

Pillar Two: the Swiss implementation

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The global minimum tax is the most recent stage of the international reform. In October 2021, more than 130 member jurisdictions of the OECD/G20 Inclusive Framework agreed on a two-pillar solution. Pillar One was to reallocate a share of the profits of the largest groups to market jurisdictions. Pillar Two provided for a minimum effective tax rate of 15 per cent for groups with consolidated revenue of at least EUR 750 million, to be ensured through a set of interlocking rules: a qualified domestic minimum top-up tax (QDMTT), an income inclusion rule (IIR) applied by the jurisdiction of the parent and an undertaxed profits rule (UTPR) applied as a backstop.¹ Switzerland participated in the negotiations and decided to implement Pillar Two, although its effect would be to raise the tax burden of large groups in several cantons, Basel-Stadt among them.

Because the Federal Constitution requires the principle of equality and does not permit the Confederation to prescribe cantonal rates, a constitutional amendment was needed. The new Article 129a authorises the Confederation to provide for a special taxation of large groups of companies, and a transitional provision allows the Federal Council to regulate the minimum taxation by ordinance until a federal act is adopted.² On 18 June 2023, voters approved the amendment by a large majority. The Federal Council then adopted the Minimum Tax Ordinance, which brought the Swiss supplementary tax, a qualified domestic minimum top-up tax, into force on 1 January 2024. The income inclusion rule followed on 1 January 2025. The undertaxed profits rule had not been put into force as of the time of writing. Status to be verified.³

The distribution of the revenue was the subject of intense political negotiation. Under the constitutional transitional provision, 75 per cent of the supplementary tax revenue goes to the cantons in which the taxed entities are located and 25 per cent to the Confederation, which uses part of its share to adjust the financial equalisation system. The cantons must

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take appropriate account of their communes.⁴ The rule was a concession to the cantons with large groups and low rates, which would generate most of the additional revenue and which insisted that they keep it. Cantons with higher rates and fewer large groups, especially in western Switzerland, argued for a wider distribution through the equalisation system. The outcome reflects the strength of cantonal fiscal sovereignty even in the implementation of a global standard.

Cantons also had the option of raising their own profit tax for in-scope groups, so that the additional revenue would accrue entirely to them without the federal share. Basel-Stadt used this possibility. It increased its tax burden on large groups so that their effective rate reaches the minimum of 15 per cent under cantonal law, while the Swiss supplementary tax covers any remaining shortfall.⁵ The government estimated the additional annual revenue from the supplementary tax and the cantonal measures at between CHF 270 and 310 million. Figures to be verified. For a canton with a total budget of a few billion francs, this is a substantial sum.

1 Notes

1. OECD/G20 Inclusive Framework on BEPS, Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, 8 October 2021; OECD, Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two), December 2021. To be verified. ↩
2. Federal Constitution, Art. 129a and Art. 197 no. 15 (transitional provision), adopted by Parliament on 16 December 2022 and accepted in the popular vote of 18 June 2023 with about 78.5 per cent yes votes. To be verified. ↩
3. Ordinance on the Minimum Taxation of Large Corporate Groups (Mindestbesteuerungsverordnung, MindStV) of 22 December 2023 (SR 642.161); Federal Council decision of 4 September 2024 to bring the IIR into force on 1 January 2025 and to postpone the UTPR. Status to be verified. ↩
4. Federal Constitution, Art. 197 no. 15 para. 4 (distribution of 75 per cent to the cantons and 25 per cent to the Confederation) and the related provisions on financial equalisation. To be verified. ↩

5. Canton of Basel-Stadt, government resolution of 2024 on the implementation of the OECD minimum tax and the location measures; SRF reported in May 2025 that the canton had raised the profit tax for large companies from 13 to 15 per cent. Status to be verified. ↩

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