STSA

Fiscal Project 17 Overview with Key Measures

PF17 is above all a reform in favour of employment that will bring stability and predictability to the Swiss economy. The PF17 project is better balanced and more widely accepted than the previously proposed CTR III. There are significant differences from CTR III: complete regulation of the *patent box*, additional deductions of R&D expenditures, a raise of the tax deduction ceiling, an increase on dividend taxes, renunciation of a profit-adjusted interest tax (NID), and so forth. These regimes are in line with international standards and are already applied in different countries. Since these standards are known and the required technical analyses are available, the cantons should be able to advance their implementation projects parallel to the one of the Confederation.

In order to avoid delays in the implementation of this project, the Federal Council has created a steering committee and set up a tight schedule. On September 6, 2017, the Federal Council presented the fiscal project and opened the relative consultation procedure that will last three months. The Federal Finance Department plans to submit the FP17 proposal to Parliament in the spring of 2018. Thus, the reform could come into effect in 2020 at the earliest.

MEASURES	IMPLEMENTATION	
	Confédération	**Cantons / Communes**
Suppression of cantonal tax regimes At the cantonal level, companies with a special tax status do not pay income tax or pay only a reduced amount. PF17 eliminates this privileged tax treatment. It introduces, for a limited period, a solution providing for a special rate, in order to avoid over-imposition.	**No**	**Yes, Mandatory**
Patent Box Profits from patents and comparables must be separated from other profits in order to be subject to reduced taxation. The rebate can't exceed 90%. The *patent box* proposed is conform to international standards	**No**	**Yes, Mandatory**
Additional Deductions for R&D Additional reductions of up to 50% may be made for expenditure on R&D. The measure focuses on activities in Switzerland.	**No**	**Yes, Optional**
Limitation of Tax Reduction Tax breaks resulting from the patent box and additional deductions for R&D must not exceed 70% of the taxable profit. Depreciation resulting from taxation as a special tax status company is also taken into account when calculating the amount of the reduction.	**No**	**Yes, Mandatory**
Increase in Tax Dividends Taxes on dividends are raised to 70% at federal and cantonal level for physical persons. Cantons can impose higher taxation.	**Yes**	**Yes, Mandatory**
Increase in the Cantonal Share of the Direct Federal Tax The share of the cantons increases from 17% to 20.5%.		
Taking into account cities and towns Cantons must take appropriate account of towns and municipalities as part of the increase of the Canton's to the federal direct tax.		
Capital Tax Reduction In the framework of calculating the capital tax, the cantons have the possibility to provide for reductions in own funds related to investments, patents and comparable rights	**No**	**Yes, Optional**
Declaration of Latent Reserves Companies transferring their headquarters to Switzerland will benefit from additional depreciation during the first years. Conversely, if they move their headquarters abroad, they will have to pay a departure tax, as it is already the case today.	**Yes**	**Yes, Mandatory**
Modifications regarding to transposition This measure makes it possible to fill a tax gap by restricting the scope of the capital gains exemption and thus, indirectly, mitigating the principal consequences of the capital injection.	**Yes**	**Yes, Mandatory**
Extension of the fixed imputation of tax The fixed imputation of tax makes it possible to avoid double taxation at the international level. In the future, Swiss permanent establishments of foreign companies will also benefit from this possibility.	**Yes**	**Yes, Mandatory**
Changes in financial equalisation Financial equalization will be adjusted to the new fiscal laws, in order to prevent inequalities between the cantons.		

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