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University of St. Gallen Study Recommends Abolishing the OECD Minimum Tax in Switzerland

New study from the University of St. Gallen shows why sticking with the OECD minimum tax could end up being more expensive than phasing it out this year

Zurich, May 18, 2026 – A new study by the Institute of Law and Economics at the University of St. Gallen recommends abolishing Switzerland's implementation of the OECD minimum tax as early as 2026. The analysis concludes that the geopolitical and economic conditions have changed fundamentally since the 2023 referendum. The minimum tax, which Switzerland voluntarily introduced in 2024, no longer serves its original purpose, poses significant legal risks, and could result in more costs than benefits for Switzerland as a business location, both economically and fiscally.

The study "How Should Switzerland Proceed with the Minimum Tax? - Evaluation of Policy Options," authored by Professor Peter Hongler and his team, was commissioned by the Swiss-American Chamber of Commerce as a contribution to the discussion on the future of Switzerland as a business and tax location.

From a Global Project to the EU+ Model

In 2023, Swiss voters endorsed by close to 80 percent a constitutional provision under which the federal government may, but is not required to, introduce a minimum tax —based on the expectation that around 140 countries would also implement the rules. According to the study, this expectation has not been met: Of the more than 140 members of the Inclusive Framework, only about 33 countries have fully implemented the project. What was intended to be a global solution has effectively become an EU+ project.

The stance of the U.S. is particularly significant in this regard. As the world's largest economy and the most important foreign direct investor in Switzerland, the United States has not adopted the minimum tax. Instead, it specifically protects its companies from foreign catch-up taxation through the so-called "Side-by-Side Package." Major economies such as China, India, and Brazil have also not yet implemented the minimum tax.

Recommendation: Abolish the minimum tax in 2026

The study's conclusion is clear: many considerations point toward repealing the minimum tax in 2026 already. This would increase legal certainty, strengthen tax policy sovereignty, and improve Switzerland's competitiveness relative to countries that choose not to implement it.

At the same time, the authors recommend examining whether a so-called "Domestic Minimum Top-Up Tax" (DMTT) should be introduced instead. Such a purely domestic solution could protect Swiss companies from retroactive taxation abroad without permanently binding Switzerland to the OECD Inclusive Framework. According to the study, this would also align with the original will of the people as expressed in 2023: At that time, the minimum tax was primarily viewed as a protective measure rather than an additional fiscal instrument.

Study warns of significant legal risks

The study identifies various legal uncertainties in the current design of the minimum tax. In the authors' view, the dynamic reference to an unspecified number of accounting standards

violates the constitutional principle of legality. The tax base for the supplementary tax is legally insufficiently defined and thus potentially subject to legal challenge.

Furthermore, the changed geopolitical landscape calls into question whether the minimum tax is still covered by Art. 129a of the Federal Constitution. This provision requires action to be taken in the interest of the Swiss economy as a whole. A ruling by the Federal Supreme Court is not expected for at least two to five years. Until then, the legal situation remains uncertain for both companies and the state.

The potential financial consequences are considerable:

- The state could face claims for refunds of supplementary taxes already collected amounting to billions.
- Companies, in turn, face the risk of back taxes abroad if the Swiss rules are ruled invalid by the courts—precisely the risk that the minimum tax was actually intended to prevent.

Side-by-Side Package Leads to Unequal Treatment
The study devotes particular attention to the so-called “Side-by-Side Package” in favor of the U.S. According to the authors, this results in U.S. corporations receiving preferential treatment, even though the U.S. has not implemented the OECD minimum tax itself. According to the latest practice notice from the Federal Tax Administration, U.S. corporations are exempt from certain effects of the Income Inclusion Rule (IIR), while Swiss and other non-U.S. companies remain subject to the standard rules.

The authors view this as a violation of the constitutional principle of equal treatment. Other companies could also invoke equal treatment in the future and demand comparable exemptions. At the same time, this exemplifies how heavily Switzerland has become dependent on the rules of the OECD Inclusive Framework regarding the minimum tax—a body lacking democratic legitimacy and with non-transparent decision-making processes, according to the study.

Fiscally, the study warns of a negative outcome
Using data on country-by-country reporting and withholding tax, the study also analyzes the fiscal implications of the minimum tax. According to the findings, U.S. corporations are by far the most profitable foreign companies in Switzerland and contribute disproportionately to the Swiss tax base.

If, as a result of the “Side-by-Side Package” and the increasing attractiveness of the U.S. as a business location, only 25 percent of corporate income tax revenue from U.S. companies were to be lost, the resulting losses would exceed the additional revenue from the minimum tax. The minimum tax could thus turn into a fiscal loss-maker.

Four Scenarios for Switzerland
In light of the new geopolitical and economic landscape, the authors have examined four possible courses of action:

- **Maintaining the current system:** High legal uncertainty, increasing international competitive disadvantages, and growing dependence on the OECD Inclusive Framework.
- **Adjustment within the existing OECD system**: Limited relief in the short term, but continued structural dependence on international developments and “soft law.”

- **Abolition of the minimum tax without a replacement solution:** Regaining tax policy sovereignty and improved attractiveness as a business location, but with the risk of foreign catch-up taxation for Swiss companies.
- **Abolition of the minimum tax with the introduction of a domestic supplementary tax (DMTT):** According to the study, the most balanced solution: protection against foreign tax reassessments while simultaneously strengthening legal certainty, sovereignty, and competitiveness.

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