New location promotion measures in Switzerland – an opportunity for companies

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Key takeaways

- **OECD minimum tax (15%) has an impact on Switzerland's location advantages: Tax incentives such as the patent box or additional R&D deductions are losing much of their impact, as they would reduce the effective tax rate below 15% and thus trigger a top-up tax.**
- **Cantons at the centre of new location promotion measures: Since corporate taxes are primarily levied at the cantonal level, the cantons must develop new incentive schemes. Low-tax cantons with a high concentration of international companies (e.g. Zug, Basel-Stadt and Schaffhausen) are particularly affected.**
- **Introduction of new instruments such as subsidies and qualifying tax credits (QRTCs): Instead of tax rate reductions, cantons are increasingly focusing on promotion funds, direct subsidies or tax credits that are OECD-compliant because they are not linked to profits. Key focus areas include innovation, sustainability, infrastructure, education and social issues.**
- **Progress varies significantly between cantons: Basel-Stadt, Graubünden and Zug (last week clearly approved by parliament but subject to public vote) have decided on the implementation, while the legislative process is still ongoing in Lucerne. French-speaking cantons (e.g. Vaud, Neuchâtel and Geneva) are focused more heavily on direct subsidies and support programmes based on the existing legal basis.**
- **Companies must act early: Businesses – particularly in life sciences, pharmaceuticals, medtech and tech – should closely monitor cantonal developments, engage in early dialogue with authorities and strictly observe deadlines, as these represent forfeiture deadlines. In addition, the impact of subsidies on VAT (input tax deduction) must be considered.**

Introduction

Switzerland has adopted the rules on global minimum taxation as part of the OECD BEPS 2.0 initiative. Companies of multinational enterprises taxable in Switzerland with a consolidated annual turnover of more than 750 million euros will therefore generally have to pay taxes of at least 15% on the relevant profits. To ensure this, Switzerland introduced a national supplementary tax (QDMTT) on 1 January 2024 and an international supplementary tax (IIR) on 1 January 2025.

With the introduction of this minimum tax, Switzerland's previously highly successful tax incentives for multinational companies will become less significant. If the effect of existing tax reliefs such as the supplementary R&D deduction, the patent box or general tax exemptions

leads to an effective tax rate below 15%, a (higher) supplementary tax will be levied instead. Against this background, various cantons are introducing new location promotion measures such as qualifying tax credits or subsidies for promoting innovation, which do not affect the applicable tax rate on profits. This article shows how existing and prospective/relocating companies – regardless of their size – can benefit from these new location promotion measures.

How are location promotion measures regulated in Switzerland?

In Switzerland, the competence for offering location promotion measures is distributed at different levels: the federal government, cantons and municipalities each have their own tasks and competences. The Confederation promotes Switzerland as a business location through the State Secretariat for Economic Affairs (SECO), which supports investment, innovation and export business. Important measures include the New Regional Policy (NRP), tax incentives, tourism promotion and the relocation support of international companies via Switzerland Global Enterprise.

Due to Switzerland's federal system, the cantons play the most important role in location promotion. So far, the cantons have primarily supported companies through tax incentives. In addition, infrastructure projects and cantonal economic development agencies also play an important role. In addition, the cantons are working closely with universities and innovation centres to support the attractiveness of locations and attract investment.

The municipalities promote the local economy by providing commercial space, supporting small and medium-sized enterprises and implementing measures to enhance location attractiveness. They invest in infrastructure, networks and quality of life to attract companies and skilled workers.

Which level is the most affected by the minimum taxation?

The cantons are the most affected by minimum taxation for large corporations. This is because corporate taxes in Switzerland are largely levied at the cantonal level, and many cantons have so far created attractive conditions for companies by offering low tax rates. With the minimum taxation, the cantons lose this advantage.

However, not all cantons are equally affected by the minimum taxation. Cantons with traditionally very low corporate tax rates and a high concentration of international corporations are particularly affected, as these companies will have to pay at least 15% corporate income tax in the future. However, this also means that the cantons that are particularly affected are expected to receive more tax revenue, which they can use to finance new location promotion measures.

What challenges and limitations arise in the development of new location promotion measures?

From a domestic point of view, the cantons have considerable freedom when it comes to introducing new location promotion measures. The federal government deliberately refrains from imposing specific requirements on the cantons. However, cantons must comply with the Federal Constitution as well as international obligations and guidelines when designing location promotion measures. This means that measures must not be discriminatory and must not cause undue distortions of competition.

From an international perspective, it is particularly important to consider compatibility with OECD guidelines, which stipulate that the measures be generally accessible and not linked to corporate profits. This significantly limits the possibilities to specifically promote and attract highly profitable companies. Furthermore, the measures must observe the “non-selectivity” principle, which is anchored in EU state aid law.

From a political perspective, it should also be noted that not all cantons expect significant additional revenues. Accordingly, the financial resources of various cantons are limited. The introduction of new support measures therefore requires careful consideration of the expected economic benefits and costs. In addition, cantons must ensure that the measures are sustainable in the long term and do not place an excessive burden on the cantonal budget.

This results in cantons tailoring the measures to their respective needs. The various packages and strategic directions are heavily influenced by the available financial resources, the local corporate structure and any specific focus on attracting new businesses.

What is the general focus of these new location promotion measures?

The focus of the planned and, in some cases, already decided measures to promote business locations in the active cantons is moving in a similar direction. The following areas of promotion are recognised:

- Investments in innovation and research: Promotion of research projects and collaboration with universities to strengthen innovation. Investments in Switzerland as a research and production location are to be increasingly promoted.
- Sustainability: Promotion of environmentally friendly technologies and sustainable business practices.
- Infrastructure: Improvement of transportation networks and digital infrastructure to create optimal conditions for businesses.
- Education: Training and continuing education for skilled workers to meet the needs of the economy.
- Social aspects: Promotion of work-life balance as well as other socio-political matters.

Which cantons are furthest along in introducing new measures?

The cantons of Basel-Stadt, Graubünden and Zug are currently the most advanced in introducing new measures to ensure their competitiveness and cushion the effects of the OECD minimum taxation.

What key points of the published bills are already known?

Below are links to cantonal tables with more detailed information on the current status of the cantonal measures:

Basel-City

Graubünden

Luzern

Zug

Which other cantons are working on specific bills?

In addition to Basel-Stadt, Graubünden and Zug, the Canton of Lucerne has already published a draft bill and launched a corresponding consultation procedure. Other cantons are still reticent about concrete proposals to amend the laws but are reportedly working on them.

In cantons of French-speaking Switzerland, location promotion is in part already based on existing legal frameworks through direct subsidies and incentive programmes. For example, the Canton of Vaud has provided a total of CHF 23 million in direct subsidies to promote the purchase of new production machines. In mid-February, the Neuchâtel parliament approved a CHF 25 million fund over five years to grant interest-free loans to companies that renew their machinery. Furthermore, the Canton of Neuchâtel authorised CHF 7 million in subsidies for a chip production line in the canton. Overall, it can be expected that particularly affected cantons such as Geneva, Schaffhausen and Vaud will, in the foreseeable future, follow with more concrete legislative proposals in order to safeguard their long-term location attractiveness.

In mid-August 2025, in the context of a press conference on the “Geneva Economic Strategy 2035”, the Canton of Geneva announced that a decision on the introduction of a refundable tax credit would be taken by the end of 2025; further details were not yet available. In Schaffhausen, the Cantonal Government presented the first part of a location promotion package in mid-September 2025, which, however, does not yet include any new incentive instruments. Instead, existing company-specific support measures (primarily benefiting SMEs) are being expanded. According to the government’s report, new instruments are to follow only in a second package, as international developments are to be assessed first; preparatory work is, however, already underway.

Other cantons are likewise in an assessment or early conceptual phase. For instance, in May 2025, the Government of the Canton of St. Gallen indicated, in response to a parliamentary interpellation, that the introduction of a subsidy system is currently being evaluated, although

the project remains at an early stage. In Zurich, the government was tasked in February 2024, by way of a parliamentary motion, with examining the introduction of a refundable tax credit; the corresponding report has been issued but has not yet been debated in the cantonal parliament. The government considers the introduction of such a tax credit to be inappropriate.

What do companies potentially benefiting from the new location promotion measures need to consider at this stage?

Companies that want to benefit from the new location promotion measures in Switzerland should prepare themselves accordingly at an early stage and check whether the conditions are met. Particular attention should be paid to companies from the life sciences, pharmaceuticals, medtech and digital technologies sectors. But companies from other industries may also benefit from the planned measures.

It is therefore highly advisable to keep an eye on developments and carefully examine the respective measures. The choice of canton is crucial, especially for those businesses that are planning to relocate or make new investments in Switzerland in any case. We recommend contacting the cantonal authorities at an early stage, as they are usually open to dialogue and cooperation. In this way, interested companies can obtain additional information about possible subsidies and planned measures.

Furthermore, it should be noted that the deadlines for submitting applications represent forfeiture deadlines and must therefore be observed. The deadlines differ from one canton to another.

It should also be noted that the new measures are considered subsidies from a VAT point of view and therefore have an impact on input VAT deduction. This point must be given special attention in advance so that unnecessary negative consequences can be avoided.

Early legal advice can help you overcome administrative hurdles and efficiently meet the requirements of the cantonal funding instruments. We will be glad to assist you with analysis, monitoring developments, and ultimately selecting and applying for the measures that are best suited to your company. Please do not hesitate to contact us if you require further assistance.

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No legal or tax advice

This legal update provides a high-level overview and does not claim to be comprehensive. It does not represent legal or tax advice. If you have any questions relating to this legal update or would like to have advice concerning your particular circumstances, please get in touch with your contact at Pestalozzi Attorneys at Law Ltd. or one of the contact persons mentioned in this legal update.

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