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

Valais has enacted on September 11, 2020 the cantonal bill implementing the national proposal of the tax law named “Federal Act on Tax Reform and AHV Financing” (RFFA). With this bill, the canton intends to support local companies in a currently difficult health and economic context.

The RFFA came into force at federal level on January 1, 2020, following its adoption by popular vote in May 2019. Said reforms aims to establish a system of corporate taxation in line with current international standards, while introducing measures to maintain Switzerland's attractiveness and competitiveness as a business location.

Consequently, the Valais state Council has adopted the necessary amendments to the Valais tax law on September 11, 2020, with retroactive effect on January 1, 2020.

All companies domiciled in the Canton will benefit from this reform. Indeed, even companies that do not qualify for any specific measures of the reform may expect a reduction of their tax burden.

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

If you have any questions, please get in touch with your usual contact or one of the following tax proposal experts at PwC.

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

Capital tax rate modification*

The ordinary tax rate is 0.2% below CHF 500'000 and 0.5% above.

The taxable capital linked participation, patents and loans to group companies is reduced by 90% reduction.

Reduction of corporate income tax rate*

A reduction of the ETR from currently 21.57% to 20.12% has been introduced for FY20 if the taxable profit is above CHF 150'000, 18.56% in FY21 if the taxable profit is above CHF 200'000 and 16.98% from FY22 onwards for taxable profits above CHF 250'000.

11.89% ETR applies if the taxable profit is under CHF 150'000 in FY20, under CHF 200'000 in FY21 and under CHF 250'000 from FY22 onwards.

Patent box

Upon request by the taxpayer, the proportion of income from patents and similar rights, which is based on the qualifying research and development expenses (R&D) of the taxpayer, is included in the calculation of taxable net income with a relief of 90%.

Upon entry into patent box, previous R&D deductions taken into consideration in previous tax periods will be added to the taxable income (entry cost).

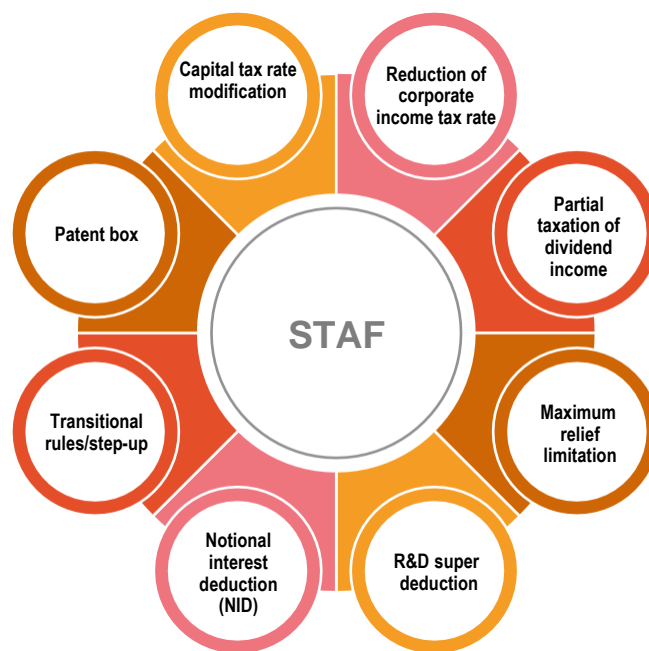
Property tax modification*

For real estate, no modification introduced. For production plants and machinery, the property tax has been suppressed at cantonal level but is maintained at communal level at a rate of 0.125%. It will however also be suppressed at communal level in 2030.

Partial taxation of dividend income

If individuals hold participations of at least 10% as private assets, the dividend will benefit from a partial taxation (i.e. 60% of dividend is subject to tax).

If individuals hold participations of at least 10% as business assets, the dividend will benefit from a partial taxation (i.e. 50% is subject to tax).



Transitional rules / Step-up

The canton of Valais does not allow an old law step up upon withdrawal of a tax regime.

The hidden reserves and self-generated goodwill of companies which were taxed under a privileged regime will be taxed separately at a total effective rate of 11.11% for a limited period of 5 years.

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.

Maximum relief limitation

The cantons are obliged to introduce a limitation for the relief from all TRAF measures combined. In the canton of Valais, a maximum relief limitation of 50% is introduced. This ensures that at least 50% of the taxable result is always taxed.

Hence minimum ETR below taxable profit of CHF 250'000 is 9.91% and 12.64% above from FY22 onwards.