

### Starting Point

Switzerland is obliged to adjust its current taxation system due to the fact that the existing preferential tax regimes are no longer internationally accepted and need therefore, to be abolished. The Tax Proposal (TP 17), now known as "Federal Act on Tax Reform and AHV Financing» (TRAF), will ensure the international conformity of the Swiss taxation system and will sustainably strengthen Switzerland as a business location thanks to new competitive internationally accepted tax measures.

### The objective of the tax reform: creating an attractive set of measures

With the implementation of the tax reform the Governing Council of the Canton of Schaffhausen intends to achieve the following objectives:

- to implement a corporate tax law which is accepted by the wider international community
- to maintain jobs, to empower local companies and to promote investments in the area
- to ensure future tax revenues and therefore, to finance public services sustainably

### Tax measures in the Canton of Schaffhausen – Proposal by the Government of Schaffhausen

The selective use of the new regulations in combination with the reduction of the cantonal tax rate ensures an attractive tax environment which is internationally accepted.

Key Element	Company Specific Instruments	Transitional Regulations
<div data-bbox="397 794 499 878" data-label="Image"> </div> <p><b>12-12.5% combined effective income tax rate</b></p> <p>The core element of the corporate tax reform is to achieve an overall <b>effective income tax rate between 12% and 12.5%</b> for all corporations located within the Canton of Schaffhausen.</p> <p>For this purpose, the current cantonal income tax rate shall be reduced from currently 5% to <b>2.5%</b>. During a transition period of five years the tax rate shall be 3.75%.</p> <p>The <b>capital tax</b> shall be set at the rate of <b>0.025‰</b>.</p>	<div data-bbox="1091 753 1225 895" data-label="Image"> </div> <p><b>Patent box<sup>1)</sup>: 90% tax relief</b></p> <p>Revenues generated via patents and similar IP rights shall benefit in the percentage of the qualifying R&amp;D costs to overall company R&amp;D costs per patent or similar IP rights from a relief of 90% in the respective tax base. Entering the patent box, shall result in a taxation of former R&amp;D costs.</p> <p><b>Step-up<sup>1)</sup></b></p> <p>The voluntary disclosure of hidden reserves for companies falling under the preferential tax regime can be applied prior to the enactment of TRAF.</p> <p><b>Restrictions of overall tax relief:</b></p> <p>The patent box, super-deduction on R&amp;D costs as well as depreciations on voluntarily disclosed hidden reserves are subject to a maximum tax relief of 70% of the taxable profit. Adjustments after the transition period of five years remain possible.</p>	<div data-bbox="2188 788 2322 889" data-label="Image"> </div> <p><b>Special rate taxation model<sup>1)</sup></b></p> <p>The special rate taxation model governs the transition from the preferential tax regimes to the ordinary taxation. The cantonal tax authorities shall issue an assessment stating the corporations' undisclosed hidden reserves, including the self-generated goodwill. Profits from such realized undisclosed hidden reserves can be taxed at the <b>special tax rate of 0.8%</b> during the transition period of five years following the enactment of the corporate tax reform.</p>
		<p><b>Provided measures to relieve individuals</b></p> <p>Simultaneously with the future corporate tax reform, the Governing Council of the Canton of Schaffhausen plans to introduce tax reliefs for individuals. These reliefs shall include higher tax deductions for insurance allowances. Further flanking measures in tax law are being examined in favour of reconciling work and family life.</p>

<sup>1)</sup> Simplified illustration. In case of questions regarding the specific tax framework, please contact the cantonal tax administration directly.



### Provisional Timescale for Implementation of TRAF

The federal tax bill was passed by clear majority in parliament. Provided a referendum is held, the vote shall take place on May 19, 2019. The cantonal tax bill and its implementation is aligned to the federal one. Enactment is foreseen on January 1, 2020.

## Economic Promotion

### Your contact for all queries and requests for information relating to business and economic development

The Economic Promotion Team has helped around 600 companies in the last 20 years as they evaluate the benefits of moving to Schaffhausen, launch their business here and as they expand their operations. We are available to answer your questions and to help you find the right office premises or production facilities. For this purpose, we work closely together with the tax administration

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## Tax Administration

### Your contact for all direct tax matters

The tax administration of the Canton of Schaffhausen is responsible for the application of federal, cantonal and communal direct tax law and the collection of direct taxes. They will be glad to discuss with you any specific question about corporate taxation.

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