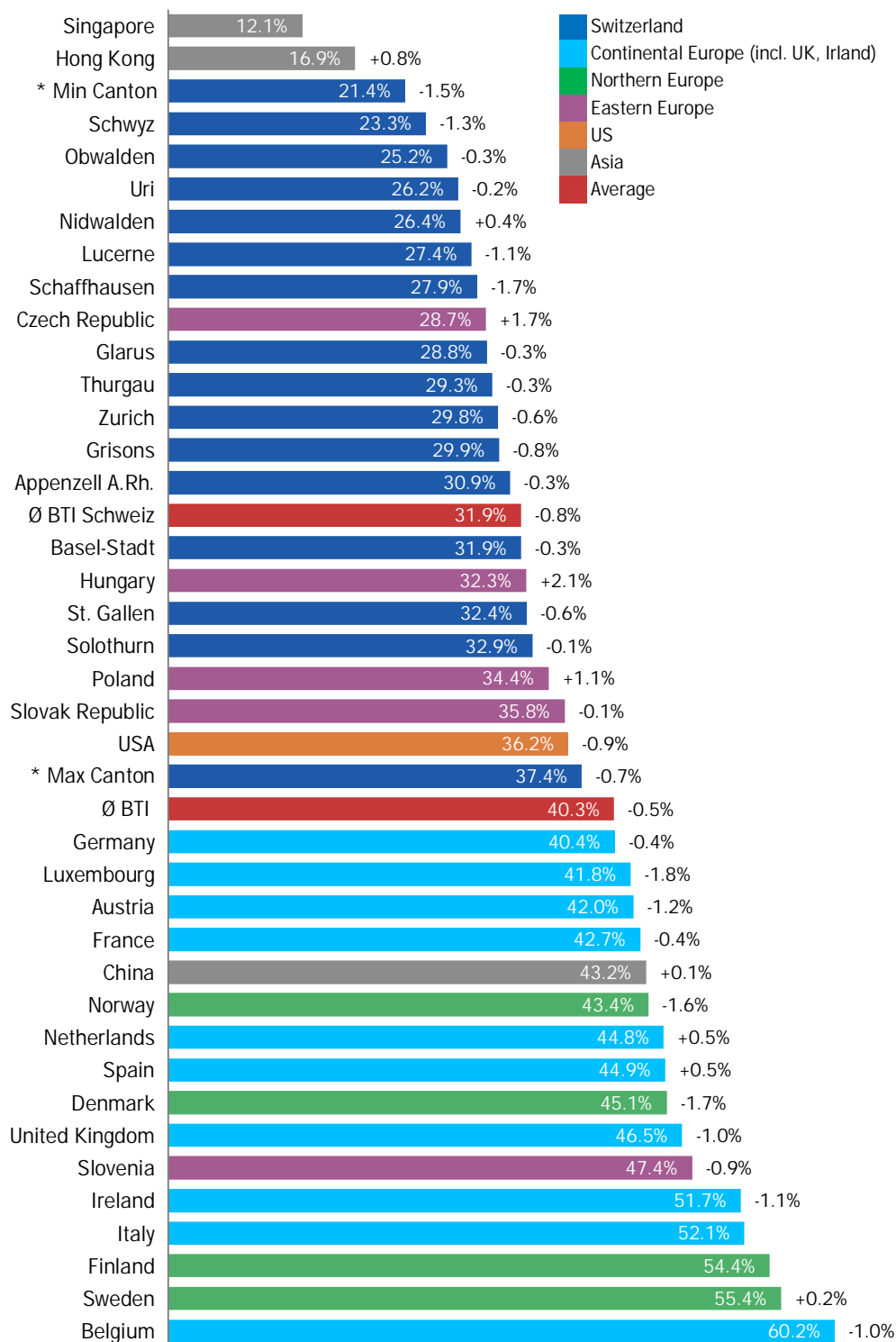
The Asian locations of Singapore and Hong Kong lead the international ranking, followed by central Swiss cantons such as Schwyz, Obwalden, Uri und Nidwalden. The Western cantons are at the other end of the spectrum. However, the tax burden in all 26 cantons is below the international average. Overall, seven Swiss cantons are among the ten lowest taxing locations.

The tax burden for highly qualified individuals in the Swiss cantons is particularly attractive compared to nearby competitor locations in Western, Southern and Northern Europe. The tax burden in neighbouring Germany, France and Austria is around 10 percentage points higher than the Swiss average, and in Italy it is even 20 percentage points higher. Despite recent increases, the tax and contribution burden in the Eastern European countries of Czech Republic, Hungary, Slovakia and Poland is on a par with that of the Swiss cantons.

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

The Swiss cantons are characterised by low tax burdens for both companies and highly qualified individuals, thus offering an attractive overall tax package. The Swiss cantons can afford to create and maintain attractive tax conditions thanks to their overall sustainable public finances.

Fig. 1 BAK Taxation Index for highly qualified individuals 2025



EATR (i.e., effective average tax burden) for highly qualified individuals in Swiss cantons (measured by the cantonal main location) and international locations (measured by the economic main location) in %; in the standard case shown here, a single person without children with an after-tax income of EUR 100,000 is assumed. Changes compared to 2023 in % points to the right of the bars, exchange rate and inflation changes are calculated out. For the Swiss cantons, 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 (Min Canton) and the highest burden (Max Canton) are shown. Both are not involved in the project.

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 highly qualified individuals measures the effective average tax rate (EATR) for highly qualified employees:

- The index calculation is based on the standard case of a single individual without children with an income after taxes of EUR 100,000.
- The calculation takes account of all relevant taxes, including the respective rules governing the establishment of the assessment base, e.g., deductibility of employee contributions to social insurance and occupational pension schemes. It also includes social insurance contributions (provided they have tax character) as well as contributions and payroll taxes paid directly by the employer.

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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