

Individual Taxation: Narrow Approval in the Council of States – National Council to reconsider

The Council of States has decided this week, with a close vote of 23 to 21, to proceed with the legislative proposal for individual taxation. This narrow outcome was expected, given that the responsible Economic Affairs and Taxation Committee of the Council of States (WAK-S) had previously approved the proposal only by a tie-breaking vote from President Hans Wicki (FDP/NW). The National Council's Economic Affairs Committee had already accepted the legislative proposal as the first chamber in September 2024 with a slim majority.

The law on individual taxation is intended to serve as an indirect counter-proposal to the popular initiative "For a civil status-independent individual taxation (Tax Justice Initiative)." The goal is to eliminate the so-called marriage penalty that arises from joint taxation of spouses. This move aims to comply with a Federal Court's ruling from 1984 and achieve taxation based on economic capacity.

On Monday, the Council of States approved a modified version of the proposal. One particularly contentious issue was the tax treatment of single-income spouses. Initially, the plan proposed that child tax deductions be evenly split between both parents, which would have particularly favored dual-income families. However, the Council of States decided that the deductions should be transferable to one parent to avoid disadvantaging households with a main income earner. This change significantly increased the cost of the proposal. To partially offset the additional tax shortfalls, the Council of States resolved not to raise the child tax deduction to CHF 12,000, as proposed by the Federal Council and approved by the National Council's Economic Affairs Committee, but instead to increase it only to CHF 10,700. This adjustment sparked discussions, especially among representatives of the SP (Social Democratic Party), who called for a more generous increase. To prevent the proposal's rejection, the majority in the Council of States accommodated the SP's concerns by agreeing to an increase in tax rates for high earners.

The National Council's Economic Affairs Committee must now review the proposal again and consider the amendments made by the Council of States.

.

If you have any questions on this subject, please contact your Tax Partner or the authors:



Natalie Dini
Partner
natalie.dini@taxpartner.ch
044 215 77 48



Chiara Brack
Advisor
chiara.brack@taxpartner.ch
044 215 77 09

Publication date: 13 March 2025