



# How Switzerland is re-engineering corporate attractiveness

OECD Pillar Two is pushing Swiss cantons to reinvent incentives. Zug is leading the sprint and competition is shifting from tax rates to execution, governance and compliance

by claudia la via

Switzerland is entering a new phase of internal competition as cantons redesign incentives to remain attractive under the OECD's Pillar Two global minimum tax. While the new framework was designed to ensure that large multinational groups pay a minimum effective tax rate of 15%, in Switzerland it has also triggered something distinctly local: a canton-by-canton redefinition of what "attractiveness" looks like when traditional levers such as preferential regimes and aggressive rate reductions become less relevant.

Zug's recent approval of a new incentives package has become a bellwether. Basel-City has already moved, the Grisons are preparing next steps, Lucerne is heading toward a referendum in 2026, and Geneva and Vaud are widely expected to follow. What is emerging is not just a list of new measures, but a structural shift: tax competition does not disappear: it migrates into incentive design, administrative execution and governance.

## WHY INCENTIVES STILL MATTER

Pillar Two does not eliminate incentives, but it changes which incentives "work" and at what cost. As **Thomas Hug**, partner Deloitte and tax expert, explains, "the new incentives focus on substance-based activities in research, development and innovation, including personnel and premises, as well as sustainability efforts such as emission reductions." He adds that "the cantons face considerable uncertainty due to the OECD's partly unclear regulations," and notes that the Swiss response relies on frameworks where "the act, which requires parliamentary approval, only sets out the principles, leaving detailed regulations to the government," allowing "a swift response to emerging international developments." On the tools themselves, Hug is clear: "these new incentives take the form of tax credits or government grants."

According to **Thomas Nabholz**, partner at MLL Legal and tax expert, Switzerland's pre-Pillar Two strength was never based solely on headline tax rates. Alongside "moderate rates of corporate income tax, of 11.5–14.5% in most cantons," he points to "the general legal certainty and a business-friendly, efficient, and mostly non-con-

frontational interaction with tax authorities," as well as infrastructure, safety and an "excellent education system that gives companies access to a highly skilled workforce."

## ZUG AS A BELLWETHER

Zug has become the clearest test case of the new incentive logic — not simply whether incentives exist, but how they are delivered. With more programme-like schemes such as credits, grants and funding tools, execution becomes the differentiator: defining qualifying activities, maintaining evidence, assigning internal ownership and building an audit-ready trail.

In that context, Thomas Nabholz points to cantons "including Basel-City, Zug, the Grisons, Lucerne, and Schaffhausen" that "expect significant additional tax revenues from the Pillar Two top-up taxes" and "are about to introduce funding instruments to return those additional revenues to the local economy." He explains that "local



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«Local businesses can apply for funding if they meet the specific cantonal criteria regarding innovation efforts or environmental measures»

Thomas Nabholz

businesses can apply for funding if they meet the specific cantonal criteria regarding innovation efforts, environmental measures etc.” and that “in 2026, first distributions in the form of Qualified Refundable Tax Credits will be made in Basel-City, Zug, and the Grisons to qualifying local businesses.” At the same time, Nabholz remains cautious on their immediate weight, observing that current “funding baskets currently available for distribution (e.g. CHF 150–500m in Basel-City, CHF 200m in Zug) carry too little weight, in my view, to play a decisive role in the choice of location,” although “this might change if those baskets grow in the future.”

## OPPORTUNITY, BUT ALSO COMPLEXITY

From an international perspective, **Romanos Skandamis**, managing partner and founder of Skandamis Avocats sees the cantonal race itself as “an indication of the dynamism of the Swiss business environment,” adding that cantons are already working “on ways to mitigate negative impact” and that this is “reassuring, to a certain extent.” He notes that Switzerland traditionally favours “pragmatic solutions over complexity,” and that “complexity is indeed a relative notion: with proper advice, market participants will be able to successfully navigate these changes and assess their position accurately.”

Still, the hardest issue for companies is compatibility with international standards. Skandamis stresses that “proper advice and complete information on the novelties is of the essence,” and that “the most delicate part is going to be to assess to what extent, and with what degree of certainty, will the Swiss solutions be compatible with international standards.” In his view, “this is the main tension point and answers will vary from canton to canton.” In parallel, Nabholz notes that these instruments “add a bit to fragmentation,” while framing this as part of the tax competition between cantons and municipalities, which “has always been the key ingredient in the recipe for success behind Switzerland’s remarkably healthy public finances.”

## WHAT CHANGES FOR COMPANIES, LAW FIRMS AND GC

For multinational groups and in-house teams, incentives increasingly need to be managed as projects rather than automatic tax outcomes. As Thomas Hug notes, “these new incentives take the form of tax credits or government grants,” a shift that naturally comes with eligibility criteria, documentation and monitoring obligations.

In the same vein, Skandamis observes that “awareness of incentives, and planning in order to benefit from them, such as for example Zug’s sustainability and R&D incentives, will increase compliance needs, governance and management efforts,” even if “this is not something unusual for



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multinational companies,” which “will just have to plan carefully and in advance.” For advisers and general counsel, the implication is clear: the focus shifts from rate arbitrage to integrated governance — aligning eligibility, documentation, internal controls and Pillar Two reporting.

Thomas Nabholz reinforces the point from the corporate side of the equation, stressing that “the huge additional compliance burden due to Pillar Two is for many MNEs a much larger concern

than the relatively small impact of Pillar Two on their effective tax rates”.

The shift is also bringing substance and footprint back to the centre of the discussion. With incentives tied to real activity — people, premises, R&D and sustainability initiatives — multinationals are prompted to reassess where key functions sit and how value creation is evidenced, with knock-on effects on legal structure, operational design and internal controls. Here again, Pillar Two does not operate as a blunt instrument: Nabholz notes that “the substance-based income exclusion mechanism under GloBE rules to compute top-up taxes provides for certain relaxation,” and that the “substance-based tax incentive safe harbour introduced in January 2026 as part of the OECD’s Side-by-Side package will further reduce the impact of Pillar Two on Swiss entities”.

As experts picture it, Switzerland is not losing competitiveness under Pillar Two; it is re-engineering it. And the winners will be the cantons that combine credible compliance with attractive, substance-based support for innovation and sustainability. 

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