

# Switzerland bid to end 'marriage penalty' tax faces resistance

Conservative groups push for referendum on changes amid family values row

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A push in Switzerland to end tax rules that penalise married couples when both partners work is facing resistance from conservative and family groups.

The Swiss parliament this summer narrowly voted in favour of a bill to scrap the federal system of joint taxation, which has often led to dual-income married couples being taxed more than unmarried ones, especially when both partners are higher earners.

Advocates for the change argue the so-called marriage penalty punishes second earners — typically women — and reinforces a traditional model in which the husband works and the wife stays at home.

They hope the proposed overhaul will encourage more women to join the workforce and align Switzerland's tax treatment of married couples with most OECD peers — including the UK, Australia and many European nations.

But a conservative alliance of the rightwing SVP, Centre party and evangelical groups is pushing for a referendum to block the bill, arguing it penalises single-income families, harms stay-at-home parents and would overwhelm tax authorities with an estimated 1.7mn new returns.

"The debate seems at first a very technical discussion over tax. But the arguments in favour or against individual taxation in Switzerland reflect wide differences of opinion and very emotional beliefs on how the family must be organised and whether the state should set incentives in one direction or another," said Thomas Hug, a tax partner at Deloitte.

The proposal by Switzerland's Federal Council would tax each adult separately, regardless of marital status. At present, the income of the second earner, when combined with their spouse under joint taxation, is often taxed at a higher marginal rate, reducing incentives to take on or increase paid work. The latest reform attempt follows years of failed efforts, including a 2016 public vote that rejected similar changes.

Government estimates suggest the reform could add 60,000 people to the workforce and lift GDP by about 1 per cent, even though it would reduce tax revenue. The Conference of Cantonal Finance Directors, a business lobby group, warns SF1bn (\$1.2bn) in annual revenue would be lost at federal and cantonal levels.

Switzerland granted women the right to vote only in 1971. While its overall female employment rate, at 80.4 per cent, is well above the OECD average, it still has one of the lowest rates for women in full-time work in the developed world. Just 60 per cent of Swiss

women work full-time, compared with 78 per cent in the OECD, according to PwC data from March. For men, the rate is more than 90 per cent.

Calls for tax reform have grown louder as more women have entered the workforce. The Swiss Supreme Court ruled as early as 1984 unequal tax treatment between married and unmarried couples was unconstitutional.

“It is a matter of fairness. I do not think the government should favour or penalise any form of family model,” said Jamie Vrijhof-Droese, managing partner at wealth manager WHVP and a local political activist.

“The current situation creates a real dilemma for dual-career couples and particularly women,” said Heather Cairns-Lee, affiliate professor at IMD business school in Lausanne.

The existing system has also prompted a rise in “fake marriages”, where couples hold a ceremony but do not legally wed, and even “tax divorces”, where wealthy couples separate ahead of retirement to benefit from lower individual tax rates.

A couple in Zurich said they held a wedding ceremony with friends and family but chose not to register the marriage. A senior banker nearing retirement said he and his wife were considering a “tax divorce” to reduce the burden from similar pension income.

“It certainly impacts the mindset of the Swiss when it comes to getting married,” said Lisa Cornwell Webb, who leads PwC’s private client and family office business in Switzerland.

“Where it has the most impact is where you have two higher earners. So it becomes quite common that one spouse works and the other does not.”

Even if the conservative alliance fails to gather the 50,000 signatures required to trigger a referendum, finance committees in the cantons of Solothurn and Aargau are preparing to deploy a rarely used constitutional provision to force a national ballot.

Swiss residents are taxed at the federal, cantonal and municipal level. The current proposal applies only to federal tax. Critics argue many cantons have already tried to mitigate the marriage penalty by offering second-earner deductions, adjusting tax brackets or using partial income splitting.

Bettina Balmer, a National Council member and paediatric neurosurgeon, said much of the resistance was rooted in fear of bureaucracy.

“By this argument, women shouldn’t have been given the vote,” Balmer said.

She cited government figures showing that 50 per cent of Swiss would benefit from the reform, 36 per cent would see no change, and only 14 per cent would be worse off. “Changing to individual taxation is better for Switzerland as a whole,” she said. “But I worry if it goes to a national vote it will fail again.”