

# THE SWISS TAX HAVEN IN THE INTERWAR PERIOD: AN INTERNATIONAL COMPARISON

Christophe Farquet  
University of Lausanne

[Christophe.Farquet@unil.ch](mailto:Christophe.Farquet@unil.ch)

# PLAN

- 1) The takeoff of the Swiss banking and the maintenance of a weak fiscal State
- 2) A tax-free zone in the centre of Europe
- 3) A policy of international tax evasion
- 4) Conclusion: what has changed in the current crisis?

# 1. THE TAKEOFF OF THE SWISS BANKING AND THE MAINTENANCE OF A WEAK FISCAL STATE

1.1 The turntable business of Swiss bankers after WWI

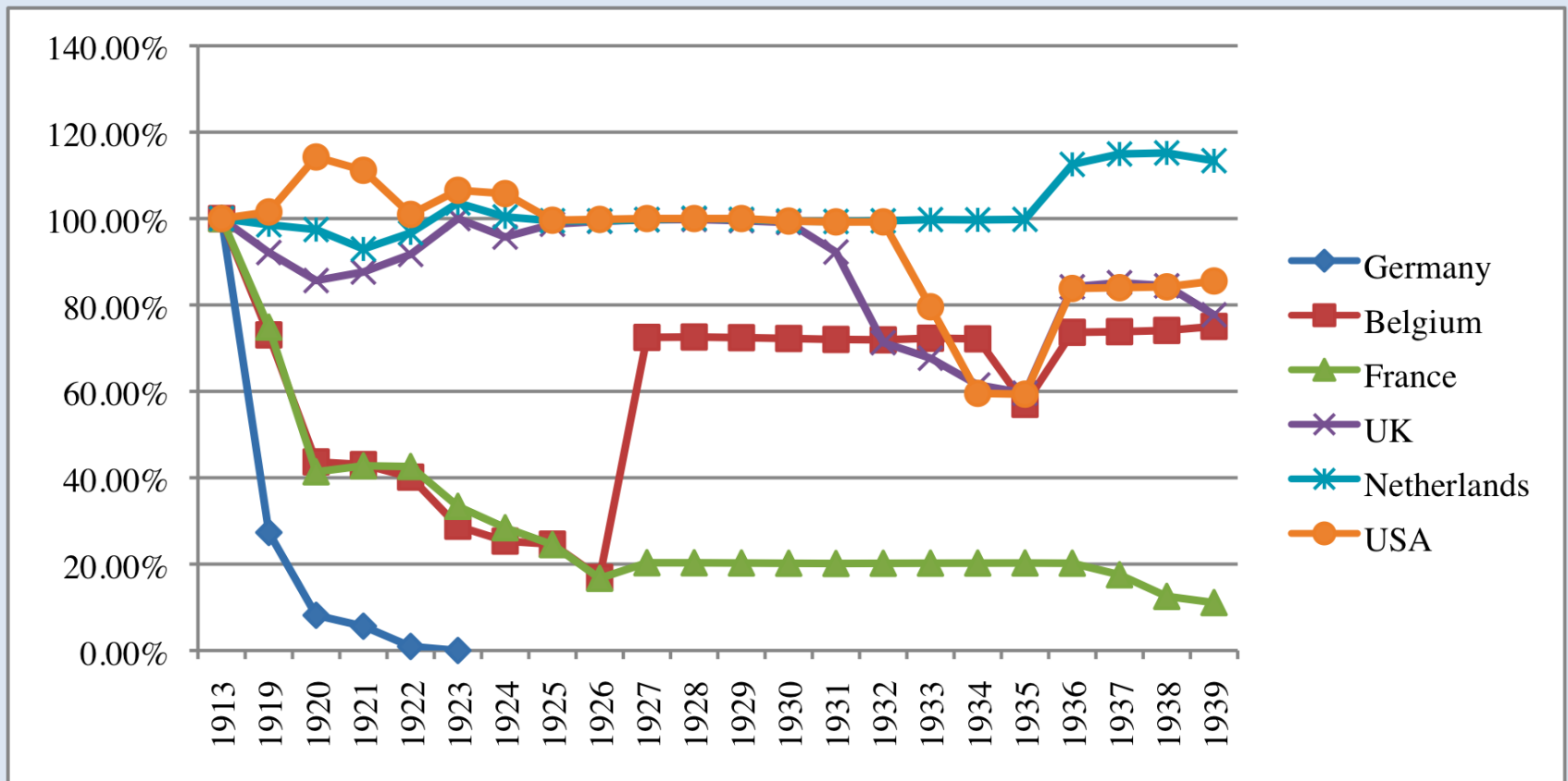
1.2 The correlation with the restraint of the state expansion

- Inflation versus Taxation
- The strength of the CHF
- The low tax burden

# INFLATION (1) VERSUS TAXATION (2)

	Belgium		France		Germany		Netherlands		Switzerland		UK		USA	
	1	2	1	2	1	2	1	2	1	2	1	2	1	2
<b>1913</b>	100	100	100	100	100	100	100	100	100	100	100	100	100	100
<b>1920</b>	473	77	366	117	1018	*	193	*	221	112	244	221	202	*
<b>1921</b>	418	89	318	136	1340	*	169	189	197	123	222	241	180	*
<b>1922</b>	391	118	306	126	15040	*	149	179	162	173	180	250	169	164
<b>1923</b>	445	177	342	121	*	*	145	166	162	144	170	238	172	*
<b>1924</b>	518	165	390	130	*	*	145	150	167	131	172	222	172	*
<b>1925</b>	536	191	414	125	140	238	145	153	165	127	172	212	177	*
<b>1926</b>	645	220	540	130	142	273	141	155	161	154	169	220	178	*
<b>1927</b>	818	230	564	157	148	268	141	155	157	131	164	216	175	158
<b>1928</b>	854	236	564	174	152	276	141	148	159	128	162	217	173	*

# THE STRENGTH OF THE CHF



# THE STRUCTURE OF DIRECT TAX BURDEN

1. Direct taxes / GDP							
	<b>Belgium</b>	<b>France</b>	<b>Germany</b>	<b>Netherlands</b>	<b>Switzerland</b>	<b>UK</b>	<b>USA</b>
<b>1910-1913</b>	1.81%	3.66%	1.48%	4.64%	3.82%	4.56%	4.06%
<b>1925-1927</b>	4.64%	5.49%	12.05%	8.34%	4.60%	12.04%	7.62%
<b>1930-1932</b>	*	6.76%	18.37%	8.35%	6.93%	11.74%	10.10%
<b>1935-1938</b>	4.73%	8.03%	16.71%	5.45%	5.54%	11.38%	9.83%
2. Centralisation of direct taxes							
	<b>Belgium</b>	<b>France</b>	<b>Germany</b>	<b>Netherlands</b>	<b>Switzerland</b>	<b>UK</b>	<b>USA</b>
<b>1910-1913</b>	67.77%	63.23%	8.47%	61.39%	1.28%	35.06%	3.36%
<b>1925-1927</b>	85.83%	91.76%	52.36%	58.80%	7.47%	71.30%	30.84%
<b>1930-1932</b>	*	91.37%	56.82%	55.00%	21.79%	68.05%	18.19%
<b>1935-1938</b>	77.22%	91.32%	63.37%	59.10%	10.11%	67.41%	39.28%

## 2. A TAX-FREE ZONE IN THE CENTRE OF EUROPE

### 2.1 Theoretical rates of wealth taxation

- No attractiveness in Switzerland

### 2.2 Fiscal practices versus theoretical rates

- Taxation at source in Europe

### 2.3 Taxation of non-residents

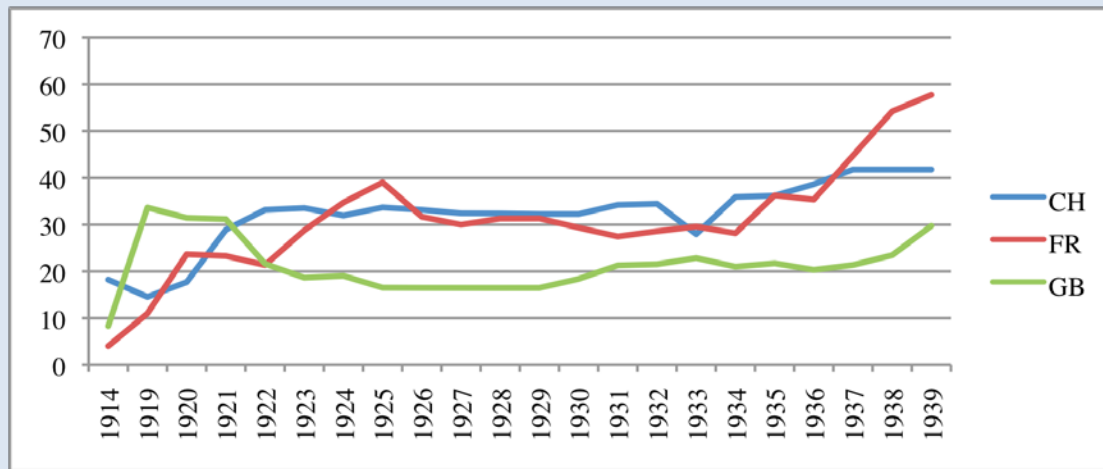
- Taxation of bank interest, securities and inheritance; bank secrecy; international cooperation

### 2.4 Taxation of holding companies

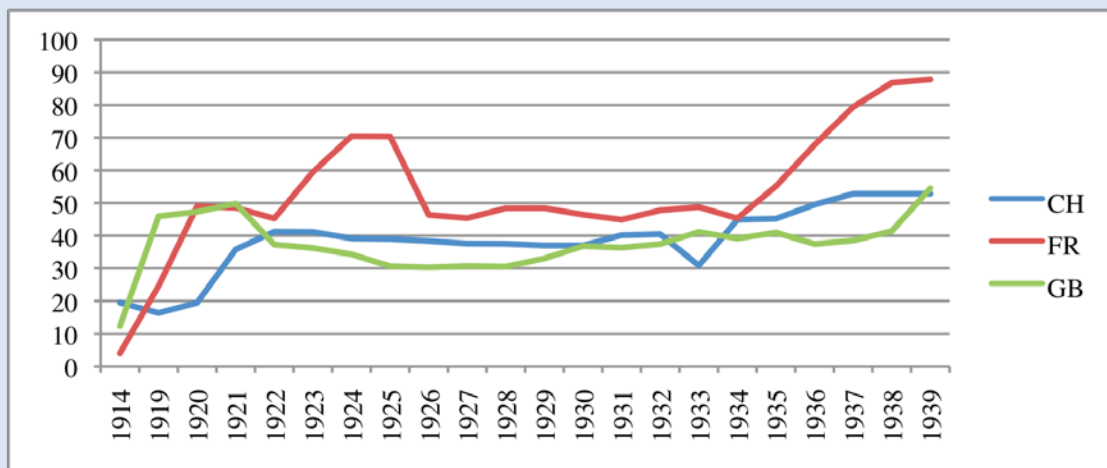
- Competition between Switzerland and other small tax havens

# THEORETICAL RATES OF TAXATION ON (THE INCOME FROM) CAPITAL

- 1M



- 5M

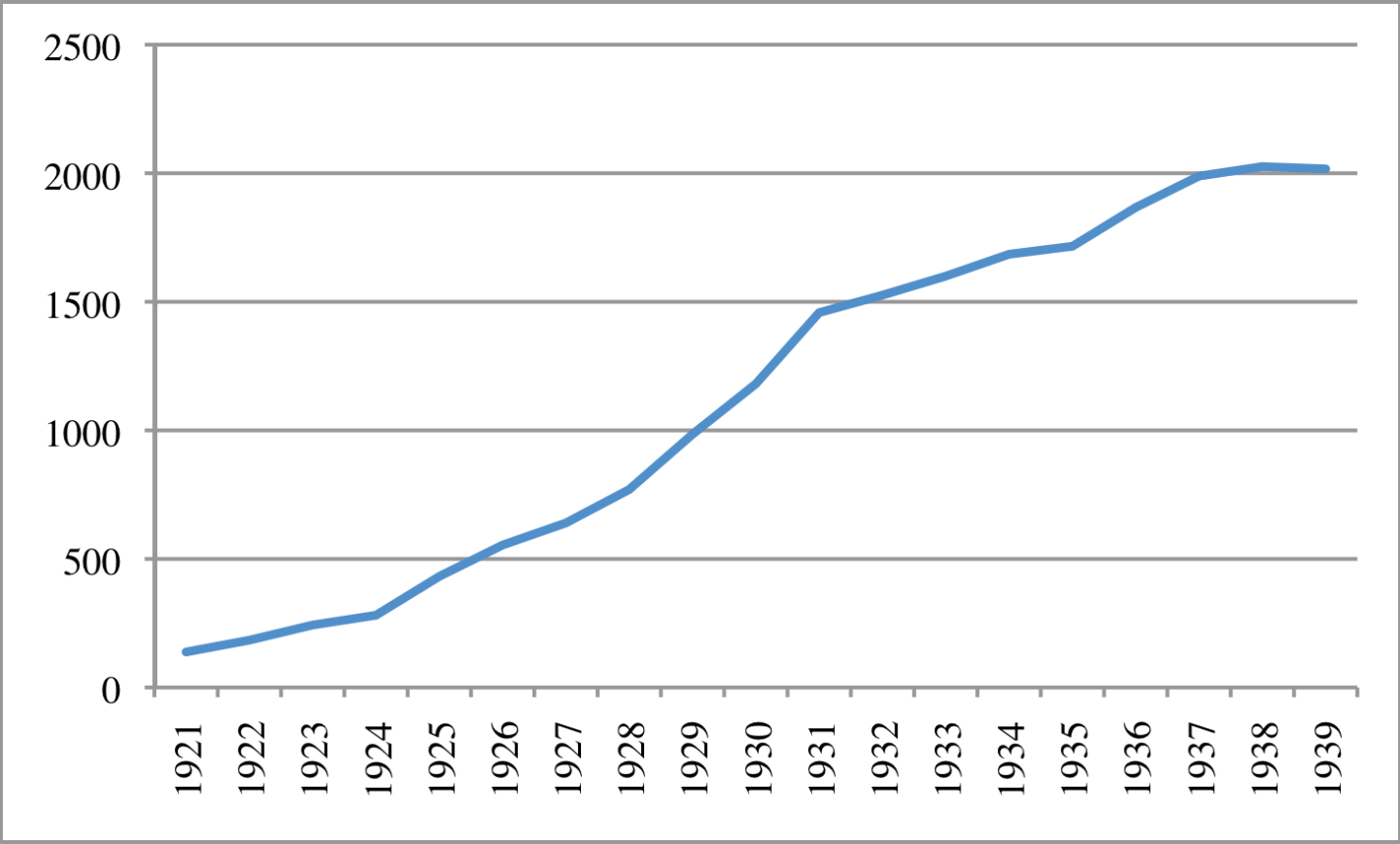




# PRINCIPLES OF TAXATION OF NON-RESIDENTS AT THE END OF THE 1930S

	<b>Bank interests' taxation (1939)</b>	<b>Foreign bond and share coupons' taxation (1935)</b>	<b>Estate duties for direct descendants (1935)</b>	<b>Guarantee of banking secrecy by the administration (1939)</b>	<b>Number of bilateral treaties signed against tax evasion (1939)</b>
<b>BE</b>	Taxation (Reduced level: 5%)	5.5-6.6%	0.75-10%	Yes (Restrictions from 1938)	3 (Luxembourg, NE, FR)
<b>FR</b>	No taxation	16-18% No taxation with affidavit	1-25%	No	6 (BE, UK, Italy, Monaco, Sweden, USA)
<b>NE</b>	No taxation	5% No taxation with affidavit	2.5-7%	Yes	1 (BE)
<b>SWI</b>	No taxation	No taxation	0-4.3%	Yes	0
<b>UK</b>	Taxation (Except on current accounts)	22.5% No taxation with affidavit	1-50%	Yes (Except on saving accounts)	1 (FR)
<b>USA</b>	Taxation	No taxation	1-60%	No	3 (Canada, FR, Sweden)

# THE INCREASE IN HOLDING COMPANIES IN SWITZERLAND



# 3. A POLICY OF INTERNATIONAL TAX EVASION

- 3.1 Attempts of international cooperation against tax evasion
- 3.2 The specificity of the Swiss policy in comparison with Great Britain
- 3.3 Explanation of this particularity
- 3.4 The collusion between the Swiss financial centre and the European elites

# 4. CONCLUSIONS

4.1 Summary of the conclusions

4.2 What has changed?

- Trend towards the lessening of fiscal burden on high incomes