

UPDATE: Swiss tax law changes: Federal Act on Tax Reform and AHV Financing

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Tax Alert

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Key Points:

- On 17 January 2019, sufficient signatures were filed requesting a referendum on the Federal Act on Tax Reform and AHV Financing (TRAF).
- The public vote will be held on 19 May 2019.
- If TRAF is accepted by the public vote, the entry into force is still planned for 1 January 2020.
- Some cantons are implementing or have already implemented the revised cantonal tax laws in parallel with TRAF.

Referendum

On 17 January 2019 the referendum committees submitted 61,381 signatures against TRAF. The Federal Chancellery has verified that 60,749 signatures have been submitted and are valid. 50,000 valid signatures were required to trigger the referendum. According to the Swiss Federal Council's decision dated 16 January 2019, the public vote will be held on 19 May 2019.

During a press conference on 18 February 2019, the Swiss Federal Council recommended approving TRAF.

The entry into force of TRAF is still planned for 1 January 2020, if accepted by the public vote.

Cantonal implementation

The entry into force of TRAF in 2020 is a very tight timeline for the cantons to incorporate the new rules into their cantonal tax laws. Some cantons are implementing or have already implemented the revised cantonal tax laws in parallel with TRAF.

For example, in the canton of Vaud, the reduced corporate tax of 13.79 percent (from 20.95 percent) is already in force as from 1 January 2019.

In the Canton of Geneva, the Grand Council accepted on 31 January 2019 to reduce the corporate tax rate from 24.2 percent to 13.99 percent. The revised

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cantonal tax law will be subject to a public vote on 19 May 2019, together with the vote about TRAF.

In the Canton of Basel-Stadt, the voters accepted on 10 February 2019 by a large majority to reduce the corporate tax from 22.18 percent to 13.04 percent. The cantonal government council is expected to communicate the entry into force of the new rate shortly.

We will keep track of the progress of TRAF and the incorporation of the new rules into the cantonal laws. Please contact us if you would like to discuss the implications in more detail.

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