Switzerland:
Update on revised corporate tax reform proposal

Switzerland’s Federal Department of Finance (SFDF) announced on 10 April 2017 that the designated steering committee of the Swiss Federation and the cantons has successfully concluded a first round of hearings with representatives of the business community, political parties and cities and municipalities, on the “Tax Reform Proposal 17” (TRP 17). The TRP 17 is intended to replace the Corporate Tax Reform III, which was rejected by the Swiss electorate on 12 February 2017 (for prior coverage, see Switzerland tax alert, 12 February 2017).


The TRP 17 enjoys broad support among the various stakeholders. The need for comprehensive corporate tax reform is undisputed, and there is common ground in regard to the objectives of the TRP 17 – namely, to restore international acceptance of Swiss corporate tax law and to maintain the attractiveness of Switzerland internationally as a business location, while ensuring adequate tax revenue at the federal, cantonal and communal levels.

In the interest of legal certainty, the stakeholders wish for the reform to enter into force as soon as possible. At its meeting on 7 April 2017, the steering committee reaffirmed that the Swiss Federation and the cantons should ensure the greatest possible transparency in regard to the legislative process and the financial implications of the proposed tax reform, and that cities and municipalities should be closely involved in the process.

The exact parameters of the TRP 17 currently are uncertain. However, it can reasonably be assumed that the revised legislation likely will represent a compromise built around the measures of CTR III that were largely undisputed. One measure that appears unlikely to remain in the revised legislation is the introduction of a notional interest deduction regime at the federal level and at the discretion of the individual cantons.

Next steps

The steering committee is led by the Finance Minister, who is tasked with submitting the tax reform proposal to the Federal Council. The steering committee will evaluate the findings from the hearings and will re-approach the cities and municipalities in a second round of hearings to be held at the beginning of May. It is expected that the Federal Council will determine the basic parameters of the TRP 17 and decide on further procedures and the relevant timeline in June 2017.

Although it still may be possible for revised legislation to meet the original 1 January 2019 introduction timetable at the federal level if the Swiss parliament decides on the revised legislation in its winter 2017/2018 session, the cantons need adequate time to introduce the law into cantonal legislation, so the introduction of the law could be postponed by one to two years, i.e. to 1 January 2020 or 2021.

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