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The Facts of the Matter Distilled

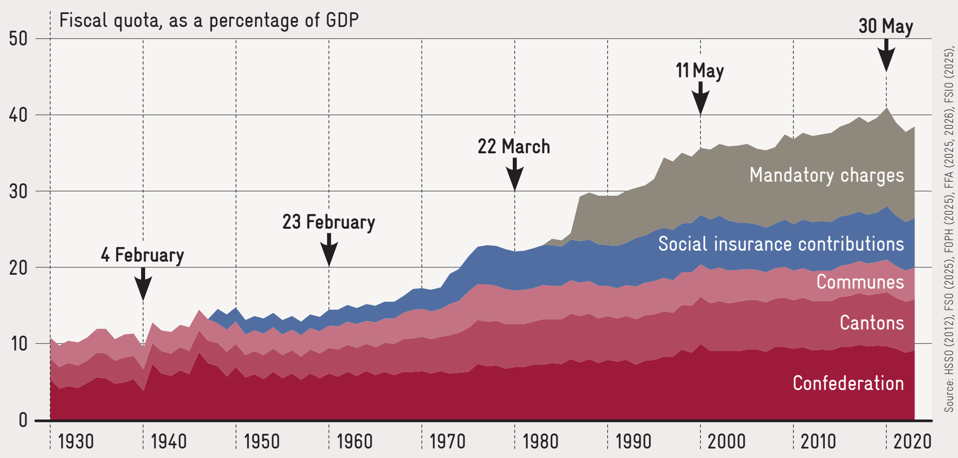
Financial Freedom Day

Until 21 May, Switzerland effectively works for taxes, social insurance contributions, and mandatory charges. Only from that date onward is income freely disposable – and the date keeps moving back.

Situation

Every franc earned in Switzerland is subject to more than just taxes. In addition, payments for social insurance contributions and other legally mandated charges are due. The expanded fiscal quota measures the total share of economic output absorbed by these obligations – in other words, how much of overall value creation flows off before the population can dispose of their income without restrictions. The "Financial Freedom Day" makes this relationship tangible. It marks the date in the calendar until which people in Switzerland effectively work before the first franc truly reaches their own pockets.

Every decade adds another week



Over the past decades, the Financial Freedom Day has moved back by more than one week per decade. In 1940, it fell on 4 February; today it falls on 21 May. During the Covid year of 2020, it was as late as 30 May.

Facts

21 May

For the first 141 days of the year, Switzerland's economic output is used for taxes, social insurance systems, and mandatory contributions. Only from 21 May onward is income freely disposable.

■ **Concept:** The expanded fiscal quota measures the burden of taxes and other levies as a share of economic output (gross domestic product = GDP). It can be divided into three categories: taxes, social insurance contributions, and mandatory charges.

■ **Taxes (20% of GDP):** Anyone who earns an income, consumes, or owns property pays taxes to the federal government, cantons, and communes. Income taxes, corporate taxes, wealth taxes, and VAT are the most visible and best-known forms of the fiscal burden.

■ **Social insurance contributions (6.5% of GDP):** Anyone who works automatically contributes to social insurance systems covering old age, disability, loss of earnings, and unemployment. Together with taxes, these contributions form the tax quota of roughly 27%.

■ **Mandatory charges (12% of GDP):** Mandatory health and accident insurance premiums, occupational pension contributions, family allowances, and broadcasting fees are legally required. Including these payments raises the expanded fiscal quota to 38.5%. As a result, nearly 40 cents of every franc earned are not freely disposable.

Context

Not all levies have the same effect: **Taxes finance public services and redistribute income,** while pension fund contributions build individual retirement savings. Yet these charges share one common feature: they are legally mandated and therefore limit people's financial flexibility. The comparatively late date of 21 May also shows that Switzerland is **no longer an isolated haven** of financial freedom **in Europe.** Using this broader definition, the country performs only slightly better than Germany or Sweden. While the narrow tax quota remains comparatively low, **mandatory contributions** have pushed the Financial Freedom Day significantly further back in the calendar. At its core, the issue reflects a political trade-off: **How much protection and security should be mandatory** – and how much financial autonomy should remain to citizens?

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