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Implementation of Tax Reform and AHV Financing in the canton of Appenzell Ausserrhoden

On 19 May 2019, the Swiss population voted by a large majority in favour of the Federal Act on Tax Reform and AHV Financing (STAF). The aim of the STAF bill and its implementation in the cantons is to achieve international acceptance of Swiss corporate taxation. The changes affect the Swiss Federal Act on Direct Federal Tax (DBG) and the Tax Harmonisation Act (StHG) in particular and include abolition of the cantonal tax status (privileged taxation of holding companies, mixed companies and domiciliary companies) and the introduction of internationally recognised substitute measures.

Following the referendum period expiring unused on 4 February 2020, the cantonal tax law of Appenzell Ausserrhoden entered into force retroactively as of 1 January 2020.

The following page provides an overview of the most important changes to the law with an impact on corporate taxation.

If you have any questions, your usual contacts or one of the following STAF experts at PwC St. Gallen will be happy to help you.



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

Changes to capital tax

The taxable equity of all legal entities will now be subject to simple capital tax at a rate of 0.065 % (effective tax burden of 0.5 %); the taxable equity will be subject to a reduction in the ratio of qualifying investments, patents qualifying for the patent box and loans to group companies in relation to total assets.

Partial taxation of dividends

There will be a change at the cantonal level from the previous half-rate taxation of dividends for private shareholders to partial taxation of the same at a rate of 60%.

Special rate when changing status

If transitioning from privileged taxation (holding or domiciliary entity) to ordinary taxation, the hidden reserves in place when execution of this law commences, including any self-created added value, will be subject to separate taxation if realised within the next five years.

Step-up according to the old legislation

The step-up under the old legislation will be abolished on 1 January 2020 and replaced by a special tariff. The tariff will be adjusted to 1.3 % from 2020 to 2022, and to 2.6 % from 2023 to 2024.

The statutory corporate income tax rate for the canton of AR will remain at 6.5 %, resulting in an effective tax burden (direct federal taxes and AR cantonal taxes) of 13.04%.

Patent box

income tax rate

Reduction of the corporate

Upon request, the net profit from patents and similar rights is to be included in the calculation of the taxable net profit in the ratio of the qualifying research and development expenses to the total research and development expenses per patent / similar right (nexus quotient) with a reduction of 50 %. When the reduction is granted, the research and development expenses already recognised in previous tax periods are added to the taxable net profit and a taxed hidden reserve is created in this amount.

R&D deduction

Research and development expenses incurred directly by the taxpayer or indirectly via third parties in Switzerland will on request be approved for deduction at 150 %.

A relief limit of 50 % is to be introduced. This ensures that at least 50% of the taxable result is always subject to ordinary taxation before loss carry-forwards and the deduction of reductions.



