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Implementation of Swiss Tax Reform and AHV Financing (STAF) in the canton of Jura

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On 19 May 2019, the Swiss electorate passed the "Federal Act on Tax Reform and AHV Financing" (TRAF) with a 66.4% majority of the votes. It entered into force on 1 January 2020. The Jura parliament adopted the cantonal tax law revision on September 4, 2019. The referendum deadline expired unused and the legislative amendments entered into force on 1 January 2020. With the Swiss tax reform, the international acceptance of the Swiss corporate tax system has been ensured and Switzerland's attractiveness as a business location has been strengthened.

The changes mainly affected the Federal Act on Direct Federal Tax (LIFD/DBG) as well as the Tax Harmonization Act (LHID/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 the finance branch taxation at Swiss Federal level) and the introduction of internationally recognised replacement measures.

In order to retain its competitiveness, the canton of Jura introduced the full range of the internationally recognised replacement measures provided for in the LHID (except for notional interest deduction). These measures feature in particular a patent box with maximum relief of 90%, an additional R&D super deduction of maximum 50% and transitional rules to mitigate the increase in the effective tax burden over a transitional period of 5 years for companies that historically benefited from a special tax status. In addition, the reform involves a gradual reduction of the income tax rate over 5 years to reach an effective tax rate (combined) of 15% in 2024.

The following page provides an overview of the most important legislative changes and their effects on corporate taxation in Jura.

Our experts would be happy to share this information in more detail with you during a meeting or a phone conversation in order to explore with you the possibilities for implementing the different measures. Their contact details are listed above, do not hesitate to contact them.

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

Reduction of capital tax base

As of 1 January 2020, the ordinary equity tax rate has been divided by two, from a rate of 0.3736% to 0.187%.

A separate rate of 0.0249% applies for the portion of equity corresponding to patents, qualifying participations and intra-group loans.

Reduction of corporate income tax rate

Gradual reduction of the corporate income tax rate over 5 years: 2020 and 2021: 17%*, 2022 and 2023: 16%*, 2024 onwards: 15%*.

* Combined income tax rate in city of Delémont

Patent box

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Partial taxation of dividend income

If individuals hold participations of at least 10% as private assets, the dividend is considered only partially taxable (i.e. 70% of dividend is subject to tax).

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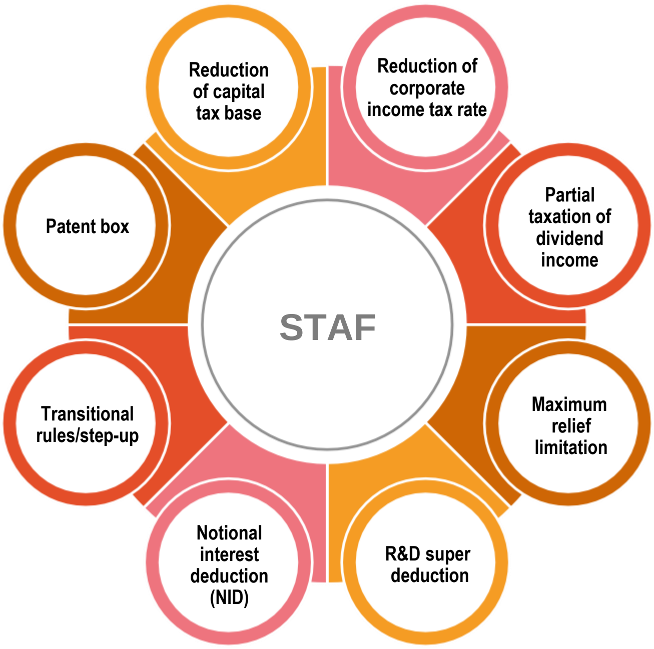

Transitional rules / Step-up

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Maximum relief limitation

The cantons were obliged to introduce a limitation for the relief from some TRAF measures. In the canton of Jura, a maximum relief limitation of 70% has been introduced. This ensures that at least 30% of the taxable result is always ordinarily taxed.

Notional interest deduction (NID)

A notional interest deduction on excess equity has not been introduced.

R&D super deduction

Upon request by the taxpayer, an additional deduction of 50% may be granted on qualifying Swiss sourced R&D expenses.