Swiss green taxation

05.10.2022

Tackling climate change is high on the international agenda. In an effort to achieve environmental objectives, governments are using taxation as a way to incentivise environmentally friendly business behaviour.

Pestalozzi Rechtsanwälte AG
Feldeggstrasse 4
CH-8008 Zürich
T +41 44 217 91 11
zrh@pestalozzilaw.com

Pestalozzi Avocats SA
Cours de Rive 13
CH-1204 Genève
T +41 22 999 96 00
gva@pestalozzilaw.com

pestalozzilaw.com

Key takeaways

- **In 2020, green taxation represented 1.4% of the Swiss gross domestic product (GDP), and 5% of the overall tax revenues.**
- **According to Tax Foundation, Sweden levies the highest carbon tax rate per ton of carbon emissions, followed by Switzerland and Liechtenstein.**
- **A new CO_2 tax rate of CHF 120 per ton of CO_2 is applicable in Switzerland as of 1 January 2022.**
- **Approximately two-thirds of the revenue from the tax on CO_2 is redistributed to the Swiss population.**
- **As of 1 January 2023, in support of the EU’s climate targets, a new Carbon Border Adjustment Mechanism (CBAM) will enter into force in the EU.**
- **According to the CBAM, EU importers will buy carbon certificates corresponding to the carbon price that would have been paid, had the goods been produced under the EU's carbon pricing rules.**
- **The price of the carbon certificates is calculated depending on the weekly average auction price of the EU Emission Trading System (ETS).**
- **Certain countries who participate in the ETS or whose emission trading system is linked to the EU’s will be excluded from the mechanism. This is the case for members of the European Economic Area and Switzerland.**

What are green taxes?

Green taxes broadly refer to fiscal initiatives that support environmental policy goals by encouraging the switch to cleaner energy and more sustainable habits, while generating revenue for governments. Environmental policy goals consist of sustainable production and consumption behaviours based on the 'polluter pays' principle under which the costs of pollution prevention and control should be reflected in the price and output of goods and services whose production and consumption cause pollution.

What is the impact on the Swiss government budget?

In 2020, revenues arising from green taxation amounted to CHF 15.7 billion. In 2020, green taxation represented 1.4% of the Swiss gross domestic product (GDP), and 5% of overall fiscal revenues. The average revenue from environmentally related taxes of the OECD member states is roughly 2% of GDP. The biggest share of the revenue from green taxes arises from energy and CO_2 taxes.

What are the main green taxes in Switzerland?

The main green taxes in Switzerland are:

Energy taxes

Mineral oil tax or petroleum tax	Levied on crude oil, other mineral oils, natural gas, their processed products, and engine fuels. A surtax is added to the mineral oil tax for fuels used in road and off-road transport. The petroleum tax varies heavily depending on the product and use of the product (engine fuel, heating fuel, technical purpose). For example, the tax per litre is CHF 0.73 for unleaded petrol , CHF 0.75 for diesel oil, and CHF 0.03 for extra light heating oil.
CO2 tax	Levied on oil products, coal, coke and coal products, and natural gas when used outside road transport. Rates vary in proportion to the respective fuel's carbon content. The CO2 tax on fossil fuels is an incentive tax that supplements voluntary and other CO2 related measures. Its purpose is to reduce the use of fossil fuels and thus lower CO2 emissions.
Electricity tax	Electricity output is taxed at a fixed rate across all electricity use.

Transport taxes

Automobile duty	A onetime automobile duty of 4% of the vehicle's value on light commercial vehicles with a unit weight of no more than 1,600 kg as well as on passenger vehicles is levied.
Heavy vehicle charges	Heavy vehicle charge is calculated depending on the total weight, emissions level and kilometres driven in Switzerland and the Principality of Liechtenstein. Some heavy vehicles are charged on a lump-sum basis.
Motor vehicle tax (cantonal/municipal)	Cantons levy a motor vehicle tax on each registered vehicle on a yearly basis. The amounts vary from canton to canton. Most cantons have a preferential rate for energy-efficient vehicles.

What is the Swiss CO_2 Tax?

The Swiss CO_2 tax on fossil fuels is an incentive tax that supplements voluntary and other CO_2 related measures. Its purpose is to reduce the use of fossil fuels and thus lower CO_2 emissions.

The Swiss CO_2 tax has been levied since 1 January 2008 on fossil fuels such us heating oil, natural gas, coal, petroleum coke and other fossil combustibles. The applicable rate in 2008 was CHF 12 per ton of CO_2. Since then, the CO_2 tax rate has increased to CHF 36 in 2010 and to CHF 96 before the last modification. As of 1 January 2022, a new rate of CHF 120 per ton of CO_2 is applicable. A popular consultation to increase the CO_2 tax to CHF 210 was rejected by the population in 2021.

According to Tax Foundation, Sweden levies the highest carbon tax rate per ton of carbon emissions, followed by Switzerland and Liechtenstein.

In general terms, all imports into Switzerland are subject to the Swiss CO_2 tax. The Swiss federal Office for Customs and Border Security is responsible for the enforcement of the CO_2 tax ordinance, but for the exemption and tax revenue distribution. Exemption from the Swiss CO_2 tax is possible upon request, for example for companies that commit to reduce CO_2 emissions.

How are revenues from the Swiss CO_2 Tax used?

Approximately two thirds of the revenue from the Swiss tax on CO_2 is redistributed to the population. Those who consume less benefit from this. The annual revenue from the Swiss CO_2 tax is about CHF 1.4 billion.

About one-third of the revenue is used by the Swiss Confederation and the Cantons to support energy-efficient renovations and renewable heating energy, and to the promotion of innovative technology companies. The other two-thirds is redistributed to the population uniformly, i.e. to all residents of Switzerland insured under the Swiss Federal Health Act. The health insurance companies carry out the redistribution.

The EU Carbon Border Adjustment Mechanism (CBAM)

As of 1 January 2023, a new package in support of the European Union's climate targets will enter into force. Under the CBAM, EU importers will buy carbon certificates corresponding to the carbon price that would have been paid had the goods been produced under the EU's carbon pricing rules. Conversely, a non-EU producer can show that they have already paid, in a third country, a price for the carbon used in the production of the imported goods. The corresponding cost can be fully deducted for the EU importer.

The price of the carbon certificates is calculated depending on the weekly average auction price of EU ETS. In principle, imports of goods from all non-EU countries will be covered by the CBAM. However, certain countries who participate in the ETS or whose emission trading system is linked to the EU's will be excluded from the mechanism. This is the case for members of the European Economic Area and Switzerland.

Author: Camilo Otalora (Junior Associate)

No legal or tax advice

This legal update provides a high-level overview of the legal situation in Switzerland and does not claim to be comprehensive. It does not represent legal or tax advice. If you have any questions relating to this Legal Update or would like to have advice concerning your particular circumstances, please get in touch with your contact at Pestalozzi Attorneys at Law Ltd. or one of the contact persons mentioned in this Legal Update.

Jonas Sigrist

Partner
Attorney at law, Swiss Certified Tax Expert
Head of Tax Practice Group

Pestalozzi Attorneys at Law Ltd
Feldeggstrasse 4
8008 Zurich
Switzerland
T +41 44 217 93 26
jonas.sigrist@pestalozzilaw.com

Silvia Zimmermann

Senior Counsel
Attorney at law, Dr. iur., LL.M.

Pestalozzi Attorneys at Law Ltd
Feldeggstrasse 4
8008 Zurich
Switzerland
T +41 44 217 92 48
silvia.zimmermann@pestalozzilaw.com