

# TRAF / TP17: FACTSHEET



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# TRAF - FACTSHEET

Popular vote on 19 May 2019	
Abolition of the arrangements for cantonal status companies	<ul style="list-style-type: none"> <li>• At cantonal level: holding companies, domiciliary companies and management companies</li> <li>• At federal level: principal companies and Swiss Finance Branches</li> </ul>
Patent Box <i>(mandatory at cantonal level)</i>	<ul style="list-style-type: none"> <li>• OECD modified Nexus approach</li> <li>• Maximum tax relief of 90% (the cantons may decide lower relief)</li> <li>• Entry costs approach on 5 years</li> <li>• Software not qualifying for the Patent Box except if embedded in the patented product</li> <li>• Not applicable for SME not holding patents and similar rights</li> </ul>
Additional R&D deduction <i>(optional at cantonal level)</i>	<ul style="list-style-type: none"> <li>• Additional deduction of no more than 50% for R&amp;D expenditure</li> <li>• Deduction based on the personal costs directly attributed to R&amp;D, plus an additional amount equivalent to 35% of these costs (capped at the total costs)</li> <li>• Additional deduction on 80% of the costs related to R&amp;D invoiced by third parties</li> <li>• No extension for the R&amp;D activities exercised abroad</li> </ul>
Deduction for self-financing <i>(optional at cantonal level)</i>	<ul style="list-style-type: none"> <li>• Based on excess equity</li> <li>• The rates of the notional interests on excess equity are based on the 10-year Swiss government bond rate. In case of intercompany loans, an arm's length rate can be applied.</li> <li>• The deduction is only applicable in the cantons with an effective tax rate of minimum 13.5% (cantonal and communal tax)</li> </ul>

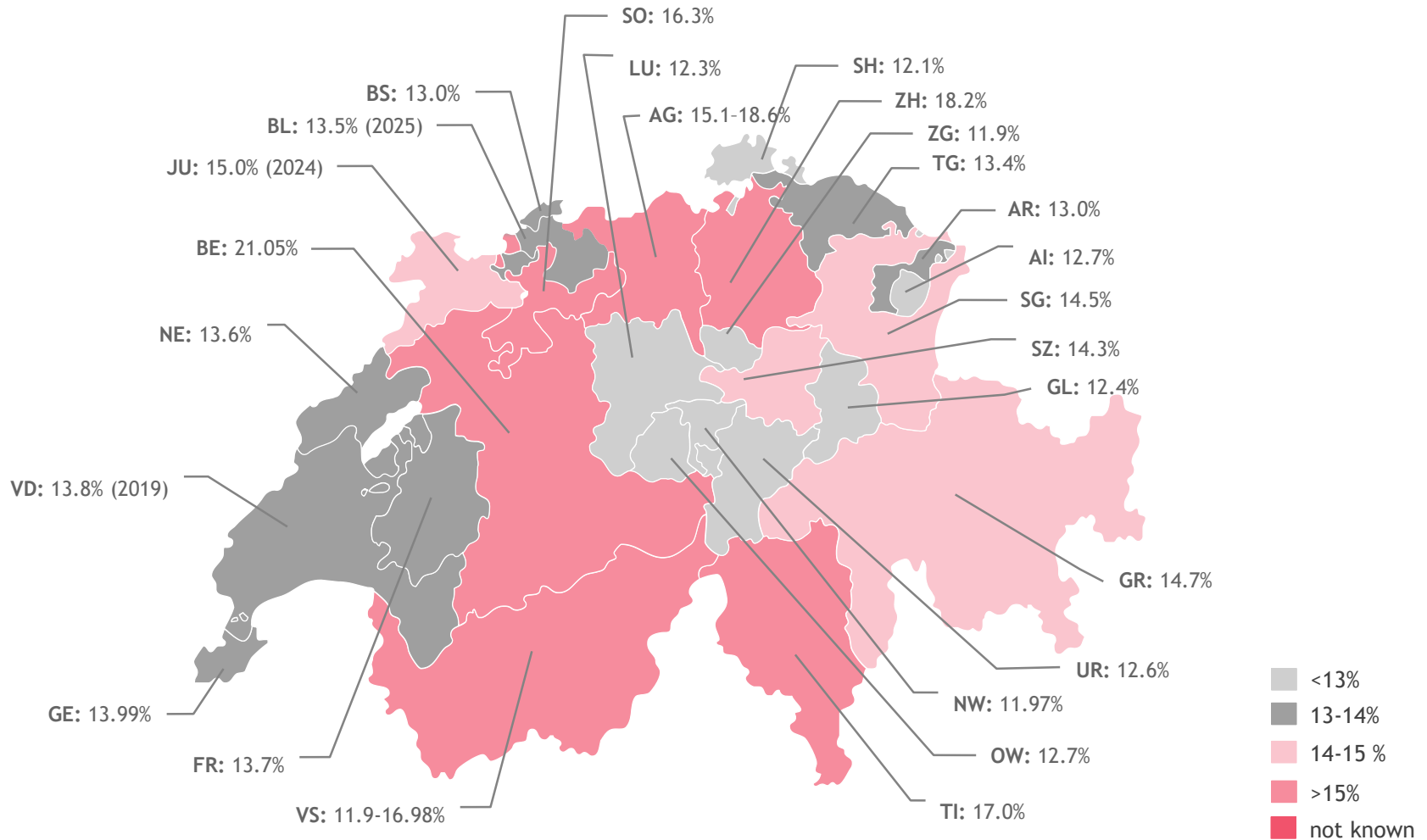
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Step-up / Transitional rules	Existing System	<ul style="list-style-type: none"> <li>Voluntary disclosure and a subsequent depreciation of hidden reserves for a period from 5 to 10 years is available until TRAF enters into force (depends of the current practice of the cantons)</li> </ul>
	New System	<ul style="list-style-type: none"> <li>Separated taxation</li> <li>Step-up in case of a transfer of the commercial activities from abroad (disclosure of the hidden reserves tax neutral)</li> <li>The cantons may introduce the separated taxation before TRAF enters into force</li> </ul>
Relief restriction (at cantonal level)		<ul style="list-style-type: none"> <li>Maximum relief limitation of 70% (the cantons may introduce a lower limitation) (Patent Box, additional deduction of R&amp;D, deduction for self-financing and Step-up)</li> <li>Depreciation of hidden reserves relating to the step-up under current system are included in the limitation</li> </ul>
Relief in the case of capital tax (optional at cantonal level)		<ul style="list-style-type: none"> <li>Financial interests, patents and similar rights and intra-group loans</li> </ul>

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<b>Increase in taxation of dividends from qualifying holdings</b> <i>(mandatory at cantonal level)</i>	<ul style="list-style-type: none"> <li>• No global harmonisation of the partial taxation of dividend income at cantonal level</li> <li>• The partial taxation at federal level is increased to 70%</li> <li>• The partial taxation of the dividendes at cantonal level should be at least 50%</li> </ul>
<b>Increase in the cantons' share of direct federal tax</b>	<ul style="list-style-type: none"> <li>• The cantons' share of direct federal tax is to rise from 17% to 21.2%</li> <li>• In addition, to prevent upheaval among the cantons, fiscal equalization will be adjusted in line with the new reality in terms of tax policy</li> </ul>
<b>AHV financing</b>	<ul style="list-style-type: none"> <li>• Financing of the AHV (old age and survivors insurance)</li> </ul>
<b>Transposition</b>	<ul style="list-style-type: none"> <li>• Sale of participation to a self-controlled company (minimum participation of 50%) taxable, even if less than 5% are sold</li> </ul>
<b>Flat rate tax credit</b>	<ul style="list-style-type: none"> <li>• Extension of the flat rate tax credit for Swiss permanent establishment of foreign companies</li> </ul>
<b>Capital contribution principal</b>	<ul style="list-style-type: none"> <li>• Adjustments to the capital contribution principal for the listed companies or corporations</li> </ul>

# TRAF - CORPORATE INCOME TAX RATE (2020)

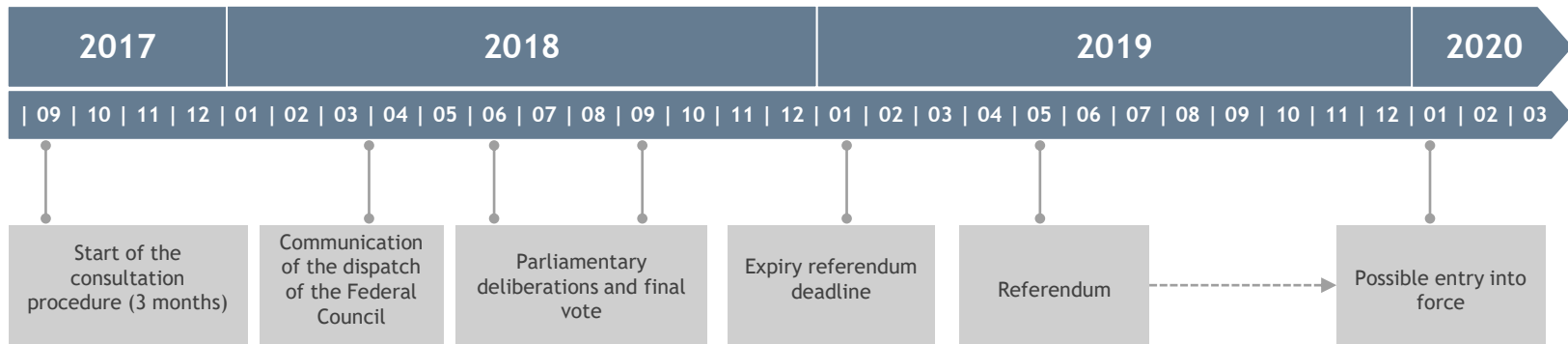


# TRAF - IMPLEMENTATION OF TAX INSTRUMENTS

Canton	Patent Box reduction	Additional R&D deduction	Deduction for self-financing	Relief restriction	Taxation of dividends from qualifying holdings
AG	90%	50%	No	70%	50%
AI	10%	No	No	50%	50%
AR	50%	50%	No	50%	40%
BE	90%	50%	No	70%	50%
BL	90%	20%	No	50%	40%
BS	90%	No	No	40%	20%
FR	90%	50%	No	20%	30%
GE	10%	50%	No	9%	30%
GL	10%	No	No	10%	30%
GR	90%	50%	No	55%	50%
JU	90%	50%	No	70%	30%
LU	10%	No	No	70%	40%
NE	20%	50%	No	40%	40%
NW	90%	No	No	70%	50%
OW	90%	50%	No	70%	50%
SG	50%	40%	No	40%	30%
SH	90%	25% (from 6th year)	No	70%	40%
SO	90%	50%	No	70%	30%
SZ	90%	50%	No	70%	50%
TG	40%	30%	No	50%	40%
TI	90%	50%	No	70%	30%
UR	30%	No	No	50%	50%
VS	90%	50%	No	34%	40%
ZG	90%	50%	No	70%	50%
ZH	90%	50%	Yes	70%	50%
VD	Implementation not yet known				30%

# TRAF - SCHEDULING

- The Federal Council adopted the dispatch on Tax Proposal 17 (TP17) on 21.03.2018.
- The proposal was presented in order for Switzerland to remain an attractive business location.
- The starting point is the abolition of the arrangements for cantonal status companies, which are no longer accepted internationally.
- Both cantons and communes interests have been taken into account.
- The Parliament voted the Proposal on 28.09.2018.
- The Swiss people accepted the TRAF on 19.05.2019. The law is to enter into force on 01.01.2020.
- The Swiss Tax Administration (STA) apply no more, starting 2019, the federal practice regarding principal companies and Swiss Finance Branches. These practices will be abolished with effect from 01.01.2020.



Discussions with EU et OECD are expected.