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MEDIA RELEASE

The Head of the Department of Finance, Heinz Tännler, supports the proposals by the Federal Steering Committee for the new tax regulation 2017. He feels encouraged regarding the cornerstones for Zug's corporate tax law reform.

Today, the Federal Steering Committee announced its proposals for a new tax regulation 2017, i.e. the Swiss corporate tax reform. The Head of the Department of Finance, Heinz Tännler, who cooperated in its elaboration, supports it and emphasises his intention of reforming Zug's corporate tax law by implementing a standard corporate tax rate of approximately 12 percent, without any significant financial losses for the canton, municipalities companies and private individuals. In doing so, the tax burden will not be shifted to private tax payers. Depending on the progress made on a federal level, the cantonal government is expected to begin consultation for a cantonal implementation in April 2018, so that the amendments can come into effect by 2020.

Cornerstones and timetable on a federal level

Today, the Federal Steering Committee presented the cornerstones and timetable for the new tax regulation 2017. The tax regulation 2017 aims to make Switzerland's tax system acceptable again on an international level and to revoke the tax privileges granted to certain internationally operating companies.

In close cooperation with the cities and municipalities, the Steering Committee, which is made up of federal and cantonal representatives, designed a balanced and viable new package for the inevitable Swiss corporate tax reform. Following the Swiss electorate's no to the Corporate Tax Reform III (CTR III) on 12 February 2017, it was of utmost importance for all of Switzerland, but also for the internationally-oriented business location of Zug, to clarify the economic and taxation framework conditions for internationally operating companies with a political majority-backed proposal within a reasonable period of time and to improve planning security and legal certainty. The Steering Committee based its proposals for the attention of the Federal Council on the basic structure of the CTR III, approved by Zug's electorate. However, it also took into consideration the issues and concerns voiced prior to the referendum, and included a

new increase of the minimum amount for child and education allowances as a socially-relevant element.

As a member of the Steering Committee, Heinz Tännler, Head of the Department of Finance, was able to put Zug's central interests forward in an early phase of the legislative process. The cornerstones and timetable now presented are heading in the right direction. «All those involved are called upon to make a concerted effort in the interests of a prompt and balanced solution, and not to insist on maximum demands», explains Finance Director Heinz Tännler. «As soon as the legal framework conditions have been determined on a federal level and the cantonal government has formally pronounced its position, he will pursue the implementation on a cantonal level with high priority.» Moreover, Finance Director Tännler confirms: «We still plan to implement the tax reform in the Canton of Zug without noteworthy financial losses for the canton and municipalities and without passing on any extra tax burdens to private tax payers.»

Planned cornerstones for the Canton of Zug

The core component of the cantonal implementation 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. The maximum discharge shall equal 70 percent of net profit. Furthermore, amendments will be made with regard to capital taxes. In view of achieving a viable political compromise, the taxation of qualifying dividends shall have to be increased from currently 50 percent to 70 percent. The Canton of Zug is not affected by the increase of the minimum amount for child and education allowances, as it already has higher amounts in effect. «This overall well-balanced package ensures that the Canton of Zug remains attractive and competitive», states Finance Director Tännler, convinced of the measures.

SMEs benefit, no extra burden for the population

The adjustments will lead to a major reform in corporate taxation. Some of the holding, domicile and mixed companies, which currently benefit from 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.

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 the tax regulation does not lead to a shift of corporate tax burdens to private individuals», emphasizes Finance Director Tännler.

Cantonal consultation draft expected in April 2018

Depending on the progress made on a federal level, the Department of Finance will launch the consultation for a cantonal implementation as quickly as possible; according to the current

planning status this is anticipated to take place in April 2018. A consultation of the tax regulation 2017 in the Federal Assembly is expected in the summer of 2018. Zug's cantonal government plans to consult on the draft during the first semester 2019 in view of an inception as per 2020.

Further information

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