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Raising the pension age to be debated next after corporate tax reform was approved

After years of struggle, there was a political breakthrough on 19 May. Swiss voters gave the green light for corporate tax reform combined with a financial injection for the AHV. Despite gaining some breathing space, the social institutions face new reform.

Success for Finance Minister Ueli Maurer (SVP) who defended the "horse trading" deal against strong objections from his party. Photo: Keystone

THEODORA PETER

It was considered one of the more important pieces of parliamentary business in the legislative period drawing to a close: the Federal Act on Tax Reform and AHV Financing (Staf). Critics balked at the "horse trading" because the submission was tied to two topics that did not belong together: taxes and AHV. However, Finance Minister Ueli Maurer (SVP) praised the package as a typical Swiss compromise. The expected fiscal shortfalls will be compensated for by the transfer of 2 billion Swiss francs to the AHV in the interests of social equality. The public was also finally won over by this parliamentary "deal". With a Yes percentage of two thirds (66.4 per cent), the ballot box approval was stronger than expected. Apparently, the electorate wanted to end the longstanding stalemate. Keep in mind: the third series of corporate tax reforms (CTR III) and the retirement provision reform (2020 retirement provision) were rejected by voters in 2017.

Internationally frowned upon tax regime has had its day

With the reform of company taxes, Switzerland has abolished a tax regime that was unpopular among the international community. If it had not done so, the country would have landed on an EU blacklist in 2020. In specific terms, it relates to doing away with tax privileges for around 24,000 holdings and other special businesses based in Switzerland. In the future, all companies will be taxed on an equal basis. This eases the burden for Swiss companies, while the previously privileged few can expect higher taxes. To encourage these companies to remain in Switzerland, the law creates new internationally accepted inducements, such as the patent box. This will allow a portion of the profits from inventions to be taxed at a reduced rate. In total, the reform will lower tax revenue at federal and cantonal level by about 2 billion francs.

New reform to increase the pension age for women

In return, the AHV will receive an urgently required cash injection – financed by the federal treasury, as well as higher AHV contributions from employees and employers. However, the contribution of 2 billion francs has only provided a bit of breathing space. According to the Federal Council, the social institution's account will have a shortfall of 23 billion francs by 2030. That is due to demographic development. In the next ten years, the babyboomer generation will reach retirement age.

Therefore, the Federal Council had already put a further AHV reform in motion before the Staf vote. Social insurance should be financially stabilised with an increase in VAT of 0.7 percentage points. A plan to increase the pension age for women from 64 to 65 years is also in the pipeline. The unions intend to oppose this. The Federal Council will present the details of the new reform after the summer holidays. The conservative camp is currently demanding extensive reforms including a universal increase in the pension age to 66.