



Junior ITF Meeting in Amsterdam of September 28/29, 2023 Country Update Switzerland

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BEPS 2.0 – Implementation of Pillar Two in Switzerland

Pillar Two – Minimum ETR of 15% on GloBE income for MNE with consolidated annual revenues of \geq EUR 750m

- Switzerland will introduce a supplementary tax, which will be applied if a multinational group of companies does not meet the OECD required 15% minimum taxation in Switzerland. Only multinational groups with an annual turnover of at least EUR 750 million are in scope.
- In addition, Switzerland plans to introduce an OECD compliant Income Inclusion Rule (IIR) and an Undertaxed Payments Rule (UTPR) to tax foreign profits of multinational group of companies in case they are not already taxed at 15% or more (on an OECD basis) abroad.
- The supplementary taxation will likely affect some 200 Swiss headquartered groups plus some 2,000-3,000 Swiss subsidiaries of foreign MNE.
- The goal is to protect Swiss resident companies from additional tax proceedings abroad.
- Contains risk, that cantons with low profit tax burden will lose attractiveness, with the consequence, that Swiss resident companies could move away or not settle in Switzerland in the first place.
- 75% of the additional tax revenues go to the cantons in which the constituent entity is taxed (but are partially re-allocated among the cantons under a fiscal equalization scheme).
- 25% Federal share shall be used to increase Switzerland's attractiveness as a business location.
- Temporary ordinance should allow the entering into force as per January , 2024; formal act will follow as per January, 2025.

Development of Swiss VAT Act - Overview

VAT Rates	2018-2023	As from 2024
Standard Rate	7.7%	8.1%
Reduced Rate (e.g., for food, medication, literature)	2.5%	2.6%
Special Rate (for accommodation services)	3.7%	3.8%

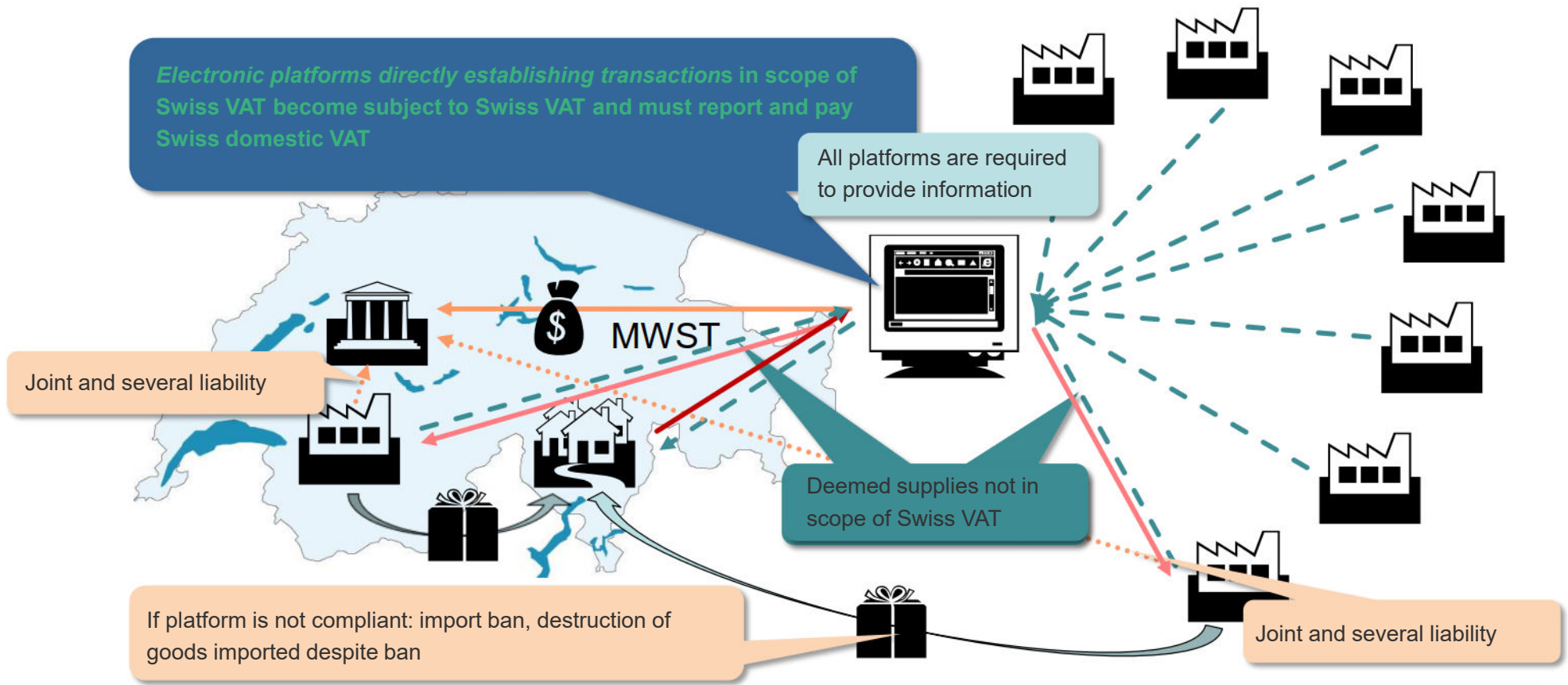
1. Increase of the Swiss VAT rates:

- Entering into force in 2024

2. Most important proposed change: **taxation and reporting duties for electronic platforms** -> next slide

- Entering into force expected in 2025

Revision of Swiss VAT Act - Electronic Platforms



Limited Qualified Investor Fund (L-QIF) entering into force expected Q1/2024



Purpose:

- Increasing of competitiveness of the Swiss financial market and attractiveness of Swiss fund structures compared to similar foreign products, such as the Luxembourg's Reserved Alternative Investment Fund (RAIF), which serves as a model for the L-QIF.

Investors:

- The L-QIF is only available for **qualified investors** such as institutional and professional clients as well high net worth private clients and private investment structures, which have opted to be considered professional clients.

Time and Costs:

- The L-QIF requires **neither a license nor an authorization** from Swiss Financial Market Supervisory Authority (FINMA) and can therefore be launched quickly and without high costs.

Legal Form:

- The L-QIF is **not a new legal form**. It can be established as an open-ended fund in the form of a contractual fund or a SICAV or as a closed-ended fund in the form of a limited partnership for collective investment (but not a SICAF).

Simplified Rules:

- The L-QIF is subject to the Swiss collective investment scheme act, but more liberal investment guidelines and diversification rules apply (including **no restriction on type of investments**, risk distribution and concentration, **no prospectus**).

Investor Protection:

- Fund management (open-ended L-QIF) or asset manager (closed-ended L-QIF) must be supervised by FINMA.

Taxation:

- The L-QIF is **taxed the same way as other Swiss collective investment schemes**:
 - Transparent income taxation at the level of the investor, except for directly held real estate
 - Directly held real estate investments are taxed opaquely at a reduced rate at the level of the fund and are tax exempt at the level of the investor
 - Opaque treatment for Swiss withholding tax and securities transfer tax purposes

Investments:

- The L-QIF can be used for **any kind of investment**, including derivatives, structured products, commodities, crypto assets, or investments in art, vintage cars, wine, etc. Direct investments in **real estate** are only admissible for institutional and professional clients, but not for private clients who have opted to be considered professional clients (prevention of reduced taxation of opaquely taxed direct real estate investments).

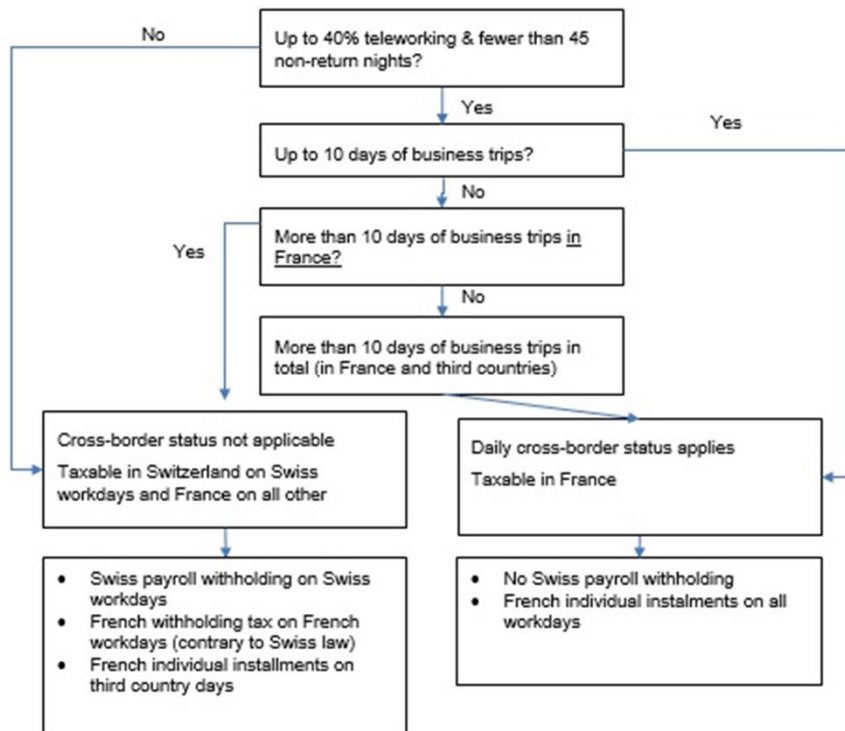
Swiss Corporate Law Reform



Significant reform of Swiss corporate law, with most changes becoming effective as of January 1, 2023, including the ones with tax implications:

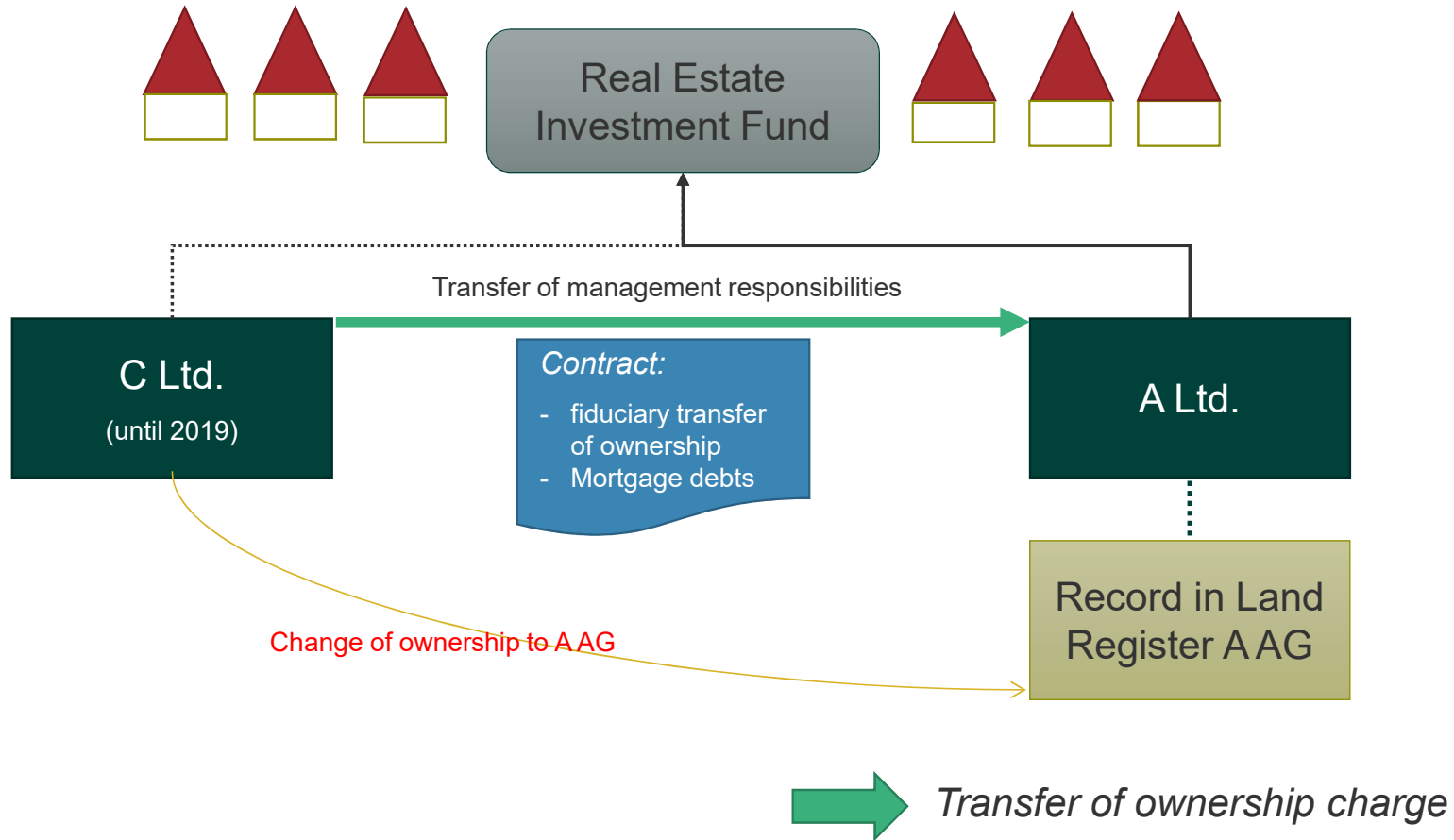
- **Nominal share capital admissible in foreign functional currency EUR, GBP, USD, or JPY:**
 - Foreign currency determines the share capital and share premium/capital contribution reserves that can be repaid/distributed free of dividend withholding tax
 - Change to share capital in foreign currency: Tax neutral change and fixation of share capital and capital contribution reserves in functional currency
 - Foreign functional currency was already relevant for determination of income and capital tax basis before
 - Taxes remain to be declared, assessed, and paid in CHF in case of foreign functional currency, irrespective of share capital currency:
 - Income tax: Average fx rate of the relevant financial year
 - Capital tax: fx rate as of the end of the relevant financial year
 - Withholding tax and stamp duties: fx rate as of the date when the tax claim arises
- **Capital band - The general meeting of a share corporation may authorize its board of directors to increase and/or decrease the share capital by up to 50% during a period up to five years:**
 - 1% issuance stamp duty will only be levied (i) upon expiration of the capital band (up to five years tax deferral) and (ii) only on the contributed net equity (i.e., deducted by capital distributions/repayments during the capital)
 - Confirmation of additional withholding tax-exempt capital contribution reserves only upon expiration of the capital band
 - Increase of withholding tax exempt capital contribution reserves only in the amount of the contributed net equity. Practice officially confirmed in December 2022 limits this net approach to buy-backs of listed shares through a second trading line against non-qualifying reserves. Buy-backs and distributions by privately held companies and/or against tax exempt capital contribution reserves during the capital band do not reduce tax exempt capital contribution reserves.
 - Possibility to repurchase treasury shares of up to 50% of the entire share capital during the capital band without treatment as a partial liquidation for tax purposes?
- **Interim dividends explicitly admissible** – no immediate tax implications; income and withholding tax practice continues to rely on reserves that could be distributed by way of ordinary annual dividend

Update on Swiss/France taxation of Cross-border commuters



- Switzerland and France have reached two agreements for the daily cross-border population and for the weekly commuters.
 - One of the agreements explicitly applies to the cantons that have a separate cross-border agreement with France. For the daily cross-border commuters between France and the cantons Bern, Solothurn, Basel-Stadt, Basel-Land, Vaud, Valais, Neuchâtel and Jura: up to 40 % of their work can be performed from home without jeopardizing their cross-border status, nor impacting the taxation rights of the country of residence
 - The agreement also covers other workers who are subject to a double taxation agreement between Switzerland and France. For the weekly commuters as well as the daily commuters who are not in the scope of the special agreement with the 8 cantons mentioned above: up to 40 % of the work can be performed from home without impacting the taxation rights of the country of employment.
- The provisions of the agreement are applicable since January 2023 and are valid until December 2024.

Leading Case: BGE 148 II 121



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