

The dependence of the cantonal budget

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Basel-Stadt has one of the highest per capita revenues from company taxation in Switzerland. A large share of this revenue comes from a small number of companies, among which Roche and Novartis are by far the most important. Because the canton does not publish the tax payments of individual companies, tax secrecy prevents a precise statement. Public finance analyses, cantonal financial reports and press coverage nonetheless indicate that the life sciences sector contributes a very substantial part of the canton's profit tax revenue and, through the salaries of its employees, of its income tax revenue.¹ The canton has recorded substantial budget surpluses in several recent years, which have been attributed in part to higher than expected company tax receipts.

Such concentration creates volatility. A decision by one group to restructure, to move a function abroad or to book a large one-off gain can change the canton's revenue by hundreds of millions of francs from one year to the next. The canton has responded with prudent budgeting, debt reduction in good years and a conservative estimation of company tax revenue. It has also pursued the diversification strategy described in Part D, with the promotion of the life sciences start-up ecosystem, logistics, services and the fairs.² The dependence nevertheless remains a structural feature of the cantonal economy. Part K examines scenarios in which geopolitical and trade-policy changes affect the pharmaceutical industry's presence in Basel.

The dependence is also a source of political influence. Beyond their tax payments, the pharmaceutical groups are the largest private employers in the canton, major sponsors of cultural institutions and partners of the University of Basel and the hospitals. When the canton designs its tax policy, it consults them, so that their assessment of a reform carries weight in the public debate. The success of the Basel compromise in 2019 and of the location package in 2025 shows that this influence operates within the

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constraints of direct democracy. Voters accepted both packages only after the government had added social and environmental components, and a canton whose electorate decides on tax matters cannot simply follow the wishes of its largest taxpayers.

1 Notes

1. On the concentration of corporate tax revenue in Basel-Stadt, see the annual financial reports (Jahresberichte) of the canton, the publications of BAK Economics on the economic importance of the life sciences industry for the region and the reports of the cantonal finance department. Precise shares are not public. Figures to be verified. ↩
2. On the fiscal policy and the debt brake of Basel-Stadt, see the Financial Budget Act of the Canton of Basel-Stadt and the government's annual budget messages. To be verified. ↩

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