

Tax News

Location policy and tax relief in federal taxation

Like many other countries, Switzerland uses tax relief as a tool for targeted regional development. This enables it to fully or partially exempt industrial companies or providers of production-related services in structurally weak areas from direct federal tax for up to ten years. It is a proven strategy and contributes to the creation or preservation of jobs.

At its meeting on June 3, 2016, the Federal Council adopted a comprehensive revision of the ordinance on the granting of tax relief in the context of regional policy. As now, tax breaks are to be limited to structurally disadvantaged regions. However, more care needs to be taken in ascertaining that the areas that qualify for the tax tool are suitable as business locations. Moreover, the tax relief has to be commensurate with the number of workplaces to be created.

Key changes (effective from July 1, 2016)

- Introduction of a cap on the tax relief amount per workplace
- Fundamental realignment of the areas qualifying for tax relief based on the spatial planning policy

In future applications of the tax relief, the State Secretariat for Economic Affairs (SECO) will publish the name of the company, the place of application and the extent of the workplaces that will be created or restructured.

Maximum amount allowed

The amount that can be granted as tax relief is now capped. The cap is contingent on the number of workplaces that are to be created, preserved or restructured by the planned venture; on a given amount that is assigned to each workplace; and on the duration of the tax relief. The maximum tax relief amount is CHF 95,000 per newly created workplace and CHF 47,500 per workplace preserved.

However, tax relief at federal taxation level can only be granted if the relevant canton also grants such tax breaks at cantonal and communal level. Moreover, the federal tax relief is limited to the amount of the anticipated tax savings at cantonal and communal level. Therefore, the application for tax relief must first be submitted to the canton.

Tax Partner AG

Zurich, July 2016

Changes to the areas of application

In addition, tax relief can only be granted if the planned venture is of particular relevance to the regional economy and if the company or the permanent establishment is located in a commune or municipality that qualifies for such tax breaks. The newly defined perimeter is aimed at (regional) centers and therefore at larger communities. The smaller, more rural and mountainous communities that formed the majority of the old perimeter have fallen victim to the new delimitation method; from a spatial planning point of view, they are outside the focus of economic development. However, more cantons than before are covered. The cantons of Aargau, Appenzell Innerrhoden, Basel-Landschaft and Zurich have joined the perimeter, while communities in the cantons of Obwalden and Schaffhausen are no longer included. A preprint of the ordinance with a list of the areas of application can be found at <http://www.news.admin.ch/NSBSubscriber/message/attachments/44223.pdf> and will be published in the official compilation under No. 951.931.1.

If a company or permanent establishment is to be newly set up or substantially restructured, it has to be examined whether it can apply for tax breaks at both cantonal/communal and federal tax level.

Tax Partner AG, Taxand Switzerland

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