The IWP Microsimulation Model: A tool for policy consulting

Switzerland's system of taxes, transfers and social security contributions is complex. Due to the federal structure, each canton collects its own taxes in addition to the direct federal tax. Municipalities and churches impose their own taxes, too.

The IWP Microsimulation Model illustrates economic outcomes of a potential reform of the tax and transfer system compared to the status quo. It incorporates all tax regulations which are relevant for Swiss individuals. Apart from the tax schemes, transfer payments of the state and the cantons such as child allowances or social assistance as well as social security contributions are included.

The microsimulation model can simulate changes at any point in the Swiss tax and transfer system. In the current first version, only direct effects are shown such as the impact of a reform on disposable income of hypothetical households.

In a second stage, the model will simulate fiscal and distributional effects. For this purpose, the representative data of the Swiss Household Panel (SHP) will be used. The effects can be aggregated to individual cantons or the entire country.

A third stage will see the incorporation of a labor supply module, which simulates workers' reactions to potential reforms in terms of working time adjustment. It thus estimates second-round effects on the fiscal and distributional levels.