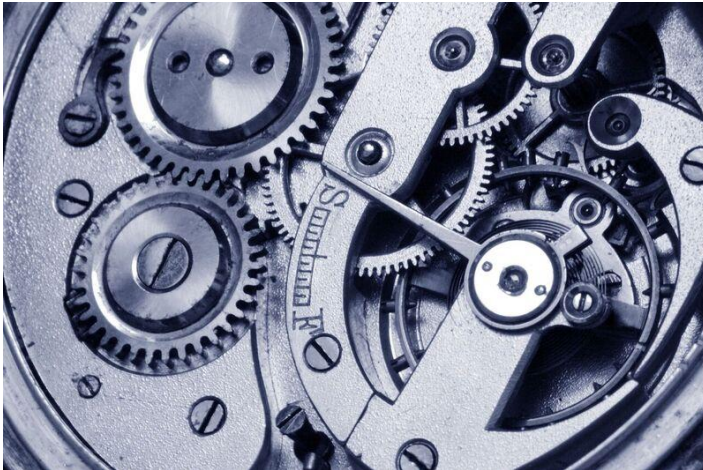




RELIANCE TRUST



## Newsletter

December 15, 2016

### Swiss Corporate Tax Reform

The current tax system foresees that Swiss companies are taxed between 12 and 24% depending on the canton of residence of the company. In case a preferential corporate tax regime is applicable (e.g. holding, auxiliary, principal companies etc.), the overall effective corporate tax rate can range between 7 and 12%.

In view of on-going debate with the European Union and the OECD, Switzerland has prepared a corporate tax reform that will abolish its preferential corporate tax regimes and improve its general tax system. The reform will introduce new tax regimes and the standard corporate tax rates will be reduced in order to better match the tax burden of companies currently benefitting from a preferential tax regime.

#### Overview of the new tax regimes

Each canton has to decide if and how it will implement these new measures within the framework provided by the federal corporate tax reform.

- Patent box: introduction of a privileged taxation of income from patents and similar IP rights
- R&D expenses: application of a special super deduction for Swiss R&D expenses
- Notional interest deduction: notional interest will be tax deductible on part of the equity

- Step-up: hidden reserves can be capitalized in the tax balance sheet without immediate taxation
- Reduction of the corporate capital tax

#### Overview of the current and planned new standard corporate tax rates

Each canton is reviewing the future corporate tax rates that should be applicable when the corporate tax reform will enter into force. The rates mentioned below include the federal, cantonal and communal corporate income tax:

| <b>Canton</b> | <b>Current standard rate</b> | <b>Future rate applicable</b> |
|---------------|------------------------------|-------------------------------|
| Geneva        | 24.16 %                      | 13.49 % *                     |
| Vaud          | 22.09 %                      | 13.79 %                       |
| Zug           | 14.60 %                      | 12.00 %                       |
| Zurich        | 21.15 %                      | 18.20 %                       |

\*Geneva will during 5 years levy an additional 0.3%, which will bring the rate to 13.79%.

#### Timeline

On **February 12, 2017**, the Swiss population will vote on the content of the federal corporate tax reform. If accepted, it should enter into force in 2019.

Cantons are currently preparing their cantonal corporate tax reform based on the framework provided by the federal corporate tax reform. Each canton should have its tax reforms finalized and accepted by the cantonal population by the end of 2017. These changes should enter into force in 2019.

#### Conclusion

These new tax regimes are attractive and in conformity with international accepted standards. Depending on the canton of residence of the company, the new standard corporate tax rates will range between 12 and 18.2%. By benefiting from the new tax regimes but also from the new corporate tax rates, the effective corporate tax rate could be around 8.7 and 13%. With this corporate tax reform, Switzerland will not only be attractive for multinational companies currently benefiting from preferential corporate tax regimes, but to all economic actors. Switzerland clearly intends to keep the many multinational companies already present in the country and is aiming to attract new companies to Switzerland.

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**Reliance Trust**

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