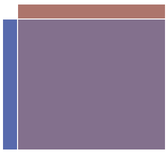
Switzerland

Rank: #5

Switzerland is responsible for 5.11% of the world’s corporate tax abuse risks.

CTHI Value: 2,261



Haven Score: 88.6

How much scope for corporate tax abuse the jurisdictions's tax and financial systems allow. 0 means no scope, 100 means unrestrained scope.

Global Scale Weight: 3.4%

How much of the financial activity conducted by multinational corporations around the world is hosted by the jurisdiction.

The jurisdiction’s CTHI value (Corporate Tax Haven Index value) is a measure of how intensely the jurisdiction enables multinational corporations to abuse corporate tax. The jurisdiction is ranked on the index by its CTHI value.

A jurisdiction’s CTHI Value is calculated by first grading its tax and financial systems with a Haven Score out of 100 where a zero means the jurisdiction’s laws allow no scope for corporate tax abuse and a 100 means they allow unrestrained scope. The jurisdiction’s Haven Score is then combined with its Global Scale Weight, ie the volume of financial activity conducted in the country by multinational corporations, to calculate how much corporate financial activity the jurisdiction puts at risk of corporate tax abuse.

A higher CTHI value does not mean a jurisdiction has more aggressive tax laws, but rather that the jurisdiction’s laws and its position in the global economy combine to create a greater risk of corporate tax abuse by multinational corporations.

Haven Score breakdown

global average

88.6

LOWEST AVAILABLE CORPORATE INCOME TAX

Haven Indicator 1: LACIT

93

This indicator identifies the lowest available corporate income tax rate (LACIT) for any large for-profit company that is tax resident in a country. It takes the statutory corporate income tax rate only as a starting point to analyse legal gaps and loopholes that result in lower accessible rates. The scoring of Haven Indicator 1 is computed by scaling that LACIT rate against the spillover risk reference rate of 35% (the highest available corporate income tax rate in a democracy).

ID 505 — Statutory corporate income tax rate

Question: Statutory-CIT-Rate: What is the statutory CIT rate reported by the OECD (or alternatively by IBFD or KPMG)?

Answer: 21.1 %

Notes:

- According to the OECD, the combined corporate income tax rate is comprised of the central government rate of 6.7% (central rate less deductions for sub-national taxes) plus a representative sub-central rate of 14.45%, resulting in a combined rate of 21.15% (OECD Stats 2020a).

Sources:

- https://stats.oecd.org/Index.aspx?DataSetCode=TABLE_II1
- OECD Stats 2020a

ID 506 — Corporate income tax rate: Correction for size of company

Question: CIT-Rate-Correction-Size: What is the deviating CIT rate, if any, applicable to the largest companies in the jurisdiction?

Answer: Not applicable

ID 507 — Corporate income tax rate: Correction for sectoral exemptions

Question: CIT-Rate-Correction-Sector: What is the lowest deviating CIT rate, if any, applicable to companies in jurisdictions exempting a broad range of sectors (at least four full and/or eight partial exemptions)?

Answer: Not applicable

ID 541 — Corporate income tax rate: Correction for subnational regions

Question: CIT-Rate-Correction-Regions: What is the lowest deviating CIT rate, if any, applicable in the political subdivision/subnational region with the lowest CIT rate?

Answer: 11.91 %

Notes:

- The Corporate income tax (CIT) rate has been adjusted to 11.91% based on the note in KPMG's corporate tax rates table: "The maximum effective corporate income tax rates range from around 11.91% to 21.63% depending on canton and commune. All 26 cantons and communes apply different tax rates and in most of them the statutory tax rate needs to be multiplied with the communal and/or cantonal multipliers (still to be finalized in some cantons) that may vary from tax period to tax period. As all taxes including corporate income taxes are deductible when computing the tax basis, the effective corporate income tax rates are lower than the statutory rates published in the tax codes (before multiplier). The indicated provisional average rate of 14.84% is lower than in previous years as the Corporate Tax Reform is in force as of 2020. The rate will further reduce over the next 5 years." (KPMG 2020). As of October 2020, no clear information was found on the specific expected reduction. Based on the current legal framework and the weakest link principle, we consider the lowest relevant CIT rate applicable in a canton to be 11.91% in this ID.

Sources:

- KPMG 2020
- https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html

ID 542 — Corporate income tax rate: Adjustment for retention or distribution

Question: CIT-Rate-Adjustment-Retention: What is the lowest deviating CIT rate, if any, applicable to distributed or retained profits?

Answer: Not applicable

ID 543 — Corporate income tax rate: Adjustment for specific type of company

Question: CIT-Rate-Adjustment-Type: What is the lowest deviating CIT rate, if any, applicable to specific types of companies?

Answer: 2.61 %

Notes:

- Prior to the tax reform, the holding tax regime at least in some cantons exempted from cantonal taxes any income (except real estate income) of the holding company (e.g., Vaud, Zug). While federal taxes applied for the portion of income stemming from participations (e.g., dividends), participation relief for federal CIT is available which can be treated as a tax exemption. As PwC described it, “In most cases, participation relief results in a full exemption of participation income from CIT, or one close thereto” (taxsummaries.pwc.com). Therefore, only the portion of up to one-third of the entire holding’s income which might stem from specified business activities was subject to the Swiss 7.83% federal CIT rate. If we combine the exemption of two-thirds of corporate profits from CIT, with one-third of corporate profits taxed at 7.83%, the applicable lowest tax rate would be 2.61% (7.83% divided by three). Therefore, the holding company regime is treated as decisive for determining the Swiss corporate income tax rate.
- As part of the tax reform of Switzerland, which took place in May 2019, the special Swiss corporate tax regimes, including the holding company, were abolished as per 1 January 2020. However, the abolishment included sunset transitional rules- or in other words, grandfathering provisions- which "enable companies benefiting from such regimes to maintain their existing level of taxation [...] by way of a special release of hidden reserves mechanism for another five years after the sunset of the regimes per 1 January 2020, depending on their specific facts and circumstances." (deloitte.com). According to these grandfathering provisions, the holding company will be available at least until 2023 for companies who have already adopted it by May 2019, and even after 2023 there is a possibility for a release of hidden reserves for companies that are moving to Switzerland from abroad. We thus conclude that in practice, the holding regime hasn't been abolished yet and we will consider it for this CTHI edition.
- The Swiss holding company regime differs from EU members that offer holding privileges under the EU-parent-subsidiary directive (“participation exemption”) in that Switzerland exempts the type of company itself from cantonal taxes. Switzerland allows up to 1/3 of the entire holding income to stem from active business activities such as “managing the company itself and its investments, providing services on behalf of the consolidated group, debt financing of subsidiaries, or holding and exploiting of IP” (home.kpmg.com; ub.unibas.ch). The EU-parent-subsidiary directive instead only provides exemptions for certain passive income (dividends), but does not allow an exemption or a lower rate for any other income.

Sources:

- https://www.ub.unibas.ch/digi/a125/sachdok/2013/BAU_1_6161979.pdf
- http://www.co-handelszentrum.com/swiss-holding-company.html
- https://www.vd.ch/fileadmin/user_upload/themes/economie_emploi/developpement_economique/fichiers_pdf/brochure-2012-tax-incentive.pdf
- http://taxsummaries.pwc.com/ID/Switzerland-Corporate-Income-determination

ID 544 — Corporate income tax rate: Adjustment for territorial tax base

Question: CIT-Rate-Adjustment-Territorial: What is the lowest deviating CIT rate, if any, applicable to active business income from foreign sources?

Answer: Not applicable

ID 545 — Corporate Income Tax Rate: Adjustment for tax rulings

Question: CIT-Rate-Adjustment-Rulings: What is the lowest deviating CIT rate, if any, derived from documented cross-border unilateral tax rulings issued by the authorities in the jurisdiction?

Answer: Not applicable

ID 587 — Corporate tax residency scope

Question: Corporate tax residency scope: Do the domestic rules for corporate tax residency include as tax resident at least all locally incorporated companies?

Answer: INC & MNG: Yes, all locally incorporated companies are considered tax residents, and in addition some foreign-incorporated companies are considered tax resident (e.g. those with effective management and control in the jurisdiction).

Sources:

- IBFD 2020b: 1.1.5.

LOOPHOLES AND GAPS

Haven Indicator 2: Foreign Investment Income 100

This indicator assesses whether a country includes worldwide capital income in its corporate income tax base and if its domestic law grants unilateral tax credits for foreign tax paid on certain foreign capital income.

ID 555 — Double taxation relief, dividends, related parties

Question: *Legal Person, Resident, Related Party: Dividends

Answer: Exemption.

Notes:

- Dividends: extreme exemption (even subsidy) available for holdings of at least 10 per cent of equity or of shares with value of at least CHF 1m (IBFD 2020b; 7.2.1.3., 6.1.3.2.; Deloitte 2020a).

Sources:

- IBFD 2020b
- Deloitte 2020a

ID 554 — Double taxation relief, royalties

Question: Legal Person, Resident: Royalties

Answer: Deduction.

Notes:

- Switzerland implements the deduction method for the relief of taxes paid for foreign royalty income (IBFD 2020b: 7.2.6.3). Although this jurisdiction has a patent box (see ID 515), we disregard such regime from this indicator because it is compliant with OECD nexus constraints (for more details, please refer to Haven Indicator 7 methodology).

Sources:

- IBFD 2020b
- OECD HTP 2019 : 18
- Deloitte 2020a

ID 553 — Double taxation relief, interest

Question: *Legal Person, Resident: Interest

Answer: Deduction.

Notes:

- Switzerland implements the deduction method for the relief of taxes paid for foreign interest income (IBFD 2020b: 7.2.6.3.).

Sources:

- IBFD 2020b

ID 552 — Double taxation relief, dividends, independent parties

Question: *Legal Person, Resident, Independent Party: Dividends

Answer: Deduction.

Notes:

- Switzerland implements the deduction method for the relief of taxes paid for foreign portfolio dividends income (IBFD 2020b, 7.2.6.3).

Sources:

- IBFD 2020b

Haven Indicator 3: Loss Utilisation — 88

This indicator measures whether a jurisdiction provides loss carry backward and/or unrestricted loss carry forward for ordinary and trading losses. Capital losses fall outside the scope of this indicator.

ID 509 — Loss carry backward

Question: Loss Carry Backward: Does the jurisdiction allow loss carry backward?

Answer: Yes

Notes:

- One out of 26 cantons (Thurgau) allows loss-carry backward for the preceding financial year (IBFD 2020b: 1.8.1.). According to the weakest link principle, we consider that Switzerland allows loss-carry backward.

Sources:

- IBFD 2020b

ID 510 — Loss carry forward

Question: Loss Carry Forward: Does the jurisdiction restrict loss carry forward independent of change of ownership?

Answer: Yes, loss carry forward is available with a time limit of more than 5 years but there is no annual ceiling.

Notes:

- In Switzerland, loss carry forward is available for 7 consecutive fiscal years. There is no annual ceiling (IBFD 2020b: 1.8.1.).

Sources:

- IBFD 2020b

Haven Indicator 4: Capital Gains Taxation — 100

This indicator measures the extent to which a jurisdiction taxes corporate capital gains arising from the disposal of domestic and/or foreign securities (i.e. shares and bonds). As such, it assesses the lowest available tax levied on corporate capital gains, applicable for large for-profit corporations which are tax resident in the jurisdiction, irrespective of whether the capital gains are taxed as part of corporate income tax or as part of another type of tax, such as wealth tax or an independent capital gains tax.

ID 513 — Domestic securities capital gains taxation

Question: Domestic Securities Capital Gains Taxation: What is the lowest available capital gains tax rate arising from disposal of domestic securities applicable for large "for profit" companies which are tax resident in the jurisdiction?

Answer: 0 %

Notes:

- In Switzerland, exemption is granted to capital gains from shares (both domestic and foreign) qualifying as substantial participations (10% minimum participation and a 12-month holding period are required) (Deloitte 2020a: 2; IBFD 2020b: 6.1.6. and 7.2.6.4.; IBFD 2020d: 2.2).

Sources:

- https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-switzerlandhighlights-2020.pdf

- IBFD 2020b; IBFD 2020d; Deloitte 2020a

ID 514 — Foreign securities capital gains taxation

Question: Foreign Securities Capital Gains Taxation: What is the lowest available capital gains tax rate arising from disposal of foreign securities applicable for large "for profit" companies which are tax resident in the jurisdiction?

Answer: 0 %

Notes:

- In Switzerland, exemption is granted to capital gains from shares (both domestic and foreign) qualifying as substantial participations (10% minimum participation and a 12-month holding period are required) (Deloitte 2020a: 2; IBFD 2020b: 6.1.6. and 7.2.6.4.; IBFD 2020d: 2.2).

Sources:

- https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-switzerlandhighlights-2020.pdf
- IBFD 2020b; IBFD 2020d; Deloitte 2020a
- https://home.kpmg.com/content/dam/kpmg/us/pdf/2018/01/kpmg-2017-global-income-taxes-international-tax-guide-2018-01-23.pdf

Haven Indicator 5: Broad Exemptions 50

This indicator measures the availability of broad exemptions from corporate income tax (CIT). It covers exemptions applicable to companies engaged in specific activities or sectors.

ID 524 — Real estate investment sector tax exemption (passive)

Question: Real Estate Investment (passive): Are there any (partial) tax exemptions applicable to collective investment companies investing in real estate?

Answer: Full: Yes, there are full tax exemptions.

Notes:

- See note under [ID525] for tax-exempt SICAVs. Moreover, capital gains on foreign real estate (IBFD 2020b : 7.2.1.5.) are exempt from tax. Thus, we consider that real estate investment activities might be fully tax-exempt.

Sources:

- IBFD 2020b

ID 525 — Financial investment sector tax exemption (passive)

Question: Other Investment (passive): Are there any (partial) tax exemptions applicable to collective investment companies investing in assets other than real estate?

Answer: Full: Yes, there are full tax exemptions.

Notes:

- Investment companies with variable capital (SICAVs) are treated as tax-transparent entities, and thus exempt from income tax at entity level (IBFD 2020a: 1.6. ; IE 2018). SICAVs are organised as limited companies under the provisions of the Swiss Code of Obligations (SR220) (finma.ch).

Sources:

- IBFD 2020a; IBFD 2020b
- PWC 2020a; IE 2018
- https://taxsummaries.pwc.com/switzerland/corporate/tax-credits-and-incentives
- https://www.finma.ch/en/authorisation/institutions-and-products-subject-to-the-collective-investment-schemes-act/sicavs/
- https://www.lawyersswitzerland.com/open-a-sicav-in-switzerland

ID 526 — Extractive sector tax exemption

Question: Extractives (active): Are there any (partial) tax exemptions applicable to companies active in the extractives sector (oil, gas, mining)?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b
- PWC 2020a
- https://taxsummaries.pwc.com/switzerland/corporate/tax-credits-and-incentives

ID 527 — Agriculture and farming sector tax exemption

Question: Agriculture and farming (active): Are there any (partial) tax exemptions applicable to companies active in the agricultural and farming sector?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b

ID 528 — Manufacturing sector tax exemption

Question: Manufacturing (active): Are there any (partial) tax exemptions applicable to companies active in the manufacturing sector?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b

ID 529 — Construction sector tax exemption

Question: Construction (active): Are there any (partial) tax exemptions applicable to companies active in the construction sector?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b

ID 530 — Infrastructure sector tax exemption

Question: Infrastructures (active): Are there any (partial) tax exemptions applicable to companies active in the infrastructures sector?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b

ID 531 — Transportation and storage sector tax exemption

Question: Transportation and storage (active): Are there any (partial) tax exemptions applicable to companies active in the transportation and storage sector?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b

ID 532 — Distribution sector tax exemption

Question: Distribution (active): Are there any (partial) tax exemptions applicable to companies active in the distribution sector?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b

ID 533 — Accommodation, food and recreation sector tax exemption

Question: Accommodation, food and recreation (active): Are there any (partial) tax exemptions applicable to companies active in the accommodation, food and recreation sector?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b

ID 534 — Information and telecom sector tax exemption

Question: Information and telecom (active): Are there any (partial) tax exemptions applicable to companies active in the information and telecom sector?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b

ID 535 — IT services sector tax exemption

Question: IT services (active): Are there any (partial) tax exemptions applicable to companies active in the IT services sector?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b

ID 536 — Banking and insurance sector tax exemption

Question: Banking and insurance (active): Are there any (partial) tax exemptions applicable to companies active in the banking and insurance sector?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b

ID 537 — Professional and technical services sector tax exemption

Question: Professional and technical services (active): Are there any (partial) tax exemptions applicable to companies active in the professional and technical services sector?

Answer: None: No, there are no specific exemptions.

Sources:

- IBFD 2020b

ID 538 — Business services sector tax exemption

Question: Business services (active): Are there any (partial) tax exemptions applicable to companies active in the business services sector?

Answer: None: No, there are no specific exemptions.

Notes:

- All cantonal incentives were abolished as from 2020 (IBFD 2020b : 11.; PWC 2020a). So, we consider there are no special tax incentives.

Sources:

- IBFD 2020b
- PWC 2020a
- https://taxsummaries.pwc.com/switzerland/corporate/tax-credits-and-incentives

Haven Indicator 6: Economic Zones and Tax Holidays ▲ 0

This indicator measures whether and to what extent time-bound or geographically confined tax incentives are available in a country. It measures if these incentives offer partial or full exemptions from corporate income tax (CIT) and/or capital gains tax (CGT). This includes temporary tax holidays and special tax incentives (temporary or permanent) given to companies located in designated economic zones.

ID 540 — Tax holidays, non-economic zones, full exemption ▲

Question: NonEZ-Temporary-Full: How many temporary (tax holidays) and full tax exemptions are offered to companies established anywhere in the jurisdiction (except in economic zones or non-autonomous regions)?

Answer: 0

Sources:

- IBFD 2020b

ID 539 — Tax holidays, non-economic zones, partial exemption ▲

Question: NonEZ-Temporary-Partial: How many temporary (tax holidays) and partial tax exemptions are offered to companies established anywhere in the jurisdiction (except in economic zones or non-autonomous regions)?

Answer: 0

Sources:

- IBFD 2020b
- PWC 2020a
- https://taxsummaries.pwc.com/switzerland/corporate/tax-credits-and-incentives

ID 504 — Permanent, economic zones, full exemption ▲

Question: EZ-Permanent-Full: How many permanent and full tax exemptions are offered by the jurisdiction to companies established in economic zones or non-autonomous regions?

Answer: 0

Notes:

- There is no indication that the jurisdiction offers profits-based tax exemptions that are only applicable to specific economic zones or administrative subdivisions.

Sources:

- IBFD 2020b

ID 503 — Permanent, economic zones, partial exemption ▲

Question: EZ-Permanent-Partial: How many permanent and partial tax exemptions are offered by the jurisdiction to companies established in economic zones or non-autonomous regions?

Answer: 0

Notes:

- See note above [ID504].

Sources:

- IBFD 2020b
- PWC 2020a
- https://taxsummaries.pwc.com/switzerland/corporate/tax-credits-and-incentives

ID 502 — Tax holidays, economic zones, full exemption ▲

Question: EZ-Temporary-Full: How many temporary (tax holidays) and full tax exemptions are offered by the jurisdiction to companies established in economic zones or non-autonomous regions?

Answer: 0

Notes:

- See note above [ID504].

Sources:

- IBFD 2020b
- PWC 2020a
- https://taxsummaries.pwc.com/switzerland/corporate/tax-credits-and-incentives

ID 501 — Tax holidays, economic zones, partial exemption ▲

Question: EZ-Temporary-Partial: How many temporary (tax holidays) and partial tax exemptions are offered by the jurisdiction to companies established in economic zones or non-autonomous regions?

Answer: 0

Notes:

- See note above [ID504].

Sources:

- IBFD 2020b
- PWC 2020a
- https://taxsummaries.pwc.com/switzerland/corporate/tax-credits-and-incentives

Haven Indicator 7: Patent Boxes ▲ 90

This indicator measures whether a jurisdiction offers preferential tax treatment for income related to intellectual property rights (e.g. patent boxes) and whether the Organisation for Economic Co-operation and Development (OECD) nexus approach constraints are applicable to the patent box.

ID 515 — Patent box

Question: Patent Box: Does the jurisdiction offer preferential tax treatment for income related to intellectual property?

Answer: Yes, an exemption or a lower CIT for IP-income is available with OECD nexus constraints.

Notes:

- According to the OECD latest peer review updated report, Switzerland has a new patent box regime that is compliant with the nexus approach (OECD HTP 2020). According to the new patent box, introduced in 1.1.2020, "the proportion of income from patents and similar rights to the extent it is based on qualifying R&D expenses in Switzerland is exempt from CIT up to a maximum of 90% (depending on the cantonal implementation"(PWC 2020a). In addition, the 'License box' regime - which was introduced by the Canton of Nidwalden - was amended and is no longer considered harmful (OECD HTP 2020). The company's net profits derived from the patents can be reduced in proportion to the respective R&D costs up to 90% but the cantons may grant a lower reduction (PWC 2020a, IBFD 2020b: 1.2.1.).
- While grandfathering rules enabled companies that entered the regime earlier to continue benefitting from the old harmful patent box regime, the deadline of the Forum of Harmful Tax Practices is 30 June 2021 (OECD HTP 2020). Given that this deadline is within the year of publication, we consider that the license box is compliant with the nexus constraints.

Sources:

- OECD HTP 2020
- Deloitte 2020a
- https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-switzerlandhighlights-2020.pdf
- PWC 2020a
- https://taxsummaries.pwc.com/switzerland/corporate/tax-credits-and-incentives
- OECD HTP 2019b
- IBFD 2018b

Haven Indicator 8: Fictional Interest Deduction 100

This indicator measures whether a jurisdiction offers fictional interest deduction to lower the corporate income tax. Because the deduction is given even though no actual interest was paid, the interest deduction is referred to as "fictional" or "nominal". Fictional interest deduction allows a company with a capital structure with high equity (i.e. mostly financed by issuing shares instead of borrowing money) to deduct a certain sum of fictitious financial costs from its tax base.

ID 516 — Fictional interest deduction

Question: Fictional Interest Deduction: Does the jurisdiction offer a scheme that allows deducting from the corporate income tax base a notional return on equity?

Answer: Yes

Notes:

- In Switzerland, each canton is able to allow a notional interest deduction (IBFD 2020b : 1.4.5). This measure was introduced in January 2020 and currently only applies for Zurich canton (PWC 2020).

Sources:

- IBFD 2020d
- EU Code of Conduct 2019
- PWC 2020

TRANSPARENCY

Haven Indicator 9: Public Company Accounts 100

This indicator considers whether a country requires all available types of company with limited liability (except for small companies) to keep accounts according to the international standard and to file their accounts with a government authority and to make them accessible online for free or at a low cost.

ID 188 — Compliance with international standard on keeping accounting records

Question: *Is there an obligation to keep accounting data?

Answer: Yes

Notes:

- The Global Forum reported that in Switzerland all companies must keep proper accounts including underlying documentation as per Articles 957 and 958 of the Code of Obligations (GF 2016: 79; GF 2020:75).

Sources:

- GF 2016: 73-80; GF 2020: 75
- https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-switzerlandhighlights-2019.pdf
- https://www.nordeatrade.com/en/explore-new-market/switzerland/accounting?vider_sticky=oui

ID 189 — Submission of annual accounts to a government authority

Question: *Are annual accounts submitted to a public authority?

Answer: No, annual accounts are not always required to be submitted to a public authority.

Notes:

- According to the Global Forum: "The financial statements are not systematically provided to a public authority or published" (GF 2020: 76). It appears that only entities with commercial operations in Switzerland have to file financial statements with cantonal tax authorities: "All legal entities and individuals carrying on a business in Switzerland must prepare financial statements and file them with their tax returns at the cantonal tax administration" (GF 2016: 78).

Sources:

- GF 2016: 78; GF 2020: 75-76
- http://www.ocra.com/jurisdictions/switzerland.asp

ID 201 — Online availability of annual accounts / financial statements

Question: *Are annual accounts available on a public online record (up to 10 €/US$/GBP)?

Answer: Not applicable

Notes:

- There is no indication that this information is available online (after checking a couple of cantonal commercial registers). The reason behind this may be that financial statements need to be filed with tax authorities but not with the Commercial Registry (see note above on [ID189]).

Sources:

- https://www.zefix.admin.ch/en/hra

Haven Indicator 10: Public Country By Country Reporting (CBCR) 75

This indicator measures whether the companies listed on the stock exchanges or involved in certain sectors (eg extractives) or incorporated in a given jurisdiction are required to publish publicly worldwide financial reporting data on a country-by-country reporting basis.

ID 318 — Public country-by-country reporting standard

Question: *CBCR: Are companies listed on the national stock exchange or incorporated in the jurisdiction required to comply with a worldwide country-by-country reporting standard?

Answer: No, except for partial disclosure in either extractives or banking sector.

Notes:

- Switzerland's Parliament adopted a revision of the Company Law on 19 June 2020 that requires Swiss extractive companies working in oil, gas and minerals to disclose payments they make to governments around the world. This law is aligned with rules surrounding extractives already in place in Canada, the European Union, Norway and the United Kingdom. This law will apply to companies' extractive activity above CHF 100,000 a year and will come into effect on 1 January 2021 (communication with Public Eye).

Sources:

- Email communication with Public Eye, 30.09.2020
- NRGI Press Release 19.06.2020
- https://resourcegovernance.org/news/switzerland-adopts-extractive-sector-transparency-law-opens-door-improved-commodities-trading
- Email communication with PWYP International, 19.02.2019 & 05.08.2019
- Meinzer & Trautvetter 2018
- Freymeyer 2019
- Email communication with Eurodad, 09.09.2020

Haven Indicator 11: Robust Local Filing of Country By Country Reporting (CBCR) 100

This indicator assesses whether a jurisdiction, going beyond the OECD standard, ensures its own access to the country-by-country reports of any relevant foreign multinational enterprises with domestic operations. Access is ensured if the jurisdiction requires country-by-country reports to be filed locally by the local subsidiary or branch of a foreign multinational enterprise whenever the jurisdiction does not obtain these reports through the automatic exchange of information for whatever reason.

ID 419 — Robust local filing of country-by-country reporting

Question: *CBCR: Is there a local filing requirement of a global country-by-country reporting file (according to OECD's BEPS Action 13) by large corporate groups (with a worldwide turnover higher than 750 million Euro) and local subsidiaries of foreign groups?

Answer: OECD Legislation: Secondary mechanism is subject to restrictions imposed by OECD model legislation; or no secondary mechanism at all (only the domestic ultimate parent entity has to file the CbCR)

Notes:

- "The condition in Switzerland's CbCR law may be interpreted as being wider than this, as applying to situations where there is no current international agreement between Switzerland and the residence jurisdiction of the Ultimate Parent Entity, which is not permitted under the terms of reference. However, Switzerland confirms that the local filing provision contained in the CbCR law will be applied only in line with the Model Legislation and terms of reference. This was also the intention of the Swiss Federal Council and was confirmed by the Swiss Parliament" (OECD CBCR 2018: 699-700). "No changes were identified with respect to the limitation on local filing obligation" (OECD CBCR 2019: 505). This was confirmed in 2020 (OECD CBCR 2020: 382).

Sources:

- OECD CBCR 2018
- OECD CBCR 2019
- OECD CBCR 2020

Haven Indicator 12: Unilateral Cross-Border Tax Rulings 100

This indicator measures whether and to what extent a country publishes online unilateral cross-border tax rulings; and for countries with extractive industries, whether extractive industries contracts are published.

ID 363 — Tax rulings availability

Question: *Tax Rulings: Are unilateral cross-border tax rulings (e.g. advance tax rulings, advance tax decisions) available in laws or regulation, or in administrative practice?

Answer: Yes

Notes:

- Switzerland can issue unilateral cross-border tax rulings. According to the OECD, these include: " (i) preferential regimes; (ii) cross-border unilateral APAs and any other cross-border unilateral tax rulings (such as an advance tax ruling) covering transfer pricing or the application of transfer pricing principles; (iii) related party conduit rulings; and (iv) permanent establishment rulings" (OECD UTR 2019: 418). The IBFD also reports that private advance rulings are granted by both the federal and cantonal tax authorities (IBFD 2020b).

Sources:

- OECD UTR 2018: 447
- IBFD 2020b
- OECD UTR 2019: 418

ID 421 — Tax rulings disclosure ▲

Question: *Tax Rulings: Are all unilateral crossborder tax rulings (e.g. advance tax rulings, advance tax decisions) published online for free, either anonymised or not?

Answer: NONE OR SOME: None or only some of the unilateral crossborder tax rulings are published online.

Notes:

- According to the Federal Tax Administration (FTA):"[...] advance tax rulings are issued by the cantonal tax administrations in Switzerland. The cantons must forward these to the FTA. The FTA carries out the administrative assistance procedure and transmits ruling reports to the partner states within the framework of the spontaneous exchange of information" (estv.admin.ch). However, no evidence was found for online publication of the rulings.

Sources:

- OECD UTR 2018
- https://www.estv.admin.ch/estv/en/home/die-estv/medien/nsb-news_list.msg-id-70686.html
- OECD UTR 2019

ID 561 — Mining contracts disclosure in law ▲

Question: *Mining contracts in law: Are all extractive industries mining contracts required by law to be disclosed?

Answer: Not Applicable

Sources:

- Contract Disclosure Policy and Practice Tracker, Natural Resource Governance Institute 28.07.2020
- https://docs.google.com/spreadsheets/d/1FXEeD43jw6VYHV8yS-8KJ5-rR5l0XtKxVQZBWzr-ohY/edit#gid=4

ID 562 — Mining contracts disclosure in practice ▲

Question: *Mining contracts in practice: Are all extractive industries mining contracts published online in practice?

Answer: Not applicable

Sources:

- Contract Disclosure Policy and Practice Tracker, Natural Resource Governance Institute 28.07.2020
- https://docs.google.com/spreadsheets/d/1FXEeD43jw6VYHV8yS-8KJ5-rR5l0XtKxVQZBWzr-ohY/edit#gid=41

ID 563 — Petroleum contracts disclosure in law ▲

Question: *Petroleum contracts in law: Are all extractive industries petroleum contracts required by law to be disclosed?

Answer: Not Applicable

Sources:

- Contract Disclosure Policy and Practice Tracker, Natural Resource Governance Institute 28.07.2020
- https://docs.google.com/spreadsheets/d/1FXEeD43jw6VYHV8yS-8KJ5-rR5l0XtKxVQZBWzr-ohY/edit#gid=0

ID 564 — Petroleum contracts disclosure in practice ▲

Question: *Petroleum contracts in practice: Are all extractive industries petroleum contracts published online in practice?

Answer: Not applicable

Sources:

- Contract Disclosure Policy and Practice Tracker, Natural Resource Governance Institute 28.07.2020
- https://docs.google.com/spreadsheets/d/1FXEeD43jw6VYHV8yS-8KJ5-rR5l0XtKxVQZBWzr-ohY/edit#gid=9

Haven Indicator 13: Reporting of Tax Avoidance Schemes ▲ 100

This indicator assesses two components of mandatory reporting to tackle tax avoidance schemes: (i) the reporting of tax avoidance schemes, in which we assess whether a country requires both taxpayers and tax advisers to report tax avoidance schemes they have used; and (ii) the reporting of uncertain tax positions, in which we assess whether a country requires taxpayers and tax advisers to report uncertain tax positions for which reserves have been created in annual corporate accounts.

ID 403 — Taxpayers' mandatory reporting of tax avoidance schemes ▲

Question: *Taxpayers reporting schemes: Are taxpayers required to report at least annually on certain tax avoidance schemes they have used?

Answer: No.

Sources:

- IBFD 2020b

ID 404 — Tax advisers' mandatory reporting of tax avoidance schemes ▲

Question: *Tax advisers reporting schemes: Are tax advisers (who help companies and individuals to prepare tax returns) required to report at least annually on certain tax avoidance schemes they have sold/marketed (if applicable)?

Answer: No.

Sources:

- IBFD 2020b
- https://www.internationaltaxreview.com/article/b1f7n21wssn18s/switzerland-eu-dac6-mandatory-disclosure-rules-why-should-swiss-intermediaries-care#:~:text=DAC6%20requires%20the%20disclosure%20of,services%20in%20any%20EU%20country.

ID 405 — Taxpayers' mandatory reporting of uncertain tax positions ▲

Question: *Taxpayers reporting uncertain tax positions: Are taxpayers required to report at least annually on details of uncertain tax positions for which reserves have been created in the annual accounts?

Answer: No.

Sources:

- IBFD 2020b

ID 406 — Tax advisers' mandatory reporting of uncertain tax positions

Question: *Tax advisers reporting uncertain tax positions: Are tax advisers required to report at least annually on details of uncertain tax positions for which reserves have been created in the annual accounts of the companies they advised?

Answer: No.

Sources:

- IBFD 2020b

Haven Indicator 14: Tax Court Transparency 100

This indicator assesses the openness of a jurisdiction's judicial system in tax matters by analysing the public online availability of verdicts, judgements, and sentences.

ID 409 — Criminal tax courts' publication of decisions

Question: *Is the full text of judgements / verdicts issued by criminal tax courts published online for free, or for a cost of up to 10 €/US$/GBP??

Answer: No, full text of verdicts is not always online (up to 10€/US$/GBP)?

Notes:

- It appears that only decisions from the Federal Court (bundesgericht), but not from the lower courts, are published (www.bger.ch). Moreover, decisions from the federal courts are usually published in an anonymous form (id.).

Sources:

- https://www.bger.ch/index/juridiction/jurisdiction-inherit-template/jurisdiction-recht.htm
- https://www.ch.ch/en/demokratie/federalism/separation-of-powers/switzerlands-courts/

ID 410 — Civil tax courts' publication of decisions

Question: *Is the full text of judgements / verdicts issued by civil tax courts published online for free, or for a cost of up to 10 €/US$/GBP?

Answer: No, full text of verdicts is not always online (up to 10€/US$/GBP)?

Notes:

- It appears that only decisions from the Federal Court (bundesgericht), but not from the lower courts, are published (www.bger.ch). Moreover, decisions from the federal courts are usually published in an anonymous form (id.).

Sources:

- https://www.bger.ch/index/juridiction/jurisdiction-inherit-template/jurisdiction-recht.htm
- https://www.ch.ch/en/demokratie/federalism/separation-of-powers/switzerlands-courts/

ANTI-AVOIDANCE

Haven Indicator 15: Deduction Limitation of Interest Payments 100

This indicator assesses a country's limitations on the deduction of interest expenses from the corporate income tax base. It focuses on limits placed on interest paid to non-resident group affiliates ("intra-group interest payments"), including by means of a fixed ratio rule.

ID 517 — Outbound intra-group interest deduction limitation

Question: Outbound intra-group interest deduction limitation: Does the jurisdiction restrict or disallow deducting from the corporate income tax base interest paid to non-resident group affiliates?

Answer: NO: No deduction limitation for intra-group interest payments.

Notes:

- Switzerland implements thin capitalisation rules that set different fixed ratios (IBFD 2020b: 10.3). However, Switzerland uses discretion in applying the thin capitalisation ratio by comparing actual leverage to leverage on an arm's length basis (IMF 2014: 24). This discretionary application of thin capitalisation rules -rather than automatic application - reduces leverage of restriction considerably (IMF 2014: 5). Therefore, we consider their interest deduction limitation to be insufficient.

Sources:

- IBFD 2020b
- IMF 2014

ID 518 — Group ratio rule (as part of fixed ratio interest deduction limitation)

Question: Group ratio rule: Does the jurisdiction apply a group ratio rule opt-in alongside fixed ratio limitations on interest deduction?

Answer: Not applicable

Notes:

- Switzerland has a thin capitalisation regime (IBFD 2020b: 10.3) that is discretionary (IMF 2014: 24), which means their interest deduction limitation is insufficient. Thus we consider that a safe harbour based on a worldwide debt-to-equity ratio is not applicable.

Sources:

- IBFD 2020b

ID 519 — Financial undertaking exclusion (as part of fixed ratio interest deduction limitation)

Question: Financial undertaking exclusion: Does the jurisdiction apply a financial undertaking exclusion alongside fixed ratio limitations on interest deduction?

Answer: Not applicable

Notes:

- Switzerland has a thin capitalisation regime (IBFD 2020b: 10.3) that is discretionary (IMF 2014: 24), which means their interest deduction limitation is insufficient. Thus we consider that a financial undertaking exclusion is not applicable.

Sources:

- IBFD 2020b

Haven Indicator 16: Deduction Limitation of Royalty Payments 100

This indicator measures whether or to what extent a jurisdiction disallows or restricts the deduction of royalties paid to non-resident group affiliates ("intra-group royalty payments") from the corporate income tax base.

ID 520 — Outbound intra-group royalty deduction limitation

Question: Outbound intra-group royalty deduction limitation: Does the jurisdiction restrict or disallow deducting from the corporate income tax base royalties paid to non-resident group affiliates?

Answer: NO: No deduction limitation for intra-group royalty payments.

Notes:

- In Switzerland, there is no deduction limitation for intra-group royalty payments beyond the arm's length principle (IBFD 2020b: 1.4.6; 10.2).

Sources:

- IBFD 2020b

Haven Indicator 17: Deduction Limitation of Service Payments 100

This indicator measures whether or to what extent a jurisdiction restricts or disallows the deduction of intra-group services payments (management fees, technical fees, consulting services fees) paid to non-resident group affiliates from the corporate income tax base.

ID 521 — Outbound intra-group services deduction limitation

Question: Outbound intra-group services deduction limitation: Does the jurisdiction restrict or disallow deducting from the corporate income tax base payments for management, technical, legal or accounting services paid to non-resident group affiliates?

Answer: No, there is no deduction restriction beyond transfer pricing rules, the arm's length principle or other generic rules.

Notes:

- In Switzerland, there is no deduction limitation for intra-group service payments beyond the arm's length principle (IBFD 2020b: 1.4.7; 10.2).

Sources:

- IBFD 2020b

Haven Indicator 18: Withholding Taxes on Dividend Payments 100

This indicator measures the extent to which a jurisdiction levies withholding taxes on outbound dividends. It assesses the lowest available unilateral withholding tax rate on outbound dividend payments.

ID 508 — Dividend-related party payment

Question: Dividend-Related Party Payment: What is the (lowest) applicable unilateral cross-border withholding tax rate for outgoing dividend payments to a related party?

Answer: 0 %

Notes:

- Under the treaty between the European Union and Switzerland, dividend payments to companies resident in the EU Member States are exempt from dividend withholding tax. Otherwise, a 35 per cent withholding tax rate is implemented (IBFD 2020b: 7.3.4.1).

Sources:

- IBFD 2020b

Haven Indicator 19: Controlled Foreign Company Rules 100

This indicator assesses whether countries apply robust non-transactional controlled foreign company (CFC) rules. CFC rules are a type of specific anti-avoidance rules that target particular taxpayers or transactions. Like other types of specific anti-avoidance rules, CFC rules are more effective than general anti-avoidance rules in capturing the specific type of tax avoidance on which they focus.

ID 522 — Controlled Foreign Company (CFC) rules

Question: CFC-Rules: Does the jurisdiction apply robust non-transactional CFC rules?

Answer: NONE: No, there are no CFC rules whatsoever.

Notes:

- There are no CFC rules in Switzerland (IBFD 2020b: 10.4).

Sources:

- IBFD 2020b

DOUBLE TAX TREATY AGGRESSIVENESS

Haven Indicator 20: Treaty Aggressiveness 79

This indicator analyses the aggressiveness of a jurisdiction in their double tax agreements with other countries, as revealed by the withholding tax rates that apply to the payment of dividends, interests and royalties.

ID 571 — Aggregate tax treaty aggressiveness

Question: Aggregate-Aggressiveness: What is the scaled value of all negative differentials between the assessed jurisdiction's treaty withholding rates on all three payment types (dividend, interest and royalty) and those of its treaty partner jurisdiction.

Answer: 79.1193143169958

Global Scale Weight breakdown 3.4%

Inward foreign direct investment (US$)

$ 1,588,419,538,117

Outward foreign direct investment (US$)

$ 1,672,846,780,841

Sum of inward and outward foreign direct investment (US$)

$ 3,261,266,318,957

Global total of sum of inward and outward foreign direct investment (US$)

$ 94,690,323,833,261

Global scale weight (share of jurisdiction's inward and outward foreign direct investment on the global total)

3.44%