Overview of tax reform and AHV financing measures

Tax measures for companies

Measure	Description
Abolition of cantonal tax privileges	At federal level, status companies (e.g. management companies) will continue to pay the full profit tax. At cantonal level, they previously paid only a reduced profit tax or none at all. The proposal will abolish this tax privilege. Temporary transitional provisions will mitigate the effects of this abolition.
Patent box	Profits from patents and similar rights will be taxed at a reduced rate at cantonal level. However, the cantons must tax at least 10% of these profits.
Additional deductions for research and development	The cantons may give a higher weighting to research and development expenditure in order to promote research and development. A deduction of no more than one and a half times is permitted.
Deduction for self-financing	The cantons may permit an interest deduction on equity capital if the cantonal capital's effective profit tax burden imposed by the Confederation, canton and commune is at least 18.03%.
Relief restriction	The tax relief based on the patent box, additional deductions for research and development and the deduction for self-financing may not exceed 70%. If the cantonal practice provides for transitional provisions for status companies, the depreciation in this regard will also come under the relief restriction.
Capital tax adjustments	The cantons may include the capital attributable to financial interests, patents and similar rights as well as intra-group loans at a reduced rate in the capital tax calculation.
Disclosure of hidden reserves	Companies that relocate their headquarters to Switzerland can benefit from additional depreciation in the first few years. If companies relocate their headquarters abroad, an exit tax will be due, as is already the case at present.
Extension of the flat-rate tax credit	The flat-rate tax credit prevents international double taxation. Swiss permanent establishments of foreign companies should now be entitled to it as well.

Tax measures for shareholders

Measure	Description
Increased dividend taxation	Shareholders will now have to pay federal income tax on 70% of income from financial interests and at least 50% in the case of the cantons. At present, the proportion for this taxation at federal level is 60% for private assets and 50% for business assets; it is less than 50% in four cantons. The prerequisite for this reduced taxation remains the same as before, i.e. a stake of at least 10% of a company's capital is required.
Capital contribution principle restrictions	Companies listed on Swiss stock exchanges can repay reserves from capital contributions to their shareholders tax-free only if they distribute at least the same amount of taxable dividends. If such companies buy back their own shares, they will have to destroy capital contribution reserves in at least the same amount as the retained earnings destroyed.
Transference adjustments	The profit from the sale of shares will generally remain tax-free. However, the new rules will abolish this exemption entirely if a person sells shares to a company controlled by that person.

Fiscal policy measures

Measure	Description
Equalization between the Confederation and the cantons	The cantons' share of direct federal tax receipts will be increased from 17.0% to 21.2% Based on the current receipt situation, the cantons will receive an additional CHF 1 billion annually.[1]
Commune clause	The cantons are urged to compensate the communes adequately for the financial implications of the tax reductions at cantonal level.
Adjustments to fiscal equalization	When calculating fiscal equalization, the profits of status companies are currently given a lower weighting than other profits in order to take account of these companies' lower taxation. This lower weighting will cease with the abolition of the special status of these companies. The profits of all legal entities will now be given a lower weighting than other receipts.
Temporary supplementary contribution	In order to mitigate the effects of the fiscal equalization adjustments, the financially weakest cantons will receive a total of CHF 180 million per year from the Confederation for seven years.

AHV financing

Measure	Description
Additional funds for the AHV	From 2020, the AHV will get additional funds of around CHF 2 billion per year. Around CHF 800 million of this will come from the federal coffers: the Confederation will give its share of the so-called demographic percentage of value added tax[2] (CHF 530 million) to the AHV and will increase its contribution to AHV expenditure (CHF 300 million). Companies and insured persons will contribute CHF 1.2 billion: AHV contributions will rise by 0.3 percentage points. This will mean an increase in salary deductions of 0.15 percentage points for employees; their employers will likewise contribute 0.15 percentage points. This corresponds to CHF 1.50 per CHF 1,000 earned.

[1] Federal Tax Administration FTA calculation of September 2018, at: parlament.ch > Parliamentary business > Search Curia Vista > Item number 18.031 > "Static financial impact of the TRAF parliamentary resolution, TP17 dispatch and CTR III proposal".

[2] One percentage point of VAT has been used to finance the AHV age structure since 1999. 83% of the revenue currently goes to the AHV and 17% to the Confederation.