# Swiss Corporate Tax Reform- Steering Committee Adopts Recommendations on Tax Proposal

Today, 1 June 2017, the steering committee comprised of federal and cantonal representatives has adopted recommendations on a balanced corporate tax reform proposal 17 (TP17) for the attention of the Swiss Federal Council. See also the attached publication summarizing the steering committee's recommendations. The steering committee sees an urgent need to swiftly adopt and implement a new corporate tax reform proposal.The Swiss corporate tax reform proposal TP17, as recommended by the steering committee, has the following three objectives:

- Boosting appeal of Switzerland as a business location
- Re-establishing international acceptance
- Ensuring tax revenue

According to the steering committee, TP17 should be structured in a balanced way, taking into account these objectives. Consequently, the new proposed tax arrangements and regimes should be designed carefully and greater importance should be attributed to the interests of the cities and communes.The key recommendations of the steering committee for TP17 are the following:

- Abolition of the current special cantonal tax status (privileged taxation) for companies. Transitory measures are no longer proposed.
- Proposal of a complete package of balanced tax policy, fiscal policy and social policy measures
- Introduction of a mandatory patent box in accordance with the OECD standard at cantonal level
- Introduction of additional research and development deductions that are optional at cantonal level, up to a maximum of 50%. Focus should be on salary expenses.
- Introduction of a cap or ceiling of 70% for special tax relief measures (combined) at cantonal level
- Increase in of dividend taxation for individual substantial shareholders (10% or more): Direct federal tax: 70% tax base - Cantonal level: minimum 70% tax base (as a financing and compensation measure)
- Increase of the cantons' share of Direct federal tax from 17% to 21.2% (in order to finance cantonal rate reductions and other corporate tax reform at cantonal level)
- Determine that the cities and communes must be taken into account in connection with the increase of the cantons' share of Direct federal tax
- Slight increase of child and education allowances (as a social policy measure)

With the above proposal of TP17, cantons such as Vaud and Geneva shall be able to maintain their cantonal corporate tax reforms introducing flat corporate income tax rates of 13.8% (Vaud), respectively 13.5% (Geneva), which includes federal, cantonal and municipal corporate income tax, as per 2019 or 2020 at the latest.It is now up to the Swiss federal council to decide upon TP17 still during this month, June 2017. After that, the Swiss federal finance department will prepare a draft law, which will be subject to consultation by December 2017 at the latest. The corporate tax reform law can then be submitted to Parliament in the Spring Session of 2018. The Steering Committee proposes that the usual delays for the cantons to adapt to new federal legislation, are exceptionally shortened in the case of TP17, in order to meet the original target date of 2019 or limit any delay till 2020 at the latest.We are excited that, despite the setback of the negative popular vote earlier this year on the previous proposal for corporate tax reform, consensus seems to be found on an attractive Swiss corporate tax reform that can and should still be implemented soon and seems to be acceptable to all political factions and all involved actors, such as notably the cantons, cities and communes.We closely follow all Swiss tax reform developments and regularly advise our clients on the implications the reform may have on their businesses. Please do not hesitate to contact us if you have any comments or questions.Click here: Key Recommendations of the steering body on the substantive TP17 parameters