

Switzerland – Third Corporate Tax Reform Law Approved By Parliament

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After months of debate between the two chambers of parliament, the Swiss federal parliament, on June 14, 2016, reached a final compromise law proposal on the third corporate tax reform. This reform initially started in 2008 under the pressure of the UE and has subsequently been impacted by the BEPS report of the OECD.

The final law confirms on the one hand the abolition of the cantonal privileged tax regimes, disputed by the UE. On the other hand, the law introduces new measures vital for the Swiss economy and in order to remain competitive on the international scene, such as a patent box, notional interest deductions (NID) and superdeductions for R&D. If the cantons introduce the NID, they will also be constrained to keep the partial taxation of dividends from substantial participations to at least 60% for individuals.

The most important new measure at the cantonal level is the possibility to reduce the cantonal corporate tax rate. The canton of Neuchâtel is the first canton to have already reduced its corporate tax rate to 15.6%. More recently, the canton of Vaud already approved in a referendum a reduced rate from currently 22% to 13.79%. Now that the Swiss parliament has decided the federal law, the Canton of Geneva may also announce a reduced corporate income tax of around 13% (federal, cantonal and municipal tax included) in order to keep the headquarters and trading companies based in Geneva. The Swiss Parliament finally postponed the introduction of a tonnage tax for shipping industry, which is a proposal dear to the canton of Geneva. The left wing parties, socialists first, have already announced a referendum against the new law, which popular vote might take place beginning of 2017. The third corporate tax reform should enter into force, if approved by the Swiss voters, in 2019. For additional information please contact Aliasghar Kanani or Thierry Boitelle, Tax Partners, Geneva.