

Internationally competitive



View of the Rhine Valley, Brambüesch cable car

Facts and figures

Switzerland's federalistic tax system is a model of success: Taxes are set and levied by federal government, cantons and municipalities. Domestic tax competition plays a significant role in the very low rates of taxation.

The Grisons has a very generous depreciation practice and offers export-oriented and innovative companies the possibility of tax relief for cantonal and federal taxes. Focus is always on rapid and pro-business solutions.

Moderate taxes for individuals and companies

The Federal Government's tax laws apply throughout the whole of Switzerland, whereas those of the cantons and communities are effective only within their own boundaries. In the Grisons, the tax rate for regularly taxed companies is maximum 16.12 % (in percent of net profit). This ranks the canton in the front half of the field in a Swiss comparison. The tax rate for companies with a privileged tax status, such as holding companies, is maximum 10 % of net profit before tax. The total average tax burden for private persons is around 15 % of earnings and with this, the Grisons holds a leading position, not only in Switzerland.

Basic principles

Depending on the legal form of a company, different kinds of taxation and different tax rates apply.

Partnership-type unincorporated companies

Owners of partnership-type unincorporated companies (sole proprietorship, limited partnership or general partnership) are taxed on behalf of these companies as they, in themselves, do not represent a subject for tax imposition. Annual income tax and capital income tax are the two most important types of tax for natural persons. The amount is calculated on the basis of progressive tariffs. In addition, earnings from business operations are subject to social security contributions.

Corporate entities / limited companies

Limited companies, limited liability companies, cooperative societies, foundations and clubs/associations) are taxed independently as business companies. Taxes on profit and capital are considered deductible outlay.

Key figures

16.12 %
of net profit
for companies
(limited companies)

3rd place
in international
comparison of total tax
burden for companies

10 years
cantonal tax relief
is possible in the Grisons

8 %
lowest VAT rate
in Europe

Source: PwC 2014, BAK Basel 2014



The tax system

Federal government taxes

- Direct federal taxes from the income of natural persons and the profit of corporate bodies (juridical persons) (assessment by canton at the same time as cantonal tax).
- Withholding tax (35 %) on returns on assets, e.g. interest and dividends. The debtor of the taxable amount is liable to tax. Recipients of returns on assets resident in Switzerland may demand refund of withholding tax if they pay tax on the respective assets and their yields (earnings).
- Value-added tax (normal rate: 8 %).
- Stamp tax (duty) on the issue and the sale of certain legal documents, e.g. shares, debentures / promissory notes and shares of unit trusts (mutual funds).

Cantonal taxes

- Cantonal taxes on income and assets of natural persons.
- Profits tax and capital levies of corporate bodies / juridical persons (also for communities and national churches).
- Tax on profits from the sale of land (real estate).
- Estate tax and gift tax (the spouse and direct descendants are exempt).

Community taxes

- Community tax on income and assets of natural persons (as a percentage of cantonal taxes, max. 130 %)
- Property tax, tax on profits from the sale of land and change of possession taxes.
- Inheritance tax and gift tax (the spouse and direct descendants are exempt).

Income tax for private persons

Total net income is subject to income tax. It comprises the total of all earnings minus the costs necessary for these to be achieved (e.g. occupational expenses), general deductions and social contributions. Private persons in the Grisons benefit from a low tax rate in both national and international comparisons.

Withholding tax (tax at source) is levied on the income of all foreign employees who do not hold a permanent residence permit (permit C).

EMS-CHEMIE AG,
Domat/Ems



Tax privileges for juridical persons

Companies with participations

Juridical persons (corporate bodies) who participate in the equity capital of other companies to at least 10%, or who have a share in such capital with a market value of at least 1 million Swiss Francs benefit from the so-called participation deduction. This has the purpose of reducing the burden of multiple taxation. In addition, juridical persons who participate with up to 10% on the initial capital of another company can also claim a participation deduction for capital gains on sales of these capital shares.

Holding companies

These are understood to be juridical persons (corporate bodies) whose prime purpose is the permanent administration of holdings and who exercise no business operations in Switzerland. Companies of this type pay no cantonal capital gains tax, provided that the holdings (investments) or the yield from them amount to at least two thirds of the total assets or earnings. In the Grisons, capital levies are only 0.05 per thousand or minimum CHF 300.–.

Domiciliary companies

Capital companies (corporations), which carry out administrative activities but no business operations in Switzerland, are largely exempt from the cantonal tax on earnings. Earnings abroad – with the exception of earnings from participations – are taxed at a regular rate between 0% and 20% depending on the importance of the administrative activities in Switzerland. In the Grisons, capital levies are 0.05 per thousand of own capital or minimum CHF 300.–.

Mixed companies

Companies which have the majority of their business activities abroad and only limited business activities within Switzerland (<=20%), are taxed on profit from this national business. Profits achieved abroad – with the exception of participations – are taxed at a regular rate between 10–30%, depending on the importance of the administrative activities carried out in Switzerland. The share of profit achieved abroad must be at least 80% for both revenue and expenditure. In the Grisons, capital levies are 0.05 per thousand of own capital or minimum CHF 300.–.

A political discussion is currently taking place regarding a reform of the corporate tax laws, the so-called Corporate Tax Reform III. This reform will take place at federal government level. It is considered certain that tax privileges for holding, domiciliary and mixed companies will be abolished and new tax relief created for patent income and research and development. The political process has been started. It will create the company tax legislation which will also apply to a great extent in the Grisons. The reformed tax laws are expected to become valid in 2018 at the earliest.

The tax system in the Grisons is aligned with the requirements of trade and industry



Tax advantages in the Grisons



Lenzerheide

Quick and business friendly solutions

As a small administration, the cantonal tax administration of the Grisons offers you direct contact to the people responsible and thus guarantees quick and business friendly solutions.

Preliminary tax ruling

Companies can request preliminary rulings on the type and manner of taxation they will be subject to from the cantonal tax administration. This means for example, that a binding advance decision can be reached on whether a company will be recognised as a holding company, a domiciliary company or a mixed company.

Tax relief

The government of the Grisons can grant new or existing companies tax relief if a significant change to the company activities is made. This can be as much as full exemption from cantonal taxes for a period of up to 10 years.

Federal government can provide industrial companies and production-related service providers, located in areas of economic regeneration in the Canton Grisons, with the same tax relief as the canton if the project shows a high degree of innovation, high added-value and an inter-regional sales market.

Depreciation practice

The Grisons has a generous depreciation practice. Immediate depreciation of up to 100%, for example, can be claimed in the year of acquisition or founding and in the following year.

Note

Tax comparison of international locations
www.s-ge.com/taxtool

Source: S-GE in cooperation with BAK Basel



Relief of the double economic burden for investors

Private persons domiciled within the canton and with participations of at least 10% of capital of an (unlimitedly taxable) Swiss limited company, GmbH or cooperative society, profit from partial taxation of earnings from these participations. If these participations are held as private assets, only 60% of earnings from them are subject to tax; if they are held as company assets, only 50% of earnings are subject to tax.

Taxation according to expenditure and living costs (Lump-sum taxation)

Foreigners who live in Switzerland and are subject to taxes without limitations can, under certain conditions, apply for lump-sum taxation in the Grisons. In contrast to other cantons, this kind of taxation is still possible in the Grisons as it is of great significance and contributes to the attraction of the canton as a business location.

Inheritance tax

The Canton Grisons does not impose inheritance tax on an estate for spouses or direct offspring.

Tax comparison

Company taxes as a percentage of net income before tax (limited companies)

Grisons	16.12 %
Switzerland	21.5 %
Germany	30.2 %
Italy	27.5 %
USA	35.0 %

Source: IMD Yearbook, 2014

“The tax burden in the Grisons is very moderate.”

Christoph Hoppe,
 President of the Hoppe AG, Müstair

