Tax implications for Swiss IP holding companies

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New provisions on reduced taxation of profits from patents and comparable rights entered into force as of 1 January 2020 – "patent box" according to the OECD standard (see Legal Update on Swiss Corporate Tax Reform).

The patent box allows privileged taxation of income from certain qualified intellectual property rights. Swiss and foreign patents, comparable Swiss and foreign rights such as supplementary protection certificates, topographies, plant varieties and documents protected by laws on therapeutic products or agriculture qualify for the patent box. Trademarks, designs and trade secrets, however, do not.

Applying the modified nexus approach, patents, products or product families are taxed in the country in which the related research and development (R&D) expenses are incurred. Qualifying R&D expenses are defined as costs for research and development carried out by the taxpayer directly; costs for research and development by a third party; and costs for commissioned research by a Swiss affiliate.

Depending on the canton, additional deductions can be made for basic research, application-oriented research and science-based innovations.

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