

## Deloitte Tax Monitor Corporate Tax Reform III Survey



The outcome of the so-called Corporate Tax Reform III is a key topic for the future of many Swiss companies. Just ahead of the consultation period Deloitte surveyed 160 Chief Financial Officers and Heads of Tax of companies domiciled in Switzerland regarding the potential impact of this reform.

Key findings of the survey:

- Based on the key parameters of the reform as currently known 64% of the survey participants believe that it will result in a deterioration of the attractiveness and the international competitiveness of Switzerland as a place to do business.
- The consequences for their own company are perceived to be slightly more positive, 53% are expecting a negative impact, and only 12% see positive aspects.
- The preparations are at different stages: 29% follow a 'wait and see' approach, while 60% are currently assessing the potential impact or analysing different scenarios.
- The reduction of corporate income tax rates at a cantonal level and the introduction of an intellectual property box are considered two of the most important topics regarding the implementation of the reform.

### Contacts

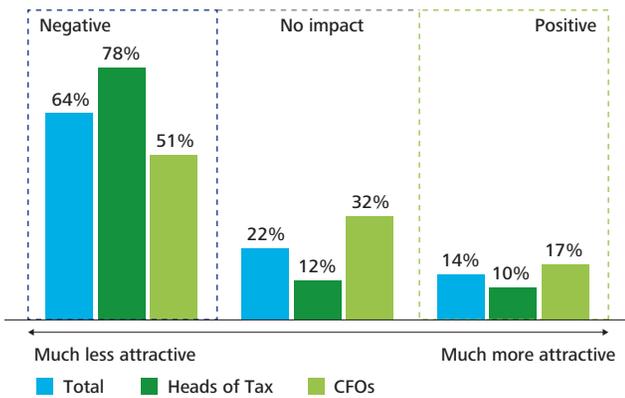
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# Negative impact on Switzerland and the corporate sector expected

CHART 1. IMPACT ON SWITZERLAND'S ATTRACTIVENESS AND COMPETITIVENESS

How do you rate the impact of the planned Corporate Tax Reform III on Switzerland's attractiveness as a place to do business and its international competitiveness?

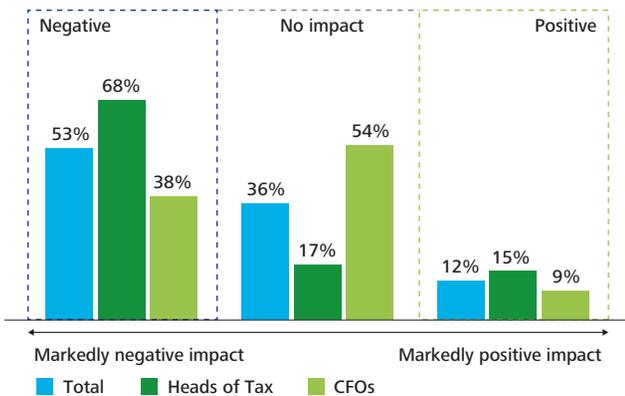


Based on the key parameters of the corporate tax reform that are currently known, 78% of the Heads of Tax and 51% of the CFOs believe that the Corporate Tax Reform III (CTR III) will reduce the attractiveness of Switzerland as a place to do business (see Chart 1).

Only a minority (14% in total) think that the reform will be a major success, and that Switzerland will become more attractive as a place to do business.

CHART 2. IMPACT ON OWN COMPANY

How do you rate the impact of the planned Corporate Tax Reform III on your own company?



When asked about the impact of the reform on their own company, the view turns slightly more optimistic (see Chart 2): 68% of the Heads of Tax expect negative implications compared to only 38% of the CFOs. It is interesting to note that more than 50% of CFOs believe that the reform will have no impact on their own company.

This clear result shows the importance of a successful reform and the consultation process for the future of Switzerland. Given its significantly higher cost base compared to other countries, Switzerland needs to have an attractive tax regime if it is to compete with other countries as a business location for multinational corporations.

Currently the majority of the survey participants expect negative consequences for Switzerland and its companies in case the tax reform will not be attractive enough. There is still the opportunity to make this corporate tax reform sufficiently business friendly to avoid exactly this scenario.

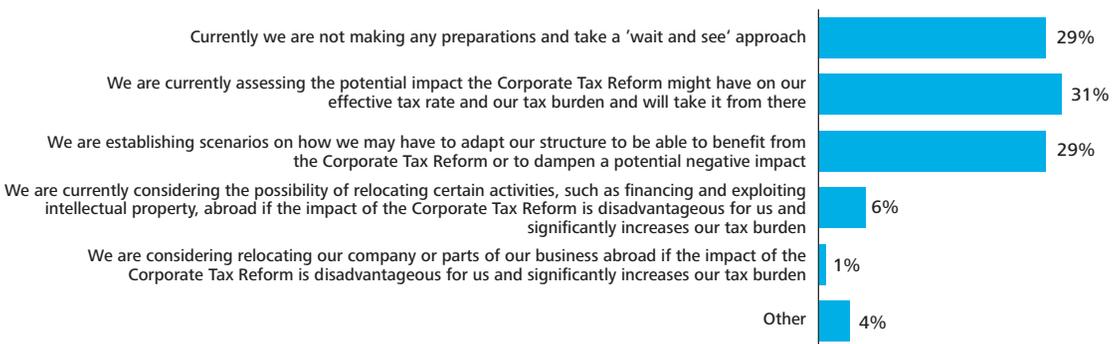
# Preparations in full swing

We asked our survey participants whether and how they currently prepare for the planned CTR III (see Chart 3). The opinion of the Heads of Tax barely differs from that of the CFOs. About 29% have adopted a ‘wait and see’ approach. A majority of 60% is in the process of assessing the potential impact of the reform or is conducting scenario analysis on how to benefit from the reform and avoid negative consequences. A small group (6%) is considering the potential of relocating certain activities abroad. Only two participants reported to evaluate whether to move the company’s domicile abroad in case the reform leads to significant disadvantages and a materially higher tax burden.

Despite the apprehension companies are currently not panicking. Except for individual cases there is no apparent wave of emigration. For the most part the executives are in a state of waiting and are analysing the situation. Should the tax reform, however, not move in the right direction this approach could change quickly.

CHART 3. PREPARATION

How are you currently preparing for the changes expected as a result of the Corporate Tax Reform III?

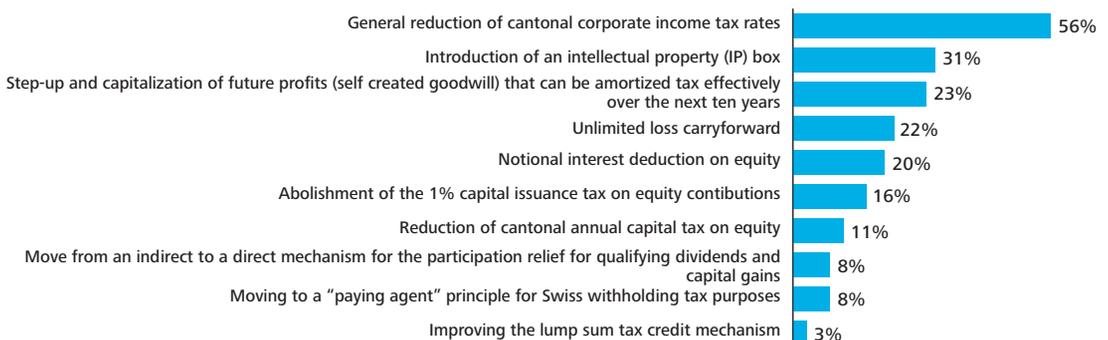


When asked what they thought were the two most important changes the reform should achieve (see Chart 4), 56% of the participants hope for a decrease of corporate income tax rates at a cantonal level. 31% support the introduction of an intellectual property (IP) box, and 20% would like to see the implementation of an interest-adjusted corporate tax rate (interest deduction on equity). Nearly a quarter would welcome the possibility of capitalising profits for tax purposes (‘step up’) in order to tax effectively amortise them over the next ten years.

Not surprisingly, a reduction of corporate income tax rates was the most frequently mentioned since all companies would benefit from lower tax rates. This does not mean, however, that in specific cases other measures such as a generously designed intellectual property box would not be more important to keep existing companies in Switzerland or to attract new ones.

CHART 4. DESIRED ACHIEVEMENTS

What do you see as the two most important things that Corporate Tax Reform III should achieve?



# About our Tax practice in Switzerland

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## About the Corporate Tax Reform III Survey

The survey was conducted between 25 August and 09 September 2014. A total of 160 corporate Tax directors (78) and CFOs (82) participated. The participants represent all major industries in the Swiss economy. Because of rounding, percentages in this report may not add up to 100.

We would like to thank all participating Tax directors and CFOs for their support in completing the survey.

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