

Boardroom Questions



Swiss Corporate Tax Reform

Preservation of competitiveness of Switzerland as a business location

Just as the Corporate Tax Reform III (CTR III) that was rejected by the Swiss population, the aim of the Tax Proposal 17 (TP 17) is to maintain and further develop Switzerland's position as one of the most attractive business locations worldwide, while increasing international acceptance of its corporate tax legislation and sustainably securing adequate tax revenues to finance public activities. The focus is on ensuring legal certainty and investment security while also improving the competitiveness of the tax system and abolishing certain tax regimes.

Facts

- **2013:** Reports on CTR III
 - **June 2015:** Dispatch of draft legislation
 - **June 2016:** CTR III approved by parliament
 - **12 February 2017:** Rejection of CTR III by referendum
 - **March 2017:** Launch of the new proposal (TP 17)
 - **June 2017:** Determination of the TP 17 cornerstones
 - **Sep.-Dec. 2017:** Consultation on TP 17
- **Willingness to discontinue 5 tax regimes**
 - on cantonal level: holding, domicile and mixed company regimes
 - on federal level: principal company regime
 - Swiss finance branch regime
 - **New measures in compliance with OECD principles**
 - **No retaliatory measures (Black Listing) by EU member states**

Brief overview of main aspects of the Tax Proposal 17

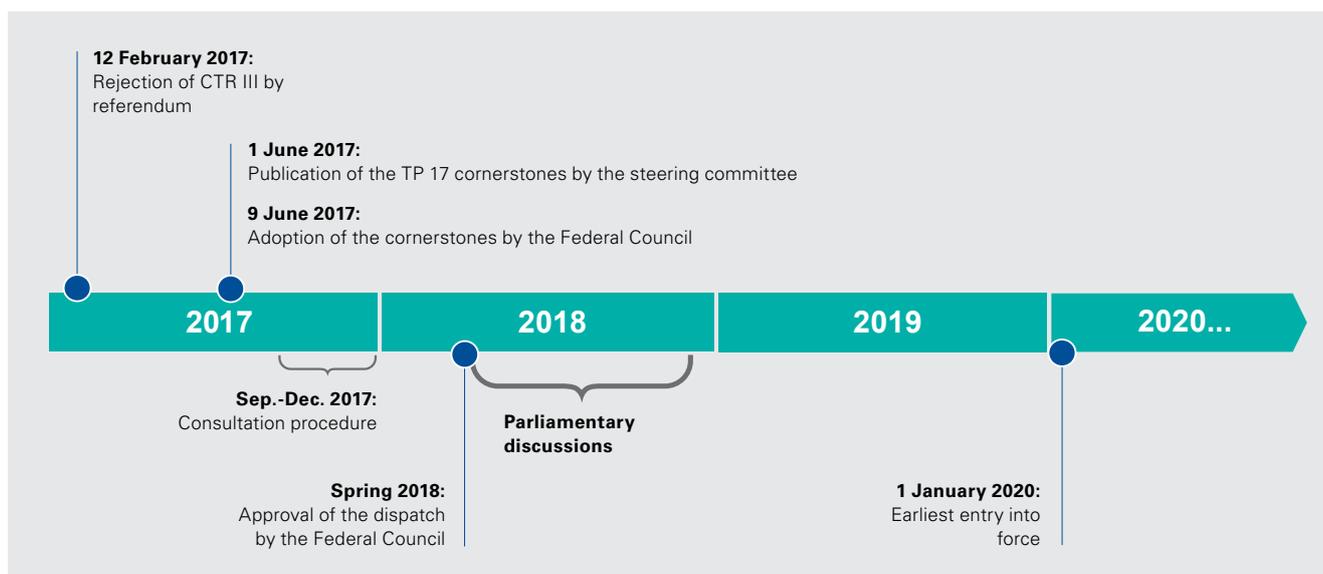
Eliminating internationally criticized tax practices

- Abolition of the Cantonal tax statuses for holding, domiciliary and mixed companies (and abolition of tax practices of principal companies and finance branch) with transition measures ("special tax rate").

Measures to maintain competitiveness of Swiss tax law with equalization measures

- General reduction of corporate income tax rates;
- Introduction of a "Patent Box" with a tax reduction of up to 90%;
- Introduction of R&D input incentives in the form of a R&D super deduction;
- Limitation of maximum deductions at cantonal level to 70%;
- Voluntary reduction of capital tax for equity in relation with investments and patents as well as similar rights;
- Increased partial taxation quotas of qualifying dividends for individuals to 70% at federal level and at least 70% at cantonal level;
- Increase of family allowances by CHF 30;
- Introduction of possibility to disclose hidden reserves upon relocation to Switzerland ("step-up").

Time schedule for implementation



The consultation procedure on TP 17 ran until 6 December 2017. The Federal Council will submit a draft law to Parliament as part of the dispatch in spring 2018 based on the opinions received in the consultation procedure. The parliamentary discussions should take place in the course of 2018. As KPMG Switzerland is keeping a close eye on political and industry developments, our experts can regularly provide you with prompt and comprehensive in depth insights on the ongoing discussions.

Action required

- **Timely evaluation of the proposed measures which may apply to** a company in order to allow for an assessment of any potential impact of a reform and to possibly take preparatory action, since for status companies, no “subsequent statuses” should be expected, with the exception of companies that use the “Patent Box”
- **Check** whether **existing tax rulings** are based on a legal basis which will be repealed or amended in terms of the TP 17. In this respect, the spontaneous exchange of information concerning tax rulings must also be taken into account.
- **Assess** whether the **current group structure** will withstand changing conditions in view of other upcoming issues (measures in the context of the OECD’s action plan to combat erosion of the tax base and profit shifting to low tax jurisdictions with low or no tax/BEPS).
- **Evaluate the transparency of your company and tax structure**, since the public perception of corporate tax planning has increased considerably and will increase even further – cf. “Luxembourg Leaks”, “Panama Papers” and “Paradise Papers” (balancing act between legal and legitimate tax planning).

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