

We are only in March and Primo Piano Scala c takes a new shape, again. The reason is simple: we have a new publisher. After almost 4 years VerA left us in the hands of Telos. Graphics have changed, colours were revolutionized as the e-mail address from which you receive our publication is brand new. But that's all: the editorial plan, style and quality standard of the information we have provided you with so far will remain unchanged. To start with an undemanding topic, we decided to talk about... TAXES! Leaving witticism aside, this is a very interesting subject and it becomes even more interesting in light of the calibre of our guest: the Director of

the Swiss Federal Tax Administration. The relationship between tax Authorities and the Swiss taxpayer is completely different from what we experience here in Italy. It is a widespread impression that the Italian way of relating to tax Authorities is based on the presumption of guilt, a feeling probably rooted in the Catholic culture: the concept itself of tax amnesty is related to that of expiation or even to purchase of indulgences. In a country such as Switzerland, on which the Protestant reform had a deep impact, the ethics of responsibility prevailed. The relationship between Institutions and citizens is inspired by a principle that can be easily summarized as follows: *if you behave*

*well and you are honest, I will try my best to meet your needs; if you try to cheat, I will apply to you high income parameters on a presumptive basis and I will soak you.* Not all that glitters is gold, as stated by Ursprung, and even the Swiss may and should improve their system (especially in their taxation relations with other States, but this topic is not addressed in this interview). However we cannot hide our envy for a system which seems to run like clockwork. Not to mention the *low tax rates*.

*Mariella Palazzolo*

Telos is a member of the FIPRA network

URSPRUNG

## TAXES ARE BEAUTIFUL AND FUND CIVILISATION

“*I aim for an unambiguous tax system. Taxation should be just and it should ensure Switzerland's competitiveness.*”

**Telos:** The Austerity Package adopted by the Italian Government entrusted the Revenue Agency and the Tax Police with new powers and tasks. Hence, the interest rose on how other systems work. Let's start with the Swiss one.

**Urs Ursprung:** Let me start with a general remark: tax systems are heavily influenced by a country's size, its structure, the expenditure behavior or national traditions. Our main taxes are: the income tax, the corporate income tax and the value added tax (VAT). They generate 2/3 of the revenues of the federal State. Compared with most European countries tax rates, especially the VAT ones, are moderate. Switzerland's federalism leaves the cantons and the municipalities as much freedom as possible in taxation. They can fix a variety of different taxes and they collect the federal tax on income and corporate income. In fact, among the main taxes only the VAT, the withholding tax and the stamp duties are collected on a federal level by the Federal Tax Administration (FTA). Furthermore, people have far reaching rights to decide on expenditures and tax laws. Since laws and statutes can be subject to a popular referendum, Swiss tax rates are in practice set directly by the voters through instruments of direct democracy.

Another hot topic in Italy is about how of the sums collected through taxes are spent and by whom: a long standing quarrel between the Northern and the Southern Regions. How does the Swiss tax system ensure a fair balance between fiscal responsibility of local Administrations and the need for the central Government to fund lower-income cantons?

Swiss people speak different languages, their culture and religion are different and so are the economic regions of the country. Thanks to federalism voters have a great say in policy shaping on the cantonal level, for example on issues related to education, health care or infrastructures.



**Urs Ursprung** is the director of the Swiss Federal Tax Administration (FTA) since 2000 and he overlooks more than 1000 employees. Collecting roughly 47 billion Swiss francs per year (€39 billion) the FTA provides more than two thirds of Switzerland's annual revenue. As head of the Administration, Urs Ursprung is responsible for the correct tax enforcement. Before becoming director of the FTA, Ursprung had worked in key positions within the cantonal tax administration of Aargau and several private companies in the energy sector. The OECD Committee on Fiscal Affairs appointed him as Member of its Bureau with effect from 1 January 2010. It is the first time that a Swiss is appointed to such a position. Urs Ursprung holds a law degree. He is married and a father of three adult children. In his pastime he enjoys learning about history and arts, kayaking on the Aare-river and being together with family and good friends.

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This also means that in Switzerland there are different solutions to similar problems and this holds true for taxes as well. Cantons do not have access to the same amount of financial resources due to their different economic and population structures. Fiscal equalisation systems were developed at the cantonal and federal level in order to reduce, but not to eliminate these inequalities. At the federal level, the cantons' different financial capacities are balanced out by means of horizontal (canton-canton) and vertical (Confederation-canton) resource equalisation. Cost compensation is aimed at compensating for excessive costs associated with geographical/ topographic and socio-demographic factors. The new system of fiscal equalisation and distribution of tasks between the Confederation and the cantons came into effect in 2008. This is one of the most important reform projects seen in recent years. The main objectives of fiscal equalisation are to avoid cantonal differences regarding financial capacity as well as to increase the financial independence and tax competitiveness of the cantons. All in all, there is a good balance between cantonal competition and equalisation.

**The relationship between the Italian citizens and the Tax Authorities is not a smooth one. The Swiss one appears to be quite straightforward and based on mutual trust. Is this relationship really so special?**

It is true that trust and responsibility are values which matter in the Swiss tax system. For example, tax payers are responsible to hand in the tax declaration and they state honestly what they should pay. For an administration this self-responsibility is very important, because it makes the process of taxation more efficient. We are aware that the administrative burden on tax payers should be as little as possible. This is why people and companies can pay their taxes increasingly on the internet by setting up electronic accounts. Many cantons have online gates to process the questions and the files efficiently. However, the complexity of the tax system is an issue in Switzerland as well. A simplification of the VAT was realized by 2010 and we hope that we can make further progress to simplify and to standardize the deductions of the direct taxes.

**Tax evasion is a very serious issue. To claw back billions in undeclared incomes is one the Herculean tasks of the new Government headed by Mario Monti. Is this also an issue in Switzerland, and if so how do you tackle it?**

My overall impression is that the moral to pay taxes in Switzerland is high thanks to the moderate tax rates, a good discipline of spending the taxes and low corruption. In addition I think that citizens' rights to participate in the decision-making processes concerning expenditure and federalism helps the moral. At the same time we have good instruments at our disposal to fight tax crimes such as tax evasion or tax fraud. I think it is important that the problem of tax evasion can be met seriously. Our administration has the right to receive far-reaching information by the taxpayer or by a third party to enforce the law. Sanctionary measures include fines and supplementary taxes. In 2010, Switzerland also introduced the possibility of a penalty-free voluntary disclosure and simplified retrospective taxation for heirs: the Cantons that manage these procedures have reported 4,700 of such as of August 2011. However, this should not be confused with a general amnesty. Differently from an amnesty, there is no time limit for the voluntary disclosure, but you can only disclose and benefit from the exemption from penalties only once in your lifetime. Also, the disclosure only applies to the federal taxation.