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MEDIA RELEASE

## **The Canton of Zug prepares for Corporate Tax Reform III**

**The cantonal government has defined the cornerstones for the implementation of Corporate Tax Reform III. The core component is a standard corporate income tax rate of approximately 12 percent. The reform is expected to be adopted without any significant financial losses for the canton, companies and private individuals, thanks to targeted measures, for example by launching a patent box or the promotion of research and development. This ensures that Zug remains an attractive place of living and business, both nationally and internationally.**

The Corporate Tax Reform III (CTR III) is of major importance for Switzerland and in particular for the internationally-oriented business location of Zug. Its objective is to bring the Swiss taxation system in line with the international requirements and includes the reversal of the tax benefits for certain internationally operating enterprises. «The cantonal government clearly supports the reform and is prepared to implement it», explains Landammann and head of Department of Finance Heinz Tännler. «We have defined the cornerstones to ensure that the reform, from today's perspective, is implemented in the Canton of Zug without negative impacts on the business location. This means without noteworthy financial losses for the canton and municipalities and without passing on any extra tax burdens to private tax payers.»

### **Six cornerstones**

The core component of CTR III is a standard corporate income tax rate of approximately 12 percent for all companies. A further part of the package is the introduction of a patent box with a cantonal tax relief of 90 percent. Moreover, research and development are promoted with a cantonal tax deduction of 150 percent. Further cornerstones include the implementation of a notional interest deduction, whereby the taxation of qualifying dividends will be increased from currently 50 percent to 60 percent as required by federal law. The Canton of Zug aims at a maximum relief of 80 percent of net profit in total and to make adjustments with regard to annual capital tax. «This package ensures that the Canton of Zug remains attractive and competitive», states Landammann Tännler, convinced of the measures.

### **Local companies benefit**

The adjustments will lead to a major reform in corporate taxation. Some of the holding, domicile and mixed companies, which currently benefit from a privileged tax treatment, will be required to accept a moderately higher tax burden. In contrast, the corporate income tax rate for all other Zug-domiciled companies will be reduced from currently 14.6 percent to approximately 12 percent.

### **No additional tax burden for private tax payers**

Zug's corporate tax law reform shall be neutral. This means that the various additional revenues and revenue shortfalls, including indirect national financial equalization scheme (NFA) impacts, offset each other almost entirely. «The cantonal government places utmost importance on the fact that CTR III does not lead to a shift of corporate tax burdens to private individuals», emphasizes Minister of Finance Tännler.

### **Final proposal in spring 2017**

To date the decision by the cantonal government is based on estimates and projections. Furthermore, the Swiss people are expected to vote on CTR III in February 2017. Only thereafter, the federal government will publish important implementing ordinances on the patent box and on the promotion of research and development. For this reason, the cantonal government will consult again on the cornerstones at the beginning of 2017. The final proposal is expected to be submitted for consultation in April 2017. At this time, the financial outlook and project results of «Finanzen 2019» will be easier to estimate. Consultation by the cantonal parliament is planned for 2018 and the new law will come into effect at the beginning of 2019.

### **Cantonal government recommends voting for CTR III**

The cantonal government is fully convinced by CTR III and recommends accepting the proposal and rejecting any corresponding referendum. It is convinced that CTR III, as proposed by the federal government and parliament, is both necessary and appropriate to maintain the legal security as well as the economic success of Switzerland and the Canton of Zug.

### **Further information**

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