

Industry and the global minimum tax

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The global minimum tax, described in Part B, affects the industrial groups of the canton in a particular way. Industrial companies typically have significant payroll costs and tangible assets, such as factories, laboratories and equipment, in the jurisdictions where they operate. The substance-based income exclusion of the minimum tax rules reduces the profit subject to the top-up tax by an amount calculated as a percentage of these costs and assets.¹ An industrial group with a large workforce and substantial facilities in Zug therefore benefits more from the exclusion than a trading or holding company with few employees, so that a larger share of its profits in the canton remains taxed at the low cantonal rate.

The minimum tax thus reinforces a tendency that the international transfer pricing standards had already set in motion: it rewards real activity in the canton. For the canton's industrial base, this is a favourable development. It strengthens the position of the groups that combine headquarters functions with research, development and production in Zug, such as Roche in Rotkreuz and Siemens in Zug, relative to those whose presence in the canton is purely administrative. The canton's decision to use the revenue from the minimum tax for measures in research, innovation and the quality of the location, described in Part B, is directed at the same kind of activity.

The practitioner advising an industrial group on its structure in Zug should therefore model the effect of the minimum tax on the group's Swiss entities with care, taking into account the substance-based exclusion, the qualified domestic minimum top-up tax levied by Switzerland and the treatment of the research and development deduction and the patent box, which reduce the effective tax rate and may therefore increase the top-up tax.²

1 Notes

1. OECD, "Global Anti-Base Erosion Model Rules (Pillar Two)", oecd.org: substance-based income exclusion with transitional payroll and tangible asset carve-out percentages; Council Directive (EU) 2022/2523 of 14 December 2022, eur-lex.europa.eu, implementing the Model Rules: initial rates of 10 per cent (payroll) and 8 per cent (tangible assets), declining over ten years. ↩
2. Federal Department of Finance, "Umsetzung der OECD-Mindeststeuer in der Schweiz", efd.admin.ch: Swiss domestic top-up tax (QDMTT) in force since 1 January 2024, international top-up tax (IIR) since 1 January 2025; minimum effective rate of 15 per cent for groups with worldwide revenue of at least 750 million euros; substance-based deductions for payroll and tangible assets. The effect of the patent box and the R&D deduction on the effective tax rate is explanatory and follows from the GloBE computation. ↩

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