Deloitte.

Media release

Zurich/Geneva, 25 November 2021

Deloitte survey: Swiss companies view global minimum tax as a threat – call for the abolition of the Swiss withholding tax

International companies see a global minimum tax as a threat to Switzerland's competitiveness. As compensation for the resulting additional tax revenues, most of the tax managers surveyed suggest the abolition of the Swiss withholding tax. According to the Deloitte survey, support for R&D activities and the reduction of social security contributions also receive broad approval. Overall, the companies based in Switzerland are very satisfied with the location they have chosen. However, in addition to the high costs, they see the lack of access to skilled workers as the biggest challenge facing Switzerland as a business location.

Switzerland's multinational companies are naturally interested in having an attractive business location. When it comes to investments and location decisions, the tax managers of these companies have a major role to play. More than a quarter of the Heads of Tax of 49 multinational companies surveyed see the introduction of a global minimum tax rate as a threat to the competitiveness of Switzerland as a business location. For half of the respondents, the reform tends to be a threat. Only 14 percent of the respondents assume that competitiveness will not be impaired by a global minimum tax (see chart 1).

Some tax officials also see opportunities in the tax reform initiated by the international community. "A global minimum tax would only reduce Switzerland's tax advantage over countries like Germany, France or the USA by a few percentage points. On the other hand, the tax advantage of countries like Ireland, Hong Kong, Malta, Cyprus or Dubai would decrease or disappear," explains Reto Gerber, Head of Tax at Deloitte Switzerland. "This could lead to companies relocating tasks currently located in other low-tax locations to Switzerland."

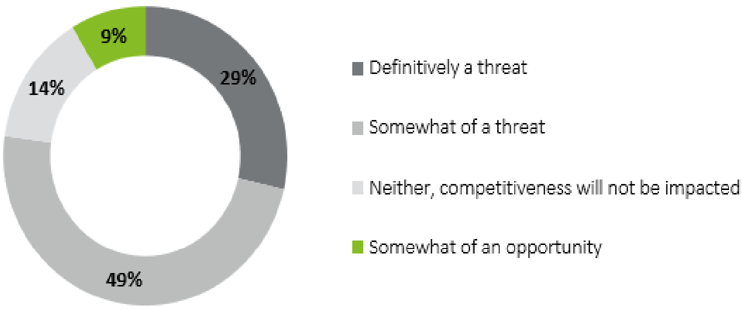

Chart 1: Is the introduction of a global minimum taxation rate a threat or an opportunity for the business location Switzerland?

Tax rates are not the only decisive factor

Deloitte also asked about the impact of a minimum tax rate on eight different corporate functions. Finance functions, production and R&D are under the greatest pressure: around 40 percent of respondents anticipate a negative impact of the global minimum tax on these corporate functions in Switzerland.

This is all the more significant as the companies consistently see Switzerland as their preferred international location for all the corporate functions surveyed. "The respondents are very familiar with Switzerland as a business location. It is therefore a good sign that they consider it so attractive compared to other countries such as the UK, Singapore, the Netherlands or Ireland," says Gerber. However, the tax environment is by far not the most important location factor: according to the results of the Deloitte study, political stability, functioning infrastructure and a high quality of life are at the top of the list. But the business-friendly authorities and the geographical location are apparently more important to internationally active companies than taxes.

Skilled labour shortage poses an issue to attractiveness

According to the survey, there is still potential for improvement when it comes to two factors. Not surprisingly, Switzerland's high costs are criticised. Switzerland also falls short of expectations when it comes to access to skilled workers, whether domestic or abroad. "Switzerland runs the risk of a shortage of skilled workers hampering its economic success," warns Reto Savoia, CEO of Deloitte Switzerland." Many companies rely on being able to bring their skilled workers from third countries to Switzerland as well—the approval processes should be accelerated and streamlined. Schools and training must also place greater emphasis on technical skills and entrepreneurial thinking."

Abolish Swiss withholding tax

Corporate tax managers would like to see the Swiss withholding tax on capital investments abolished in return for the introduction of the global minimum tax (see chart 2). With a rate of 35 percent, Switzerland has one of the highest taxes on dividend distributions and interest income worldwide. Support for stronger R&D activities and the reduction of social security contributions also receive broad approval.

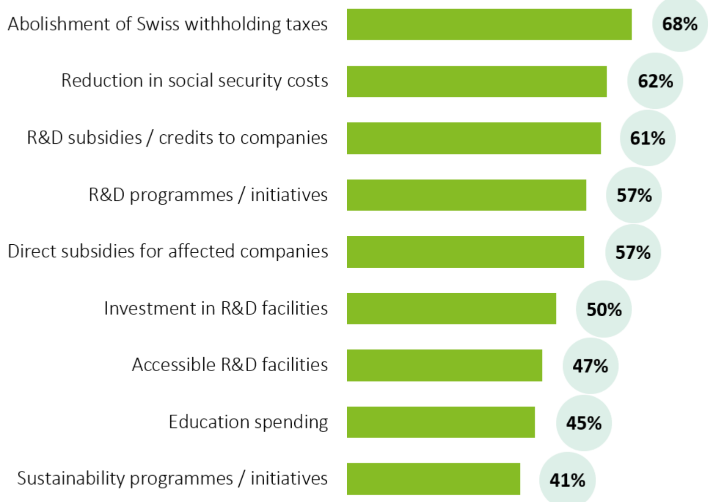

Chart 2: If the authorities choose to reinvest additional tax revenues which investment measures would be most effective? (Share of those ranked as "relevant" and "very relevant")

"The abolition of the Swiss withholding tax would be a win-win solution and would give the economy an additional boost within a few years," explains Reto Gerber. On the one hand, this would make direct investments in Swiss companies easier and cheaper, and on the other hand, Switzerland would become more attractive as a marketplace for outside capital. "The upper house of the federal assembly, the Council of States, has it in its hands to pass the bill to abolish the Swiss withholding tax in the upcoming winter session," says Reto Gerber.

Digital tax poses additional risks

Switzerland faces even more difficulties as a tax location: While the global minimum tax increases the worldwide revenue pot, it is also to be distributed differently, namely with the digital tax. This would have a negative impact above all on the subsidiaries of large corporations. "Switzerland would become less attractive for new companies and there is a risk of an exodus of already established ones," says Reto Gerber.

"Even after the introduction of the global minimum tax, taxes remain a relevant factor when it comes to locating corporate functions to Switzerland, even if not all companies emphasise this so openly," says CEO Reto Savoia. "Accordingly, there is a need for sensible compensations such as the abolition of the Swiss withholding tax. At the same time, tax competition among the cantons must not be restricted under any circumstances and we must also take care of the good relationship between taxpayers and tax authorities."

About the survey

For the Deloitte Global Minimum Tax Rate Survey, a total of 49 Head of Tax / Senior Tax Professionals from listed and private multinational companies with strong business ties to Switzerland were interviewed between September and mid-October 2021.

Deloitte Switzerland also surveyed around 400 leading representatives from business, associations and politics on the success factors for Switzerland for the major location study Power Up Switzerland. In the comprehensive analysis, nine clusters of action emerged that now need to be addressed in a coordinated manner by the state and businesses, tax environment is one of them.

Contact: Michael Wiget
Head of External Communications
Phone: +41 58 279 70 50
Email: mwiget@deloitte.ch

Contact: Adrian Zebib
External Communications Specialist
Phone: +41 58 279 61 42
Email: azebib@deloitte.ch

Deloitte Switzerland

Deloitte is a leading accounting and consulting company in Switzerland and provides industry-specific services in the area of Audit & Assurance, Consulting, Financial Advisory, Risk Advisory and Tax & Legal. With around 2,200 employees at six locations in Basel, Berne, Geneva, Lausanne, Lugano and Zurich (headquarters), Deloitte serves companies and organisations of all legal forms and sizes in all industry sectors.
Deloitte AG is an affiliate of Deloitte North South Europe (NSE), a member firm of the global network of Deloitte Touche Tohmatsu Limited (DTTL) comprising around 330,000 employees in more than 150 countries.

Note to editors

In this press release, Deloitte refers to Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/ch/about to learn more about the legal structure of DTTL and its affiliates.
Deloitte AG is a subsidiary of Deloitte LLP, the UK member firm of DTTL. Deloitte AG is an audit firm recognised and supervised by the Federal Audit Oversight Authority (FAOA) and the Swiss Financial Market Supervisory Authority (FINMA).
The information in this press release was correct at the time it was released.