

Switzerland

Revised draft legislation on Corporate Tax Reform III introduced into Parliament



Rene Zulauf and
Jacques Kistler,
Deloitte

On June 5 the Swiss federal government introduced revised draft legislation on Corporate Tax Reform III (CTR III), which would sunset all special corporate tax regimes, such as mixed or holding company regimes. The draft legislation contains various measures to compensate for the elimination of beneficial tax regimes:

- Reduction of headline tax rates on a cantonal/communal level at the discretion of cantons;
- Introduction of a patent box applicable to patented IP for which the R&D spend occurred in Switzerland (in line with the OECD's modified nexus approach);
- Introduction of excess R&D deductions at the discretion of cantons;
- Allowing a step-up (including for self-created goodwill) for direct federal and cantonal/communal taxes upon the migration of a company or of additional activities and functions to Switzerland;
- Tax privileged release of hidden reserves for cantonal/communal tax purposes for companies transitioning out of tax privileged cantonal tax regimes (such as mixed or holding companies) in a manner that this would reduce the cantonal/communal tax rate over a period of five years, such that in some cantons the previous tax privileged rate could be achieved for a period of five years.
- Reduction of the cantonal/communal capital tax in relation to holding of participations and patented IP at the discretion of cantons;
- Abolition of the 1% capital issuance tax on equity contributions;
- Extension of the eligibility for foreign tax credits to Swiss permanent establishments of foreign entities.

The revised draft legislation is in some ways more attractive and in other ways more restrictive than the initial draft legislation introduced last year. CTR III is, however, still a work in progress and may change depending on the success of stakeholder lobbying.

The two-chamber Swiss parliament should vote on CTR III in autumn 2015 and spring 2016 respectively. There may also be a national referendum to allow the

public to vote on the issue. Cantonal tax laws would subsequently have to be amended to reflect the changes, so that the most likely date for the law to become effective would be January 1 2019.

Rene Zulauf (rzulauf@deloitte.ch) and
Jacques Kistler (jkistler@deloitte.ch)

Deloitte

Tel: +41 58 279 6359 and +41 58 279 8164

Website: www.deloitte.ch