

Federal harmonisation: codifying the model

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The Swiss constitution of 1874 had preserved the cantonal sovereignty in direct taxation that the constitution of 1848 established. By the 1970s, the diversity of twenty-six cantonal tax laws, each with its own concepts, procedures and definitions, had become a burden for taxpayers who operated across cantonal borders and a source of friction between the cantons. In 1977, the people and the cantons approved a constitutional provision that empowered the Confederation to harmonise the direct taxes of the cantons and communes, while leaving the rates, the scales and the tax-free amounts to the cantons.¹

The Federal Act on the Harmonisation of Direct Taxes of the Cantons and Communes, the StHG, was adopted on 14 December 1990, together with the Federal Act on Direct Federal Taxation.² It entered into force in 1993, with the cantons given a transitional period to adapt their laws.³ For Zug, the harmonisation law had a paradoxical effect. It limited the canton's freedom to design its tax system as it pleased, but it also gave the cantonal status regimes, which in Zug had rested in part on administrative practice, a uniform federal statutory basis. The practice on mixed companies, which the cantonal parliament had declined to codify in 1989, now appeared in a federal statute, alongside the regimes for holding companies and domicile companies, and applied in every canton that chose to use it.⁴

The federal corporate tax reform of 1997, which entered into force on 1 January 1998, completed the federal framework. It introduced a proportional federal profit tax of 8.5 per cent, abolished the federal capital tax and introduced special rules for holding companies at federal level.⁵ The combined effect of harmonisation and reform was to stabilise and legitimise the model that Zug had developed. No longer cantonal peculiarities, the status regimes had become a feature of Swiss federal law, available to all cantons and used by most of them to a greater or lesser degree.

The canton adopted a new tax law on 25 May 2000, which remains, with numerous partial revisions, the basis of cantonal taxation today.⁶ The canton's fiscal law was comprehensively revised again in 2017.⁷

1 Notes

1. ESTV, "Steuerharmonisierung" (Dossier Steuerinformationen, October 2022), estv2.admin.ch/stp/ds/f-steuerharmonisierung-de.pdf: on 12 June 1977 the people and the cantons approved the constitutional provision (Art. 42quinquies BV 1874, today Art. 129 BV) mandating a federal harmonisation law; the determination of tariffs, rates and tax-free amounts remains a matter for the cantons. ↩
2. Wikipedia (German), "Pauschalbesteuerung", accessed September 2026: Art. 14 DBG and Art. 6 StHG, both enacted on 14 December 1990, with the federal rules effective from 1 January 1995. ↩
3. Source as cited in the printed edition. ↩
4. StHG, Art. 28 (SR 642.14), droit-bilingue.ch/fr-de/6/64/642.14-28-50.html: paras. 2–5 repealed by the Federal Act on Tax Reform and AHV Financing of 28 September 2018 with effect from 1 January 2020; Kanton Appenzell Ausserrhoden, Staatssteuerkommission, "Besteuerung der Beteiligungs-, Holding- und Verwaltungs- und gemischten Gesellschaften", 21 November 2018, ar.ch: Art. 28 para. 4 StHG as basis for the mixed company. ↩
5. Wikipedia (German), "Unternehmenssteuerreform (Schweiz)", accessed September 2026: the corporate tax reform I of 1997, in force 1 January 1998, introduced a proportional profit tax of 8.5 per cent, special rules for holding and domicile companies and abolished the federal capital tax. ↩
6. Source as cited in the printed edition. ↩
7. Zug in der Welt, "Die Finanzen des Kantons Zug und seiner Gemeinden seit 1950": extensive revision of fiscal law in 2017; complete revision of the Finanzhaushaltsgesetz in 2006. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/zug-federal-harmonisation-codifying-the-model