



**KEY FIGURES**



Sources: PwC 2019

**CORPORATE TAXATION**

**A BRIEF SUMMARY OF THE KEY POINTS**

Switzerland is known for its lean government, low taxes and duties. The low tax rates for companies and private individuals are one of the essential reasons international companies choose to set up offices in Switzerland. In addition to the low tax rates, there are further advantages that contribute to Switzerland being a popular location, including smooth cooperation between authorities and companies, an extensive network of double tax treaties and a low value-added tax.

On 19 May 2019, the Swiss electorate adopted the Federal Law on Tax Reform and AHV Financing (TRAF) with a majority of 66.4%. The adoption of the TRAF means that the Swiss tax system has been modernized and now offers companies an attractive tax environment in line with internationally established tax practices.

**Corporate tax on earnings in Europe**

Percentage according to Worldwide Tax Summaries 2019

Country	in %	Country	in %
Ireland	12.50	Netherlands	25.00
Switzerland	17.10	Luxembourg	26.01
United Kingdom	19.00	Germany	30.20
Sweden	21.40	France	31.00

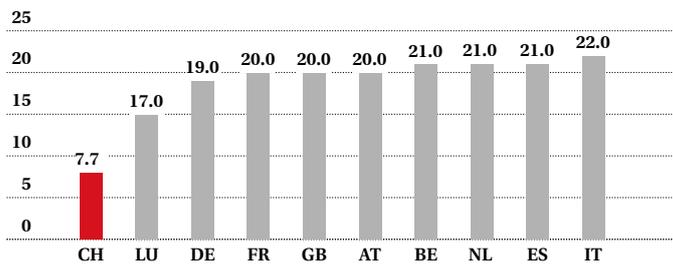
Source: PwC, 2019

## THE SWISS TAX SYSTEM

- The Swiss tax system boasts a **federal structure**, meaning taxes are raised at federal (national), cantonal and municipal level.
- Effective tax rates for Swiss companies vary from canton to canton, starting at around **11.35%**, with the **average rate being around 17%**. Switzerland is therefore highly competitive by international standards.
- At federal level, a statutory tax rate of 8.5% applies to corporations and co-operatives, while associations, foundations and other legal entities, as well as investment funds, are taxed at 4.25%.
- A number of **double taxation agreements (DTA)** ensure that individuals and legal entities who earn income in two countries are not taxed twice. At present, over 100 such DTAs are in force.
- At just 7.7%, Switzerland has the **lowest value-added tax rate in Europe**.

### Value-added tax in Europe

VAT rates according to Worldwide Tax Summaries 2019 in European comparison (in %)



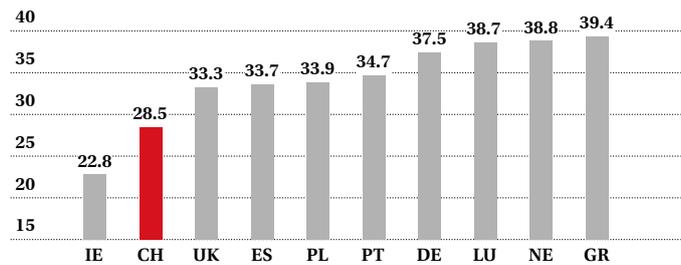
Source: PwC, 2019

- **The stable political environment supports the stability of the tax system**, helping companies carry out long-term planning.
- Thanks to the **trusting exchange between the tax authorities and the companies**, it is also ensured that appropriate solutions for appropriate taxation are found even in complex cases.
- Switzerland applies the practice of **advance tax rulings**. These are advance confirmations regarding the (fiscal) legal eligibility of specific circumstances on the part of the authorities. The standard practice for advance tax rulings means that companies enjoy a greater degree of legal certainty.

- **Withholding tax** is a federal tax levied directly at source on income from movable capital assets, on Swiss lottery winnings of one million Swiss francs or more and on certain insurance benefits.
- Switzerland raises so-called **stamp duty**, a form of legal tax, on the issue and trading of securities. Firstly, the **stamp duty on newly issued securities** is charged when issuing securities and shares (CHF 1 million or more). Secondly, **turnover tax** is charged when trading in securities such as stocks and bonds, in so far as a securities trader is involved as either a contract party or an intermediary.
- At 27.8%, Switzerland enjoys the **lowest fiscal quota** in continental Europe (tax revenues incl. social security contributions as a percentage of GDP).

### Public revenues quota in Europe

Tax revenues and social security contributions in 2017 as a proportion of GDP (%)



Source: OECD, Revenue Statistics, 2018

## TRAF

In line with internationally recognized standards, Switzerland is currently in the process of replacing its existing system, which favors holding, management and mixed companies, with new regulations.

To ensure that Switzerland remains attractive as a tax jurisdiction for foreign companies, various tax measures aimed at increasing the competitiveness of Switzerland as a company location are being introduced. After the TRAF was adopted by the Swiss electorate with a majority of 66.4% on 19 May 2019, the standards will enter into force at federal level on 1 January 2020. In addition, the reform must be implemented at cantonal level. Most cantons also provide for the cantonal implementing provisions to enter into force on 1 January 2020.

The TRAF comprises the following core elements:

- **Patent box:** A patent box that is consistent with the OECD regulations will result in preferential tax treatment of revenue from patents and similar rights (e.g. license revenues from patents).
- **Increased tax breaks for research and development expenditure:** The cantons should be given the opportunity to supplement the patent box with input-oriented special tax breaks for research and development costs.
- **Maximal relief:** Tax relief for income through the patent box and deductions for R&D expenses may not exceed 70%.
- **Two-rate solution/step-up under old legislation:** These two transitional solutions, which are available as alternatives in many cantons, mean that the tax burden should remain at the current or only a slightly higher level during the transition in spite of the relinquishment of a privileged tax status.

It is up to the cantons to reduce the tax rates at cantonal and municipal level within the limits of their budgets. Several cantons **already offer an effective overall tax burden** (federal, cantonal and municipal taxes) **of less than 13%**.

Thanks to the core elements of the TRAF that are available to the cantons and the already comparatively attractive profit tax burden in many places, it is clear that the implementation of the TRAF at cantonal level will create internationally competitive conditions for companies operating in Switzerland.

### OECD standards for patent boxes

In its final report of October 2015, the OECD announced an agreement on the parameters of future standards for patent boxes. This is based on the so-called modified Nexus approach. It provides that a significant proportion of income generated from intellectual property should only be subject to tax breaks in cases where the taxpayer has carried out a significant part of the underlying research and development themselves. Such tax breaks must be directly linked to research expenditure and the country or the canton granting them must have economic substance. Switzerland has designed the patent box to be as business-friendly as possible under these guidelines.

## TESTIMONIAL



“Companies settling in Switzerland are often impressed by the efficiency and reliability of the authorities here. The cooperation between tax authorities and companies is exceptional, with everyone being on an equal footing. The advance tax ruling system, that is, the legal preliminary review of tax issues, is something that companies really value. This, along with our stable political conditions, is a decisive factor in ensuring planning security, which is of high importance to companies.”

STEFAN SCHMID  
Partner Tax and Legal Services, PwC Switzerland  
[www.pwc.ch](http://www.pwc.ch)

## CURRENT DEVELOPMENTS

- The OECD has been working on a 15-point plan for BEPS (Base Erosion and Profit Shifting) since 2013. The aim is to develop new international regulations for corporate taxation, making it impossible for multinational groups to unjustly diminish profits or shift them to low-tax countries. The OECD published its findings in October 2015. The following elements influence the companies directly: The group is required to pay tax on profits where appropriately qualified personnel actually earn them. The company will also be required to present both a “master file” and a “local file” to the tax authorities in each country. The master file contains information concerning the group-wide structure of cross-border value chains, the distribution of functions and risks and also transfer pricing methods. For groups with revenue of at least CHF 900 million, the Swiss parent company must submit country-by-country reporting (CBCR) for key data such as revenue, profit, number of employees, tax performance etc. to the tax authority in the country in which it is registered. This is then relayed to the foreign tax authorities by means of international information exchange.
- On December 1, 2017, the legal framework for implementing the automatic exchange of country-by-country reports came into force. The exchange thus concerns financial years beginning on or after January 1, 2018. In addition, certain tax rulings since January 1, 2018, based on the Regulation on International Administrative Assistance in Tax Matters are subject to the spontaneous exchange of information between the Swiss Federal Tax Administration (FTA) and the tax authorities of the foreign partner states. This also applies to rulings on privileged tax statuses, which Switzerland will abolish under the TRAF.

## CONTACTS AND FURTHER INFORMATION

### Authorities and regulators

Swiss Federal Tax Administration  
[www.estv.admin.ch](http://www.estv.admin.ch)

State Secretariat for  
International Financial Matters SIF  
[www.sif.admin.ch](http://www.sif.admin.ch)

Federal Department of Finance  
[www.efd.admin.ch](http://www.efd.admin.ch)

### Associations and Networks

Swiss Tax Conference  
(Schweizerische Steuerkonferenz)  
[www.steuerkonferenz.ch](http://www.steuerkonferenz.ch)

Conference of the Swiss Financial  
Directors  
(Konferenz der Finanzdirektorinnen)  
[www.fdk-cdf.ch](http://www.fdk-cdf.ch)

PwC: Corporate Tax & Tax structures  
[www.pwc.ch](http://www.pwc.ch)

OECD: Inclusive Framework on  
Erosion and Profit Shifting  
[www.oecd.org/tax/beeps](http://www.oecd.org/tax/beeps)

### Innovation and start-up funding

[www.agire.ch](http://www.agire.ch)  
[www.swissparks.ch](http://www.swissparks.ch)  
[www.technopark-allianz.ch](http://www.technopark-allianz.ch)

### Publications

PwC: World Tax Summaries Online  
[www.taxsummaries.pwc.com](http://www.taxsummaries.pwc.com)

SIF: Company taxation / BEPS  
[www.sif.admin.ch](http://www.sif.admin.ch)

### S-GE resources

Handbook for Investors  
[www.s-ge.com/handbookforinvestors](http://www.s-ge.com/handbookforinvestors)

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