

Tax Newsletter

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The recommendations of the Steering Body include the following:

- Patent box: introduction of a mandatory patent box in accordance with the OECD standard at cantonal level.
- A super deduction for Research and Development: an additional deduction for R&D costs may be allowed to 50% of the actual costs. The deductions should focus primarily on personnel expenses.
- Limitation of the combined tax relief: the tax relief on profits arising from the two aforementioned instruments may not exceed 70%.
- Reduced taxation of dividends: the reduced taxation of individuals on dividends from qualifying participations (minimum stake of 10%) should be 70% at federal level and at least 70% at cantonal and communal levels.
- Tax regimes: Repeal of the current tax privileges for holding companies, domiciliary companies, mixed companies, Swiss finance branches and principal companies.
- Sharing tax revenues: The cantons will receive 21.2% of the direct federal tax revenues instead of the current 17% (the increase is meant to especially favour municipalities).
- Child allowances: the minimum amount for monthly child and education allowances is to be increased by CHF 30.

Child allowances will thus rise to at least CHF 230 and education allowances should be at least CHF 280.

The intention of the steering body is to take into account the concerns voiced by critics against the previous tax reform and also to buy additional political support through the granting of additional welfare subsidies (e.g. the increased child allowance). Notably, a Notional Interest Deduction (NID) on surplus equity capital is missing in the Steering Body's proposal. A NID was part of the previous proposal (that was rejected in the referendum), but it was subject to intense political controversies in the past and may have contributed to the negative outcome of the referendum.

Next steps

The Swiss government will deliberate on the proposal in June 2017. Thereafter, the Federal Department of Finance will prepare a consultation draft (Vernehmlassungsvorlage, projet de consultation). During the consultation phase, all interested parties will be invited to make their observations on the proposal. The public consultation process should be completed by December 2017. It is envisaged that the project for the new bill (Botschaft, Message) addressed to Parliament will be adopted in spring 2018. The two parliamentary chambers could start their debates on this bill in the course of 2018.

It is too early to predict the timing of the possible entry into force, especially as a referendum against the passing of the law in Parliament would still be possible. Entry into force of the new law on 1st January 2020 would be an ambitious but not completely impossible goal.

For the official press release, see *here*.

The Walder Wyss Newsletter provides comments on new developments and significant issues of Swiss law. These comments are not intended to provide legal advice. Before taking action or relying on the comments and the information given, addressees of this Newsletter should seek specific advice on the matters which concern them.

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