
Switzerland

Switzerland's bid to scrap 'marriage penalty' tax ignites family values row

Conservative groups push for referendum on changes designed to stop disadvantaging dual-income wedded couples



Advocates for the tax rule change hope the proposed overhaul will encourage more women to join the workforce © Fabrice Coffrini/AFP/Getty Images

Mercedes Ruehl in Zurich

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

Earlier this summer, Switzerland's parliament narrowly voted in favour of a bill to scrap the current 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.

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



Switzerland's parliament had voted in favour of a bill to scrap the current federal system of joint taxation © Fabrice Coffrini/AFP/Getty Images

“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 warns that SFr1bn (\$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 over the past two decades. The Swiss Supreme Court ruled as early as 1984 that 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. “We should have systems in place that make it easier for people to work, not systems that disincentivise.”

“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.

Cairns-Lee said one couple she knew calculated they would have an extra tax burden of as much as SFr40,000 a year. “It made no sense to marry,” she said.

A couple in Zurich, who declined to be named, said they held a wedding ceremony with friends and family — but chose not to legally register the marriage. Another 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.”

The proposed law is now almost certain to face a public vote. 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 that allows eight cantons to force a national ballot.

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

“Cantons have solved the problem,” said Benedikt Würth, a member of Switzerland’s upper house. “It is not a systemic problem but a tariff problem. Normally, splitting models have been implemented. That means the income of the two spouses is added together and taxed at the rate of the half income. It is regrettable that similar models could not also be implemented on the federal level.”

Bettina Balmer, a National Council member and paediatric neurosurgeon, has been one of the most prominent political advocates of the bill. She 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.”

This piece has been updated as it incorrectly referred to the Conference of Cantonal Finance Directors as a business lobby group.

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