

The national fiscal equalisation

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Low taxes in Zug have a counterpart: the canton's contribution to the national fiscal equalisation. Swiss federalism has long combined competition between the cantons with mechanisms of solidarity. After the Confederation had subsidised cantonal tasks from the late nineteenth century onwards, fiscal equalisation was anchored in the federal constitution in 1958.¹ The present system, the New Fiscal Equalisation and Division of Tasks between the Confederation and the Cantons, the NFA, was approved in the popular vote of 28 November 2004 with 64.4 per cent and entered into force in 2008.²

The core of the NFA is the resource equalisation. It measures the fiscal potential of each canton, the resources that it could tax, on the basis of the taxable income and wealth of its residents and the taxable profits of its companies, and transfers funds from the cantons with a high potential to those with a low one. Zug, with the highest resource potential per inhabitant of all cantons, is the largest contributor per inhabitant. In 2024, its resource index stood at 267.5, meaning that its fiscal potential per inhabitant was more than two and a half times the Swiss average.³

The canton's payments have risen steadily. In 2008, the first year of the NFA, Zug paid 178.6 million francs, a sum that had risen to 327.8 million by 2022. Over the period from 2008 to 2022, the payments amounted on average to about 21 per cent of the canton's expenditure. In 2020, the payment of 2,970 francs per inhabitant was by far the highest of all cantons.⁴ In 2025, the canton paid 431 million francs, or 3,321 francs per inhabitant.⁵ For 2026, the payment rises to 467 million francs, consisting of 468.751 million francs for the resource equalisation, 0.713 million francs for the hardship compensation and a credit of 2.131 million francs from the burden equalisation.⁶ In absolute terms, the largest contributor to the resource equalisation in 2026 is Geneva, with 543 million francs, owing to

the extraordinary profits of its energy and commodity traders from 2022 onwards.⁷

Since 2024, the communes of the canton no longer contribute to the canton's NFA payments, following the voters' approval of a revision of the tax law in November 2023.⁸ Within the canton, a cantonal financial equalisation between the communes, the ZFA, continues to reduce the differences in tax capacity between them.⁹ Zug participates, with the other paying cantons, in a conference of donor cantons that advocates a "fair and solidary" national equalisation.¹⁰ The NFA is the institutional answer of Swiss federalism to the question that the Harten and Linden fought over in the eighteenth century: how to distribute the benefits of an income that flows into one part of the community. The canton of Zug keeps the right to set its own taxes and to attract companies and wealthy individuals by doing so. In return, it transfers a substantial part of its fiscal potential to the poorer cantons. The arrangement is constantly contested: the paying cantons complain that the system penalises success, the receiving cantons that it does not compensate enough. Its existence nonetheless explains why tax competition between the Swiss cantons has remained politically sustainable. The solidarity that the Confederation showed to the town of Zug after the catastrophe of 1435, and to the defeated Sonderbund cantons in 1852, today flows in the opposite direction.

1 Notes

1. HLS, "Finanzausgleich", version of 13 July 2017: subsidies expanded from 1874 onwards (public works 1874, vocational training 1884, agriculture 1893, healthcare 1897, primary schools 1902); fiscal equalisation incorporated into the Federal Constitution in 1958. ↩
2. HLS, "Finanzausgleich": the NFA was approved by referendum on 28 November 2004 with 64.4 per cent, aimed at reducing disparities between wealthy and poor cantons, increasing cantonal autonomy through unrestricted funding and addressing topographic and socio-demographic burdens; it entered into force in 2008. ↩
3. Zug in der Welt, "Zugs wirtschaftlicher Aufstieg seit 1815": in 2024 Zug is the financially strongest canton with a resource index of 267.5. ↩
4. Zug in der Welt, "Die Finanzen des Kantons Zug und seiner Gemeinden seit 1950": NFA contributions rising from 178.6 million francs (2008) to 327.8 million francs (2022); in 2020 the highest contribution per inhabitant at 2,970 francs; payments averaging approximately 21 per cent of cantonal expenditure (2008–2022). ↩

5. Zug in der Welt, "Zug mit Steuern steuern": in 2025 Zug contributes 431 million francs to the national financial equalisation, more than Zurich; 3,321 francs per capita. ↩
6. Kanton Zug, "Finanzausgleich", zg.ch, accessed September 2026: NFA payment of 467 million francs in 2026, an increase of 36 million from 431 million in 2025; breakdown: resource equalisation 468.751 million, hardship equalisation 0.713 million, burden equalisation –2.131 million. ↩
7. fairer-nfa.ch, "Die Ausgleichszahlungen steigen 2026 stark an": total resource equalisation of CHF 5.2 billion in 2026 (plus 324 million or 6.7 per cent); Geneva the largest absolute contributor at CHF 543 million, owing to extraordinarily high profits of energy and commodity trading companies from 2022; Zug the largest contributor per capita and overall across all equalisation mechanisms. ↩
8. Kanton Zug, "Finanzausgleich": since 2024, municipalities no longer contribute to the canton's NFA payments, following voter approval of a tax law revision in November 2023. ↩
9. Kanton Zug, "Finanzausgleich": the cantonal financial equalisation (ZFA) partially offsets differences in municipal tax capacity. ↩
10. Kanton Zug, "Finanzausgleich": participation of Zug in the NFA donor conference advocating a fair and solidary national financial equalisation. ↩

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