BAK Press release: BAK Taxation Index 2025

International tax increases, stable Switzerland: Cantons strengthen their tax attractiveness for companies

BAK Economics, 15.01.2026 (Basel) – 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.

The BAK Taxation Index, which is compiled in close cooperation with the ZEW – Leibniz Centre for European Economic Research, regularly measures the ordinary tax burden for companies in the Swiss cantons and their most important international competitor locations. The current edition examines 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 tax burden for companies remains largely stable in Switzerland

Some cantons used the years between 2023 and 2025 to reduce the tax burden on companies, while others imposed higher taxes. 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).

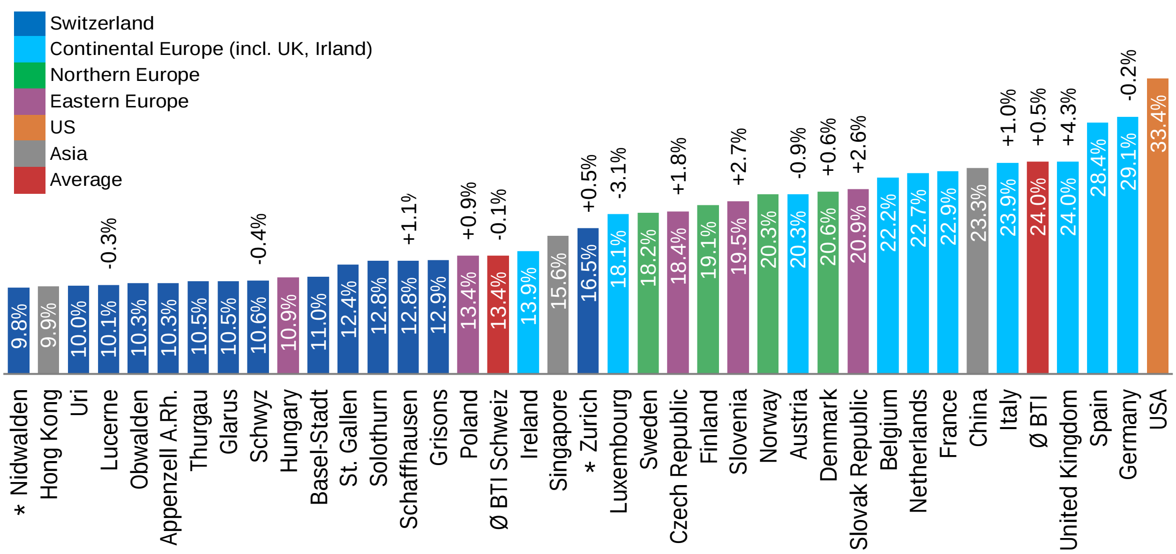
Swiss cantons strengthen top positions in international tax competition

In many international locations, however, the tax burden on companies has increased significantly, 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 sustainability[1] 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. 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. This has enabled the Swiss cantons to strengthen their high tax attractiveness and top positions in the ranking. They can afford to do so thanks to their overall sustainable public 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 inter-national locations (measured at the economic main location) in %. Changes compared to 2023 in percentage points above the columns. 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

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[1] https://baktaxation.bak-economics.com/en/sustainability-of-fiscal-policy

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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