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

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 Ticino approved the TRAF with a majority of 64.9% of voters. A referendum against the cantonal implementation law was called, however the referendum committee did not collect enough signature. Consequently, the legislative amendments entered into force with effect on 1 January 2020.

Accordingly, the cantonal tax law will implement the future modifications of the Tax Harmonisation Act, resulting in the abolition of special tax status companies at cantonal level (privileged taxation as a holding company, mixed company and domiciliary company). This will be implemented at the same time as the introduction of internationally recognised replacement measures.

Notably, the canton of Ticino has introduced R&D incentives (patent box and R&D super deduction) to the maximum relief allowed by the Tax Harmonisation Act to make Ticino one of the most attractive cantons for companies investing in R&D.

Additionally, all ordinarily taxed companies domiciled in the canton benefit from the reduction in the profit tax rate, whereas companies that was benefiting from a special tax status can apply for a transitional measure that substantially mitigate the increase in the effective tax burden over the next 5 years.

The following page provides an overview of the most important legislative changes available as of January 2020 and their effects on corporate taxation in Ticino.

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

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

