Switzerland

Corporate tax reform as per draft legislation would make Switzerland more attractive for multinationals


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The draft legislation in regard to the so-called Corporate Tax Reform III was published on September 22 2014 and it turned out be more attractive than generally expected. If the reform – which brings along a replacement of all special tax regimes by other measures presumably by 2019 – will be implemented according to the draft legislation, Switzerland will become more attractive for multinationals.

The position of Switzerland as a holding, financing and intellectual property (IP) location will be strengthened. Switzerland will have one of the most liberal participation exemption regimes, with no minimum thresholds, no minimum holding period and no controlled foreign companies (CFC) or subject-to-tax rules. Financing activities in particular will benefit from a notional interest deduction (NID) on equity. Income related to patents will be able to benefit from a very liberal patent box regime.

In addition, to attract new companies, a step-up will be granted upon immigration of a company to Switzerland which would enable the company to pay very little tax during the first 10 years.

Above all, the reform will bring long-term planning security, a step-up for tax purposes that can be amortised tax effectively over 10 years once the reform is implemented in 2019 or 2020 will ensure that companies, which are transitioning out of a tax privileged regime, such as a mixed company regime, can keep their existing tax rate for up to 15 years.

The draft legislation is now in the consultation process where interested parties can suggest changes to the legislation. The clear intention of this reform is not only to make Switzerland more attractive for multinationals, but also to ensure that the proposed tax regimes and measures are BEPS-proof and in line with EU regulations.

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