

# "Twin initiatives"

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investments would save Swiss industry 2.6 thousand million Swiss francs annually.

VAT is also seen as the remedy for the federal budgets which are sliding ever deeper into the red – only a few years after a long period in surplus. The cabinet says unless drastic action is taken an annual deficit of 6,000 million Swiss francs has to be expected. It is now clear that the present deficit situation is structural and will not respond to more cuts in expenditure. VAT at 6.2% would increase federal revenue by 900 million francs annually, and a rate of 6.5% would bring in an additional 500 million. Some 500 million francs would be earmarked to subsidise sickness insurance scheme premiums.

Some 220,000 enterprises would be liable to VAT – that is 70,000 more than are subject to the turnover tax. As a result, the federal tax administration would have to recruit 180 more staff to cope with the additional workload.

## Swiss taxation is low

In its information campaign the government makes play of the fact that Swiss taxation, as a percentage of gross domestic product, is one of the lowest in the world – beaten only by the USA and Japan. This is to sweeten the pill for the voter who ultimately will have to pay more in tax if VAT is introduced. Items not taxed till now such as electricity, phone calls, railway tickets, and restaurant and hairdressers' bills will all go up by at least the approved VAT rate. However, the experience of other European countries shows that many a retailer will probably just add a round ten percent to his prices, competition allowing. The government calculates that the introduction of VAT would lead to 700 francs additional costs for a household with an income of 66,000 francs per annum.

These are, however, minor details in the propaganda battle: according to newspaper polls the average citizen has countless misconceptions about a new system of taxation. Some think VAT would be levied together with the turnover tax, and others are convinced that VAT would greatly increase the amount of tax they pay.

The situation is not improved by the lack of clear fronts between supporters and opponents. The influential "Vorort" – the federation of Swiss industries – which has the most to gain from the abolition of the shadow tax in the turnover system, is for VAT, but not particularly for a rate of 6.5%.

In contrast, the social democratic finance minister Otto Stich muddled the waters for his cabinet colleagues by saying he would rather have no VAT at all than at a rate of 6.2%. In the interim, the cabinet has jointly agreed to plead for the higher rate of 6.5%

## Little ground for optimism?

No very clear position is ascertainable within the Gewerbeverband – the small traders' association which only narrowly approves a change in the taxation system. The hairdressers and hotel and restaurant keepers amongst its members understandably are reticent about giving up their former untaxed situation, while other trade sectors have more to gain. The government has little ground for optimism about the outcome of the vote. The skirmishes over the VAT rate and diversionary tactics from opponents have had little more effect than to confuse the average voter, who normally fights shy of any additional taxation –

## Federal referendums

November 28, 1993

- Federal decision on the financial system.
- Federal decision on measures to improve the federal financial situation.
- Federal decision on measures to maintain social security.
- Federal decision on special consumer taxes.
- Popular initiative "to reduce the problem of alcohol".
- Popular initiative "to reduce the problem of tobacco".

February 20, 1994

Subjects not yet decided.

along the lines of the Swiss-German bon mot, which says that only the most stupid calves make their own way to the slaughterhouse...

## "Twin initiatives"

The VAT debate has very much overshadowed the other topics to be voted on. The government and parliament are recommending rejection of the twin popular initiatives which seek to impose a total ban on the advertising of alcohol and tobacco. The anti-tobacco advertising initiative also calls for one percent of the tobacco tax to be spent on prevention of tobacco-induced illnesses. The government position is that a total ban is too drastic and would have negative effects for the economy, cultural activities, and also sport.

In addition, doubts are manifested as to the benefits for public health if an advertising ban is passed. The government also makes the point that even if the initiatives were accepted, tobacco and alcohol advertising would continue to be present in foreign publications sold here, and on foreign radio and TV stations. A ban would disadvantage not only domestic producers of alcoholic beverages, it would also hit newspapers and magazines who profit considerably from alcohol and cigarette advertisements. The government and parliament maintain that the negative consequences of an advertising ban outweigh the understandable but disputed alleged positive effects towards lower alcohol and tobacco consumption. They also add that total advertising bans do not fit into



Tobacco and alcohol advertising damages public health, or so said the initiators as they handed in their list of signatures. (Photo: Keystone)

the picture of a modern state with emancipated, critical and well-informed citizens.

The Federal Council also points to preventive legislation already in force – for instance the ban on alcohol and tobacco commercials on Swiss TV and radio, the levy on spirits, beer, and tobacco, plus the ten percent of the alcohol tax which is spent on preventive work by the cantons. In 1992, alcohol and tobacco producers spent 110 million francs on advertising in Switzerland.

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