GTSA Insight

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Swiss and UE bury the hatchet in the fiscal debate: where are we now?

On 29 June, the EU Economic and Financial Affairs Council and the Swiss Federal Council reached a mutual understanding on business taxation that should conclude a nine-year dispute. This is the result of the work undertaken by the Swiss authorities to modernize the Swiss tax law in the light of the recent discussion at international level. A number of measures are foreseen by the authorities.

- This was step one towards abolishment of a certain tax regime within Corporate Tax Reform III (CTR III) and ensures Swiss tax measures correspond with EU & international standards.
- In return, it is anticipated the EU will lift corresponding countermeasures once the Swiss regime is abolished.
- In parallel, Switzerland will be actively involved in efforts to develop international standards for company taxation within the Organization for Economic Cooperation and Development (OECD) and the European Commission has opened a formal investigation into state aid, transfer pricing arrangements and corporate taxation of certain companies in Ireland, The Netherlands and Luxembourg.

Since 2012, GTSA, supported by members proactively committed to the debate regarding CTR III by asserting that:

- It is important that tax regimes remain compatible across countries so that companies operating out of Switzerland are not subject to blacklisting in other jurisdictions.
- The conclusion of double tax treaties with additional jurisdictions in LATAM, Africa and Asia to ease the introduction of the new Swiss tax regimes is crucial.
- Other alternative regimes such as IP Boxes, Notional Interest Deduction or 'step-up' might not be sustainable.
- A decrease in the overall tax rate to between 13 & 14% would be a sustainable and internationally defendable solution and would cost 457 million francs; less than the fiscal budget loss if firms were to leave Switzerland. The cost could be seen as a marketing investment aimed at retaining the presence of companies in Switzerland (so preserving thousands of jobs).

In its recent dialogue with Swiss parliamentarians in Bern, the approach of GTSA has been welcomed.
The next milestone will be the publication in September of the federal project on CTRIII and OECD progress report on BEPS action plan. Looking forward, it may not be necessary to focus too much on the Swiss/EU tax dispute. The OECD move on BEPS has gained momentum and now outpaces the EU tax discussion.

Today, markets of importance for Swiss companies are BRIC countries - and the recent decision of Brazil to blacklist Switzerland is alarming. Accordingly, it is of great importance that Swiss authorities work to reinforce the predictability and fiscal security of Swiss companies abroad by improving and extending our network of double taxation treaties.

To learn more about this subject:

- GTSA Parliamentarians Diner Presentations that has been held on the 4th of June 2014 in Bern
- Position paper of the GTSA Tax Working Group
- Rapport de l'organe de pilotage à l'intention du DFF
- Introductory note : Tonnage Tax
- Rapport des réultats de la consultation

All those documents are available to members on GTSA Intranet, please go to: http://my.gtsa.ch/documents