Swiss Tax Reform (TRAF)
5 February 2019
Agenda

1. Introduction

2. Where do we stand?

3. Interplay of federal and cantonal votes – key issues and observations

4. Opportunities and risks based on cantonal proposals – case studies

5. Key take aways
Today’s moderators

Dominik Bürgy
Partner, Tax Services
EY Switzerland
Phone: +41 58 286 44 35
dominik.buergy@ch.ey.com

Thomas Semadeni
Partner, Tax Services
EY Switzerland
Phone: +41 58 286 31 75
thomas.semadeni@ch.ey.com

Christian Aivazian
Partner, Tax Services
EY Switzerland
Phone: +41 58 286 51 23
christian.aivazian@ch.ey.com

Kersten A. Honold
Partner, Tax Services
EY Switzerland
Phone: +41 58 286 31 66
kersten.honold@ch.ey.com
## Overview Tax Reform
### Key measures

<table>
<thead>
<tr>
<th>All new measures compliant with OECD / international taxation standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Envisaged corporate income tax rate: 12%-14% in most cantons</td>
</tr>
</tbody>
</table>

### Federal level

- Abolishment of preferential tax practices (principal companies and Swiss Finance Branch SFB)

### Cantonal level

- Abolishment of existing tax regimes (holding, domicile and mixed companies)
- Lower annual net equity taxes for patents, IC-loans and qualifying participations (optional)
- Patent box
- R&D super deduction (optional)
- NID on surplus equity (optional and restricted to high-tax cantons)
- Overall tax relief restricted to maximum 70%

### Federal and cantonal tax holidays continued

- Step-up upon migration
- Adjustments to the capital contribution principle
- Extension of the lump-sum tax credits
- Transitional rules
- Adjustments in taxation of dividend income

### Social compensation by additional AHV (old-age and survivors insurance) financing
Overview Tax Reform
Current versus future stage

Current tax regimes

- Ordinary tax rate (12%-24%)
- Mixed company (8%-13%)
- Principal company (4%-10%)
- Holding company (7.8%)
- Finance branch (0.8-2%)

BEPS Action 5

- Tax holiday

Maintained until 2019

Tax Reform Outlook

- CIT rate reductions (12%-14% in most cantons)
- OECD/EU compliant patent box (8.5-11%)
- R&D super deduction
- NID on surplus equity (restricted to high-tax cantons)
- Reduction of annual capital tax
- Step-up/transition rules (effective during 5 or 10-year transitional period)
- Tax holiday (cont’d)

Beginning 2020 (likely)
Where do we stand?

Adoption of reform by Federal Parliament

Submission of signatures for referendum

Counting of signatures

Potential entry into force of certain provisions

Envisaged entry into force


Votes on cantonal implementation (selection)

<table>
<thead>
<tr>
<th>Location</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basel-City</td>
<td>10 February 2019</td>
</tr>
<tr>
<td>Geneva</td>
<td>19 May 2019*</td>
</tr>
<tr>
<td>Lucerne</td>
<td>24 November 2019</td>
</tr>
<tr>
<td>Vaud</td>
<td>Tax rate reduction enacted</td>
</tr>
<tr>
<td>Zug</td>
<td>24 November 2019*</td>
</tr>
<tr>
<td>Zurich</td>
<td>November 2019*</td>
</tr>
</tbody>
</table>

*In case of valid referendum
Tax Reform
Interplay of federal and cantonal votes
Key issues

If the cantonal proposal is rejected:
- Will the federal law become directly applicable?
- Which provisions will become directly applicable?
- What happens if the cantonal government does not issue a transitional ordinance?
- Which measures may be implemented prior to entry into force of federal law?
- Which law will apply to companies closing not with calendar year?
- From when to use the provisions and rates for computing the tax reserves?
- Will Switzerland end up on the EU’s black list?
- What would be the consequences of being blacklisted?
- Is there a plan C?
- Which measures may be implemented independently from developments on federal level?
- May cantons abolish privileged tax regimes autonomously?
Key observations

- If implementing law is not passed on time, the mandatory provisions of the federal tax harmonization act will become directly applicable on the date of final entry into force of the federal law.
- In such case, the cantonal government would have to issue respective regulations (ordinance) for transition.
- Mandatory measures are considered e.g.: patent box, relief limitation, step-up, dividend taxation.
- Complex situation arises if the cantonal government does not pass transitional regulations.

- If the reform is accepted on federal and cantonal level, the cantonal implementation will enter into force ideally simultaneously with the federal provisions.
- However, cantons are free to apply special tax rate for built-in gains of currently privileged companies earlier.
- Nevertheless, the overall limitation of relief does not apply before entry into force of the federal provisions.

- If the reform is rejected on federal and cantonal level, nothing will enter into force until a new proposal is presented.
- The EU might then move Switzerland from its «grey» list to the list of non-cooperative jurisdictions.

- Cantons may implement all measures that are not contradicting federal law.
- This includes: cantonal tax rate reductions (exclusive cantonal competence), patent box (part of cantonal tax rate autonomy («Tarifautonomie»)).
- Cantons may not abolish tax privileges due to Art. 28 (2 to 4) tax harmonization act.
Tax Reform
Case studies
### Case study 1: Holding status (NE), mixed company and principal taxation (VD), Swiss Finance Branch

#### Key features:

**Neuchâtel**:
- HoldCo in Neuchâtel (holding status)
- HoldCo receives interest and royalties (trademarks)
- High equity basis
- Limited substance/functions

**Vaud**:
- European headquarters (mixed company and principal taxation)
- Swiss Finance Branch (SFB)

#### Tax considerations

<table>
<thead>
<tr>
<th>Neuchâtel</th>
<th>Vaud</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HoldCo</strong></td>
<td><strong>Mixed Co</strong></td>
</tr>
<tr>
<td><strong>Holding</strong></td>
<td><strong>Principal</strong></td>
</tr>
<tr>
<td><strong>SFB</strong></td>
<td><strong>SFB</strong></td>
</tr>
</tbody>
</table>

**Neuchâtel**
- Transition to ordinary taxation: In NE, a **step-up** in basis (e.g. on trademarks) triggers an immediate cantonal/communal taxation at **5%**. Future depreciation of hidden reserves deductible profits taxed at **7%**
- Capital equity tax rate: **0.5%** (CIT fully credited against equity tax)
- Reduced equity tax rate: **0.0005%** related to shareholdings, patent and intragroup loans (CIT fully credited against equity tax)
- Marginal CIT rate differential: combined ETR of **11.9%** vs **13.4% ordinary rate**: limited tax reasons to maintain HoldCo

**Vaud**
- Canton of VD applies the **two-rate model**: reduced rate of **2%** (versus **3.33%**) for max. 5 years up to the amount of hidden reserves (to be agreed upfront by the VDTA); Combined ETR of **11.64%** versus **13.79%**
- Capital tax rate: **0.14%** (CIT fully credited against equity tax)
- Reduction of tax base in relation to shareholdings (50%), patent and intragroup loans (<50%)
- Principal taxation: Step-up upon immigration to be considered. Federal tax authorities expected to provide details shortly.
- Swiss Finance Branch: ordinary rate, no transition measure

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5 February 2019
### Case study 1: Holding status (NE), mixed company and principal taxation (VD), Swiss Finance Branch

#### Tax considerations

- **Holding status:**
  - Consider a merger of NE HoldCO into VD Principal (surviving)
  - High capital tax rate in VD. However, CIT can be fully credited against equity tax

- **Mixed company status:**
  - Agree on amount of hidden reserves upon transition to ordinary taxation
  - ETR of 11.64% for max 5 years.
  - Anticipated transition to two-rate system is possible as from year 2019.
  - Valuation methodology of hidden reserves for two-rate model might be applied by VDTA in case of future realization (intragroup sale, emigration)

- **Principal taxation (immigration)**
  - Valuation and negotiation of immigration step-up
  - Initiate negotiations with Federal tax authorities (no need for new legal basis)
  - Valuation methodology of hidden reserves for two-rate model might be applied by SFTA in case of future realization (intragroup sale, emigration)

- **Swiss Finance Branch:**
  - Financing structure to be reconsidered, notably in light of PPT (MLI)
  - Review on a case by case basis (e.g. FMV of loan portfolio, tax loss carry forward?, etc.)
Case study 2: Legal entity rationalization (LER) and R&D super deduction

**Key features**
- HoldCo with IP (holding status); built-in gains of 150, thereof 100 on participations, 50 on IP
- MgtCo for management services; 50 FTEs
- OpCo with contract R&D Center (DEMPE functions in Switzerland), personnel cost of CHF 10.5m, cost plus 12%
- TradingCo: Mixed company (100% foreign income; 20% taxable quota) with built-in gains / goodwill 125

**Tax considerations**

1. Elimination of legal entities with cantonal tax status
   - Separation of management services and trading activities from HoldCo no longer necessary in order to protect holding status
   - **Tax-neutral merger of MgtCo and Trading Co into HoldCo**

2. Step-up upon status change
   - **Step-up** in basis upon status change (transition from holding status (HoldCo) and mixed company status (TradingCo) to ordinary taxation)

3. Maximize benefit of R&D super deduction
   - **Maximize benefit of R&D super deduction**: Company claiming R&D super deduction must have sufficient profit in order to enjoy the maximum benefit
     - **General rule**: According to Art. 25a par. 4 FTHA, there is no option for the involved companies to allocate the R&D super deduction amongst themselves. Generally, only Principal (IP owner) can claim R&D super deduction, but not the R&D contractor.
     - **Exception**: The R&D contractor may claim an R&D super deduction if the principal (IP owner) is domiciled abroad or in a canton, which does not offer such deduction
   - Merger of OpCo (R&D Center) with Principal (IP owner) advantageous?
     - 80% limitation stipulated in Art. 25a par. 3 lit. b FTHA does not apply
     - Intercantonal allocation of R&D super deduction with head office?
     - Consider interplay with patent box regime and 70% cantonal tax relief limitation
Case study 2: LER & R&D super deduction

**OpCo (R&D Center)**

- Contract R&D services with EMEA Principal
  - 12% mark-up

<table>
<thead>
<tr>
<th>Personnel costs: CHF 10.5m</th>
<th>Profit: CHF 1.26m</th>
</tr>
</thead>
</table>

**EMEA Principal**

- Profit before step-up amortization: CHF 56.0m
- Step-up amortization: (50+80% of 125)/5
  - Profit after step-up amortization: CHF 26.0m

**R&D super deduction with R&D contractor if R&D super deduction is not available for Principal (e.g. Basel-Stadt)**

<table>
<thead>
<tr>
<th>Personnel costs: CHF 10.5m</th>
<th>35% uplift: CHF 3.7m</th>
<th>Total basis: CHF 14.2m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super deduction (50%): CHF 7.1m</td>
<td>Profit: CHF 1.26m</td>
<td>Minimum taxable profit: CHF 0.38m</td>
</tr>
<tr>
<td>Maximum deduction: CHF 0.88m</td>
<td>CHF 6.2m are «lost»</td>
<td></td>
</tr>
</tbody>
</table>

**Payment to OpCo**: CHF 15.9m

- 80% limitation (Art.25a(3)b FTHA): CHF 12.7m

**Super deduction (50%)**: CHF 6.4m

**Super deduction (50%)**: CHF 6.4m

- Profit: CHF 26.0m
- ./. Super deduction: CHF 6.4m
- Taxable profit: CHF 19.6m
- Minimum taxable profit (30% of CHF 56.0m): CHF 16.8m

* CHF 14.2m * 112%. Assumes that the 35% uplift at OpCo reflects actual additional R&D expenses.
**Case study 3: Mixed company with NOLs**

**Key features**
- Mixed company (100% foreign income; 20% taxable quota)
- Built-in gains / goodwill 200
- Loss carry-forward (LCF) 500
- Non-calendar year fiscal year (ending 31 March)

**Tax considerations**
- If step-up is allowed, tax losses must not be considered (only to the extent of taxable quota)
- If step-up is disallowed (typically in the Romandie), tax losses must be considered (100% LCF)
- Step-up is not beneficial if $\text{LCF} > \text{built-in gains}$
  - Step-up of built-in gains: $160 = 80\% \times 200$
  - LCF: $100 = 20\% \times 500$
  - Forfeiture of excess loss: $240 = 500 – 260$
- TRAF requires taxpayers to change cantonal tax status (involuntary)
- Measures to prevent such inadequacies:
  - Voluntary waiver of step-up by taxpayer in order to allow unrestricted carry-forward of tax losses (election right)
  - Exceptional carry-forward of “excess loss” (240)
- Case law does not restrict cantons to allow above measures

**Legal framework lies in the discretion of the cantons**
**Case by case modelling, no one solution fits all**
Case study 3: Fiscal year ≠ calendar year
When does preferential taxation end?

Entry into force of new law (anticipated)

1 April 2019

1 January 2020

31 March 2020

Fiscal year

31 March 2019
- Ordinary taxation as of first fiscal year ending after 31 December 2019
- Retroactive effect may raise concerns from a constitutional perspective

31 December 2019
- Split-up of tax year on pro rata temporis basis or based on interim financials 31 December 2019
- Complicated in practice

31 March 2020
- Ordinary taxation as of first fiscal year beginning after 31 December 2019
- Practical extension of tax privilege into 2020
## Case study 3: Fiscal year ≠ calendar year
When does new (lower) cantonal tax rate apply?

### Current law / practice
- Applicable are tax rates / multipliers effective **at the end of the tax period** – as stipulated in numerous tax laws, such as for example:
  - Art. 82 of Federal Tax Law
  - § 86 of Zurich Tax Law
  - § 99 of Lucerne Tax Law
  - Art. 88 (4) of Schaffhausen Tax law
  - Art. 40 of Geneva Tax Law
  - Art. 122 of Vaud Tax Law

### Swiss Corporate Tax Reform
- Reduction and enactment of cantonal tax rate is at the **discretion of each canton**
- Many cantons are expected to apply the statutory rule as per above, i.e., lower tax rate shall apply to **fiscal years ending after 31 December 2019**
- Taxpayers with non-calendar fiscal years would then benefit from reduced rate also for a portion of earnings generated in CY2019 (retroactive effect in favor of taxpayer)
- Concerns in terms of providing “excessive” benefit to taxpayers with non-calendar fiscal years (retroactive application of reduced rate to CY2019 earnings and “extended” application of cantonal tax privilege to CY2020 earnings) could be mitigated as follows:
  - Application of old tax rate to fiscal years that are still taxed under cantonal tax privilege (c.f., Vaud with 2019 cantonal tax revision), or
  - Apply new tax rate only to fiscal years beginning after 31 December 2019
# Case study 3: Limitations to transitional relief

## Issue

- Full relief potential in terms of built-in gains subject to depreciation (old law step-up) or reduced taxation (two-rate model) cannot be utilized due to
  - 70% cantonal tax relief limitation (old law step-up only)
  - Time limitation
  - Loss situation

## Mitigation measures

<table>
<thead>
<tr>
<th>Old law step-up</th>
<th>Two-rate model</th>
</tr>
</thead>
<tbody>
<tr>
<td>► Flexible depreciation method</td>
<td>► Allow transition into old law step-up after 5 years with respect to remainder of untaxed built-in gains</td>
</tr>
<tr>
<td>► Extended depreciation period (10 years)</td>
<td>► Offset unrealized built-in gains with patent box entry costs</td>
</tr>
<tr>
<td>► Immediate step-up depreciation before entry into force of new law (7-year LCF)</td>
<td>► Increase profits by integration of highly profitable business (merger, absorption, contribution)</td>
</tr>
<tr>
<td>► Offset unutilized depreciation basis with patent box entry costs</td>
<td></td>
</tr>
<tr>
<td>► Increase profits by integration of highly profitable business (merger, absorption, contribution)</td>
<td></td>
</tr>
</tbody>
</table>
Key features

- Contribution of marketing intangibles for CHF 1B to Switzerland
- Amortization over 5 years results in loss situation
- Federal harmonization act stipulates that only «patents and equivalent rights» qualify for net equity relief

Tax considerations

<table>
<thead>
<tr>
<th></th>
<th>Vaud</th>
<th>Zurich</th>
</tr>
</thead>
<tbody>
<tr>
<td>6x</td>
<td>V</td>
<td>5x</td>
</tr>
<tr>
<td></td>
<td>✓ yes</td>
<td>✓ yes</td>
</tr>
<tr>
<td></td>
<td>✓ yes</td>
<td>X no</td>
</tr>
<tr>
<td>Tax relief on IP</td>
<td>✓ yes</td>
<td>✓ yes</td>
</tr>
<tr>
<td>Tax credit</td>
<td>✓ yes</td>
<td>X no</td>
</tr>
<tr>
<td>Tax basis</td>
<td>1'000'000'000</td>
<td>1'000'000'000</td>
</tr>
<tr>
<td>Current rate (ordinary)</td>
<td>0.068%</td>
<td>0.172%</td>
</tr>
<tr>
<td>Current rate (mixed)</td>
<td>0.023%</td>
<td>0.034%</td>
</tr>
<tr>
<td>Current tax burden</td>
<td>230'000</td>
<td>340'000</td>
</tr>
<tr>
<td>Future rate</td>
<td>0.137%</td>
<td>0.172%</td>
</tr>
<tr>
<td>Tax credit (requires taxable income)</td>
<td></td>
<td>90%</td>
</tr>
<tr>
<td>Future tax burden (loss)</td>
<td>1'370'000</td>
<td>1'720'000</td>
</tr>
<tr>
<td>Future tax burden (credit)</td>
<td>0</td>
<td>172'000</td>
</tr>
</tbody>
</table>

Mitigation measures

- Generous interpretation of new relief measure by cantons (including consideration of goodwill and fair values)
- Reduce equity (e.g., leveraged dividends)
- Move domicile to other canton
- Acquire non-eligible IP at lower contribution value or for debt
- Extend amortization period (10 years) to avoid loss situation (in case of tax credit possibility)
- Be conscious about step-up value if included in equity base
Swiss parliament approves tax reform package

On 28 September 2018, the Swiss parliament approved the final draft of the Federal Act on Tax Reform and AHV Financing (TRAF), formerly referred to as Tax Proposal 17. Beforehand, the two parliamentary chambers, National Council and Council of States, had resolved their remaining differences and reached a final agreement.

If no referendum is held, the first measures of the tax reform could enter into force in 2019 and the main part of the measures from 2020. If 50,000 voters sign a petition requesting a referendum, the proposed TRAF will be subject to a popular vote. TRAF would thus most likely be put to the people’s vote on 19 May 2019. The entry into force would still be planned for 2020 even though this would be an ambitious timeline for the cantons to follow up with the cantonal implementation.

Visit our EY Switzerland Blog for the latest news on Tax Reform.
Key take aways

► Many open questions – risk but also an opportunity
► In light of very short timing, options need to be analyzed now

There are many opportunities. Thus, the biggest risk is to not explore them now!
Tax Reform
Cantonal implementation
Status as of 1 February 2019
## Tax Reform

### Overview cantonal implementation

<table>
<thead>
<tr>
<th>Canton</th>
<th>Current tax rate</th>
<th>Envisaged tax rate</th>
<th>Transitional tax rate (two-rate system)</th>
<th>Patent box exemption (max. 50%)</th>
<th>R&amp;D super deduction (max. 50%)</th>
<th>Overall cantonal tax relief (max. 70%)</th>
<th>Envisaged tax rate with max. cantonal tax relief</th>
<th>Current net equity tax rate</th>
<th>Current net equity tax rate holding company</th>
<th>Envisaged net equity tax rate</th>
<th>Relief net equity tax</th>
<th>Current net equity tax credit</th>
<th>Current taxation qualifying dividend income</th>
<th>Envisaged taxation qualifying dividend income (mind. 50%)</th>
<th>Systemic change</th>
</tr>
</thead>
<tbody>
<tr>
<td>AG</td>
<td>18.61%</td>
<td>17.90%</td>
<td>11.16%</td>
<td>90%</td>
<td>50%</td>
<td>70%</td>
<td>11.10%</td>
<td>0.211%</td>
<td>0.017%</td>
<td>0.127%</td>
<td>100%</td>
<td>✓</td>
<td>40%</td>
<td>60%</td>
<td>✓</td>
</tr>
<tr>
<td>AI</td>
<td>14.16%</td>
<td>12.66%</td>
<td>9.50%</td>
<td>30%</td>
<td>X</td>
<td>50%</td>
<td>10.31%</td>
<td>0.050%</td>
<td>0.005%</td>
<td>0.050%</td>
<td>50%</td>
<td>✓</td>
<td>40%</td>
<td>50%</td>
<td>✓</td>
</tr>
<tr>
<td>AR</td>
<td>13.04%</td>
<td>13.04%(3)</td>
<td>8.93%</td>
<td>50%</td>
<td>50%(3)</td>
<td>50%(3)</td>
<td>10.51%</td>
<td>0.073%</td>
<td>0.015%</td>
<td>0.04745</td>
<td>100%</td>
<td>X</td>
<td>60%</td>
<td>70%(3)</td>
<td>✓</td>
</tr>
<tr>
<td>BE</td>
<td>21.64%</td>
<td>&lt;18.71%</td>
<td>✓</td>
<td>50%</td>
<td>70%</td>
<td>&lt;11.39%</td>
<td>0.144%</td>
<td>0.144%</td>
<td>✓</td>
<td>5)</td>
<td>50%</td>
<td>50%</td>
<td>✓</td>
<td>50%</td>
<td>✓</td>
</tr>
<tr>
<td>BL</td>
<td>20.70%</td>
<td>13.45%(4)</td>
<td>9.66%(6)</td>
<td>90%</td>
<td>20%</td>
<td>50%</td>
<td>10.73%</td>
<td>0.380%</td>
<td>0.021%</td>
<td>0.16%</td>
<td>80%(7)</td>
<td>✓ 4)</td>
<td>✓ new</td>
<td>50% Minimum or 60%</td>
<td>✓</td>
</tr>
<tr>
<td>BS</td>
<td>22.18%</td>
<td>13.04%</td>
<td>10.31%</td>
<td>90%</td>
<td>X</td>
<td>40%</td>
<td>11.03%</td>
<td>0.525%</td>
<td>0.050%</td>
<td>0.10%</td>
<td>80%(7)</td>
<td>X</td>
<td>50%</td>
<td>80%</td>
<td>X</td>
</tr>
<tr>
<td>FR</td>
<td>19.86%</td>
<td>13.72%</td>
<td>13.72%</td>
<td>90%</td>
<td>50%</td>
<td>20%</td>
<td>12.60%</td>
<td>0.308%</td>
<td>0.033%</td>
<td>0.1%</td>
<td>0.01%(7)</td>
<td>✓</td>
<td>50%</td>
<td>70%</td>
<td>X</td>
</tr>
<tr>
<td>GE</td>
<td>24.16%</td>
<td>13.99%</td>
<td>13%</td>
<td>10%</td>
<td>50%</td>
<td>9%</td>
<td>13.49%</td>
<td>0.401%</td>
<td>0.067%</td>
<td>0.401%</td>
<td>0.001%</td>
<td>✓ 6)</td>
<td>60%50%</td>
<td>70%60%</td>
<td>X</td>
</tr>
<tr>
<td>GL</td>
<td>15.70%</td>
<td>12.43%(3)</td>
<td>9.4%</td>
<td>X(3)</td>
<td></td>
<td></td>
<td></td>
<td>0.252%</td>
<td>0.005%</td>
<td>X</td>
<td></td>
<td></td>
<td>35%</td>
<td>70%(3)</td>
<td>✓</td>
</tr>
</tbody>
</table>

1) Max. tax rate on pre-tax income (i.e. taking into account the deductibility of tax expenditure) / including federal tax, cantonal and communal taxes and church tax / calculated for the capital of the respective canton
2) Calculated for the capital city of the respective canton
3) Dispatch Tax Proposal 17 of 21 March 2018, Appendix Table 19-24
4) Cantonal level, communal level may differ
5) No net equity tax credit for holding and domicile companies
6) Max. CHF 15k until 2020; contemplated to extend tax credit to a greater extent post-reform
7) Only on participations and patents
8) Phased reduction, 13.45% applies from 2025
9) As of 2020, rate differs in the future
### Tax Reform

#### Overview cantonal implementation

<table>
<thead>
<tr>
<th>Country</th>
<th>Current tax rate</th>
<th>Envisaged tax rate</th>
<th>Transitional reduced tax rate (two-rate system)</th>
<th>Patent box exemption (max. 90%)</th>
<th>R&amp;D super deduction (max. 50%)</th>
<th>Overall cantonal tax relief (max. 70%)</th>
<th>Envisaged tax rate with max. cantonal tax relief</th>
<th>Current net equity tax rate ordinary taxation</th>
<th>Current net equity tax rate holding company</th>
<th>Envisaged net equity tax rate</th>
<th>Relief net equity tax</th>
<th>Current net equity tax credit</th>
<th>Current taxation qualifying dividend income</th>
<th>Envisaged taxation dividend income (mind. 50%)</th>
<th>Systemic change</th>
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<td>60%/50%</td>
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<td>X</td>
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</table>

1) Max. tax rate on pre-tax income (i.e. taking into account the deductibility of tax expenditure) / including federal tax, cantonal and communal taxes and church tax / calculated for the capital city of the respective canton

2) Calculated for the capital city of the respective canton

3) Dispatch Tax Proposal 17 of 21 March 2018, Appendix Table 19-24

4) Subject to further decrease (additional approx. 1%)

5) Only on participations and patents

6) Fixed tax rate for qualifying assets (patents, participations and IC financing)

7) As of 2020, rate differs in the future
## Tax Reform
### Overview cantonal implementation

<table>
<thead>
<tr>
<th>Canton</th>
<th>Current tax rate</th>
<th>Envisaged tax rate</th>
<th>Transitional reduced tax rate (two-rate system)</th>
<th>Patent box exemption (max. 50%)</th>
<th>R&amp;D super deduction (max. 50%)</th>
<th>Overall cantonal tax relief (max. 70%)</th>
<th>Envisaged tax rate with max. cantonal tax relief</th>
<th>Current net equity tax rate ordinary taxation</th>
<th>Current net equity tax rate holding company</th>
<th>Envisaged net equity tax rate</th>
<th>Relief net equity tax</th>
<th>Current net equity tax credit</th>
<th>Current taxation qualifying dividend income</th>
<th>Envisaged taxation qualifying dividend income (mind. 50%)</th>
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</table>

1) Max. tax rate on pre-tax income (i.e. taking into account the deductibility of tax expenditure) / including federal tax, cantonal and communal taxes and church tax / calculated for the capital city of the respective canton
d2) Calculated for the capital city of the respective canton
3) Dispatch Tax Proposal 17 of 21 March 2018, Appendix Table 19-24
4) Previous draft law under CTR III
5) Only on participations and patents
6) Estimation (not yet finally decided)
7) As of 2020, rate differs in the future
Thank you!
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