

# Tax incentives for charitable giving: evidence from the Canton of Geneva, Switzerland

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## **Abstract**

This contribution presents the legal framework of income tax incentives for charitable giving in Switzerland and describes the reform putting this system in place in 2006. Using a unique data set shared by the Tax Administration of the Canton of Geneva for this purpose, we provide descriptive statistics about taxpayers' charitable giving behaviour in Geneva from 2001 to 2011. In this period, the number of taxpayers deducting charitable contributions significantly increased. In contrast, the size of individual annual deductions (both mean and median) decreases. The data show that the amount of tax deductions for charitable giving sharply increases relative to income class, and the median charitable deduction by taxpayer rises exponentially with income (i.e. years 2001 and 2011). Currently, no clear effects of the 2006 tax reform are visible; however, more in-depth studies are needed in this respect.

## **1. Introduction**

### **a. Current Swiss legal framework**

Switzerland is one of the countries whose legal framework includes a system of tax deductions that incentivise charitable giving (OECD, 2020)<sup>1</sup>. Under current Swiss law, taxpayers can deduct charitable donations from their taxable income (individuals) or taxable profits (corporations) subject to a specific threshold. To be deductible, the donation must be made to legal entities benefiting from a tax exemption because of the fact that they are pursuing public service or public interest goals<sup>2</sup>. The law and, particularly, case law specify the tax-exemption conditions for such entities; notably, economic goals cannot be considered for public interest and that acquiring and managing significant corporate equity is considered a public interest goal only when the interest in maintaining such an entity is subaltern to public interest goals (Art. 56 (g) LIFD). Such exoneration requirements apply to entities subjected to limited and unlimited tax liability in Switzerland, that is, both to resident entities and

permanent establishments. Legal entities governed by public law and semi-public companies do not fall within this scope<sup>3</sup>.

A threshold applies to the deduction of charitable donations from taxable income and profits. At the federal level, this threshold is 20% of net taxable income or profits, with a minimum donation requirement of CHF of 100. Nearly all cantonal legislation adopted the same 20% limit (often without minimum donation requirement), despite federal law not imposing any requirement in this respect<sup>4</sup>; as a result of the principle of cantonal autonomy in fixing tax rates, which is enshrined in Article 129 of the Swiss Federal Constitution, tax allowances applied by the cantons and communes are in effect their sole prerogative. The threshold of a charitable deduction is calculated as follows. First, one must discount all deductions from the gross income mentioned in Articles 26 to 33 of the DFTA (including deductions related to self-employed business activity, wealth, social deductions, etc.). Second, calculating the 20% threshold is based on the remaining taxable income after the above deductions. Finally, the charitable donation is deducted from the remaining income and capped, if necessary, at the aforementioned threshold. For the purposes of the present study and the interpretation of its data, it is important to highlight that charitable deduction is the last deduction made during the process of taxation.

#### **b. The 2006 Federal Direct Tax Law Reform**

The 20% threshold of taxable income or profits was introduced on 1 January 2006 as part of a larger reform of the Swiss federal tax law<sup>5</sup>. Prior to the reform, the threshold was established at 10%. The goal of the 2006 reform was “the liberalization of the Swiss foundation law in order to boost the establishment of foundations”<sup>6</sup>. Through this reform, the legislator expressed its will to encourage more people “to give up part of their wealth’ to charitable foundations, as private foundations were the most popular vehicles (albeit not the only) in Switzerland for hosting charitable activities and the fact that private wealth had risen sharply in the years preceding the reform<sup>7</sup>. The main part of this reform was to modify civil law norms related to different aspects of foundations. However, tax law modifications were also conducted as the previous legal framework was considered an insufficient incentive for individuals to part with “important” portion of their fortune<sup>8</sup>. Thus, despite the objectives of these changes being only articulated in very general terms<sup>9</sup> (which is problematic in itself), assuming that at least one of its goals was to encourage *significant* donations is certainly viable.

The federal tax law amendments directly impacted charitable giving in three ways<sup>10</sup>. First, as already mentioned, the existing threshold for the deduction of charitable donations increased from 10% to 20% of taxable income or profits. Second, the law introduced the possibility of the deduction of non-cash donations. Third, the law added a new clause establishing that donations to the Swiss

Confederation, the cantons, the communes, and their institutions are as deductible as donations to charitable tax-exempt entities. Overall, these three tax law amendments significantly expanded the potential for tax deductions.

During the legislative process, the most important discussion concerned the first measure, that is, the increase in the threshold for deductible donations. The Economic Affairs and Taxation Committee of the Council of States<sup>11</sup>, reporting on this legislative proposal, was convinced that the activities of foundations pursuing public service or public utility goals would be effectively fostered via a more generous practice of deducting donations, as proposed by the reform<sup>12</sup>. In fact, the initial project suggested increasing deductions for direct federal tax to 40% of net income or net profit. Moreover, under certain specific conditions, such as a particularly important public interest, an enduring commitment to finance a foundation and at least an equivalent deduction granted by canton and municipality (the latter norm had some logic of “matching” mechanisms), the tax deduction allowed by the direct federal tax would have been able to reach 100%<sup>13</sup>. Thus, the initial suggested changes offered highly generous tax deductions.

However, large increases in deductible thresholds were dismissed in the legislative procedure context. During the consultation phase with the cantons, most cantons resolutely rejected a quadrupling of the deduction (from 10% to 40%)<sup>14</sup>. Thus, the 100% deduction, even in restrictive conditions, was also rejected, on the basis that it would excessively affect the fiscal substance of the public authorities<sup>15</sup>. The federal council used public law and finance arguments to reject proposed increases. This type of deduction leads to unequal treatment, as taxpayers taxed at high marginal tax rates are favoured over those with lower incomes. Moreover, extending the possibility of making a deduction seriously undermines the distinctive fiscal character of taxes, whose goal is to finance the tasks of the State, whatever they may be<sup>16</sup>. Moreover, the Federal Council highlighted that the norms instituting such deductions were questionable from a public finance perspective because not only do they not respect the principle of “gross accounting” but they also ultimately restrict the financial sovereignty of the Federal Parliament. Particularly, by allowing a taxpayer to decide on allocating certain funds to certain public tasks, the system would delegate some budgetary authority to the taxpayer such standards are not compatible with the requirements of the Federal Finance Act<sup>17</sup>. Finally, a 20% threshold is adopted<sup>18</sup>.

Other tax law changes did not prompt controversial discussions. The deductibility of non-cash donations was widely approved, and some cantons only pointed out potential valuation problems that could arise<sup>19</sup>. The deductibility of voluntary contributions to the Confederation, cantons, communes, and their related public institutions was also introduced without particular objection. Essentially, this provision was mainly intended to ensure that universities, which in Switzerland are mainly federal or

cantonal institutions<sup>20</sup>, also benefit from the liberalisation of the charitable deductions system. highlighting the need to fund considerable investments in teaching, research, and science<sup>21</sup>. The Economic Affairs and Taxation Committee specifically highlighted in its report that donations for research and education were quite interesting for the State and could help relieve its burden in this area<sup>22</sup>.

The federal law changes were followed by cantonal law modifications. In Geneva, the 5% threshold of taxable net income<sup>23</sup> increased to 20% in 2010<sup>24</sup>. In 2009, deductions for legal entities increased from 10% to 20% of taxable corporate income<sup>25</sup>. The introduction of different thresholds in the Swiss federal and Geneva cantonal law was introduced, as shown in Table 1.

**Table 1. Table presents deductible thresholds in federal and Geneva cantonal income tax laws during the study’s time framework.**

	Threshold	2001	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Federal law	Individual	10%					20%						
	Corporate*	10%					20%						
Cantonal law (GE)	Individual	5%									20%		
	Corporate*	10%								20%			

\*This table shows both individual and corporate income tax thresholds; however, the focus of the current study is only on individual income taxation.

**c. Objectives**

The effectiveness of the 2006 income tax law reform has never been evaluated at the federal or national level<sup>26</sup>. Generally, very little research and data exist in Switzerland on taxpayers’ giving behaviour relative to tax incentives. Therefore, this contribution (which is a part of a larger project evaluating the efficiency of tax incentives for charitable giving in Switzerland) aims to provide, using descriptive statistics, the first insight into the charitable giving behaviour in the Canton of Geneva (GE) and identify any possible changes in the behaviour, if any, correlated with the 2006 tax reform. The Canton of Geneva is one of the most important cantons in Switzerland, with the 5th largest population and 2nd highest gross domestic product per capita<sup>27</sup>. Importantly, it is a national and international philanthropy hub. Thus, observing the patterns of charitable giving behaviour relative to tax incentives among the Geneva population may provide important information for policymakers.

The present study focuses on the tax filing data described in the following section. It analyses giving behaviour which can be observed based on tax returns and not overall charitable giving behaviour (e.g. donations not claiming any tax deductions for their gifts) (see Adena, chapter x, Adena, and Huck, Adena, Alizade, Bohner, Harke, and Mesters)<sup>28</sup>. Therefore, this study will not provide conclusions about general giving behaviour in the Canton Geneva. It focuses only on specific tax-related patterns.

Moreover, based on this study, drawing definitive conclusions as to whether the changes of giving behaviour, if any, were caused by a specific measure of the above-mentioned reform will not be possible (increase in threshold, introduction of the possibility of non-cash deductions, or the possibility of deduction of donations to State entities), as segregated data for those categories were not available.

## 2. Material and methods

The outcome presented in this article is related to the taxpayer's behaviour for charitable giving, considering a time framework of 11 years (2001–2011), based on data from the Canton of Geneva. Data were collected in the given years by the Tax Administration of the Canton of Geneva through its taxpayers' returns and were confidentially shared for the sake of analysis. A different data set was provided for each year under study for 11 data sets. Each data set comprised the same eight variables, listed and described below, with their original French name provided in the dataset:

- “*identifiant*”: a coded ID for each taxpayers. This variable allows, in principle, to follow the same taxpayer over time. Essentially, the same coded ID is used for a given taxpayer for each fiscal year. As Switzerland has a joint filing system, married couples are considered and treated as one taxpayer in the same way as a single non-married individual, and they have only one coded ID (in this paper, any deducting taxpayer, couple, or individual is referred to as “*deducter*”). The code ID may change from one year to another, in specific cases, mainly: 1) replacement of one ID by another in the event of the death of a married taxpayer (“*principal*” taxpayer) by his surviving spouse; 2) disappearance of an ID in case of marriage between two taxpayers: the “*main*” taxpayer (often the husband) remains, the ID of the spouse disappears; 3) appearance of a new ID in the case of divorce or separation of two taxpayers: the “*main*” main taxpayer (often the husband) remains, the ID of the spouse re-emerges appears; 4) replacement of one ID by another in case of a change of surname or modification/correction of the date of birth. In all four hypotheses, it is not possible to track a given taxpayer over time.
- “*annee\_de\_naissance*”: the year of birth of a taxpayer. For married couples, it is the year of birth of the “*principal*” taxpayer.
- “*revenu\_net\_imposable\_GE*”: the net taxable income in the Canton of Geneva. In 2010 and 2011, the Canton of Geneva introduced several changes to its personal income tax law (e.g. extension of the deduction for family expenses). These changes to a certain extent influenced the definition of taxable income for cantonal tax purposes. For this reason, the calculation of taxable income from 2001 through 2009 to a certain extent diverges from its calculation in 2010 and 2011<sup>29</sup>.

- “revenu\_net\_imposable\_taux”: the net taxable income applied to set the tax rate; this includes any foreign income.
- “fortune\_brute”: gross wealth.
- “fortune\_imposable”: taxable wealth.
- “bareme\_revenu”: the binary (0/1) indication of a possible “splitting” of income tax rate in the tax income computation, showing that a taxpayer is a couple (1) and not a single individual (0) (see above the description of “identifiant”)
- “versements\_benevoles”: the amount of deduction (if any) for charitable giving, representing the entire annual amount of the deducted donations (in case it is less than the deductible threshold) or capped amount of annual donations, if exceeding the deductible threshold.

Since the main relevant variables for this study were “identifiant” and “versements\_benevoles”, a longitudinal data set representing the Canton of Geneva taxpayers from 2001 to 2011 was created and analysed. Additionally, we used the variable net taxable income for tax rate overall (“revenu\_net\_imposable\_taux”) to identify patterns of giving behaviour in 2001 and 2011. The outcomes are summarised in the Results section.

The characteristics of the available data do not allow us to determine whether the amounts deducted by taxpayers represent the full donation or only the part capped at the threshold level (10% prior to 2006 and 20% after 2006 for federal income tax purposes). Thus, in certain cases (which we cannot identify), only the deducted amount and not the whole amount of donation can be observed. Essentially, the complete amounts of all charitable donations are not known to us for the given 11 years (2001–2011) in the Canton of Geneva, as the present data encompasses both uncapped (representing full amounts of donations) and capped deductions (representing incomplete amounts of donations), without distinguishing between those two categories.

### 3. Results

The total number of Geneva taxpayers was also calculated. Its trend positively increased yearly, from a minimum of 234,117 in 2001 to a maximum of 266,336 in 2011. The percentage change over the years is reported in the last column of Table 2, together with the percentage of Geneva deducting taxpayers (second to last column) computed for each of the 11 years in the given time framework period. From 2001 to 2011, the number of taxpayers deducted more than doubled, passing from 8.3% to 19.3% of the total number of taxpayers in 2001 and 2011, respectively. The absolute number of

these values are 19,335 (number of deducting taxpayers in 2001) and 51,492 (number of deducting taxpayers in 2011), respectively. Furthermore, detailed information for the years under review can be found in Table 2, together with the absolute number of non-deducting taxpayers and the percentage change of taxpayers from one year to the other.

**Table 2**

Year	Number of taxpayers	Deducting	Non-deducting	% of deducting taxpayers	% yearly change in taxpayers
2001	234117	19335	214782	8.3%	
2002	236341	25272	211069	10.7%	0.9%
2003	237777	30276	207501	12.7%	0.6%
2004	240254	35192	205062	14.7%	1.0%
2005	242521	39553	202968	16.3%	0.9%
2006	245224	39511	205713	16.1%	1.1%
2007	248017	42248	205769	17.0%	1.1%
2008	250886	44707	206179	18.0%	1.2%
2009	256236	47349	208887	18.5%	2.1%
2010	261703	49389	212314	18.9%	2.1%
2011	266336	51492	214844	19.3%	1.8%

**Table 2.** This table shows the absolute number of taxpayers, split between deducting and not deducting, from year 2001 to 2011. The percentage of Geneva deducting taxpayers, and related changes, are also shown. The absolute total amount of deductions was computed from 2001 to 2011. The amounts presented in the present paper were not adjusted to neutralise inflation. However, income classes were objectively computed by population percentages (25%, 25%, 25%, 20%, 4%, and 1%). The absolute range for the amount of deductions is large, passing from a minimum of CHF 29,133,697 to a maximum of CHF 84,014,116 in 2001 and 2010, respectively, with a substantial increase of 48% from 2008 to 2009. Overall, the total amount of deductions increased positively between 2001 and 2010, with a negligible (rb 0.7%) decrease from 2005 to 2006 and a slightly higher decrease of (rb 13.4) from 2010 to 2011, as shown in the third column of Table 3. While the mean deductions range varies from a minimum of CHF 1098 to a maximum of CHF 1701, with a CHF 603 difference and a mainly negative trend between the years, the median deductions range is smaller:



from 270 to 393, with a difference of CHF 123 and a slow decrease over the years. The latter result is validated by the outcome presented in the last column of Table 3, demonstrating a prevalence of negative percentage of the change in median deductions among *deductors* from 2001 to 2011.

Year	Amount of deductions (CHF)	% yearly change in the amount of deductions	Mean deductions among <i>deductors</i> (CHF)	Median deductions among <i>deductors</i> (CHF)	% change in median deductions among <i>deductors</i>
2001	29,133,697		1,507	393	
2002	33,248,984	14.1%	1,315	360	-8.4%
2003	33,507,115	0.8%	1,098	305	-15.3%
2004	41,229,743	23.0%	1,171	300	-1.6%
2005	47,381,886	14.9%	1,197	300	0.0%
2006	47,056,580	-0.7%	1,190	298	-0.7%
2007	50,968,564	8.3%	1,206	280	-6.0%
2008	51,735,693	1.5%	1,147	270	-3.6%
2009	76,574,313	48.0%	1,617	280	3.7%
2010	84,014,116	9.7%	1,701	290	3.6%
2011	72,741,235	-13.4%	1,412	280	-3.4%

**Table 3.** Table representing the amount of deductions and related percentage change from 2001 to 2011. The mean and median deductions among *deductors*, together with the latter percentage change, are also reported.

Additionally, we conducted an analysis of giving by income using taxable income as a variable for tax rate (“*revenu\_net\_imposable\_taux*”). For this, we have divided the taxpayers by income classes into six categories, representing the following percentages of the taxpayers’ population (see Annex1 and Annex2): “low” (bottom 25% of taxpayers), “low-middle” (25% of taxpayers), and “middle” (25% of taxpayers). The remaining 25% of the taxpayers were divided into smaller income categories to conduct in-depth analysis of the giving behaviour of taxpayers belonging to the highest income classes.

Thus, the following income class categories were established: “middle-high” (20% of taxpayers); “high” (4% of taxpayers), and “very high” (top 1% of taxpayers).

**Figure 1.** Figure shows deductions by income class in 2001 and 2011, respectively, highlighting the percentage of deducting taxpayers per income class.

**Figure 2.** Figure shows deductions by income class in 2001 and 2011, respectively, highlighting the median deductions per income class.

The analysis by income class shows that the amount of charitable deductions increases with increases in taxpayers’ income. The largest amount of deductions is provided by the taxpayers belonging to the highest income class (“very high”, i.e. 1%), accounting for 39,3% (2001) and 36,3% (2011) of total deductions. The top 25% income classes (middle-high, high, and very high together) accounted for 79 6% (2001) and 73.8% (2011) of the total deductions. The percentage of taxpayers deducting charitable donations in the respective income classes also increase with income. Additionally, in every income class, we observe an important increase in *deductors* in 2011 compared to 2001. Concerning the median deductions by income class, they also increase with the increase in income, rising especially sharply in the last three income classes. However, median deductions in all income classes were significantly lower in 2011 than in 2001.

#### 4. Discussion

The descriptive statistics presented in the Results section of this paper provide several insights into taxpayers' giving behaviour in the Canton Geneva. These could be of interest to policymakers. Moreover, it offers a first glimpse into the effects, if any, of the 2006 tax reform.

The first observation is that the percentage of *deductors* among Geneva's taxpayers is more than doubled, from 8.3% to 19.3%, during the study period from 2001 to 2011. In 2011, nearly one-fifth of the Geneva population made charitable gifts for which they claimed charitable deductions, as opposed to less than one-tenth of taxpayers in 2001. Unambiguously, use of these specific deductions has increased among taxpayers, and we observe this increase in every income class (Annex 1). Although we can only speculate about the reasons for this increase (i.e. better awareness about the possibility of deduction of gifts? An increase in the number of donors in the Canton of Geneva? The effect of a higher incentive? Other?), this data shows that the relevant period claiming charitable deductions has become a common and not a marginal phenomenon during the tax return filing process.

This finding raises interesting questions when compared to other available data sources on giving behaviour. For instance, Freitag et al. (2014) reported that 71% of the Swiss population made charitable donations. However, our data show that, at least in the Canton of Geneva, only 19% of the taxpayers filed for charitable deductions in 2011. This number reflects tax fillings that occurred 3 years earlier than the study of Freitag et al.; however, judging from the level of increase in charitable deductions in Geneva during the 11-year period under review, charitable deductions are extremely unlikely to have reached 71% in 2014. Therefore, further studies should examine the differences in various data sets describing individual charitable giving behaviour in Switzerland. For instance, assessing whether and to what extent the estimated percentage (71%) of charitable giving by the Swiss population is accurate and, if it is, why an important part of Swiss taxpayers still does not deduct charitable donations would be interesting.

Considering the *amount* of deductions in relation to charitable donations, the total annual sum deducted by all taxpayers steadily increases during the observed period. Thus, it is observing a correlation with 1) the increase in the overall population of the taxpayers and 2) the increase in charitable deductions among the taxpayers. Considering deductions *per taxpayer*, we observe a decrease in both the mean and median over time. While median constantly decreased, the mean of donations fluctuated during the study period; however, was overall lower in 2011 than in 2001. We observe the same trend when comparing median charitable deductions by income class. Essentially, existing or new taxpayers deduct less. This may be a clue showing that, considered individually, taxpayers tend to give less, that is, the size of their individual donations is decreasing. However, a

complementary data set showing the exact amount of donations (and not only the deducted amounts) would be needed to verify this hypothesis.

The data in the present article offers a rare glimpse into Swiss taxpayers' giving behaviour per income class. Particularly, comparing 2001 to 2011, we observe that deductions made by the 1% of taxpayers having the highest income include more than 35% of all deductions. The deductions for charitable donations conducted by the top 25% income classes (middle-high, high, and very high) make more than 70% of all such deductions in the taxpayers' population. This information is important for policymaking, as it suggests that calibrating tax incentives for this particular class of taxpayers could be a potential policy option to consider.

In these descriptive statistics, no obvious correlation was found with the timing of the reform. The increase in *deductors* and of the decrease in the median of individual amounts deducted, are mostly constant and linear, with no distinctive or drastic changes in neither 2006 nor in 2010, when the new federal tax law norms took effect and when cantonal adjustments were made, respectively. Increased overall amount of donations is not linear but subject to certain peaks, the largest of which (48%) was observed in 2009, several years after the reform. We can speculate on the reasons thereof, for instance, the fact that in 2009, taxpayers who were usually taxed at source were given the privilege, under certain conditions, to file a return and then be treated as resident taxpayers (so-called quasi-residents, thus claiming all personalised deductions, including for charitable giving<sup>30</sup>). The number of such taxpayers was estimated to be around 2.000 in 2009, 4.000 in 2010, and 5.600 in 2011<sup>31</sup>. This could influence both the amount and number of deductions and *deductors*, respectively. However, data transmitted by the Geneva Tax Administration for this study are confidential and does not allow for the identification of quasi-residents and verifying whether and to what extent their deductions explain this temporary peak in giving.

Overall, three important observations should be highlighted. First, over the 11 years under review, it appears that an increased number of taxpayers deduct their donations; second, the amount of those deductions decreases, in terms of both mean and median; third, an overwhelming part of deductions comes from the upper 25% income class. Relative to the first two observations, the presented descriptive statistics do not show any potential impact of the reform on those trends. As the 2006 reform aimed to encourage taxpayers to part with a substantial amount of their wealth as the pre-reform level of giving was considered insufficient, and the constantly decreasing median deduction could be a sign for the legislator, indicating that the reform was potentially unsuccessful at this point, at least for the lower 75% classes of income. However, this would call for further investigations on the 2006 reform effects, as while the total amount of deductions is known, the total amount of donation is not. Relative to another implicit goal of the reforms – to attract new deductors – detecting any

evidence of the reform's real impact is not possible because the number of deducting taxpayers has steadily increased since 2001, with no visible increase during the year of the reform or years immediately following the entry into force of the new law provisions. This finding in any event may indicate a constantly increasing awareness of the population for tax deductions in charitable giving, perhaps independent of any specific tax reform incentive. Overall, evidence exists showing that the reform might not have succeeded in attaining some of its goals. This impression is strengthened by the fact that the 2006 reform substantially increased possibilities for tax deductions, as it not only allowed larger deductions but also opened the possibility of deducting non-cash donations (including real estate) as well as donations to various public entities. Therefore, one would expect to see at least some effects of these important changes in the descriptive data, which is not the case in the present study.

Overall, more research must be conducted to determine whether the 2006 reform had any effect on charitable giving behaviour and, if so, to what extent. Ideally, every new tax measure introduced – the increase of the deduction threshold, the introduction of the deductibility of non-cash donation, and the possibility of deducting gifts to public entities – should be evaluated separately in an attempt to disentangle their effects. Moreover, a more specific study stratified by income could provide additional insights. For instance, alternative data sets should be used to enable researchers to understand changes in the total amount of donations (and not only of deductions) during this period. Furthermore, studying the patterns of charitable giving to higher education institutions could help establish whether the tax reform increased, as intended, their funding originating from charitable sources. Finally, studying charitable non-cash donations would contribute to determining the extent to which such policy measures were successful. To complete these studies, allowing an in-depth evaluation of the new tax measures, the legislator and the administration should allow access to the relevant data for scientific studies involving tax measure-segregated data (for instance, indicating the total amount of charitable donations for different income categories indicated above).

## **Conclusion**

The present study provides unique descriptive statistics on taxpayers' giving behaviour in the Canton of Geneva from 2001 to 2011. Several important observations have emerged. First, the number of taxpayers deducting charitable donations significantly increased. Second, generally, the median of individual amounts of charitable deductions decreased between 2001 and 2011 (even without inflation adjustment), and this effect is observed in all income classes compared to 2001 and 2011. This suggests that despite the total number of *deductors* increased, they tended to make individually smaller

donations. However, an alternative data set would need to be studied to confirm this hypothesis (particularly, having access to the total amount of donations and not only to the deducted amounts). Third, taxpayers with the highest income, especially the very-high-income class (top 1% of all taxpayers) include the largest percentage of deductions. Policymakers could consider whether tax incentives should target this specific group of taxpayers and whether to envisage other incentives, which could be more attractive to a broader base of *deductors* (as proposed by other researchers<sup>32</sup>). Further interdisciplinary studies on the giving behaviour of taxpayers belonging to the highest income classes could also significantly build upon the present results to understand the rationale and what, in addition to tax incentives, moves taxpayers to make charitable donations<sup>33</sup>.

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<sup>1</sup> For the examples of other jurisdictions, see OECD, 2020 p. 80–84.

<sup>2</sup> Arts 33a and 56 let. g of the Direct Federal Taxation Act (DFTA).

<sup>3</sup> For a more detailed description of the Swiss system, see Lideikyte-Huber (2018).

<sup>4</sup> Art. 9(1)(i) Direct Taxation Harmonization Act of 14 December 1990 (DTHA).

<sup>5</sup> Code civil suisse (Droit des fondations), Modification du 8 octobre 2004, RS 4545.

<sup>6</sup> FR: "libéraliser le droit suisse des fondations afin d'encourager la constitution de fondations », Report 2003, p. 7426.

<sup>7</sup> Schiesser initiative; Report 2003, p. 7426–7427.

<sup>8</sup> Report 2003, p. 7428.

<sup>9</sup> Schiesser Initiative.

<sup>10</sup> The reform also introduced changes in the Value Added Tax and Withholding Tax Acts, but they will not be considered in the framework of the present contribution.

<sup>11</sup> FR: Commission de l'économie et des redevances.

<sup>12</sup> Report 2003, p. 7431.

<sup>13</sup> Draft Federal Act, p. 7458 et seq.

<sup>14</sup> Federal Council, p. 7467.

<sup>15</sup> Federal Council, p. 7467.

<sup>16</sup> Federal Council, p. 7466–7467.

<sup>17</sup> Federal Council, p. 7467.

<sup>18</sup> Federal Act Modifying CC, p. 4551.

<sup>19</sup> In its message, the need for rules to establish uniform practice is recognized and providing an ordinance to this effect is considered advisable. Federal Council, p. 7466.

<sup>20</sup> Federal Parliament, deliberation 00.461 Pa. Iv. Schiesser Fritz. Revision of the Law on Foundations Report 2003, p. 7426.

<sup>21</sup> Schiesser initiative ; also see parliamentary deliberations on Schiesser initiative No. 00.461, p. 1216.

<sup>22</sup> Report 2003, p. 7432.

<sup>23</sup> Personal Income Tax Act – V (FR : Loi sur l'imposition des personnes physiques (LIPP-V) Détermination du revenu net – Calcul de l'impôt et rabais d'impôt – Compensation des effets de la progression à froid du 22 septembre 2000, D 3 16 ; in force : 01.01.2001).

<sup>24</sup> Personal Income Tax Act of September 27, 2009 (FR : Loi sur l'imposition des personnes physiques du 27 septembre 2009 ; LIPP ; D 3 08, in force : 01.01.2010).

<sup>25</sup> Corporate Income Tax Act of September 23, 1994 (FR : Loi sur l'imposition des personnes morales du 23 septembre 1994, D 3 15 ; in force : 01.01.1995).

<sup>26</sup> The authors have contacted the Swiss Federal Office of Statistics, Swiss Federal Tax Administration, Swiss Federal Department of Finance, and the Swiss Federal Audit Office for these purposes. All sources confirmed that no evaluations were conducted to assess the efficiency of this tax reform.

<sup>27</sup> Federal Bureau of Statistics 2020 Regional comparison according to selected criteria, <https://www.bfs.admin.ch/bfs/fr/home/statistiques/statistique-regions/portraits-regionaux-chiffres-cles/cantons.assetdetail.11587764.html> access date 04.03.2021

<sup>28</sup> See chapter x of this Handbook, Adena Maja, How can we improve tax incentives for charitable giving? Lessons from field experiments in fundraising.



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<sup>29</sup> Personal Income Tax Bill of the Canton of Geneva Of 10199,  
<https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwiB6MClrqHwAhXGsKQKHZ3CClwQFjABegQIBhAD&url=https%3A%2F%2Fge.ch%2Fgrandconseil%2Fdata%2Ftexte%2FPL10199.pdf&usq=AOvVawOHcXiLL1mRvpRmQH8HNvVz> access date 28.04.2021 16.01.2008, PL

<sup>30</sup> Art. 12 par. 1 of the Regulations for the implementation of the law on withholding tax on natural and legal persons of the Canton of Geneva (FR : Règlement d'application de la loi sur l'imposition à la source des personnes physiques et morales (RISP) du 30.09.2020 ; rsGE D 3 20.01).

<sup>31</sup> Information provided by the Canton of Geneva together with the data for the present study.

<sup>32</sup> See **chapter x** of this Handbook, Nicolas Duquette/Jennifer Mayo, Who gives and who gets? Tax policy and the long-run distribution of philanthropy in the US.

<sup>33</sup> For further developments on this topic, see the chapters of this handbook by Andreoni/Smith; Duquette/Mayo; Bernardic et al.