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Implementation of Tax Reform and AHV Financing in the canton of Uri

With the Swiss tax reform, the international acceptance of the Swiss corporate tax system will be ensured and Switzerland's attractiveness as a business location will be maintained. The changes particularly affect the Federal Act on Direct Federal Tax (DBG) as well as the Tax Harmonization Act (StHG) and its implementation into cantonal tax law. The reform includes the abolition of the cantonal tax regimes (for holding, mixed and domiciliary companies at cantonal level, as well as for principal companies and finance branch taxation at Swiss Federal level) and the introduction of internationally recognised replacement measures.

On 19 May 2019, the Swiss electorate passed the tax package with a 66.4 % majority of the votes. It entered into force on 1 January 2020. The implementation into the cantonal tax law of Uri was also passed by the cantonal electorate on 20 October 2019 with a majority of 69.59 %. The legislative amendments entered into force on 1 January 2020.

In order to retain its competitiveness and to avoid potential migration towards cantons and/or states with lower tax burdens, the canton of Uri has introduced the following internationally recognised alternative measures, which are provided for in the StHG. In particular, the following measures are included:

A patent box with a maximum relief of 30 % and attractive transitional provisions in the transitional period from 2020 to 2024. In addition, the ordinary profit tax rate was reduced to 12.64 %.

The following page provides an overview of the most important changes with their effects on corporate taxation in the canton of Uri.

If you have any questions, please contact your usual contact at PwC or one of the following experts at PwC Zug.



Overview of the most important legislative changes with their effects on corporate taxation in Uri

Adjustment

of capital tax

base

Notional

interest

deduction

Patent box

Transitional

rules/

Step-up

Adjustment

of corporate

income

tax rate

R&D

super

deduction

TRAF

Partial

taxation of

dividend

income

Maximum

relief

limitation

Adjustment of capital tax base

The capital tax burden in the canton's most tax attractive municipalities remains unchanged at 0.01 %.

Patent box

The proportion of income from patents and similar rights to the extent it is based on qualifying research and development expenses (R&D), is included in the calculation of taxable net income with a relief of up to 30 %. Upon entry into the patent pox, one-time prior R&D expenses already recognised in prior tax periods are added to net taxable income. To the extent of the taxable add-back, a taxed hidden reserve has to be made/declared.

Transitional rules / Step-up

The realisation of hidden reserves and self-generated goodwill of companies which were taxed under a privileged regime before will be taxed separately at a rate of 1.2 % (multiplied by tax units of the municipality) for a limited period of 5 years. Alternatively, based on previous practice, a voluntary disclosure (old law step-up) with a subsequent depreciation of tax-free hidden reserves over 5 years is possible and must be filed with the 2019 tax return at the latest.

Notional interest deduction (NID)

A notional interest deduction on excess equity was **not** introduced in the canton of Uri because of the low ordinary tax rate.

Adjustment of corporate income tax rate

The statutory profit tax rate in the canton of Uri was adjusted from 9.4% to a rate of 6.2%, resulting in an effective tax burden (direct federal tax and cantonal tax for the municipality of Altdorf) of 12.64%.

Partial taxation of dividend income

If individuals hold participations of more than 10% as business assets or private assets, the dividends will be considered only partially (i.e. 50%) for the assessment of the tax base.

Maximum relief limitation

It is mandatory for the cantons to introduce a limitation for the relief of all TRAF measures combined. In order to remain competitive, the canton of Uri has set the respective limitation at 50 %. In other words, a quota of 50 % of the taxable income will remain ordinarily taxed in any case.

R&D super deduction

The implementation of an additional R&D deduction has been waived in the canton of Uri.

