

TAX PROPOSAL 17 - DISPATCH OF THE FEDERAL COUNCIL ON 21 MARCH 2018

New important stage for the TP17



The Federal Council has communicated its dispatch on the Tax Proposal 17 (TP17) for the attention of the Federal Assembly. TP17 contains several tax measures intended to maintain Switzerland's competitiveness and secure jobs in long term. All cantons are to introduce a patent box. Moreover, they can grant additional deductions for research and development expenditures if necessary. These two measures will be accompanied by a relief restriction, which includes a binding provision for the cantons requiring at least 30% of companies' profits to be taxed before these measures are applied. There are further instruments besides these two key ones, including the provision that dividends from qualified participations be taxed at 70% by the Confederation and at least 70% in the cantons.

If no referendum is called, the first TP17 measures could come into force at the beginning of 2019, with most of the rest following from 2020.

It is now up to the political parties to forge a balanced Swiss compromise – one that defends Switzerland's competitiveness as well as possible!

What does the dispatch mean for companies?

TP17 includes several measures that already indicate a need to assess the situation and begin possible decision-making in 2018, even though the legislative process is just beginning. Thus, at a time when companies are starting the financial year 2018, they should anticipate the likely entry into force of the aforementioned measures. It is recommended to carry out precise scenario analyses before deciding on individual actions, taking into account certain specific parameters.

Earlier stages of TP17

The Swiss electorate rejected the third series of corporate tax reforms (CTR III) on 12 February 2017 with a majority of 59.1%. The Federal Council asked the Federal Department of Finance (FDF) to forge ahead with work on new corporate taxation proposal due by summer 2017. In its kick-off meeting on 2 March 2017, the steering body decided to involve the cantons and communes closely in preparing the new proposal. On 1 June 2017 the steering body adopted recommendations on TP17 for the attention of the Federal Council, which adopted the parameters for TP17 on 9 June 2017. During its meeting on 06.09.2017, the Federal Council initiated the consultation on TP17, which expired on 6 December 2017. The Federal Council set the parameters for the dispatch on TP17 on 31 January 2018. The FDF had been instructed to prepare the dispatch by the end of March 2018 so that the parliamentary deliberations can be concluded as early as the 2018 autumn session.

«If no referendum is called, the first TP17 measures could come into force at the beginning of 2019, with most of the rest following from 2020.»

Author
Denis Boivin
Head of Tax and Legal,
Partner
BDO Ltd, Fribourg
Tel. 026 435 33 01
denis.boivin@bdo.ch