



Swiss Taxes Newsletter – 23 June 2022

Implementation of OECD Minimum Tax Rate in Switzerland – Part 2

In our January 2022 tax newsletter, we reported on the Swiss Federal Council's decision of 12 January 2022 to implement the "Pillar 2" global tax measures proposed by the OECD and the G20, which essentially provide for a 15% minimum income tax rate for corporate groups with an annual worldwide turnover of at least EUR 750 million.

According to its press release and legislative message published on 23 June 2022 concerning the implementation of Pillar 2 in Switzerland, the Federal Council is now proposing the levy of a supplementary federal tax on qualifying corporate taxpayers in those cantons where the aggregate federal, cantonal and communal corporate income tax burden is less than 15% (which is currently the case in 18 of the 26 cantons). The supplementary tax will correspond to the difference between 15% and the lower effective combined federal, cantonal and communal income tax burden of the corporate taxpayer in question in the relevant canton.

The supplementary federal tax is roughly estimated to raise an additional CHF 1-2.5 billion in revenues, without considering the effects of possible migration abroad of some affected corporate taxpayers. A share of 25% of the supplementary tax revenues would be kept by the Federal Government in order to be invested in additional intercantonal fiscal equalization expenditures, as well as further measures to promote the attractiveness of Switzerland as a business location. The Federal Council is envisaging measures in the areas of education, research and innovation; it has also just announced a plan for a governmental fund for the promotion of start-up enterprises. The remaining 75% of the revenues would go to the cantons that are affected by the new minimum tax rate. The cantons will be free as to how to use those additional tax revenues, but have to take the interests of their communes into account.

As reported earlier, the Pillar 2 implementation measures requires some amendments of the Swiss Federal Constitution. This will involve a debate in the Federal Parliament and eventually a people's referendum, which is planned to be held in June 2023, to enable the new rules to come into effect as of 1 January 2024. The draft constitutional bill empowers the Federal Council to implement the Pillar 2 measures directly through a federal ordinance, in order to bridge the time period required to pass and enact ordinary federal legislation.