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PILLAR II IMPLEMENTATION SWITZERLAND

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Pillar 2 Implementation Switzerland

Agenda & Speaker

Agenda

- Legal Framework
- Applicable Law (Art. 2 Ordinance)
- Taxable Person (Art. 1 Ordinance)
- “One-Stop-Shop”
- Calculation Swiss Top-up Tax (Art. 9 Ordinance)
- Other Swiss Specific Topics
 - Tax Deductibility of Top-up Taxes (Art. 7 Ordinance)
 - Joint Liability (Art. 6 Ordinance)
 - Governmental Entity (Art. 1.5.1 para. a MR)
 - Dividends (Art. 3.2.1 para. d MR)
 - Covered Taxes

Speaker

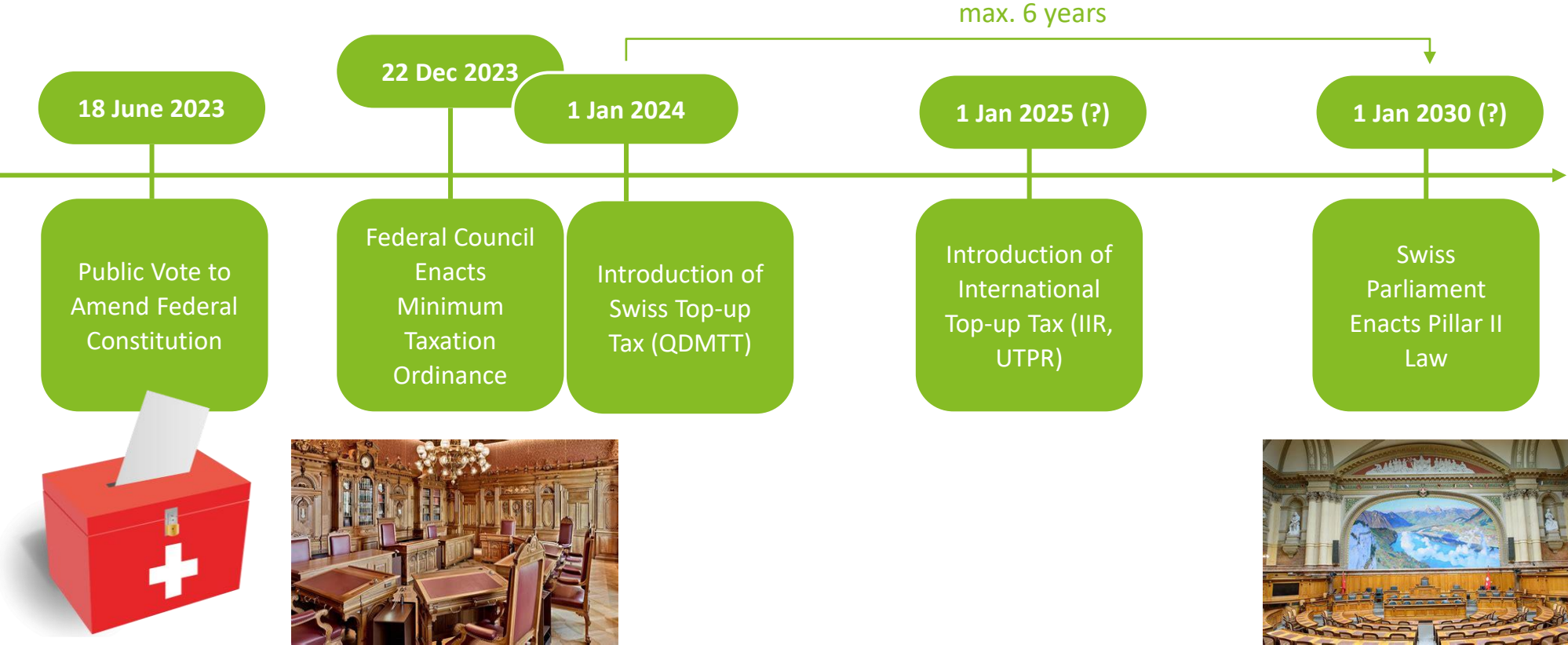


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Legal Framework (1)

Implementation Steps – Past & Future



Legal Framework (2)

Framework (1)

Federal Constitution of the Swiss Confederation



- Pillar II top-up taxes in Switzerland are federal direct taxes, which are levied by the cantons;
- Pillar II (and Pillar I) requires derogation from various constitutional principles – Discussion: Why?

– **Art. 129a¹⁰³ Special taxation of large corporate groups**

¹ The Confederation may issue regulations for large corporate groups on being taxed in the market state and on a minimum rate of tax.

² In doing so, it shall be guided by international standards und model regulations.

³ In order to safeguard the interests of the Swiss economy as a whole, it may derogate from:

- a. the principles of universality and uniformity of taxation and the principle of taxation according to ability to pay in accordance with Article 127 paragraph 2;
- b. the maximum tax rates in accordance with Article 128 paragraph 1;
- c. the regulations on enforcement in accordance with the first sentence of Article 128 paragraph 4;
- d. the matters excluded from tax harmonisation in accordance with the second sentence of Article 129 paragraph 2.

– **Art. 127 Principles of taxation**

¹ The main structural features of any tax, in particular those liable to pay tax, the object of the tax and its assessment, are regulated by law.

² Provided the nature of the tax permits it, the principles of universality and uniformity of taxation as well as the principle of taxation according to ability to pay are applied.

Legal Framework (3)

Framework (2)

Federal Constitution of the Swiss Confederation



- Normally, a federal tax requires a formal federal law. Due to the very tight deadlines (approx. 6 months), it was not possible to enact a formal federal law;
- Implementation takes place over max. six years by means of an ordinance (with guiding principles outlined in the constitution), which is to be converted into a formal federal law at a later state

15.179 Transitional provision to Art. 129a (*Special taxation of large corporate groups*)

¹ Until the statutory provisions come into force, the Federal Council may issue the required regulations on the minimum rate of tax for large corporate groups.

² In doing so, it shall observe the following principles:

- The regulations apply to the business units of any multinational corporate group that achieves a consolidated annual turnover of 750 million euros.
- If the total tax payable by the business units in Switzerland or in another tax jurisdiction fall below the minimum tax payable at a rate of 15 per cent of the relevant profits, the Confederation shall levy a supplementary tax to compensate for the difference between the effective tax rate and the minimum tax rate.
- Relevant taxes are in particular the direct taxes indicated in the income statement of the business units.
- The relevant profit of a business unit is the profit or loss calculated for the consolidated financial statements of the group of companies in accordance with a recognised accounting standard before eliminating transactions between the business units and after taking other adjustments into account; profits and losses from international shipping are not taken into account.
- The effective tax rate in a tax jurisdiction is calculated by dividing the sum of the relevant taxes payable by all business units in this tax jurisdiction by the sum of the relevant profits of these business units.
- The supplementary tax for a tax jurisdiction is calculated by multiplying the profit surplus by the supplementary tax rate.
- The profit surplus in a tax jurisdiction is the sum of the relevant profits of all business units in this tax jurisdiction after the permitted deduction for tangible assets and labour costs.
- The supplementary tax rate for a tax jurisdiction corresponds to the positive difference between 15 per cent and the effective tax rate.
- In the event of under-taxation in Switzerland, the supplementary tax is levied on the domestic business units in proportion to the extent to which they have contributed to the under-taxation.
- In the event of under-taxation in another tax jurisdiction, the supplementary tax is primarily levied on the principal domestic business unit and secondarily on all domestic business units.

³ The Federal Council may issue supplementary regulations on implementing the minimum rate of tax, in particular on:

- taking account of the specific company circumstances;
- whether the supplementary tax may be deducted as an expense for the purpose of federal and cantonal income taxes;
- the procedure and rights of appeal;
- the criminal provisions in accordance with other criminal provisions of tax law;
- the transitional arrangements.

⁴ Where the Federal Council deems it necessary in order to implement the minimum rate of tax, it may derogate from the principles set out in paragraph 2. It may declare international model regulations and related sets of rules to be applicable. It may delegate these powers to the Federal Department of Finance.

⁵ The regulations on the supplementary tax shall be enforced by the cantons under the supervision of the Federal Tax Administration. The Federal Council may provide for the reimbursement of the administrative costs incurred in enforcing these regulations.

⁶ The cantons to which the business units belong for tax purposes are entitled to 75 per cent of the gross revenue from the supplementary tax. The cantons shall take appropriate account of the communes. The gross revenue from the supplementary tax from profit tax-exempt activities of federal, cantonal and communal business units, shall be paid to the collective body concerned.

⁷ The cantonal share of the gross revenue from the supplementary tax shall be recognised as additional tax revenue in the context of the equalisation of financial resources and burdens.

⁸ If the Federal Council makes use of its power in paragraph 1, it shall submit the statutory provisions on the minimum taxation of large multinational corporate groups to Parliament within six years of the ordinance coming into force.

⁹ The Confederation shall use its share of the gross revenue from the supplementary tax, after deducting its additional expenditure for the equalisation of financial resources and burdens caused by the supplementary tax, to further promote Switzerland's attractiveness as a business location.

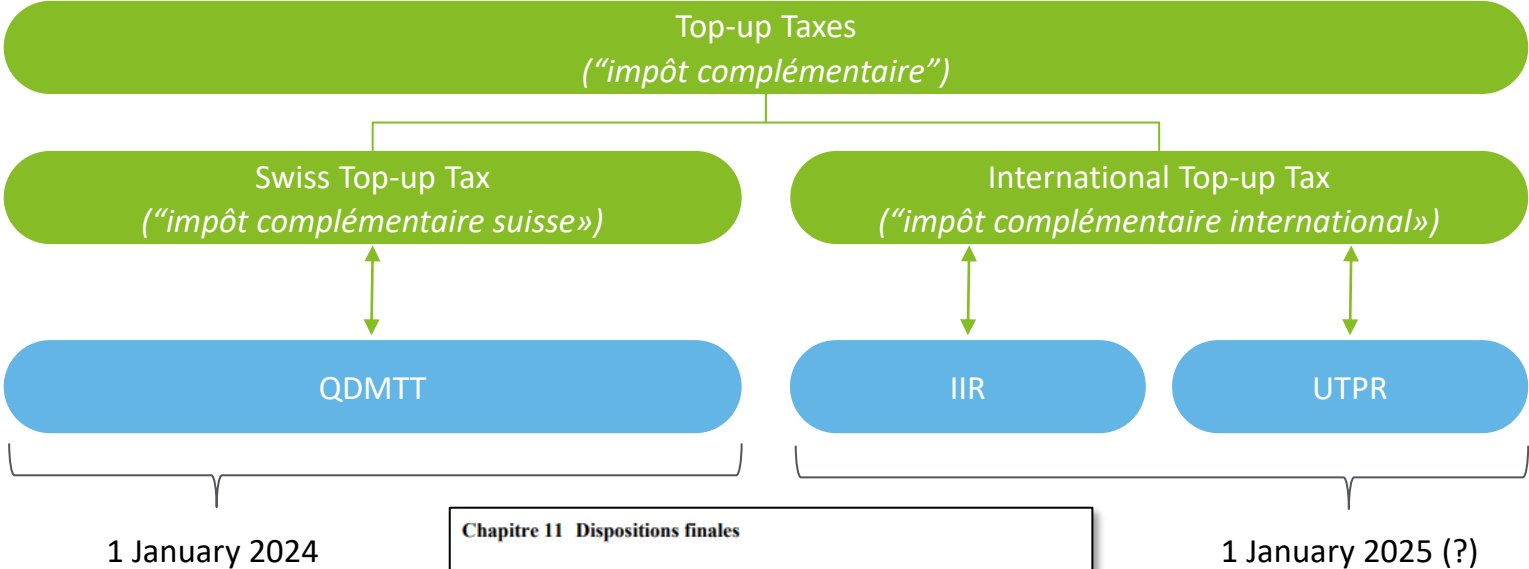
Legal Framework (4)

Framework (3)

Minimum
Taxation
Ordinance
("Ordinance")



- Ordinance is extremely short in relation to the complexity of the topic (42 articles / 16 pages);
- Many key topics (e.g. tax subject, tax object, tax base) are not regulated in the Ordinance, but reference is made to the GloBE Model Rules (see next slides);
- The ordinance contains two types of taxes:



Chapitre 11 Dispositions finales

Art. 40 Dispositions transitoires

¹ Sous réserve de l'al. 2, la présente ordonnance s'applique aux années fiscales, au sens de l'art. 10.1 des règles types GloBE, qui commencent le jour de son entrée en vigueur ou plus tard.

² Les dispositions relatives à l'impôt complémentaire international s'appliqueront à une date ultérieure. Toutefois, pour désigner l'entité constitutive assujettie à l'impôt complémentaire en vertu de l'art. 5, les dispositions des art. 2.1 à 2.3 des règles types GloBE portant sur l'IIR s'appliquent dès l'entrée en vigueur de la présente ordonnance.

Applicable Law (Art. 2 Ordinance) (1)

Basic Principles

Art. 2 Droit applicable

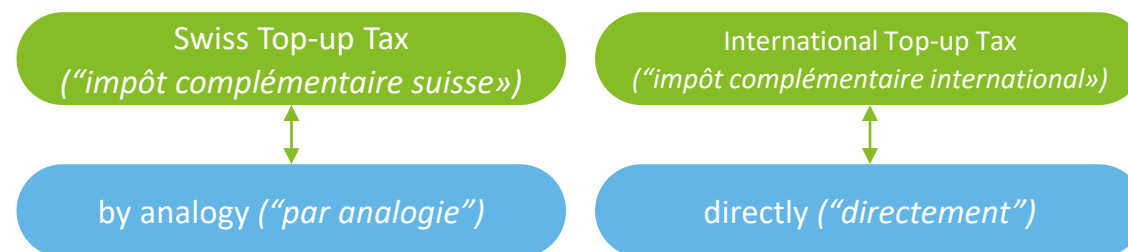
¹ Les règles types visant à lutter à l'échelle mondiale contre l'érosion de la base d'imposition et le transfert de bénéfice (règles types GloBE; *Global Anti-Base Erosion Model Rules [Pillar Two]*)², approuvées le 14 décembre 2021 par le Cadre inclusif sur le BEPS (*Base Erosion and Profit Shifting*) de l'Organisation de coopération et de développement économiques et du G20, sont applicables directement à l'impôt complémentaire international et, par analogie, à l'impôt complémentaire suisse, sous réserve de l'al. 2.

² Ne sont pas applicables:

- l'art. 9.3.5 des règles types GloBE;
- pour l'impôt complémentaire suisse, les art. 4.3.2, let. a et c à e, et 6.4 des règles types GloBE.

³ L'interprétation des règles types GloBE se fonde en particulier sur le commentaire y afférent³ et sur les réglementations pertinentes de l'Organisation de coopération et de développement économiques et des États du G20.

- Instead of transposing the GloBE Model Rules into domestic law, Switzerland has opted for referencing, i.e., the OECD regulations are applied directly ("*applicables directement*") or by analogy ("*par analogie*");

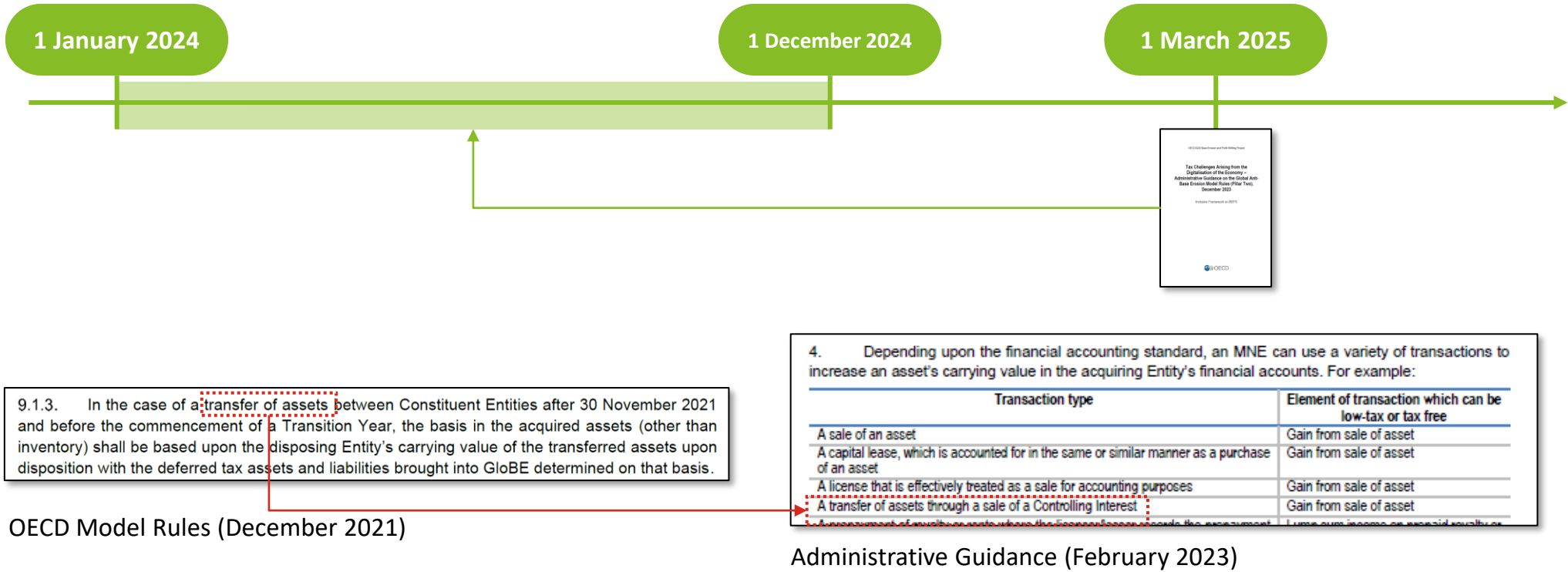


- Unique approach internationally (New Zealand, partly Liechtenstein), most states have transposed the regulations into national law (e.g. EU Member States);
- Art. 2 para. 1 refers statically to the OECD Model Rules dated December 14, 2021, i.e., should the Model Rules be amended at a later date, the Ordinance would have to be amended;
- Art. 2 para. 3, on the other hand, makes dynamic reference to all other OECD documents (e.g. Commentary, Administrative Guidance), i.e., all these documents apply automatically;
- Discussion: What are the advantages and disadvantages of this approach?

Applicable Law (Art. 2 Ordinance) (2)

Case Study

- ABC Group is subject to Swiss top-up tax for the period 1 Jan – 31 Dec 2024. On 1 March 2025, the OECD issued a new set of administrative guidance.



Taxable Person (Art. 1 Ordinance)

Overview

Art. 1 **Objet et champ d'application**
La présente ordonnance régit l'imposition minimale des grands groupes d'entreprises multinationaux par l'application d'un impôt complémentaire calculé sur les bénéfices de leurs entités constitutives:

- a. rattachées fiscalement à la Suisse (impôt complémentaire suisse);
- b. non rattachées fiscalement à la Suisse (impôt complémentaire international).

Chapitre 4 Impôt complémentaire suisse

Art. 8 **Champ d'application**
¹ Sont soumis à l'impôt complémentaire suisse les bénéfices des entités constitutives rattachées fiscalement à la Suisse d'un groupe d'entreprises dont la société mère ultime réalise, selon ses comptes annuels consolidés, un chiffre d'affaires annuel d'au moins 750 millions d'euros conformément aux art. 1.1.1, 1.1.2 et 6.1 des règles types GloBE.

Chapitre 5 Impôt complémentaire international

Art. 10 **Champ d'application**
¹ L'impôt complémentaire international est calculé sur la base des bénéfices des entités constitutives non rattachées fiscalement à la Suisse d'un groupe d'entreprises dont la société mère ultime réalise, selon ses comptes annuels consolidés, un chiffre d'affaires annuel d'au moins 750 millions d'euros, conformément aux art. 1.1.1, 1.1.2 et 6.1 des règles types GloBE.

- The requirements for a person to be subject to Swiss / international top-up tax are unfortunately - in contrast to many other tax laws in Switzerland - not very clearly phrased. They are spread over several articles and reference is also made to the OECD Model Rules;
- Overview:

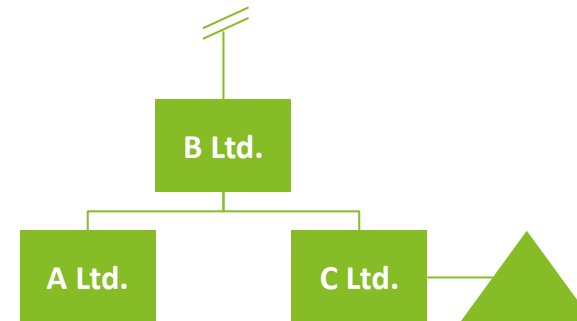
| Requirement | Minimum Tax Ordinance | OECD Model Rules |
|-------------------------------|---------------------------|------------------|
| (1a) Group | Art. 1 / Art. 8 / Art. 10 | Art. 1.2 |
| (1b) Multinational | Art. 1 | Art. 1.2 |
| (1c) Minimum Revenue | Art. 8 / Art. 10 | Art. 1.1 |
| (2a) Constituent Entity | Art. 1 / Art. 3 para. 1 | Art. 1.3 |
| (2b) Not Excluded Entity | | Art. 1.5 |
| (3) Connection to Switzerland | Art. 1 / Art. 3 para. 2 | Art. 10.3 |
- Discussion: Unlike Switzerland, purely national groups are also subject to the top-up tax in the EU. Why?

“One-Stop-Shop” (1)

Case Study – Fact Pattern

- ABC Group is subject to Pillar 2. In Switzerland, the group has three subsidiaries: A Ltd. (Geneva), B Ltd. (Lucerne), and C Ltd. (Zurich). C Ltd. has a permanent establishment in Basel.

| Subsidiary | Covered Taxes | GloBE Profit | GloBE ETR |
|-----------------|---------------|--------------|--------------|
| A Ltd. (GE) | 1.2m | 10.0m | 12.0% |
| B Ltd. (LU) | 2.0m | 20.0m | 10.0% |
| C Ltd. (ZH) | 1.9m | 12.0m | 15.8% |
| C Ltd. (BS, PE) | 0.3m | 3.0m | 10.0% |
| Total | 5.4m | 45.0m | 12.0% |

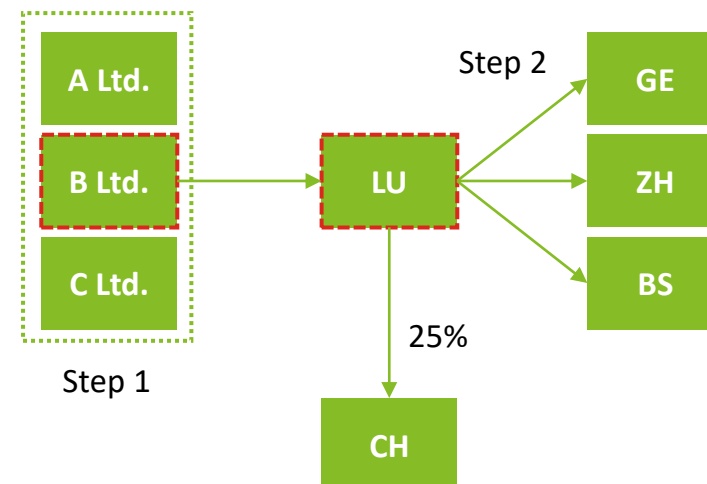


- Discussion: Since the top-up tax in Switzerland is assessed by the cantons (see slide 4), the question arises as to which company is liable to tax in which canton. What are possible approaches?

“One-Stop-Shop” (2)

Case Study – Basic Principles

- OECD Model Rules
 - Pillar II is calculated based on a “jurisdictional blending”-approach, i.e., the covered taxes and the GloBE profit of all constituent entities in one jurisdiction are aggregated (art. 5.1.1 MR);
 - Definition of permanent establishment: requirement that the permanent establishment is in another jurisdiction (art. 10.1 MR). A permanent establishment within the same country (e.g., Switzerland) is not a permanent establishment for Pillar 2 purposes
- Minimum Taxation Ordinance
 - Pillar II top-up taxes are federal taxes which are assessed and levied by the cantons;
 - Since the OECD Model Rules is the applicable law for Switzerland, top-up taxes are also assessed for all Swiss constituent entities on an aggregated level;
 - Introduction of “one-stop-shop”: identification of “leading” constituent entity (*“entité constitutive assujettie à l’impôt complémentaire”*, art. 5 Ordinance) which is responsible to file the tax return and to pay the top-up taxes with the “leading canton”. This canton then shares the top-up taxes with other cantons (after sharing 25% with the Swiss Federation) based on a key (see slide 13)



“One-Stop-Shop” (3)

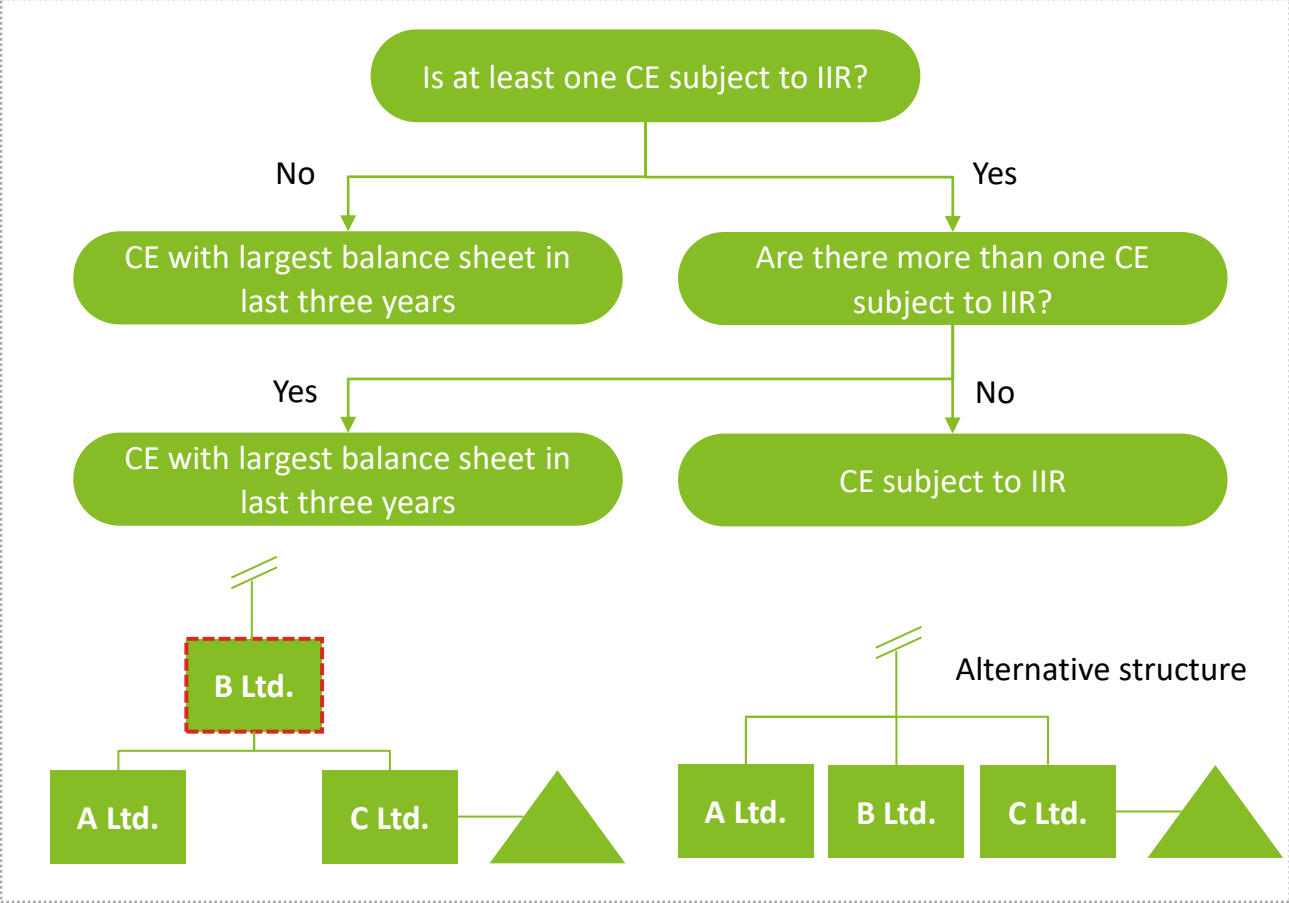
Case Study – Step 1: Identification of Leading Constituent Entity (“CE”)

Art. 5

¹ Une entité constitutive rattachée fiscalement à la Suisse qui, conformément aux dispositions des art. 2.1 à 2.3 des règles types GloBE, est assujettie à l’impôt complémentaire international en vertu de la règle d’inclusion du revenu (*Income Inclusion Rule*, IIR) est également assujettie à l’impôt complémentaire suisse et à l’impôt complémentaire international en application de la règle relative aux bénéfices insuffisamment imposés (UTPR).

² Si aucune entité constitutive n’est soumise à l’impôt complémentaire international en vertu de l’IIR en Suisse, l’entité constitutive présentant le bilan moyen le plus élevé au vu des trois derniers comptes annuels en application de l’art. 125, al. 2, let. a, LIFD⁵, en ne tenant pas compte de ses participations, est soumise à l’impôt complémentaire suisse et à l’impôt complémentaire international en application de l’UTPR. Cette entité constitutive reste assujettie à l’impôt complémentaire pendant trois années fiscales au sens de l’art. 10.1 des règles types GloBE.

³ Si plusieurs entités constitutives sont soumises à l’impôt complémentaire international en vertu de l’IIR en Suisse, l’entité constitutive présentant le bilan moyen le plus élevé au vu des trois derniers comptes annuels en application de l’art. 125, al. 2, let. a, LIFD, en ne tenant pas compte de ses participations, est soumise à l’impôt complémentaire suisse et à l’impôt complémentaire international en application de l’UTPR. Cette entité constitutive reste assujettie à l’impôt complémentaire pendant trois années fiscales au sens de l’art. 10.1 des règles types GloBE.



“One-Stop-Shop” (4)

Case Study – Step 2: Allocation of Top-up Taxes Among Cantons

Art. 12

¹ L'impôt complémentaire suisse d'un groupe d'entreprises est imputé aux différentes entités constitutives en fonction du montant de l'impôt complémentaire qui résulterait d'un calcul fondé sur les états financiers individuels de ces entités constitutives. À cette fin, les impôts déterminants, le bénéfice déterminant ainsi que l'excédent de bénéfice pour chaque entité constitutive sont calculés sur la base de l'état financier établi pour chaque entité constitutive selon les règles types GloBE.

² Si une imputation en vertu de l'al. 1 ne peut pas se faire, le montant de l'impôt complémentaire suisse calculé selon le bénéfice déterminant de chaque entité constitutive doit leur être imputé.

³ Si une entité constitutive a des objets fiscaux dans plusieurs cantons, l'impôt complémentaire suisse est réparti entre ces objets selon les règles du droit fédéral concernant l'interdiction de la double imposition intercantonale.

⁴ L'art. 2.6 des règles types GloBE s'applique par analogie à l'imputation aux entités constitutives du montant de l'impôt complémentaire international en application de l'UTPR.

Art. 6 Responsabilité solidaire

Toutes les entités constitutives d'un groupe d'entreprises qui sont rattachées fiscalement à la Suisse répondent solidairement de l'impôt complémentaire à hauteur du montant qui leur a été imputé en application de l'art. 12.

Between Legal Entities

↓

As calculated on a standalone view

Within Legal Entity
(Between Head Office and PE)

↓

According to principles of intercantonal tax law

| Subsidiary | Covered Taxes | GloBE Profit | GloBE ETR | Top-up Tax |
|-----------------|---------------|--------------|-----------|------------|
| A Ltd. (GE) | 1.2m | 10.0m | 12.0% | 0.3m |
| B Ltd. (LU) | 2.0m | 20.0m | 10.0% | 1.0m |
| C Ltd. (ZH) | 1.9m | 12.0m | 14.7% | 0.1m |
| C Ltd. (BS, PE) | 0.3m | 3.0m | | |
| Total | 5.4m | 45.0m | 12.0% | 1.4m |

Top-up tax caused by canton BS, but shared also with Zurich

Calculation Swiss Top-up Tax (Art. 9 Ordinance) (1)

Basic Principles

Art. 9 Calcul

¹ Les art. 5.1 à 5.6 des règles types GloBE s'appliquent par analogie au calcul de l'impôt complémentaire suisse; les dispositions spéciales en la matière des règles types GloBE s'appliquent également par analogie. Lors du calcul selon l'art. 5.2.3 des règles types GloBE, l'impôt complémentaire suisse n'est pas déduit.

² Pour autant que toutes les entités constitutives rattachées fiscalement à la Suisse présentent leurs comptes annuels selon les recommandations de la Fondation pour les

recommandations relatives à la présentation des comptes (Swiss GAAP RPC)⁶ et que ces comptes soient contrôlés par un organe de révision externe, l'impôt complémentaire suisse se calcule sur la base de ces comptes annuels.

³ Si toutes les entités constitutives rattachées fiscalement à la Suisse ne remplissent pas les conditions fixées à l'al. 2, ou si l'année fiscale pour laquelle sont établis les comptes annuels visés à l'al. 2 d'une ou de plusieurs entités constitutives rattachées fiscalement à la Suisse diffère de l'année fiscale au sens de l'art. 10.1 des règles types GloBE, l'impôt complémentaire suisse est calculé sur la base des comptes annuels établis selon les art. 3.1.2 et 3.1.3 des règles types GloBE.

- Overall target of Switzerland: Qualification of Swiss top-up tax as QDMTT by other jurisdictions / OECD;
- Tax base of Swiss top-up tax is almost fully aligned with OECD Model Rules;
- Applicable accounting standard – either:
 - Acceptable / authorized accounting standard used by the group to prepare the consolidated financial statements; or (para. 1)
 - Swiss GAAP FER to the extent that (i) all Swiss constituent entities prepare the accounts in Swiss GAAP FER and (ii) they are audited (para. 2)
- Discussion:
 - What does “audited” (“*contrôlés par un organe de revision externe*”) mean?
 - What are the benefits of using Swiss GAAP FER instead of e.g. IFRS or US GAAP?

Calculation Swiss Top-up Tax (Art. 9 Ordinance) (2)

Case Study – Fact Pattern

- The Swiss subsidiary (pre-tax rate: 20%) of a Dutch food group is acquiring the pet food business from a Swiss competitor as part of an asset deal. Part of the acquired assets is the brand “pet lover” with a purchase price - according to the acquisition agreement - of CHF 1bn. According to a tax ruling, the buyer can amortise the brand over 10 years for Swiss income tax purposes. The Dutch group prepares its annual financial statements in accordance with IFRS.

Case Study – Solution based on IFRS

- No amortization of brand, impairment only due to indefinite useful life (IAS 38.107);
- Temporary valuation difference, recognition of deferred tax liability (IAS 12);
- Recognition of deferred tax liabilities can be claimed as covered taxes, but the “recapture rule” applies after five years (art. 4.4.2 para. b MR), mandatory reversal, from year 5 possibly below 15%

| Year | 1 | 2 | 3 | 4 | 5 | ... |
|------------------------------|-------|-------|-------|-------|-------|-----|
| IFRS Carrying Value | 1'000 | 1'000 | 1'000 | 1'000 | 1'000 | ... |
| Income Tax Value | 900 | 800 | 700 | 600 | 500 | ... |
| Temporary Difference | 100 | 200 | 300 | 400 | 500 | ... |
| Deferred Tax Liability (20%) | 20 | 40 | 60 | 80 | 100 | ... |

Calculation Swiss Top-up Tax (Art. 9 Ordinance) (3)

Case Study – Solution based on Swiss GAAP FER

- Mandatory amortization of brand over 5 to max. 10 years, if indefinite life (FER 10/8);
- No temporary differences, no deferred tax liabilities, no recapture rule

| Year | 1 | 2 | 3 | 4 | 5 | ... |
|-------------------------------|-----|-----|-----|-----|-----|-----|
| Swiss GAAP FER Carrying Value | 900 | 800 | 700 | 600 | 500 | ... |
| Income Tax Value | 900 | 800 | 700 | 600 | 500 | ... |
| Temporary Difference | 0 | 0 | 0 | 0 | 0 | ... |
| Deferred Tax Liability (20%) | 0 | 0 | 0 | 0 | 0 | ... |

Other Swiss Specific Topics (1)

Tax Deductibility of Top-up Taxes (Art. 7 Ordinance)

Art. 7 Charge justifiée par l'usage commercial

L'impôt complémentaire ne peut pas être déduit à titre de charges justifiées par l'usage commercial pour les impôts sur le bénéfice perçus par la Confédération et les cantons.

Art. 59 Charges justifiées par l'usage commercial

¹ Les charges justifiées par l'usage commercial comprennent également:

a.¹³⁴ les impôts fédéraux, cantonaux et communaux;

- Whereas Swiss taxes (federal/cantonal/communal) are tax-deductible for corporate income tax purposes (art. 59 DFTA), top-up taxes are not deductible;
- Discussion: What is the background of this rule?

Joint Liability (Art. 6 Ordinance)

Art. 6 Responsabilité solidaire

Toutes les entités constitutives d'un groupe d'entreprises qui sont rattachées fiscalement à la Suisse répondent solidairement de l'impôt complémentaire à hauteur du montant qui leur a été imputé en application de l'art. 12.

- Joint liability if a group has several constituent entities in Switzerland;
- Discussion: Similarities and differences to joint liability under VAT law (art. 15)?

c.²¹ any person or unincorporated entity, with the exception of pension schemes, that is a member of a VAT group (Art. 13) for all taxes payable by the group; if a person or unincorporated entity withdraws from the group, they are liable only for the tax claims that have arisen from their own business activity;

Other Swiss Specific Topics (2)

Excluded Entities – Governmental Entity (Art. 1.5.1 para. a MR)

Chapitre 5 Exonérations

Art. 56

Sont exonérés de l'impôt:

- a. la Confédération et ses établissements;
- b. les cantons et leurs établissements;

Article 1.5. Excluded Entity

1.5.1. An Excluded Entity is an Entity that is:

- (a) a Governmental Entity;

Governmental Entity means an Entity that meets all of the following criteria set out in paragraphs (a) to (d) below:

- (a) it is part of or wholly-owned by a government (including any political subdivision or local authority thereof);
- (b) it has the principal purpose of:
 - (i) fulfilling a government function; or
 - (ii) managing or investing that government's or jurisdiction's assets through the making and holding of investments, asset management, and related investment activities for the government's or jurisdiction's assets;

and does not carry on a trade or business;

- (c) it is accountable to the government on its overall performance, and provides annual information reporting to the government; and
- (d) its assets vest in such government upon dissolution and to the extent it distributes net earnings, such net earnings are distributed solely to such government with no portion of its net earnings inuring to the benefit of any private person.

- Establishments of Switzerland and its cantons (e.g., cantonal banks) are exempt from corporate income tax based on art. 56 para. a/b DFTA;
- Discussion: Are cantonal banks also excluded entities under Pillar 2?
- Allocation key of top-up taxes:
 - General rule: 25% Swiss Federation / 75% cantons;
 - Exemption rule for governmental establishments subject to Pillar 2: 100% to federation, canton, and commune, respectively (art. 13 Ordinance)

Chapitre 7 Répartition du produit brut

Art. 13

¹ Le produit brut de l'impôt complémentaire suisse provenant des activités exonérées de l'impôt sur le bénéfice en vertu de l'art. 56 LIFD⁷ exercées par des entités constitutives de la Confédération, des cantons et des communes qui sont soumises à l'imposition minimale en vertu des règles types GloBE revient à la collectivité publique concernée.

Other Swiss Specific Topics (3)

Dividends (Art. 3.2.1 para. d MR) – Basics

Art. 69¹⁵⁴ Réduction

Dans les cas suivants, l'impôt sur le bénéfice d'une société de capitaux ou d'une société coopérative est réduit proportionnellement au rapport entre le rendement net des droits de participation et le bénéfice net total:

- a. la société possède 10 % au moins du capital-actions ou du capital social d'une autre société;
- b. elle participe pour 10 % au moins au bénéfice et aux réserves d'une autre société;
- c. elle détient des droits de participation d'une valeur vénale de un million de francs au moins.

Article 3.2. Adjustments to determine GloBE Income or Loss

3.2.1. A Constituent Entity's Financial Accounting Net Income or Loss is adjusted for the following items to arrive at that Entity's GloBE Income or Loss:

(b) Excluded Dividends;

Excluded Dividends means dividends or other distributions received or accrued in respect of an Ownership Interest, except for:

(a) a Short-term Portfolio Shareholding; and

Short-term Portfolio Shareholding means a Portfolio Shareholding that has been economically held by the Constituent Entity that receives or accrues the dividends or other distributions for less than one year at the date of the distribution.

- Swiss participation relief on dividends (art. 69 DFTA)
 - Requirement: at least 10% stake or fair market value of CHF 1m;
 - Approach: indirect relief of ordinary taxes due in proportion of net dividends to taxable profit
- Excluded dividends (art. 3.2.1 para. b MR)
 - Requirement: at least 10% or holding period of at least 1 year;
 - Approach: direct exemption of gross dividend

Other Swiss Specific Topics (4)

Dividends (Art. 3.2.1 para. d MR) – Case Study

- Fact pattern: A company (tax rate: 20%) has operating income of 100 and dividend income of 50 from portfolio investments (holding period: less than 12 months; market value: more than CHF 1 million);
- Corporate Income Tax
 - Ordinary taxes : $150 \times 20\% = 30$
 - Participation relief: $(50 - 5\% \times 50) / 150 = 31.7\%$
 - Final taxes: $30 \times (100\% - 31.7\%) = 20.5$
- Swiss Top-up Tax
 - GloBE Tax Rate: $20.5 / 150 = 13.7\%$
 - Swiss Top-up Tax: $(15\% - 13.7\%) \times 150 = 2$

- Fact pattern: A company (tax rate: 20%) has operating income of 100 and dividend income of 50 from portfolio investments (holding period: more than 12 months; market value: more than CHF 1 million);
- Corporate Income Tax
 - Ordinary taxes : $150 \times 20\% = 30$
 - Participation relief: $(50 - 5\% \times 50) / 150 = 31.7\%$
 - Final taxes: $30 \times (100\% - 31.7\%) = 20.5$
- Swiss Top-up Tax
 - GloBE Tax Rate: $20.5 / (150 - 50) = 20.5\%$
 - Swiss Top-up Tax: 0

Other Swiss Specific Topics (5)

Covered Taxes in Switzerland

Article 4.2. Definition of Covered Taxes

- 4.2.1. Covered Taxes means:
- (a) Taxes recorded in the financial accounts of a Constituent Entity with respect to its income or profits or its share of the income or profits of a Constituent Entity in which it owns an Ownership Interest;
 - (b) Taxes on distributed profits, deemed profit distributions, and non-business expenses imposed under an Eligible Distribution Tax System;
 - (c) Taxes imposed in lieu of a generally applicable corporate income tax; and
 - (d) Taxes levied by reference to retained earnings and corporate equity, including a Tax on multiple components based on income and equity.
- 4.2.2. Covered Taxes does not include any amount of:
- (a) Top-up Tax accrued by a Parent Entity under a Qualified IIR;
 - (b) Top-up Tax accrued by a Constituent Entity under a Qualified Domestic Minimum Top-Up Tax;
 - (c) Taxes attributable to an adjustment made by a Constituent Entity as a result of the application of a Qualified UTPR;
 - (d) A Disqualified Refundable Imputation Tax;
 - (e) Taxes paid by an insurance company in respect of returns to policyholders.

Scope

- 1 This Standard shall be applied in accounting for income taxes.
- 2 For the purposes of this Standard, income taxes include all domestic and foreign taxes which are based on taxable profits. Income taxes also include taxes, such as withholding taxes, which are payable by a subsidiary, associate or joint arrangement on distributions to the reporting entity.

Overview

| Tax | Income Tax IFRS | Covered Tax MR |
|----------------------------------|-----------------|----------------------|
| Corporate Income Tax | YES (IAS 12.2) | YES (4.2.1 para. a) |
| Real Estate Capital Gain Tax | YES (IAS 12.2) | YES (4.2.1 para. a) |
| Swiss Top-up Tax | YES (IAS 12.4a) | NO (4.2.2 para. b) |
| Withholding Tax on Dividends | YES / NO | YES (4.1.1 para. b) |
| Withholding Tax on Interests | NO | YES (4.1.1. para. c) |
| Issuance Duty | NO | NO |
| Real Estate Transfer Duty | NO | NO |
| Capital Tax | NO | YES (4.2.1 para. d) |
| VAT | NO | NO |
| Withholding Tax on Salaries | NO | NO |
| Geneva Business Tax (Absolished) | NO | NO |
| Transfer Duty | NO | NO |

Q&A

Questions



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