

## SWITZERLAND

### 1. Overview of the system

Job-seekers are protected by a system of unemployment insurance to which employees and employers contribute. As a last resort, the cantons may provide public assistance to cover basic needs. This includes housing support but there is no other housing benefit. Family allowances may also be paid from the first dependent child; lone parents, however, do not receive a special allowance. There are two sorts of income tax: federal income tax and taxes levied by the cantons and communes. The tax unit is the joint family income. The average production worker wage in 1995 was SF 59 065.

### 2. Unemployment insurance

Every employee must be affiliated to the unemployment insurance scheme.

#### 2.1 *Conditions for receipt*

##### 2.1.1 *Employment conditions*

Have been employed for at least 6 months during the previous two years (with no minimum number of hours per day/week/month).

##### 2.1.2 *Contribution conditions*

They correspond to the employment conditions.

#### 2.2 *Calculation of benefit amount*

##### 2.2.1 *Calculation of gross benefit*

Gross benefit is equal to 70 per cent of the previous gross income plus 10 per cent if the insured has at least one dependent child. The insurable gross income is capped at a monthly maximum of SF 8 100 (SF 97 200 per year).

### 2.2.2 *Income and earnings disregards*

Family allowances are paid in addition as long as unemployment benefit is being received. Every franc earned reduces the unemployment benefit by one franc; no earnings are disregarded.

### 2.3 *Tax treatment of benefit*

Taxable and liable to social security contributions except those for unemployment insurance (see Section 10.3).

### 2.4 *Benefit duration*

After a week, *i.e.* a 5-day waiting period, the duration of benefit depends on the duration of contributions during the previous two years:

Duration of contributions (in months during the previous two years)	Duration of benefit (in days/weeks) (5 days per week)
6 - 11	170/34
12 - 17	250/50
18 +	400/80

### 2.5 *Treatment of particular groups*

#### 2.5.1 *Young persons*

None.

#### 2.5.2 *Older workers*

From the age of 55, a person who has contributed for at least 6 months during the previous two years is entitled to a maximum of 400 days of benefit.

## 3. **Unemployment assistance**

None.

## 4. **Social assistance**

A subsistence income is provided by the cantons to those eligible for it.

### 4.1 *Conditions for receipt*

Social assistance is means-tested.

## 4.2 Calculation of benefit amount

### 4.2.1 Calculation of gross benefit

The Swiss Conference of Public Assistance Institutions (CSIAP) lays down recommended amounts for social assistance.

Recommended amounts (according to size of household)	Amounts (in SF per month)
<u>Maintenance</u>	
1 person	670
2 persons	1 000
3 persons	1 266
4 persons	1 500
5 persons	1 750
6 persons	1 980
7 persons	2 191
8 persons	2 400
each additional person	+ 300
<u>Lump sum payment</u>	
Everybody from the age of 17	150
Teenagers 12-16	45
<u>Radio/TV/telephone</u>	
One-person household	75
Household comprising several people	85
<u>Clothing/linen/footwear</u>	
Everybody from the age of 17	90
Teenagers 12-16	70

Housing costs are thus fully covered insofar as they are reasonable, which is the case where this study is concerned. However, some cantons may not apply these recommended amounts for budgetary reasons, while others may give more.

### 4.2.2 Income and earnings disregards

Social assistance is an income supplement. It corresponds to the difference between a prescribed amount and total resources. The latter are defined as net income including family allowances.

## 4.3 Tax treatment of benefits

Non-taxable.

#### **4.4**     *Benefit duration*

As long as resources are below the social assistance level.

#### **4.5**     *Treatment of particular groups*

##### **4.5.1**    *Young persons*

None.

##### **4.5.2**    *Older workers*

None.

### **5.       Housing benefits**

There is no housing benefit in Switzerland. However, people in receipt of social assistance (see Section 4) have their housing costs fully covered.

### **6.       Family benefits**

They are determined by the cantons.

#### **6.1**     *Conditions for receipt*

Have at least one dependent child under 19.

#### **6.2**     *Calculation of benefit amount*

##### **6.2.1**    *Calculation of gross benefit*

SF 2 112 per child per year, paid either by the employer if the parent is working or by the *caisse de chômage* if the parent is unemployed.

##### **6.2.2**    *Income and earnings disregards*

Benefits are not means-tested.

#### **6.3**     *Tax treatment of benefit*

Taxable but not liable to social security contributions.

#### **6.4**     *Benefit duration*

They cease to be paid when unemployment benefit is exhausted.

#### **6.5**     *Treatment of particular groups*

None.

#### **7.**      **Child care benefits**

None.

#### **8.**      **Employment-conditional benefits**

None.

#### **9.**      **Lone-parent benefits**

None.

#### **10.**     **Tax system**

Tax is payable every two years on the average income during that period. The system described here applies to one year.

#### **10.1**    *Income tax schedule*

##### **10.1.1**   *Tax allowances and tax credits*

Federal tax allowances:

- social security contributions;
- deduction for work-related expenses: 3 per cent of income net of social security contributions, with a minimum of SF 1 700 and a maximum of SF 3 400;
- deduction for sickness insurance contributions: SF 1 300 for single persons, SF 2 600 for married couples, and SF 500 per child;
- personal allowances: SF 4 700 per dependent child under 18.

Cantonal tax allowances:

- social security contributions;

- deduction for work-related expenses: 3 per cent of income net of social security contributions, with a minimum of SF 1 700 and a maximum of SF 3 400;
- deduction for sickness insurance contributions: SF 2 100 for single persons, SF 4 200 for married couples and SF 600 per child;
- personal allowances: SF 5 000 per dependent child under 19, SF 4 800 for single persons, SF 9 600 for married couples.

### 10.1.2 *The definition of taxable income*

Gross income plus family allowances, less tax allowances. Fractions below SF 100 are disregarded.

### 10.1.3 *The tax schedule*

Direct federal tax:

- Tax-payers living alone:

Taxable income (SF per year)	Rate of tax on excess amount (%)
0 - 13 999	0.00
14 000 - 23 300	0.77
23 300 - 30 500	0.88
30 500 -40 700	2.64
40 700 -53 400	2.97
53 400 -57 500	5.94
57 500 -76 300	6.60
76 300 -99 200	8.80
99 200 -129 700	11.00
129 700 -556 400	13.20
556 300+	11.50 of total income

- Married tax-payers, or with dependent children:

Taxable income (SF per year)	Rate of tax on excess amount (%)
0 - 23 299	0
23 300 - 37 400	1
37 400 - 42 900	2
42 900 - 55 400	3
55 400 - 66 500	4
66 500 - 76 100	5
76 100 - 84 500	6
84 500 - 91 400	7
91 400 - 96 900	8
96 900 -101 000	9
101 000 -103 800	10
103 800 -105 200	11
105 200 -106 600	12
106 600 -659 000	13
659 000+	11.5 of total income

Cantonal tax (Canton of Zurich):

- Tax-payers living alone:

Taxable income (SF per year)	Rate of tax on excess amount (%)
0 - 3 800	2
3 800 - 7 500	3
7 500 - 13 800	4
13 800 - 21 300	5
21 300 - 30 100	6
30 100 - 40 100	7
40 100 - 53 900	8
53 900 - 80 200	9
80 200 -106 500	10
106 500 -147 900	11
147 900 -201 700	12
201 700 +	13

- Married tax-payers, or with dependent children

Taxable income (SF per year)	Rate of tax on excess amount (%)
0 - 5 000	2
5 000 - 11 300	3
11 300 - 18 800	4
18 800 - 27 600	5
27 600 - 38 800	6
38 800 - 63 900	7
63 900 - 83 900	8
83 900 -126 600	9
126 600 -171 700	10
171 700 -220 500	11
220 500 -276 900	12
276 900 +	13

The following are added to cantonal taxes:

Annual multiple	In % of basic statutory rates
Canton of Zurich	108%
Commune of Zurich	130%
Parish tax	11%

plus a personal tax of SF 12.

## **10.2 Treatment of family income**

For federal and cantonal tax, the tax unit is the joint family income.

## **10.3 Social security contribution schedule**

6.55 per cent of gross income for old-age and survivor's insurance, disability and unemployment insurance, and the scheme for loss of earnings. There is no ceiling on annual income except for unemployment insurance (1.5 per cent of gross income), which is SF 97 200.

Note:

- family allowances are not liable to social security contributions;
- unemployment benefits are not liable to unemployment insurance contributions.

## **11. Part-time work**

### **11.1 Special benefit rules for part-time work**

None.

**11.2**     *Special tax and social security contribution rules for part-time work*

None.

**12.**     **Policy developments**

**12.1**     *Policy changes introduced in the last year*

Since 1 January 1995, the federal tax system has been simplified by harmonising various parts.

**12.2**     *Policy changes announced*

New unemployment insurance provisions, which will come into force in two stages (1 January 1996 and 1 January 1997), include a new system of benefits and contributions and put the emphasis on getting the unemployed back into work.

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**The annual tax/benefit position of an unemployed single person, 1995  
(Francs)**

	Unemployment insurance	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	41 346	
Family allowances	0	
<b>Total taxable benefits</b>	<b>41 346</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Federal tax allowances	3 388	
Taxable income for federal tax	37 958	
Income tax	355	
Cantonal and communal tax allowances	8 988	
Taxable income for cantonal and communal taxes	32 358	
Cantonal tax	3 725	
Social security contributions	2 088	
<b>Total tax and social security contributions</b>	<b>5 813</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		23 633
<b>Non-means tested benefits</b>		
<b>Total non-taxable benefits</b>	<b>0</b>	<b>23 633</b>
<b>D. Net income out of work (A-B+C)</b>	<b>35 533</b>	<b>23 633</b>
<b>E. Net income in work</b>	<b>45 757</b>	<b>45 757</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>77</b>	<b>52</b>

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### The annual tax/benefit position of an unemployed married couple with two children, 1995 (Francs)

	Unemployment insurance	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	47 252	
Family allowances	4 224	
<b>Total taxable benefits</b>	<b>51 476</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Federal tax allowances	15 386	
Taxable income for federal tax	36 090	
Income tax	152	
Cantonal and communal tax allowances	27 386	
Taxable income for cantonal and communal taxes	24 090	
Cantonal tax	2 114	
Social security contributions	2 386	
<b>Total tax and social security contributions</b>	<b>4 500</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		36 593
<b>Non-means tested benefits</b>		
<b>Total non-taxable benefits</b>	<b>0</b>	<b>36 593</b>
<b>D. Net income out of work (A-B+C)</b>	<b>46 976</b>	<b>36 593</b>
<b>E. Net income in work</b>	<b>53 425</b>	<b>53 425</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>88</b>	<b>68</b>

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### The annual tax/benefit position of an unemployed lone person with two children, 1995 (Francs)

	Unemployment insurance	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	47 252	
Family allowances	4 224	
<b>Total taxable benefits</b>	<b>51 476</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Federal tax allowances	14 086	
Taxable income for federal tax	37 390	
Income tax	165	
Cantonal and communal tax allowances	25 286	
Taxable income for cantonal and communal taxes	26 190	
Cantonal tax	3 085	
Social security contributions	2 386	
<b>Total tax and social security contributions</b>	<b>5 471</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		30 905
<b>Non-means tested benefits</b>		
<b>Total non-taxable benefits</b>	<b>0</b>	<b>30 905</b>
<b>D. Net income out of work (A-B+C)</b>	<b>46 005</b>	<b>30 905</b>
<b>E. Net income in work</b>	<b>52 535</b>	<b>52 535</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>87</b>	<b>59</b>