

LIFESTYLE INNOVATION DAY 2022

# HIGHLIGHTS ON THE FISCAL ENVIRONMENT

*TO OPERATE BUSINESS IN ICT AND LIFESTYLE SECTOR.*

**PM**  
GROUP






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 **FIDUCIARIA  
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SWITZERLAND & TICINO

# BACKGROUND FOR NEW BUSINESS

Switzerland results as one of the most interesting countries to set up a new business, in terms of

-  Economic Background and Stability
-  Clarity of Laws and Regulation
-  Low-level of Burocracy
-  Labor market flexibility and low social contribution impact
-  Attractive tax regime



# THE CAPACITY OF TICINO TO INNOVATE

IS EXPRESSED IN SOME OF THE FOLLOWING FIGURES:

## 25%

of the EU-financing for the research  
in Switzerland flows to SUPSI

## 75

research institutes  
and laboratories are based  
in Ticino

## 3'000 sqm

at disposal for start-up  
at Tecnopolo Ticino

## 1'500 collaborators and 7'000 students

USI and SUPSI counts approx. 1'500 collaborators  
and 7'000 students

## Innovative startups

Tax reform has included benefits  
for “Innovative startups”



## WHAT AN ICT AND A LIFESTYLE COMPANY DO ?

Innovate /Develop / Advise / Analyze and research /Sustain / Inspire and motivate people

Improve quality of life



## WHAT AN ICT AND LIFESTYLE COMPANY HAS TO DO AT THE YEAR END ?

Generate values / “Report” such values in the accountings / Draw up a balance sheet and pay taxes in the country the value (gain / equity) has been generated.



## WHICH FACTORS DETERMINES THE INCREASING IN FACTS? ON A TAX ENVIRONMENT PERSPECTIVE...

- ★ Produce incomes
- ★ Deduct Costs
- ★ Attract investments / investors
- ★ Grow the assets value, including human capital. Expand the shareholders equity
- ★ Distribute the benefits to stakeholders, including employees

# PRODUCE INCOMES

(Focus: cit highlights and “reduction” on revenues from patents)

The results of the last tax reform (since 01.01.2020) have been that all companies in Switzerland are **now taxed on ordinary regime**, leaving definitively rulings or preferential conditions agreed on some previous status (as known as *Holding, Admin, Auxiliary, Principal, Finance Branches regime*).

In Switzerland the rate is based on



## 3 LEVEL OF TAXATION (Federal, Cantonal, Municipal)

meaning that you may have many different treatments depending on the place your company is based. The real establishment (management) determine your competent tax authority (attention to: double taxation inter-cantonal events).





In Ticino has been decided for reduction of the ordinary rate of taxation (CIT). Starting to the current 20% (effective rate in Lugano), the reduction plan provides for the following steps:

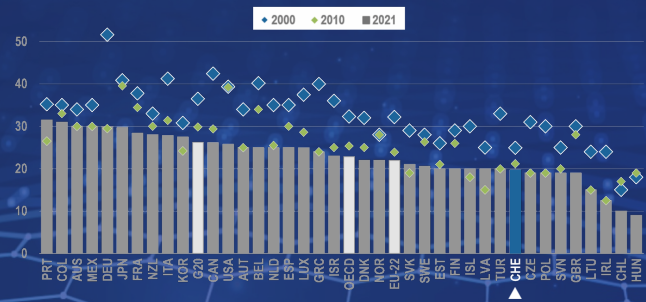
- 
 Federal Tax remains unchanged to **8,5%** (virtual rate, 7.8% effective);
- 
 Cantonal Tax goes from **9% to 8%** (2020-2024) and from **8% to 5,5%** (2025)

In 2.5 years from now, the CIT in Ticino (municipality of Lugano), reach approx.

**15%-16%** (effective rate) on profits.

On an EU and international comparison, Switzerland may fix its position at one of the most attractive jurisdiction on CIT level.

Combined statutory CIT rates (%), 2000, 2010 and 2021





## \*INCOME FROM PATENTS

The companies or individual entrepreneurs can apply for a

«REDUCTION» ON TAXES, UP TO **90%**

of the net income generated by some «non-tangible assets» (i.e. patents rights).

The calculation method of net income from such assets, is based on the «nexus approach» (OCSE). It is crucial that the patent is duly registered, meaning a brand only is not eligible.

Some specific considerations on software, that goes in the PB if patentable (in Switzerland) or patented (previously) abroad. (art. 67b LT).

# DEDUCT COSTS

(focus: R&D over deduction opportunity)

The companies or individual entrepreneurs can apply for an «over charge» on the R&D costs up to

**50%** in addition to the real value. (art. 73a LT)

This «**OVER DEDUCTION**» is granted for R&D costs oriented to the application and innovation in science (but not, for example to marketing fees for developing a product).



# THE APPLICATION CONSISTS IN:



Wages for the employees active in the research field, in the swiss territory, including social contribution (+35% of the calculation base, before get +50% in addition);



R&D expenses for outsourced services to third parties or companies takes part of the group against an invoice and duly recognized for their content, always in the Swiss territory (reduced at 80%, before get +50%).

# ATTRACT INVESTMENTS / INVESTORS

(focus: innovative start-up)



Is defined as “innovative” a company that meet **one of the following criteria**, especially consisting in reaching some results on contests:

- 🏆 Award on the contest “*start-up award*” promoted by the “W.A. de Vigier Foundation”
- 🏆 Award on the contest “*Swiss economic award*” promoted by the “Swiss Economic Forum”
- 🏆 Phase B or Phase C completed of the program “*Innosuisse Startup coaching*”
- 🏆 Ranked among the first 10 finalists of the program “*Boldbrain*”
- 🏆 Attended the full program “*Venture Kick*” or “*Kickstart Accelerator*” or “*Masschallenge*”
- 🏆 *TiVenture SA* or *Swiss Entrepreneurs Foundation* (Bern) entered in the share capital
- 🏆 Accredited as official spin-off by the two *swiss ETH*.

## THE TAX INCENTIVES GRANTED MAY BE RESUMED AS FOLLOW



Reduction of the capital tax for the company from **1.5% to 0.01%** (art. 87, cpvv 1-bis, 1-ter LT) and exemption on the min. estate tax (art. 89 LT).



Full exemption on donation tax by the receiving companies (art. 155 cpv 4, LT)



Tax exemption on investments carried out by individuals (ordinary taxpayers in Ticino investors) in innovative start up companies (art. 37c LT)

The benefits above are extended for 3 fiscal years (starting from the year in which the company has been elected as innovative). Some anti-avoidance rules applies in order to prevent certain behaviour.

The tax payer is subject to a **separate taxation with an annual tax of 1%**

on the investment, for the cantonal and municipal tax application, which allow a total deduction of the invested amount in the tax declaration of the investor.

Criteria to meet for the investors:

- Holding shares in the capital
- The min. amount of investment, per year, shall be **CHF 50'000**
- The max. amount is the **80% of the taxable income**, per year, of the tax payer

In principle, not only for the “innovative start-up” shareholding, the gain on the disposal of shares in the private wealth of the individual tax payer **is fully except from capital gain tax** in Ticino / Switzerland. (art. 16 cpv. 3 LIFD, art. 15 cpv. 3 LT e art. 7 cpv. 4 lett. b LAID).

GROWING THE ASSETS VALUE,  
INCLUDING HUMAN CAPITAL.

## EXPAND THE SHAREHOLDERS EQUITY

(focus: holding of participations, hidden reserves amortization  
in case of relocation from abroad, labor cost, capital tax)

An holding company in Switzerland may benefit of a

**participation exemption regime** on incomes generated by the disposal of participation or dividends received, if some criteria are met (min. 10% shareholding and 1 year possession in the case of disposal).

Depending on the type/volume of income generated by the company, the revenues from the holding activities may result fully exempt on the corporate tax level.

It is possible for a company that migrate in Switzerland from abroad to declare in the tax balance sheet, with no fiscal consequences, **the hidden reserves included in the goodwill evaluation** and proceed with a 10 years depreciation of such value (art. 70 LT).

The cost of labor for the employer is equal to

**15%-17%**

of the gross salary of the employee.

This represent **one of the most interesting / incentivizing “tax and social wedge”** in the international comparison.

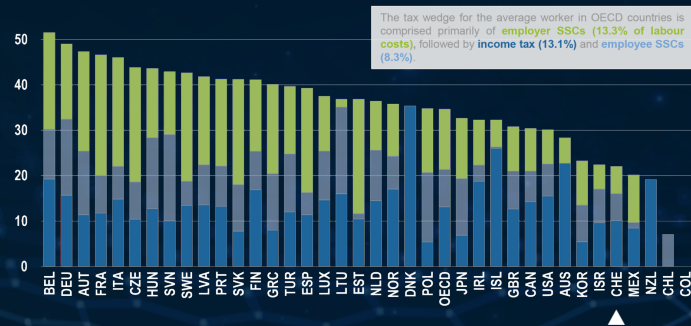
A minimum salary is now in force in Ticino (current phase 1 up to 12.2023) between

**CHF 19.00 and CHF 19.50 per hour.**

If a CCL / CNL with more favorable conditions applies, **the higher remuneration applies.**

### Income tax plus employee and employer social security contributions (SSCs), 2020

as % of total labour costs



The net equity of the company at yearend is taxable with a capital tax of

**1.5%**

except for the innovative startups as previously mentioned.

# DISTRIBUTE THE BENEFITS TO STAKEHOLDERS, INCLUDING EMPLOYEES

(out bound dividends, employees participation plan).

The internal law provides for a **35%**  
of withholding tax on dividends distribution  
(*IP-Imposta Preventiva*).

Switzerland has a  
**wide network of Double Taxation Treaties**  
signed able to reduce the taxation at source and/or grant the  
refund

Moreover, thanks to the **EU Parent-Sub Directive**  
application, if some criteria are met, a zero rate applies on  
distribution of profits.



The distribution to corporate shareholders based in Switzerland  
is also simplified with some applicable procedure (zero rate  
applies in case of “*notifica sostitutiva*”).

The **AFC Circular n. 37** is defining the different scenario may  
involve to employees / collaborators who benefits of shares /  
option/ other rights.

In some cases is recommended to previously discuss the plan  
with the tax authorities before its implementation.



**PM GROUP** is a corporate and tax advisor based in Lugano and Chiasso, with approx.

**20 employees, active since 2009.**



The **core business** is administrative, accounting, personnel management, tax and audit services.

**PM Group** is an “external service provider” for some of the main Swiss Banks.

It serves **around 500 clients**, between companies and individuals; some of them are entities relocated to Switzerland from abroad.

PM Group provides **Voluntary Disclosure** Tax consultancy, with significant results for local taxpayers and foreign one (i.e. support in the Italian VDP).

It is active in the **M&A field**, especially for tax DD and for assisting the entrepreneur in the negotiation path or as global coordinator.

PM Group also aim to support the client with **business development** activity in Switzerland, in certain specific sectors.



# THANKS



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