

Zurich, Zug and Schwyz compared

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The financial centre of Zurich does not end at the cantonal border. Its labour market extends to Zug, to the Höfe district of Schwyz on the upper part of Lake Zurich and to Aargau. Many of the people who work at the Paradeplatz or in the offices of Zurich West live in one of these neighbouring cantons. The asset management and commodity trading companies of Zug, the family offices of Wollerau and Freienbach and the private banks and law firms of Zurich form a single economic area divided into several tax jurisdictions. For companies and individuals this makes the comparison of the three cantons a daily practical question.

For companies the difference is considerable. KPMG's survey for 2026 gives an effective profit tax burden of 19.47 per cent in the city of Zurich, 11.71 per cent in the city of Zug and 13.30 per cent in the commune of Schwyz.¹ In the Höfe communes of Wollerau and Feusisberg-Schindellegi, which have the lowest multipliers in the canton of Schwyz, the burden was 11.8 per cent in 2025, practically the same as in Zug and Baar.² Zug has used the room created by the TRAF and by its strong finances to keep its rates low, while Schwyz has combined a relatively high cantonal rate with very low communal rates in its wealthy lakeside communes. Zurich's instruments, above all the deduction for self-financing and the patent box, reduce the gap for certain companies but do not close it for the ordinary service company.

For individuals the picture is similar. At a taxable income of CHF 500,000, the effective income tax burden in 2025 was 31.8 per cent in the city of Zurich, 27.1 per cent in Kilchberg, 20.0 per cent in the city of Zug and 17.2 per cent in Freienbach.³ The difference between the city of Zurich and Freienbach thus amounts to more than 14 percentage points of income, or more than 70,000 francs a year at that level of income. The wealth tax widens the difference further. Schwyz and Zug both have low wealth tax rates, and Schwyz levies no inheritance or gift tax at all.⁴ Both cantons

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continue to offer taxation according to expenditure, which Zurich abolished, as the list of cantons that have abolished the regime shows by implication.⁵

These differences have shaped the settlement pattern of the metropolitan area over several decades. Zug developed from a small agricultural and industrial canton into an international business location after the Second World War, first with holding and domiciliary companies and later with commodity traders, pharmaceutical companies and, since the 2010s, the cluster of blockchain companies known as the Crypto Valley. The Höfe district, once a group of villages on the southern shore of the upper lake, became one of the wealthiest areas of the country. Both developments rested on tax rates that Zurich could not match while drawing on the proximity of Zurich's labour market, airport and financial services.

Zurich compensates for its higher rates with other advantages. Its labour market for financial specialists is the deepest in the country. The University and the ETH provide a steady supply of graduates, while the airport connects the region with the world. The city offers cultural institutions, international schools and a density of services that its smaller neighbours cannot provide. For many companies, especially banks, insurers and larger asset managers, these factors outweigh the tax difference. Such companies need to be close to their clients, their regulators and their staff, many of whom want to live in or near the city. For smaller companies with high margins and few employees, such as single-family offices, holding companies and certain fund managers, the tax difference often decides the location.

The national fiscal equalisation system moderates the competition only partly. Zug and Schwyz both pay into resource equalisation, Zug with the highest amount per inhabitant, and their payments rise with their tax base. The payments reduce the fiscal benefit that the low-tax cantons draw from their policy, but they have not induced them to raise their rates. Within the Zurich metropolitan area the effect is a division of labour. Zurich provides a large share of the infrastructure, the cultural offer and the jobs, while Zug and Schwyz provide low tax rates for companies and residents who can choose. The political debate in Zurich regularly returns to this asymmetry, most recently in the campaign before the vote of May 2025, in which the government described the pressure from lower-tax neighbours as the main reason for its proposal.⁶

A comparison with Geneva, the subject of the companion volume, adds a further perspective. Geneva cut its corporate rate sharply after the TRAF and now levies an effective burden of 14.70 per cent, far below Zurich. For

individuals, however, Geneva has the highest top marginal income tax rate of all cantonal capitals.⁷ The two largest financial centres of the country thus pursue different strategies. Geneva attracts companies with a low profit tax and relies on the taxation of individuals, while Zurich keeps a comparatively high profit tax together with individual tax rates that lie in the upper middle of the Swiss range.

1 Notes

1. KPMG Switzerland, Clarity on Swiss Taxes (May 2026), cited above. ↩
2. Reichlin Hess AG, 5 March 2025, cited above. ↩
3. Reichlin Hess AG, 5 March 2025, cited above. ↩
4. ESTV, “Erbschafts- und Schenkungssteuern (Stand der Gesetzgebung: 1. Januar 2025)”, cited above. ↩
5. EFD, “Besteuerung nach dem Aufwand”, cited above, where neither Zug nor Schwyz appears among the cantons that have abolished taxation according to expenditure. ↩
6. SRF, “Tiefere Gewinnsteuern für Firmen im Kanton Zürich sind umstritten”, cited above, which reports the government’s argument that other cantons had lowered their rates much further since 2019. ↩
7. KPMG Switzerland, Clarity on Swiss Taxes (May 2026), cited above, for the corporate rate, and KPMG Switzerland, media release of May 2025, cited above, for the top income tax rate in Geneva. ↩

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