



# Company taxation: Dialogue with the European Union

## Key points

1. The European Union (EU) is critical of certain cantonal tax regimes applied to businesses. In its opinion, these regimes may be detrimental to competition because in certain cases they ringfence income from foreign sources.
2. In July 2012, the Federal Council adopted a mandate on dialogue with the EU. The aim is to find a solution that preserves Switzerland's competitiveness as a business location, takes the budgetary needs of the Confederation and the cantons into account, and is acceptable internationally.
3. The steering body responsible for the third series of corporate tax reforms, in which the Confederation and the cantons are represented, is to submit its interim report in May 2013. A consultation draft still has to be drawn up.

- The controversy between Switzerland and the EU in the area of business taxation is nothing new. Back in 2007, the European Commission criticised certain cantonal tax practices as constituting state aid which is unauthorised and which is incompatible with the 1972 Free Trade Agreement. Switzerland has always refuted this interpretation.
- After the failure of the 2009 compromise solution due to opposition from certain member states, the EU put forward a proposal to Switzerland to cultivate a dialogue on adopting its code of conduct for business taxation. While Switzerland is not prepared to fully adopt the European Code of Conduct, it is prepared to discuss certain controversial tax regimes.
- In July 2012, after consulting the parliamentary committees concerned and the cantons, the Federal Council adopted on a new basis the mandate on dialogue with the EU concerning company tax regimes. The aim is to find a solution that preserves Switzerland's competitiveness as a business location, respects the budgetary needs of the Confederation and the cantons, and is acceptable internationally.
- The Federal Department of Finance (FDF) and the cantons have created a steering body to draw up the basis for the third series of corporate tax reforms. This project is closely linked to the dialogue with the EU. The steering body will submit its interim report on 17 May 2013. Depending on how the dialogue with the EU and work being carried out by the OECD develop, the FDF will inform the Federal Council in autumn 2013 and will propose drawing up a consultation draft.
- The dialogue with the EU must respect Switzerland's sovereignty and the cantons' powers regarding tax issues. Switzerland expects the EU and its member states to refrain from adopting countermeasures against Switzerland.