

The United States reform of 2017

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The most important external influence on the tax position of the Basel groups after 2017 came from the United States. The Tax Cuts and Jobs Act, signed on 22 December 2017, reduced the federal corporate income tax rate from 35 to 21 per cent and introduced three regimes with international reach. The tax on global intangible low-taxed income (GILTI) subjected the foreign profits of United States groups above a routine return to a minimum level of current taxation. The deduction for foreign-derived intangible income (FDII) reduced the effective rate on income from exports of goods and services linked to intangibles held in the United States. The base erosion and anti-abuse tax (BEAT) imposed a minimum tax on large companies that made substantial deductible payments to foreign affiliates.¹

For the Basel groups, which are Swiss-parented, GILTI was of limited direct relevance. FDII and BEAT, however, mattered because both Roche and Novartis earn a large share of their sales in the United States and conduct extensive research there. The reduction of the US rate to 21 per cent narrowed the gap between US and Swiss taxation considerably. The FDII regime created an incentive to hold intellectual property in the United States, while the BEAT increased the cost of royalties and service fees paid by US subsidiaries to Swiss affiliates.² Swiss commentators observed at the time that the US reform reduced the relative advantage of Switzerland just as the country was abolishing its special regimes. The STAF instruments, in particular the patent box, were partly a response to the need to keep research and intellectual property in Switzerland in competition with a lower-tax United States.

The United States position has continued to change. Legislation enacted in July 2025 revised the GILTI and FDII regimes and changed their names and parameters. In the same period, the G7 agreed on a "side-by-side" approach under which groups headquartered in the United States would be

exempt from certain elements of the global minimum tax, an arrangement that the OECD Inclusive Framework has since worked to implement.³ The trade policy measures of the United States towards pharmaceutical imports, including tariff threats and agreements with individual companies on prices and investment, add a further factor that affects where the Basel groups locate production and profit. These developments are examined in Part K. Their consequences for Swiss tax revenue cannot yet be assessed with confidence.

1 Notes

1. Public Law 115–97 of 22 December 2017 (commonly known as the Tax Cuts and Jobs Act), in particular Internal Revenue Code §§ 11 (rate), 250 and 951A (GILTI and FDII) and 59A (BEAT). To be verified. ↩
2. On the impact of the US tax reform on European pharmaceutical groups, see the explanations of the effective tax rate in the annual reports of Roche and Novartis for the years 2018–2020 and the practitioner literature on BEAT and FDII. To be verified. ↩
3. On the US legislation of July 2025 (commonly referred to as the "One Big Beautiful Bill Act") and the G7 statement of June 2025 on a "side-by-side" system for US-parented groups under Pillar Two, see official US and OECD publications. Status to be verified. ↩

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