

The limits of the privilege: the 1930s and the war

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The law of 1930 did not transform the canton overnight. Because the world economic crisis and the Second World War limited the flow of international capital, the number of holding companies in Zug remained modest for the next two decades. The canton's finances remained precarious throughout the 1930s. As the industrial crisis continued, the canton, like the Confederation, struggled with unemployment and falling revenues.

The Second World War brought new fiscal pressures. On 9 December 1940, the Federal Council enacted the defence tax, the Wehrsteuer, a federal direct tax on the income and wealth of individuals and on the profits and capital of companies.¹ Since the federal tax applied uniformly across the country, it reduced the relative advantage of low cantonal taxes. It also established the principle, which would later become permanent, that the Confederation levied a direct tax alongside the cantons.²

Within the canton, the question of fiscal equalisation between the communes arose for the first time. In 1943, the voters rejected a first law on financial equalisation between the communes of the canton by 2,058 votes to 1,580.³ The communes of the canton differed greatly in their tax capacity. The town of Zug and the industrial communes of Baar and Cham, which had a larger tax base than the rural upland communes, levied correspondingly lower tax rates. In 1950, the rate of communal tax ranged from 100 per cent of the simple cantonal tax in the town of Zug to 201 per cent in Neuheim.⁴ The question of how to share the benefits of a prosperous tax base within the canton would accompany the canton's fiscal policy for the rest of the century, as it had accompanied the distribution of the foreign pensions in the eighteenth.

The end of the war brought a warning. In 1944, the economist Eugen Grossmann cautioned the cantonal finance director against driving away wealthy taxpayers.⁵ The advice reflected a growing awareness that the

mobility of taxpayers, both companies and individuals, was a fact that tax policy had to take into account. The post-war tax law, described in Chapter II, would build on that awareness.

1 Notes

1. ESTV, "100 Jahre Eidgenössische Steuerverwaltung – Direkte Bundessteuer": Wehrsteuer enacted by the Federal Council on 9 December 1940 on the basis of the emergency powers of 30 August 1939, covering all income and property of individuals plus profits and capital of corporations; during the war it generated about one quarter of new tax revenues. ↩
2. ESTV, "100 Jahre Eidgenössische Steuerverwaltung – Direkte Bundessteuer": constitutional anchoring of the federal direct tax in 1958, subject to a time limit. ↩
3. Zug in der Welt, "Zug mit Steuern steuern": in 1943, the first financial equalisation law was rejected in a popular vote by 1,580 yes to 2,058 no. ↩
4. Zug in der Welt, "Die Finanzen des Kantons Zug und seiner Gemeinden seit 1950", zuginderwelt.ch, accessed September 2026: municipal tax rates in 1950 ranged from 100 points (town of Zug) to 201 points (Neuheim); by 2023 they had converged to between 50.9 and 65 points, the range narrowing from 81 to 14 points. ↩
5. Zug in der Welt, "Zug mit Steuern steuern": in 1944, the economist Eugen Grossmann warned the cantonal finance director against "verscheuchen" (driving away) wealthy taxpayers. ↩

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