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kantonschwyz

Canton of Schwyz: Partial Revision Tax Law (December 2014)

The revision of tax legislation aims at preserving the amenity of the Canton of Schwyz's tax policies. At the same time, the revision is intended to generate additional tax revenue in order to balance the Canton's budget. The tax law revision was triggered by numerous changes in federal law that had to be transformed into cantonal law.

The tax law revision at a glance:

- One focal point of the bill is the **adoption of cantonal law to federal law**, namely to new or changed regulations of the tax harmonisation law and the direct federal tax law. The regulations of the taxation of employee shares and options, lump-sum taxation as well as the deduction of party donations and child care costs have priority.
- The goal of the optimisation and cost-cutting programme 2014–2017 is to balance the loss-making cantonal budget until the year 2018. In order to achieve this goal, measures to increase revenues and to reduce expenses are planned. **The tax law revision will generate approximately 66 million Swiss Francs additional tax revenue without compromising the Canton's fiscal attractiveness.** In general, the revision will not be felt by most communities and districts, since, for the most part, its measures will not affect communities and districts.
- The **most important fiscal measures** concerning **natural persons** are,
  - Firstly, the introduction of a new **cantonal tax tariff** with an additional tariff grade for single persons with incomes starting at 230 400 Swiss Francs and for married persons at 438 000 Swiss Francs. This measure is expected to create 25 million Swiss Francs of additional tax revenue for the Canton without affecting the Canton's attractiveness in comparison with low-tax communities in the Canton of Zug such as Walchwil or Baar.
  - Secondly, the **reduction of privileged taxation of dividends** to 50% will add 14 million Swiss Francs to the Canton's budget. This discount is used by numerous cantons and ultimately optimises the marginal value of the Swiss fiscal equalisation scheme.
  - Third, the **increase of the property tax tariff** from 0.5 to 0.6 per mill does not have any impact on most tax payers and still remains on an attractive level for the wealthy. An additional 8 million Swiss Francs are expected from this measure.
  - The fourth measure is the raise of the maximum tariff rate for lump-sum payments of pension benefits from 2 to 2.5%. This moderate increase will have no significant effect on the tax payers' behaviour on drawing lump-sum payments and contributes 0.6 million Swiss Francs to relieving the budget.
- The Swiss corporate tax reform III will entail substantial changes for **legal entities**. However, the federal corporate tax reform III is of yet undecided. The canton intends to see through one measure in the current revision of cantonal tax legislation, which is the introduction of a minimal fee for minimum taxation. This will apply only to ordinary taxed companies.
- Changes in the **real estate capital gains tax** include a higher taxation on the alienation of land with short time of possession. Furthermore, the Canton's portion of the real estate tax revenue will be increased because of the high charges of the Swiss fiscal equalisation scheme.

Due to the current financial situation and the favourable arguments Schwyz's cantonal parliament accepted the tax law revision in May 2014 with more than 80% of the votes. A referendum was carried against the bill. In the corresponding popular vote in September 2014 60% of the eligible voters of Schwyz accepted the revision.

The major part of the measures of the tax law revision will take effect on January 1st, 2015.