

economiesuisse rejects the joint-filing tax initiative following the public's approval of individual taxation

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At a glance

- The individual taxation system approved by voters creates stronger incentives to work than the initiative now up for a vote to abolish the marriage penalty at the federal level.
- Better incentives to work are important for alleviating the problem of the shortage of skilled workers.
- The initiative up for a vote is not compatible with individual taxation. If the initiative is approved, married couples would have to be taxed differently at the federal, cantonal, and municipal levels, which would result in a significant administrative burden.

On March 8, voters approved individual taxation, which provides for the separate assessment of married couples' incomes at all levels of government. Economiesuisse also supported individual taxation because it creates incentives for higher labor force participation. The law will take effect in 2032.

Individual taxation eliminates the “marriage penalty”—just as the initiative on the taxation of married couples, which will be put to a vote in November, aims to do. However, the approach is different. The initiative calls for maintaining joint taxation of married couples at the federal level, but stipulates that they must not be disadvantaged compared to other taxpayers.

The element of joint taxation is the fundamental difference that makes the two proposals incompatible. On the one hand, this incompatibility raises a multitude of questions and problems regarding implementation. On the other hand—and this is the main reason why the business community opposes the initiative—the incentive effect on labor force participation is weaker if joint taxation is maintained. Depending on how it is implemented, the initiative could also increase the incentive to work. Overall, however, the incentive will remain weaker than it would be if the system were switched to individual taxation.

Married couples should be taxed differently at various levels of government

The initiative would also lead to a conflict between different levels of government. Individual taxation, which was approved by voters, would have to be abolished again at the federal level; in other words, it could not be introduced there. In the cantons and municipalities, however, individual taxation would apply starting in 2032.

The result would be two fundamentally different taxation methods at different levels of government, which would be unacceptable. Married couples would have to file two separate tax returns for municipal and cantonal taxes, but would again have to submit a joint return for direct federal tax. The burden on both taxpayers and the tax authorities would be enormous. The fact that income and assets are aggregated in one case but taxed separately in the other—and that entirely different deductions apply—would be impossible to explain to taxpayers. Acceptance of the tax system would suffer.

Unclear Costs of the Initiative

Finally, the costs of the initiative are also unclear. Individual taxation solves the problem of the “marriage penalty” at a cost of less than one billion francs. In the best-case scenario, this would also be possible with the initiative. However, because the initiative leaves the implementation details open, the cost could be much higher. Tax splitting solutions currently under discussion—which would be compatible with the initiative’s requirements (no tax disadvantage for married couples)—could result in revenue losses running into the billions.

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