

### Switzerland

#### Swiss views on BEPS



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**T**he BEPS initiative attracts the attention of Swiss tax executives. The main reason is the uncertainty around the final outcome of BEPS and its impact on the international tax environment. Other reasons are the tight timeline for the implementation of BEPS and the immediate need for actions to mitigate tax risk exposure through an alignment of tax and operational models.

From a Swiss tax perspective the complexity of the planned changes under BEPS is even greater since the Swiss government is currently working on the so-called Corporate Tax Reform III (CTR III) which aims to secure and strengthen the tax competitiveness and attractiveness of Switzerland as an international location for corporations. CTR III will replace current tax privileges, such as holding, mixed and domiciliary company tax regimes in the coming years with other measures, such as a License Box regime and the introduction of a notional interest deduction, in addition to a broad based reduction of headline cantonal tax rates, which is currently being discussed.

Measures proposed as part of the BEPS initiative obviously need to be taken into consideration when drafting the CTR III. It is the ambition to align the Swiss tax law with the internationally acknowledged OECD principles, especially from a transfer pricing point of view. It will make it easier for taxpayers in the future to defend the transfer prices applied between foreign and Swiss group entities if the business models are carefully aligned to the parameters of BEPS and CTR III. For multinational corporations which can demonstrate sufficient economic substance in Switzerland in particular, Switzerland will remain a preferred location for headquarter, principal, IP and financing structures.

Since the BEPS initiative by the G20 and OECD is still ongoing, the anticipated changes under CTR III are still to be determined. We will be closely monitoring the developments and shall keep you updated.

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