

From USR III to the TRAF

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The first attempt at reform failed. The federal Corporate Tax Reform Act III, which proposed to abolish the status regimes and to offer the cantons a set of new instruments, including a patent box and a notional interest deduction, was rejected by the voters on 12 February 2017, with 59.1 per cent voting no.¹ The rejection had international consequences. At the end of 2017, the European Union placed Switzerland on Annex II of its list of non-cooperative tax jurisdictions, the list of states that had committed themselves to reforms that were not yet implemented.²

The second attempt succeeded. The Federal Act on Tax Reform and AHV Financing, known by its German abbreviation STAF and in English as TRAF, combined the tax reform with an additional financing of the federal old-age and survivors' insurance of some two billion francs a year, a combination designed to win the support of the political left. On 19 May 2019, the voters approved it with 66.4 per cent. It entered into force on 1 January 2020.³ On 17 October 2019, the European Union removed Switzerland from its list, recognising it as a cooperative jurisdiction in tax matters.

The TRAF abolished the cantonal status regimes for holding, domicile and mixed companies with effect from 1 January 2020. In their place, it introduced a set of instruments compatible with international standards: a patent box, which taxes income from patents and similar rights at a reduced rate; an additional deduction for research and development expenses incurred in Switzerland; for high-tax cantons, a notional interest deduction on excess equity; a limit on the total relief that a company may claim under these instruments; and transitional rules for companies leaving the status regimes. It also increased the share of the direct federal tax that the Confederation passes on to the cantons, to give them room to lower their ordinary profit tax rates.⁴

1 Notes

1. Wikipedia (German), "Unternehmenssteuerreform (Schweiz)": the Corporate Tax Reform III was rejected in the vote of 12 February 2017 with 59.1 per cent opposing; EDA, "Unternehmensbesteuerung": a first corporate tax reform proposal was rejected by Swiss voters on 12 February 2017. ↩
2. EDA, "Unternehmensbesteuerung": the EU placed Switzerland on Annex II of its list of non-cooperative tax jurisdictions in late 2017. ↩
3. Wikipedia (German), "Unternehmenssteuerreform (Schweiz)": STAF approved in the vote of 19 May 2019 with 66.4 per cent, in force on 1 January 2020; key elements included a mandatory patent box, R&D deductions of up to 50 per cent above actual costs, and a package of CHF 2 billion for AHV financing through increased contributions and a VAT allocation; EDA, "Unternehmensbesteuerung": approval on 19 May 2019 with over 66 per cent; removal of Switzerland from the EU list on 17 October 2019. ↩
4. StHG (SR 642.14), article headings at droit-bilingue.ch/fr-de/6/64/642.14-index.html: Art. 24a–24b (patents and comparable rights), Art. 25a (additional R&D deduction), Art. 25abis (deduction for self-financing), Art. 25b (limitation of relief), Art. 78g (transitional provisions to the amendment of 28 September 2018); Art. 28 paras. 2–5 StHG repealed with effect from 1 January 2020; Art. 196 para. 1 DBG as amended by the TRAF: cantons remit 78.8 per cent to the Confederation; BDO Switzerland, "STAF – Die wichtigsten Punkte zur Steuervorlage", 1 April 2021, bdo.ch: cantonal share raised from 17 to 21.2 per cent; PwC Switzerland, "Steuerreform und AHV-Finanzierung (STAF)", pwc.ch: notional interest deduction in the canton of Zurich and relief limited to 70 per cent. ↩

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