

Tax Guide

Entrepreneurs in the Canton of Basel-Landschaft are prospering with its attractive tax system that provides definite benefits.



BASELLAND

INSPIRATION FOR BUSINESS



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Our doors are wide open – Please come in!

I would like to extend a warm welcome to entrepreneurs, investors and anyone looking to set up a business in the Canton of Basel-Landschaft. Our canton has laid the groundwork and created solid foundations for business success.

We are proud of the positive economic climate in Basel-Landschaft. The many enterprises that already operate successfully here provide abundant proof of that fact. They include companies with a global reputation which demonstrate innovation and inspiration on a daily basis to market their products internationally. On the other hand a whole host of other businesses achieve in a wide range of specialist niches, thanks to their highly qualified workforce.

The Swiss tax system is one of the most attractive in the world. Within Switzerland, the Canton of Basel-Landschaft ranks comfortably in mid-table. One big plus are the specific advantages in business taxation laid down in our cantonal tax legislation. This Tax Guide provides an overview of the details.

The doors to the cantonal tax administration and communal tax offices are always open. They see themselves as providing a service for both the local population and businesses. Straightforward and unbureaucratic access to the tax authorities, their openness to dialogue and the ability to obtain clear information and commitments quickly are particular strengths of our canton.



Dr Anton Lauber
Member of the Baselland Government,
Head of the Finance and Church Directorate



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Endress+Hauser



Swissterminal

Baselland is a pulsating and prosperous location. Companies with a global reputation do business around the world from their base here. Universities and research institutes attract outstanding scientists.

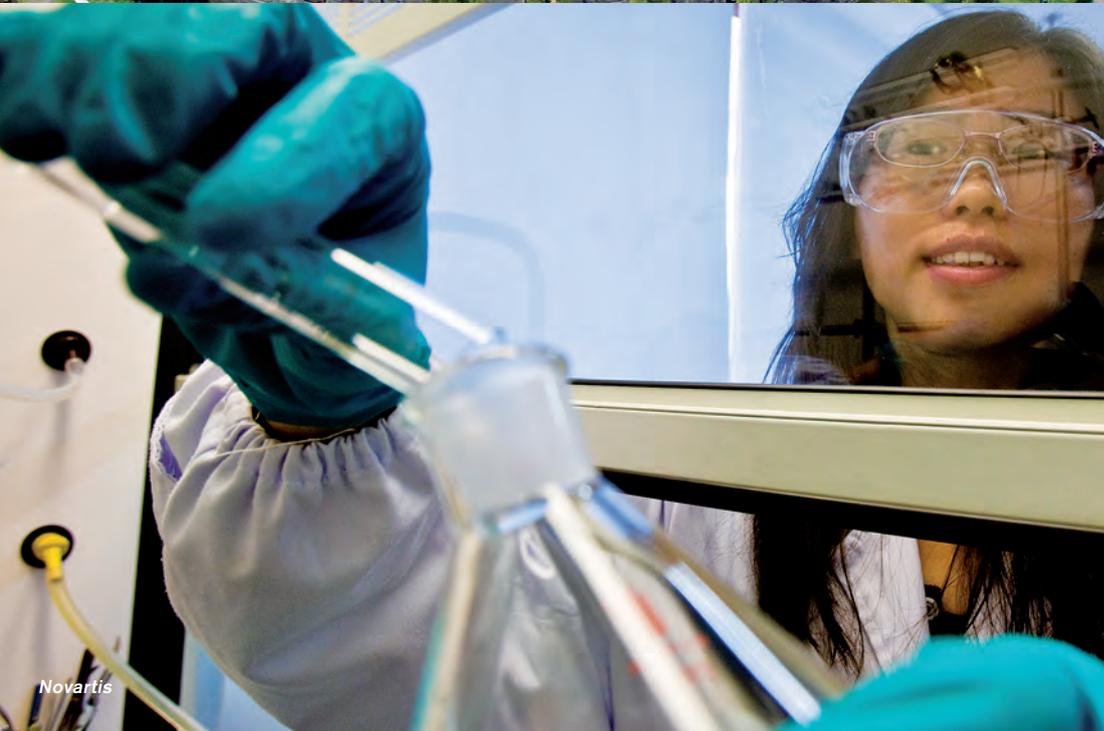
BASELLAND – INSPIRATI



Augusta Raurica



EuroAirport



Novartis



Actelion



Peak of the Bölchen



Muttenz freight station



Baselland barbecue

ON FOR BUSINESS

“SWITZERLAND’S MOST INNOVATIVE REGION” ...

... according to a study by UBS. First and foremost this reflects the high research intensity and the pharmaceutical and chemical cluster in the Basel urban area.

A unique diversity of industrial and commercial sectors supports the dynamism of the region. Highly qualified and skilled employees are an essential contributor to this success.

Four international transport routes by air, road, rail and water serve international trade and have linked our Canton to the world beyond for centuries.

A SHORT HOP FROM THE JURA MOUNTAINS TO THE CITY

People living in Baselland have a choice between rural and urban living. Distances from the heights of the Jura mountains to the city of Basel are short. The range of high quality cultural facilities, leisure and sports activities in an area where three countries, Switzerland, France and Germany, meet is enough to satisfy every wish.

Expatriates value the quality of life and can maintain their networks from here.

TAX AUTHORITIES OPEN TO DIALOGUE

Swiss tax rates for businesses and individuals are among the lowest in the world. Proximity to citizens and openness to dialogue are a badge of pride for the tax authorities in the Canton of Basel-Landschaft.

The Canton's tax system is outlined on the following pages.

GOOD PEOPLE ARE THE KEY TO OUR SUCCESS

“Very highly skilled professionals are available in the region. We benefit from the presence of the University of Applied Science of North-West Switzerland. SMEs are particularly important in the Canton of Basel-Landschaft as it accounts for 44% of all SME employment in North-West Switzerland. Our own company employs around 100 people. Both our tradition and our future plans mean we are very committed to this location.”

Andreas Schneider, CEO, Schneider Carpentry Works

GOOD RELATIONS WITH PUBLIC AND GOVERNMENT

“Central Europe, Switzerland with its stability – we feel at home here. We have an excellent network and the political and administrative authorities welcome discussions on matters of common concern. The transport facilities work well. Schools, the University of Applied Science and the University of Basel are good – even if there is always room for further improvement. We have good people here who work very effectively. They are the foundation of our success.”

Klaus Endress, CEO of Endress+Hauser Group

BASELLAND – INSPIRATI

OUR REGION PROMOTES STRONG ECONOMIC PERFORMANCE

“Swissterminal AG with its headquarters in Frenkendorf is a very important partner for trade and industry in Switzerland and the Basel region. The existence of our container terminal provides a major locational advantage for all industrial and trading companies operating internationally who export goods abroad or import them from abroad.”

Roman Mayer, Chairman and Delegate of the Board of Directors,
Swissterminal AG

JOINING THE CHEMICALS AND LIFE SCIENCES CLUSTER

“Clariant established the Baselland Infrapark in Muttenz, which provides a specialist infrastructure for enterprises engaged in research, development and production. This has enabled a number of companies to become part of the chemicals and life sciences cluster which is traditionally based in this region. This is unique in the tripoint of Switzerland, Germany and France”.

Renaud Spitz, Head of Infrapark Baselland, Head of Clariant Switzerland

THE RIGHT FINANCIAL AND LEGAL PARAMETERS FOR OUR NEEDS

“This region promotes strong economic performance. A climate of intensive research and development, good universities and a high standard of education all play their part. These values must be maintained and enhanced further. Looking to the future I see a striving young generation and a competitive manufacturing location in Baselland/Basel, Switzerland”.

Carole Woertz, Chairman of the Board of Directors, Woertz AG

AN OPEN-MINDED AND PROGRESSIVE ATTITUDE

“Novartis and its predecessor companies have had close ties with the city of Basel and Baselland for over 150 years. The relationship which has grown up over time has created a stable foundation of mutual trust which is reflected in a pro-business and pro-research attitude in politics and the wider public. This includes excellent schools and universities, the promotion of apprenticeships, a transparent legal framework and a dependable public administration. The open-minded and progressive attitude of the people is an important contributor to the attractiveness of the region”.

Pascal Brenneisen, Head of Novartis Switzerland

ON FOR ENTERPRISES

OUR REGION PROMOTES STRONG ECONOMIC PERFORMANCE

“The sound framework provided by the infrastructure and educational system, together with the skilled labour resources are a critical factor in our success. The financial and legal parameters also meet our needs. The location ensures geographical proximity to our business partners”.

Erich Mosset, Chairman of the Board of Directors and CEO, Ronda AG

A READILY ACCESSIBLE LOCATION WELL-PLACED FOR EXPORTS

“Baselland has an excellent geographical location. Staff, clients, suppliers and service providers have easy access to us and the proximity to the border expedites exports. We also appreciate the good relationships with government bodies and the general public. We have extended our buildings substantially and are constantly investing in the latest production facilities – our clear commitment to Switzerland as a business location.”

Richard Weber, CEO, Rego-Fix AG

Quick wins at a glance

The Canton of Basel-Landschaft is one of the most attractive locations worldwide. In addition, companies can benefit from specific advantages:

Advantage!

Open-minded Tax Administration

The Cantonal Tax Administration welcomes entrepreneurs receptive to dialogue. It takes your individual situation into account to provide you with binding information and preliminary decisions. This means that a company can get reliable tax information creating legal certainty even before carrying out planned restructuring or establishing subsidiaries. Page 17

Advantage!

Direct write-downs of operating objects with low acquisition value

The Canton of Basel-Landschaft allows direct write-downs of moveable objects considered part of fixed assets with an acquisition value of up to CHF 5,000.00. Furniture, office machinery, gadgets, tools, etc. can be capitalised as assets and immediately written down or charged directly as expenses. Page 19

Advantage!

Provisions for research and development

Entrepreneurs in the Canton of Basel-Landschaft can set aside provisions for their scientific and technical research and development. They can be in an amount of up to 20% of their taxable profit and up to a maximum of a third of research expenditure incurred in the last five years. Both fundamental research and applied research are eligible. Page 19

Unique in Switzerland!
The Basel region has an international network served by the four modes of transport: road, rail, air and water. The north-south axis, one of the principal transport routes in Europe, runs through the heart of the canton.



Advantage!

Provisions for restructuring

Entrepreneurs in the Canton of Basel-Landschaft can set aside provisions for economically necessary conversions and restructuring of businesses for up to five years. The Tax Administration calculates the amount of provisions permissible based on the intended necessary measures and the income situation. Page 19

Advantage!

No real property tax, no cantonal sales tax

Some cantons in Switzerland levy a real property tax, which is calculated as a percentage of the real property value. The Canton of Basel-Landschaft does not levy such a tax. The same applies for cantonal sales tax, which the Canton of Geneva levies, for example. Page 47

Advantage!

Advantageous “mixed company”

Mixed companies typically pursue activities relating to foreign countries. The Canton of Basel-Landschaft offers mixed companies an attractive income and capital tax regime. Page 25

Advantage!

Tax-exempt gifts and inheritances

In the Canton of Basel-Landschaft, inheritances and donations to parents, direct descendants and spouses are tax-exempt! Page 47

2

Principles of the Swiss tax system

The Swiss tax system reflects the federal structure of the country: each of the 26 cantons has its own tax laws. Tax rates vary from canton to canton. This autonomy results in tax competition within Switzerland which helps to maintain the relatively low burden of taxation in the country.

A self-declaration system operates in Switzerland. Each year taxpayers complete a tax return which enables their tax liability to be calculated. A taxpayer's liability is based on their income and wealth after a series of deductions.

In the case of foreign employees with a residence permit rather than a Type C permanent residence permit, tax is deducted at source, i.e. directly from their salary.

The Confederation, cantons and local authorities all levy taxes

Taxes are levied in Switzerland by

- the confederation;
- the cantons;
- the local authorities.

The federal constitution authorizes the confederation to levy certain taxes. They include, in particular, income tax for individuals, profit tax for legal entities, withholding tax, stamp duties, value added tax and other consumption taxes, such as the tobacco tax and petrol tax, together with customs duties.

The cantons are free to choose their own taxes, with the exception of those which are reserved for the confederation and others which the federal constitution does not allow them to impose. The local authorities in turn levy the taxes authorized by the canton.

The following taxes are levied at cantonal and local level: income and wealth taxes for individuals, corporation and capital taxes for legal entities (corporations and associations), inheritance and gift taxes, capital gains and transfer taxes on property, church taxes, property taxes, a range of ownership and expenditure taxes and other levies.

Tax competition between the Swiss cantons results in a low tax burden and a productive investment climate.



Salina Raurica

The people have their say

The Swiss tax system is typified by a special feature: the Swiss people have their say in deciding which taxes and how much they pay to the confederation, cantons and local authorities. All tax obligations are enshrined in the federal constitution and in the legislation. The people help to shape these texts. In other words, the Swiss people not only have their say in drafting tax law but also in setting tax rates and tax scales.

The federal constitution stipulates that taxes are levied in Switzerland according to the principles of generality, uniformity and economic capacity to pay. All citizens are taxed on the basis of identical principles and contribute to the State finances in proportion to their economic resources. Other constitutional principles such as equality before the law, economic freedom, guaranteed property ownership and freedom of faith and conscience are basic tenets of the tax system.

Harmonized conditions

The foundations for the levying of direct taxes by the confederation, cantons and local authorities are laid by the Tax Harmonization Act. Income and wealth taxes, corporation and capital taxes, capital gains tax on property together with procedural law and the tax penal code are formally harmonized between the cantons, and between the cantons and the confederation. However, the cantons define their own tax rates and tax scales independently.

Only one canton may levy tax at any one time

The federal constitution does not permit double taxation by several cantons. A taxpayer only pays tax on a particular item, such as salary, for a particular period in one canton. The federal constitution also prohibits artificial tax arrangements. This prevents the cantons, for example, from attracting financially powerful taxpayers, particularly from abroad, by offering them artificial tax incentives.

3 Switzerland in an international comparison

3.1 Comparison of international tax burdens

Switzerland regularly performs well in international tax comparisons. It ranks highly among the leading industrialized nations. However, statutory tax rates are not always comparable because the definition of the tax base varies too greatly.

The BAK Taxation Index for companies permits an international comparison. Here the Effective Average Tax Rate (EATR) for companies is determined in selected locations. The EATR shows how attractive a particular location is as a place to set up profitable investment projects.

BAK Taxation Index 2011 for enterprises¹ - EATR (%)



Quelle: ZEW/BAKBASEL

The red bars show Swiss cantons which have a low average tax rate in an international comparison. Average taxation is higher in most of the regions indicated outside Switzerland. Internationally, the Canton of Basel-Landschaft is one of the most attractive locations for enterprises. It easily figures in the first half of the locations compared.

Highly attractive: locations in Switzerland and Baselland

From an international perspective, Switzerland has a great deal going for it as a place to do business: low average tax burden for enterprises, high salary levels with comparatively low ancillary personnel costs, moderate taxation of income earned by employees, a well-developed infrastructure, good availability of qualified personnel, high legal certainty and a very attractive place to live and work. Baselland is a leader in all these aspects.

¹ www.baktaxation.ch/pages/bak-taxation-index/uebersicht.php

3.2 Double taxation agreements with Switzerland

In the double taxation agreements (DTAs) signed with other countries, the confederation regulates the right to levy taxes on individuals and corporations in an international environment. For example, the aim may be to eliminate or reduce taxation at source on dividends, interest and licence payments. Agreements of this kind facilitate exports, promote investment in Switzerland and contribute to the prosperity both of Switzerland and of the partner state.

Given the global links which exist between economies today, Switzerland has been continuously expanding the DTA network with its principal trading partners for many years. By doing so, it prevents the Swiss economy from being placed at a disadvantage in relation to its foreign com-

petitors. At the same time, the government and the Swiss parliament constantly adapt existing agreements to new developments in the OECD area and in the European Union. With its DTA policy the government is pursuing the goal of effectively avoiding double taxation, ensuring legal certainty, facilitating the bilateral exchange of goods and services and favouring direct investments between the partner States.

Switzerland has already concluded DTAs with some 90 countries. The agreements signed in recent years are largely based on the OECD Model Convention which guides the negotiations. A full and up to date list of all DTAs signed by Switzerland can be found on the website of the State Secretariat for International Financial Matters (SIF)².

Maximum rates of relief/allowances by treaty (selection)

Source country	Dividends			Subsidiary	Licence royalties	Relief in Switzerland
	Rule	Interest				
			Stake %			
Germany	15	0	10 ¹	0	0	²
France	15	0	10	0	5	²
Italy	15	15		12.5	5	²
Japan	10	5/0	10/50	10	0	²
Luxembourg	15	0 ³	10	10 ⁴	0	²
Netherlands	15	0	10	0	0	²
Austria	15	0	20	0	0	²
Singapore	15	5	10	5	5	²
South Africa	15	5	20	5	0	²
USA	15	5	20	0	0	²

- 1 Provided that the stake was held for at least 12 months before the dividend payment was made.
- 2 Under certain conditions, Switzerland allows full relief for taxes levied in the source country.
- 3 5% unless a participation of at least 10% is held for an uninterrupted period of at least 2 years.
- 4 Luxembourg does not impose withholding tax on interest.

² www.sif.admin.ch/themen/00502/00740/index.html?lang=de



Actelion

Thanks to the pharmaceutical and chemical industry and the life sciences cluster, the Basel region has the highest intensity of research in Switzerland. This is backed up by close links with universities.



3.3 Avoiding double taxation

In the event of double taxation two sovereign tax bodies, i.e. two countries, simultaneously levy tax on the same taxpayer for the same taxable item. There are two ways of avoiding this: the exemption method and the credit method.

Exemption method

Under the exemption method, the country of residence waives taxation of income or wealth accruing in the source country or country in which such income or wealth is generated. The country of residence does, however, include this income and wealth in the calculation of worldwide rate-determining income and wealth in order to avoid a progressive advantage (known as the progression reservation).

Credit method

When the credit method is used, taxation is permitted in both countries. However, in cases where the source country has the primary right of taxation under the terms of a DTA, the country of residence credits that tax against its own tax.

Both methods are used in the double taxation agreements which Switzerland has signed with other countries.

3.4 International administrative assistance

The Swiss federal government is in the process of extending administrative assistance and the exchange of information on tax matters at international level. Since 2009, it has been compliant with Art. 26 of the OECD Model Convention. This provision is already included in some 40 bilateral agreements. Switzerland has also adopted the OECD's more far-reaching interpretation: international administrative assistance is granted not only in individual cases but also for groups of taxpayers. In the case of group applications, the persons concerned must be identified by specific search criteria. "Fishing expeditions", i.e. requests made without supplying concrete information, are still specifically prohibited.

4

Canton of Basel-Landschaft: tax authorities receptive to dialogue

Advantage!

The revenue authorities of the Canton of Basel-Landschaft and the communal tax offices see themselves as service providers for the public rather than just as enforcers of the law. Straightforward and unbureaucratic access to the tax authorities, their availability for dialogue and ability to provide clear information and commitments quickly are a crucial advantage in the international competition between tax locations. Of course, the cantonal tax adminis-

tration and the communal tax offices are unable to provide tax advice, but they are happy to discuss specific questions with taxpayers.

Individuals and corporations involved in a restructuring such as a merger, spin-off or change in corporate form, real estate transactions or international tax issues can obtain binding preliminary decisions from the cantonal tax administration. This means they know where they stand in tax terms even before they establish themselves definitively in Baselland.

5

Taxation of corporations in the Canton of Basel-Landschaft

Foreign enterprises which establish themselves in Switzerland or in the Canton of Basel-Landschaft generally adopt the legal form of a public limited company (AG) or limited company (GmbH). These corporations constitute a legal and tax entity in their own right and their profits and equity are taxed separately and independently from the owners or shareholders. Taxes are payable where the enterprise has its registered office or administration or where it is regarded as having economic links because of a property or permanent establishment.

5.1 Taxation of profits

5.1.1 Calculating taxable profit

In Switzerland, taxable profit is determined on the basis of the financial statements drawn up under the accounting regulations of the Swiss Code of Obligations (CO). These regulations are guided by creditor protection and the precautionary principle and therefore permit, for example, the creation of hidden reserves. However, financial strength of an enterprise is taken into consideration in assessing its tax liability.

Swiss tax legislation therefore contains provisions allowing a profit which is too high or too low to be corrected. Expenses booked under CO rules are recognized for tax purposes if they are genuine business expenses. The following principles apply:

- Excessive depreciation is corrected for tax purposes. The tax authorities publish recognized depreciation rates which can be used as guidelines by the taxable enterprises;

- Interest rates on loans taken out or granted are subject to a third party comparison test (dealing at arm's length). Each year the tax authorities publish information on recognized interest rates on loans to or from affiliated companies or persons;
- Provisions can be set aside for liabilities existing in the financial year whose amount is still uncertain and for other direct risks of loss existing in the financial year;
- For services provided under warranty, a flat-rate provision equivalent to 2–3% of sales in the current year can be set aside;
- Provisions for major repairs and renovations are possible if a specific project exists and should be either used or reversed within 2 to 5 years;
- Profit and capital taxes are deductible. The effective tax rate is therefore lower than the statutory tax rate;
- A general value adjustment of one third of the adjusted goods inventory value determined under the CO (i.e. after individual impairments) can be made;

People moving to the Baselland have a choice between urban or rural living. New residential living space is being built to meet demand.



- Individual impairments are permitted on receivables. A further flat-rate provision of 5% on domestic claims and 10% on foreign claims is also permitted on the receivables after impairments. If the claim is denominated in a foreign currency the general impairment may be increased by a further 5%. This means that a general provision of 15% can be recognized on foreign receivables denominated in a foreign currency;
- Corporations may offset profits against losses carried forward from the seven previous financial years.

Advantage!

5.1.2 Special direct write-down procedure

The Canton of Basel-Landschaft also allows direct write-downs of moveable objects considered part of fixed assets with a relatively low acquisition value. This means that, for example, furniture, office machinery, data-processing equipment (hardware and software), simple gadgets, workshop equipment, tools, etc. with an acquisition value of up to CHF 5,000.00 per asset can either be capitalised as assets and immediately written down or be charged directly as expenses. The special write-down procedure is not possible for real estate or large plants, however, nor for financial fixed assets or intangible assets. This procedure can be applied regardless of the size of the company and is applicable for both cantonal and communal tax as well as for direct Federal tax.

Advantage!

5.1.3 Provisions for research and development

In addition to the provisions listed above, in the Canton of Basel-Landschaft – only for cantonal and communal tax purposes – provisions are allowed for necessary scientific or technical research and development of up to 20% of the taxable profit per year. They may not exceed one third of the research expenditure incurred in the last five years. These provisions exist only in the Canton of Basel-Landschaft. They are open to all enterprises which engage in research. Both fundamental research and applied research are eligible.

Advantage!

5.1.4 Provisions for restructuring

Another special regulation in the Canton of Basel-Landschaft is the ability to set up provisions for necessary business restructuring for cantonal and communal tax purposes. The amount of the provision depends on the measures being planned and the company's profitability. Provisions for a particular project may be set aside for up to five years, but must be reversed for tax purposes if the proposed measure is not implemented within seven years.

5.1.5 Tax deferral for the replacement of machines and other fixed assets

If an enterprise sells a machine which has been written down in whole or in part at a profit and replaces it with a new machine, the gain, whether it is less than or exceeds the previous write-downs, can be neutralized or deferred by means of a corresponding depreciation of the new machine. This replacement procedure applies not only to machines but to all business assets that are replaced by other business assets, including, for example, the replacement of a business property. If the replacement is not made in the same year, a provision equivalent to the realized hidden reserve may be recognized and must normally be transferred within two years in a tax-neutral manner to a replacement asset or be else reversed for tax purposes.

5.1.6 Tax exemption for investment income

If a company holds a qualifying investment of at least 10% in another AG or GmbH, a dividend distribution or the sale of this investment is generally exempt from profit tax, either in full or to a large extent (participation exemption).

In the case of dividends, participation exemption applies not only to qualifying investments but to any investment with a market value of at least CHF 1 million. In the case of capital gains, the asset must have been owned for not less than one year. Financing and administrative costs related to the investment and relevant write-downs reduce the effectiveness of the participation exemption but can in principle be offset against other income.

The tax exemption for investment income and capital gains is available not only to conventional holding companies but to all AGs and GmbHs. The participation exemption does not require any special tax status and applies to both domestic and foreign investments.

5.1.7 Tax-neutral restructuring

Swiss tax law provides a flexible and attractive framework for many forms of corporate restructuring such as mergers, conversions of an AG into a GmbH, splits or spin-offs into several new companies, ownership swaps and the transfer of business assets within group companies. The principle is that the restructuring operations are tax-neutral if the transfer of assets and liabilities is effected at book values for tax purposes and the tax base remains in Switzerland.

5.1.8 Tax exemption for foreign permanent establishments and properties

If a Swiss company sets up a permanent establishment or another fixed place of business abroad and carries out all or some of the company's business operations there, from a tax perspective it would be considered as a permanent establishment. From a Swiss tax perspective, the company's overall profit is divided between the Swiss headquarters and the foreign permanent establishment. The profit attributable to the foreign permanent establishment is exempt from tax in Switzerland. Under certain circumstances, losses made by a foreign permanent establishment may be offset against the taxable profit in Switzerland.

Profits relating to a foreign property are likewise exempt from tax in Switzerland. However, losses are only deductible in Switzerland if the company has a permanent establishment in the foreign country concerned. In both cases, the tax rate is determined largely by the overall profit made by the enterprise.

5.1.9 Swiss permanent establishment of a foreign enterprise

If a foreign enterprise sets up a permanent establishment in Switzerland, the taxable profit is determined on the basis of the accounts kept for this establishment. The tax rules outlined above likewise apply to the establishment concerned.

A unique diversity of industrial and trade activities maintains the economic dynamism of the region. Qualified and productive employees are an essential part of this success.



5.1.10 Profit tax rates

In the Canton of Basel-Landschaft, both the canton and the local authorities levy profit tax. In the canton, the statutory tax rate is 6% on profits of up to CHF 100,000. Profits in excess of this figure pay a rate of 12%. The communal profit tax rate ranges from 2% to 5%, depending on the local authority. Then there is the church tax which amounts to 5% of the cantonal tax.

At federal level, the statutory tax rate is 8.5%.

Taxes are classified as deductible expenditure.

In other words the effective corporate tax rate for an AG or GmbH amounts to an overall total of between 14.4% and 20.7%, depending on the local authority in which it is domiciled. The specific tax liability can be determined by using the electronic tax calculator which can be consulted online.³

5.2 Taxation of equity

The equity of an AG or GmbH consists of the paid-in share capital, the capital contributions made by the shareholders, together with the disclosed and taxable hidden reserves.

The canton and local authority levy an annual capital tax on this amount. The cantonal tax rate is 0.1% of the taxable equity. The church tax amounts to 5% of the cantonal tax. The capital tax is credited against profit tax. The local authorities levy a capital tax of between 0.175% and 0.275% which cannot be credited against

profit tax. The specific tax liability for a particular case can be determined by using the electronic tax calculator; this can be consulted online.⁴

The Confederation levies no capital tax.

Tax regulations stipulate that the corporation must have adequate equity in relation to its assets. Otherwise, loans from shareholders can be requalified in whole or in part as taxable equity.

5.3 Submitting the tax return

Corporation and capital tax is assessed in Switzerland on the basis of a tax return which must be filled out truthfully and in full by the enterprise. The enterprise submits this to the cantonal tax administration by 30 June for the previous year.

The Cantonal Tax Administration determines the tax liability for both the cantonal and the Federal tax and often also for the communal tax. It and the communal tax office present all of the relevant tax calculations to the enterprise.

If a company is unable to meet the deadline for submission it may ask for the deadline to be extended. This can also be done electronically at www.steuern.bl.ch.

³ <http://webupdate.ringler.ch/Steuerrechner-jp-bl/>

⁴ <http://webupdate.ringler.ch/Steuerrechner-jp-bl/>

5.4

Tax and assessment period

The "current assessment" principle applies in the Canton of Basel-Landschaft. Each year taxes are assessed on the basis of the income earned in the financial year concerned. In other words, the tax period is the same as the assessment period. The financial year is the tax period for legal entities.

5.5

Tax holidays

New enterprises which are of special economic interest may benefit from tax relief granted by the government of the Canton of Basel-Landschaft for a maximum period of ten years. To qualify for this facility, a new enterprise must be incorporated or an existing enterprise transferred to the Canton of Basel-Landschaft. A substantial change in the business activity may be equated with a new incorporation. Restructuring operations which are equivalent in business terms to a new incorporation may likewise be considered.

Before the cantonal government decides whether to grant tax relief it also consults the council of the local authority in which the business is located. In reaching its decision it takes account of the following four points:

- The anticipated taxable profits during the period for which the tax relief is sought;
- The number of jobs created by the transfer or new incorporation;
- The direct and indirect investments which will be triggered by the transfer or new incorporation;
- The change in the competitive situation brought about by the new incorporation or transfer.

The government is free to make its own decision. The Cantonal Tax Act contains no stipulations in this regard. The amount and duration of the tax relief are based on the assessment of the criteria relevant to the decision.

In some cases, special requirements and conditions may be imposed. As a rule, tax relief is granted in a form of a straight-line or

degressive reduction in corporation and capital tax. Cantonal tax relief automatically also reduces the communal tax liability.

Application for a tax holiday

An enterprise wishing to obtain tax relief must submit an appropriate application to the cantonal government. In addition to the amount and duration of the desired tax relief, the application must also contain information about the enterprise and the project. This includes:

- Date of incorporation, registered office, legal form, equity structure, shareholders, board of directors and management committee;
- Main activities, service or production programme, personnel, sales markets, market and competitive situation;
- In the case of a move into the canton: annual and audit reports for the last two years;
- Planned project, status of development, choice of site;
- Business plan for the next four to six years showing the anticipated taxable profits, planned investments, the development of the workforce and the assessment of the competitive situation.

The enterprise then submits its application in duplicate to the government of the Canton of Basel-Landschaft, 4410 Liestal.

A copy of the application should preferably also be sent to the council of the local authority in which the company is domiciled. Further information can be obtained from:

- Peter B. Nefzger, Head of the Cantonal Tax Administration, +41 61 552 52 71, peter.nefzger@bl.ch
- Felix Sidler, Deputy Head of the Cantonal Tax Administration, +41 61 552 52 73, felix.sidler@bl.ch

6

Special tax regimes

Taxes are an important cost factor. For companies active internationally, Swiss tax law provides many ways of cutting these costs. At cantonal level in particular the following tax regimes exist and result in a low tax burden:

- Holding company;
- Mixed company;
- Domiciliary company;
- Principal company (also at federal level).

6.1 Holding company

A holding company typically stands at the head of a group or a major part of a group by holding stakes in, administering and financing subsidiary companies. A tax-optimized holding structure ideally has the following features:

- Tax optimization of interest payments: the Swiss holding company finances its domestic or foreign operating subsidiaries with equity and loans. Interest costs are tax-deductible at the level of the subsidiary company, while interest income is taxed only at a low rate at the level of the holding company. This results in a tax saving from the difference between a high deduction for the subsidiary and a low tax rate levied on the holding company.
- Exemption from taxation at source for interest and dividends: cross-border interest and dividend payments are generally liable for taxation at source in the country in which the foreign subsidiary company is based. However, Swiss holding companies can reduce or even eliminate taxation at source. This can be achieved by means of double taxation agreements that Switzerland has concluded with numerous other countries.



The Canton of Basel-Landschaft gives young people excellent educational opportunities via the vocational and academic routes. Employers will find a full range of qualified workers in every sector and at all levels.



- Tax-exempt dividend income: the holding company pays no tax on distributed corporate profits which have already been taxed at subsidiary level. As a result of this provision there is no double or multiple taxation within the group.

To qualify for holding company status, the enterprise must submit an application to the cantonal tax administration.

6.1.1 Criteria

a) Statutory purpose of the holding company
The holding company's main actual and statutory purpose must be the management of its shareholdings. Shareholdings include, for example, shares, participation certificates, shares in a GmbH, shares in a cooperative and long-term loans which constitute equity for the subsidiary company.

b) Assets and income test
Two-thirds of the assets of the holding company must consist of shareholdings. In the Canton of Basel-Landschaft, shareholdings of at least 10% or with a market value of not less than CHF 250,000 are taken into account. Alternatively, two-thirds of its income must consist of revenue from investments (including profits made on disposal).

The numbers may fall below these thresholds for short periods.

c) No business activity in Switzerland
A holding company may not engage in any business activity in Switzerland. It may not be active on the Swiss market vis-à-vis third parties as a producer or vendor of goods or as a provider of services. The following activities are permitted within the framework of the holding status:

- Holding and administering investments;
- Strategic management of subsidiary companies;
- Financing group companies and, possibly, presence on the capital market;
- Auxiliary activities for the group, e.g. legal, tax and personnel consultancy;
- Administration and disposal of intellectual property rights as a secondary activity;
- Business activity abroad through a foreign permanent establishment.

6.1.2 Taxation

Holding companies pay no cantonal profit tax. Only income and gains made on Swiss property are taxed. At federal level the maximum effective profit tax is around 7.83%. However, as an enterprise can claim participation exemption on investment income (see section 5.1.5 above) the federal tax is usually much lower than this.

The annual capital tax amounts to 0.02%, subject to a minimum of CHF 200 for the cantonal and communal taxes combined.

Model calculation for a holding company

Assumptions	in CHF
Net profit (before tax)	10,000,000
Equity (after tax and dividend distribution)	50,000,000
Net profit on shareholdings (dividends)	9,000,000

Calculation of direct federal tax

Net profit (after tax)	9,912,212
Amount of tax	842,538
less participation exemption	90.797%
Direct federal tax	77,538

Calculation of cantonal and communal tax

Equity (after tax and dividend distribution)	50,000,000
Total cantonal tax	5,250
Total communal tax	5,000
Cantonal and communal tax (including church tax)	10,520

Calculation of overall tax burden

Direct federal tax	77,538
Cantonal and communal tax	10,520
Total tax liability	87,788

Advantage!

6.2 Mixed company

Mixed companies typically pursue international activities. They include:

- International trade;
- Bulk purchase of commodities and materials for group companies;
- Financing activities;
- Administration and exploitation of intellectual property or licences;
- Auxiliary activities within the group.

With its excellent business environment, Switzerland is a preferred location for activities of this kind. The Canton of Basel-Landschaft offers an attractive form of taxation in the mixed company. To qualify for taxation as a mixed company, the enterprise must make an application to the cantonal tax administration.

6.2.1 Criteria

The mixed company's business must be conducted predominantly in other countries and may be of no more than minor importance in Switzerland. At least 80% of revenues must originate from a foreign source and at least 80% of the expenditure must relate to services which are provided abroad.

Business activity conducted abroad refers in particular to goods that are purchased abroad and sold to clients abroad, i.e. the goods never cross the Swiss border.

The following business activities are deemed to be "provided in Switzerland" if the service is physically performed in Switzerland:

- Research and development;
- Manufacturing;
- Distribution activities;
- Provision of services to third parties, even if they are exclusively foreign customers.
- Only a small proportion (5–20%) of the income from foreign sources is liable for ordinary taxation. A limited deployment of personnel and infrastructure in Switzerland tends to lead to a lower foreign quota and therefore to a lower tax assessment.

For direct federal tax purposes, the mixed company is taxed according to the ordinary rules. Thanks to this tax regime, the company can achieve an overall effective profit tax rate of less than 10% of its operating profits.

The annual capital tax for the canton and local authorities is 0.1%, subject to a minimum of CHF 200.

6.2.2 Taxation

The following rules apply to the taxation of a mixed company:

- The income from qualifying investments is tax-free;
- Income from Swiss sources is taxed at the ordinary rates;

Model calculation for a mixed company

Assumptions	in CHF
Net profit (before tax)	5,000,000
of which from foreign sources	4,900,000
of which from a Swiss source	100,000
Equity (after tax and dividend distribution)	2,000,000

Calculation of direct federal tax

Net profit (before tax)	5,000,000
Tax liability, direct federal tax	384,675

Calculation of cantonal and communal tax

Equity (after tax and dividend distribution)	2,000,000
Cantonal capital tax	1,050
Communal capital tax	1,000
Net profit (before tax)	5,000,000
of which CHF 4,900,000 at 10%	490,000
of which CHF 100,000 at 100%	100,000
Taxable profit (before tax)	590,000
Profit tax, canton	60,986
Profit tax, local authority	26,701
Tax liability, cantonal and communal tax (including church tax)	89,737

Calculation of overall tax burden

Direct federal tax	384,675
Cantonal and communal tax	89,737
Total tax liability	474,412

The Canton of Basel-Landschaft welcomes enterprises: numerous sites of varying sizes and characteristics are available for new incorporations and arrivals.



6.3 **Domiciliary company**

Domiciliary companies frequently perform financing, administrative or auxiliary activities for foreign group companies. These include the exploitation of intellectual property and the provision of expertise, together with factoring and invoice collection.

To qualify for domiciliary company tax status, the enterprise must make an application to the cantonal tax administration.

6.3.1 **Criteria**

Unlike mixed companies, domiciliary companies may not pursue any business activity in Switzerland. However, a business activity confined to foreign countries is permitted.

6.3.2 **Taxation**

The domiciliary company is taxed as follows for cantonal and communal tax purposes:

- Income from qualifying investments is tax-free;
- Income from Swiss sources, e.g. income from securities is taxed at the ordinary rates;
- Only a small proportion (5-20%) of income from foreign sources is liable to ordinary taxation. Limited use of personnel and infrastructure in Switzerland tends to lead to a lower foreign quota and therefore to a lower tax assessment.

For direct federal tax purposes, the domiciliary company is taxed according to the ordinary rules. Under this tax regime the enterprise can achieve an overall effective profit tax rate of less than 10% on foreign operating profits.

The annual capital tax rate for the canton and local authority is 0.1%, subject to a minimum payment of CHF 200.

6.4 Principal company

In Swiss tax practice, the term “principal company” means the lead company of an internationally active group where the most valuable and important segments of the group’s value chain are centralized and concentrated. The principal company plans, organizes, leads and finances the business activity within the group and takes the business risk. It is often the legal and beneficial owner of patents, trademark rights and other substantial intellectual property of the group. A principal company generally employs some members of top management and other highly qualified staff.

The following activities are frequently centralized in the principal company:

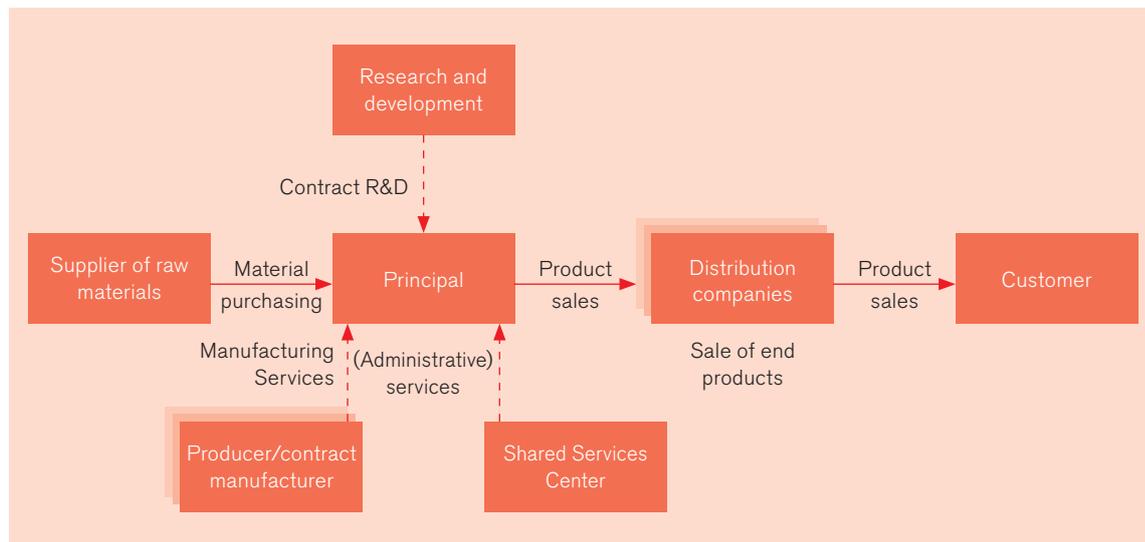
- Global purchasing;
- Research and development planning;
- Production planning and control;
- Warehouse administration and logistics planning;
- Development of the marketing strategy;
- Sales planning and control;
- Finance;
- Administration.

The risks linked to these activities are likewise borne by the principal company.

Typically, the value chain is structured as follows:

- The goods of the group are manufactured on behalf of the principal company by domestic or foreign production companies owned by the group. These companies have a lean organization and financing and have only low economic risks. The risks are transferred to the principal. The principal acquires the goods and compensates the production companies on the basis of the manufacturing costs plus a profit mark-up (“cost plus”). The mark-up must be calculated on an arm’s length basis. In general, this results in a limited but stable profit for the production companies.
- The principal sells the goods to foreign distribution companies belonging to the group which sell the goods in their own name to third parties. The distribution companies have a lean organization and only low economic risks as these are borne by the principal company.
- They are also compensated by the principal in such a way that they show a limited but stable profit. Here too, the remuneration must be at arm’s length.
- Under certain circumstances, the principal company uses a group company to perform research and/or development as part of its business model. Compensation for this activity is provided on a cost plus basis and must also be at arm’s length. The principal owns the outcomes of the research and development.
- Often the Swiss principal company is integrated into a higher level structure of an international group and is responsible for a particular business area or a specific region.

Chart of a principal structure



6.4.1 Criteria

The criterion for recognition and taxation as a principal company is that the business structure is both legally and effectively implemented and operated. The business models and management structures are many and varied. The main common features are:

- Centralization and concentration of the significant business functions and risks with the principal;
- Distribution via group companies which perform minor functions and take minor risks in such a way that they are economically comparable with agents who sell goods on behalf of the principal either in their own or the principal's name.

6.4.2 Taxation

In a soundly functioning principal structure, the main income of the value chain is earned by the principal company. However, under Swiss tax practice its profit for tax purposes is allocated abroad according to specific rules. This is known as the "unilateral allocation" and is defined autonomously by Switzerland. This substantially reduces the profits liable

for taxation in Switzerland. The exact calculation is complex and depends on whether the principal is involved in production or only earns trading profits.

A company wishing to be taxed as a principal company should contact the cantonal tax administration. Principal status may be granted for cantonal and communal tax and also for direct federal tax purposes. The Federal Tax Administration deals with the direct federal tax. Under this regime the enterprise can achieve an effective tax rate of less than 10% of the principal company's profits.

The enterprise can achieve the best effect through a combination of principal taxation at federal level and taxation as a mixed company at cantonal level.

7

Taxation of individuals in the Canton of Basel-Landschaft

7.1 Principles of taxation

Individuals who reside in Switzerland are taxable here at federal, cantonal and communal level. The same applies to persons who stay in Switzerland for at least 30 days and pursue a gainful activity here, as well as to persons who remain in Switzerland for at least 90 days without a gainful activity. This is referred to as an “unlimited” tax liability. This means that the global income and wealth of these persons are taxable in Switzerland. However, business operations and real estate abroad are only taken into account in respect of determining the tax rate that applies to a taxpayer's income and wealth.

For persons who arrive from abroad, tax liability begins on the day on which they take up residence in Switzerland or start their stay.

The residence for tax purposes on 31 December of the relevant year determines liability for taxation in Switzerland. In other words, if the person concerned moves in the course of the year from one canton to another, he or she will be liable for taxation in the new canton of residence for the whole year.

7.2 Income tax

Income tax is levied at federal, cantonal and communal level. The overall or gross income comprises all recurring and non-recurring income such as:

- Income from employment and self-employment;
- Social security payments (e.g. pensions);
- Income from secondary occupations;
- Income from movable and immovable assets (e.g. interest income or rental revenues);
- Other income (e.g. lottery and pools wins).

Profits made on the sale of securities are not subject to income tax. The requirement here is that the securities must form part of the person's private assets and that the person concerned is not qualified as a securities trader.

There are abundant cultural activities in the Swiss, French and German tri-border area – from the vibrant small arts scene to Basel's Museum of Art which is one of the best in the world.



7.2.1

From gross income to taxable income

Allowable expenses can be deducted from gross income. They are directly related to generating the income and include:

- Travel costs between the place of residence and the place of work;
- Extra costs of meals away from home;
- Extra costs for shift work;
- Further education and retraining costs;
- Flat-rate supplement for professional expenses;
- Costs of weekly accommodation close to the workplace;
- Flat-rate deduction for secondary occupations.

The following may also be deducted:

- Contributions to pension and disability insurance (AHV/IV/EO);
- Contributions to unemployment insurance (ALV);
- Contributions to occupational pension funds;
- Contributions to personal pension funds (Pillar 3a savings);

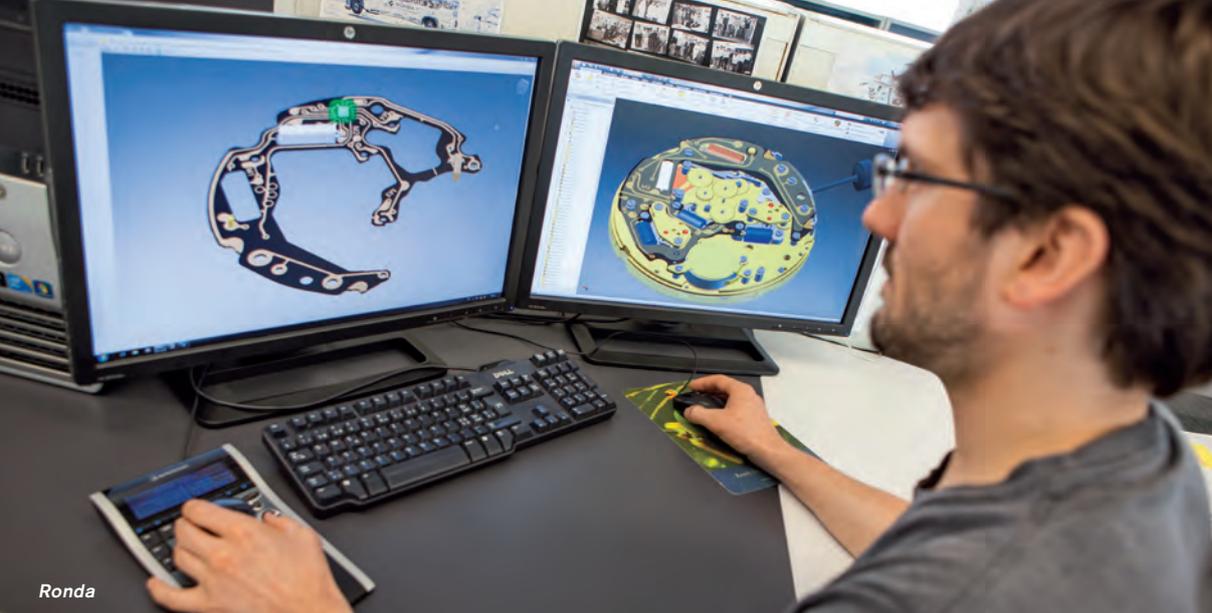
- Flat-rate insurance deduction (life, health and accident insurance).

Additional deductions are allowed for payments effectively made such as:

- Debt interest;
- Property maintenance costs;
- Healthcare and accident costs, as well as disability-related costs;
- Alimony payments in the event of separation or divorce;
- Donations to charitable organizations.

In addition, certain other “social deductions” from income are permitted. They include:

- Flat-rate deduction if both spouses are employed;
- Deduction for children;
- Deduction for child care provided by third parties;
- Deduction for disabled persons.



The watch industry was the origin for a world-famous Baselland speciality: expertise in precision mechanics. This also plays an important role in micro-technology and machine tool manufacture.



7.2.2 Calculating income tax

The Confederation and canton calculate income tax at their own rates. The communal tax is set as a percentage of the cantonal tax (tax base). The tax base is determined by each local authority every year. The latest tax base can be consulted online at the Basel-Landschaft Statistical Office's website.⁵

Married and single persons are taxed differently at federal, cantonal and communal level, with two different tax scales applying at federal level.

In the Canton of Basel-Landschaft, full "splitting" is applied. This means that the overall taxable income of spouses who are assessed jointly is divided by two to determine the applicable tax rate.

An individual's specific income tax liability can be determined using the electronic tax calculator. This can be consulted online.⁶

⁵ www.statistik.bl.ch/stabl_data/stabl_gefin/index.php?bereich_id=7&thema_id=19&unterthema_id=4

⁶ <http://faiweb08.bl.ch/Steuerberechnung/Menu-NP-Ord.jsp>

Example: The Fröhlichs live with their two children in a house in Binningen in the immediate vicinity of the City of Basel. The net joint gainful income of the spouses amounts to CHF 180,000. The calculation of the taxable income and determination of income tax are as follows (in CHF, 2014 tax rates):

Taxable income	Baselland	Federal
Employment husband	130,000	130,000
Employment wife	50,000	50,000
Income from securities	3,000	3,000
Own rental value	18,700	22,440
less property maintenance costs	-5,610	-4,488
Total income	196,090	200,952

Deductions

Travel costs husband	-9,240	-9,240
Travel costs wife	-876	-876
Subsistence deduction husband	-3,200	-3,200
Subsistence deduction wife	-3,200	-3,200
Other professional expenses husband	-500	-3,900
Other professional expenses wife	-500	-2,000
Mortgage interest	-12,000	-12,000
Contributions to Pillar 3a husband	-6,739	-6,739
Contributions to Pillar 3a wife	-6,739	-6,739
Insurance premiums	-4,000	-3,500
Insurance premiums for children	-900	-1,400
Deduction for double earners	-1,000	-13,400
Deduction for married couples	0	-2,600
Healthcare costs	-750	0
Deduction for children		13,000
Total deductions	-49,644	-81,794
Taxable income	146,446	119,158

Income tax

	Baselland	Federal
Taxable income	146,446	119,158
Income tax	14,242	3,124
less child deduction	-1,500	-502
Interim total income tax	12,742	2,622
Communal tax (tax base 46%)	5,861	
Total income tax	21,225	

7.3 Wealth tax

The wealth tax is levied at cantonal and communal level. The Confederation does not levy wealth tax.

7.3.1 From gross wealth to taxable wealth

The wealth tax is levied on an individual's net wealth.

This is the sum of the movable and immovable assets less the stated debts. Taxable wealth includes for example:

- Securities;
- Bank accounts;
- Motor vehicles;
- Real estate;
- Redemption value of life and annuity insurance.

Taxpayers may deduct a general exempt amount from their net wealth:

- Married taxpayer who is not separated and single parent family CHF 150,000
- All other taxpayers CHF 75,000

7.3.2 Calculating the wealth tax

The tax scale in the Canton of Basel-Landschaft is progressive up to wealth of CHF 1,000,000 and flat thereafter.

The specific wealth tax liability can be calculated using the electronic tax calculator which can be consulted online.⁷

Example: The Müllers live with their two children in a house in Binningen in the immediate vicinity of Basel City. Their wealth (consisting of securities, bank accounts and a family home) amounts to CHF 500,000 after deducting debts. This gives the following wealth tax liability (tax rates for 2014):

	CHF
Gross assets	1,300,000
less mortgage debt	-800,000
Net wealth	500,000
less exempt amount	-150,000
Taxable wealth	350,000
Cantonal tax	998
Communal tax (tax rate 46%)	459
Total wealth tax	1,457

⁷ <http://faiweb08.bl.ch/Steuerberechnung/Menu-NP-Ord.jsp>

7.4 **Submitting the tax return**

In Switzerland, the tax assessment is based on the self-declaration principle. Taxpayers receive a tax return each year by post. This can be completed on the printed form or electronically (EasyTax). It must be completed truthfully and in full and submitted to the tax administration by 31 March of the following year. On the basis of the tax return, the tax authorities establish the tax assessment and the accompanying tax calculation.

Taxpayers who are unable to meet the deadline for submission must make an application for extension. This can also be done electronically at www.steuern.bl.ch.

7.5 **Tax and assessment period**

The current assessment principle applies in the Canton of Basel-Landschaft. Taxes are assessed each year on the basis of the income actually earned. In other words, the tax period is the same as the assessment period. A calendar year is used as the tax period.

The taxpayer first receives an advance calculation of taxes due for the current year which is payable by 30 September. The tax administration normally uses the last ordinary assessment as the basis for this calculation.

The definitive tax account is not received until the person declares his or her effective income on the tax return in the following year. Any additional amount must now be paid and any tax overpaid in advance will be credited.

Example: Mrs Diener prepays her taxes for the year 2014 on the basis of an advance calculation. She receives that calculation in January 2014. The amounts in the advance calculation are based on Mrs Diener's assessment for 2012.

In spring 2015, Mrs Diener submits her tax return and declares the actual income she earned in 2014. She then receives the definitive tax assessment from the tax administration for 2014, with her prepayments deducted from the final account.

7.6 **Privileged taxation of dividends**

The profit made by a legal entity is taxed first at the level of the enterprise; the dividend distributed to the shareholder is then also taxed. Taxation of the corporate profit and the dividend results in undesirable dual taxation. To mitigate this, the canton and local authorities apply a reduced rate of income tax to dividend payments. This amounts in all cases to 50% of the overall tax rate applicable to a particular taxpayer. In the case of the direct federal tax, the dividend is not counted in full towards the taxpayer's income. For participations in private assets only 60% and in business assets only 50% is taxable. The relief applies only to shareholdings of at least 10% in the distributing company (qualifying investment), irrespective of whether this is a domestic or foreign company. Profits on disposal also qualify for relief if a shareholder sells his qualified participation in the business assets after holding that participation for at least one year.

Example: The Glücklichs live with their two children in Binningen in the immediate vicinity of Basel. Their taxable income is higher than the income from the qualifying investment. The Glücklich family income is made up as follows:

	Baselland CHF		Federal CHF
Other income	130,000		130,000
Gross income from qualifying investment	50,000	50,000	
Partial assessment Confederation (60% \times 50,000)		-20,000	30,000
Expenses and deductions (including debt interest)	-30,000		-30,000
Overall taxable income	150,000		130,000
Tax rate for overall income	9.866750%		3.0346154%

Tax calculation:

Canton & commune	Tax base in CHF	Half-rate	Tax rate	Tax in CHF
Other taxable income (130,000-30,000)	100,000	no	9.866750%	9,866.75
Taxable income from qualifying investment	50,000	yes	4.933375%	2,466.70
Income tax, canton				12,333.45
Deduction for children (2 \times 750)				-1,500.00
Total income tax, canton				10,833.45
Communal tax (46%)				4,983.40
Total income tax, canton and commune				15,816.85

Federal				
Other taxable income 100,000 (130,000-30,000)	100,000	no	3.0346154%	3,034.60
Taxable income from 30,000 qualifying investment (60% \times 50,000)	30,000	Partial assessment	3.0346154%	910.40
Federal Income tax				3,945.00
Deduction for children (2 \times 251)				-502.00
Total federal income tax				3,443.00

Total income tax canton, commune and Confederation				19,259.85
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Best of both worlds: between the isolated Jura peaks, historical village centers and city of Basel, distances are short and panoramic views within easy reach.



7.7 Expenses regulations

Senior employees and business owners often incur expenses for entertainment, customer acquisition or looking after their clientele as part of their business activity. In some cases supporting documents for these entertainment and petty cash expenses are impossible or difficult to produce. To simplify the administration of expenses, an annual flat-rate reimbursement can be paid. The following principles apply here:

- The flat-rate expenses must correspond roughly to the effective expenditure;
 - Entertainment expenses may only be paid to employees who perform entertainment tasks because of their function within the business. Generally this includes members of the management and other executive staff of an enterprise;
 - The flat-rate compensation covers all petty expenses of up to CHF 50 per event. Such expenses cannot be claimed additionally;
 - Flat-rate entertainment expenses may not exceed 3.5% to 5% of the gross annual salary, subject normally to a maximum sum of CHF 20,000.
- These flat-rate expense regulations will be approved on request by the cantonal tax administration. To assess the situation the tax administration requires the following information together with the application:
 - Name and address of the entitled persons;
 - Precise position held within the enterprise;
 - Gross salary for the last financial year (copy of last salary certificate).



8

Taxation at source

Taxation at source* concerns

- Individuals who are not in possession of a Type C permanent residence permit, but nevertheless stay or reside in the Canton of Basel-Landschaft and earn income here from employment;
- Employees without tax residence or actual residence in Switzerland who work for a short period or as cross-border workers or as weekly residents for an employer whose registered office or permanent establishment is in the canton.

The deduction of tax at source replaces the ordinary assessment of the direct federal tax, cantonal and communal taxes and, where applicable, the church tax and the fire brigade levy. A number of different rates and tax scales apply in calculating the tax liability. In each case they may include or exclude the church tax.

*Taxation at source is a tax which is not paid by the taxpayer themselves but by their employer. The tax is deducted before the salary is paid and remitted directly to the local authority.

There are a range of scales, e.g. for unmarried persons (Scale A or H), married persons (Scale B) and double earners (Scale C). Expenses and social deductions, in particular deductions for children, are deemed to have been included in the tax scales. The tax is calculated on the basis of gross income without any form of deduction.

8.1 Income on salaries in excess of CHF 120,000

If the gross income of a taxpayer exceeds CHF 120,000 in a calendar year, a retroactive return is submitted using the ordinary procedure for this and following years. The taxes deducted by the employer are credited without interest. This also applies if the taxpayer's income temporarily or permanently falls below the above limit.

8.2 Cross-border workers

A cross-border worker is a person resident abroad who has his/her place of work in the Canton of Basel-Landschaft and returns regularly to his/her place of residence. Cross-border worker status lapses if a person who is employed throughout the calendar year does not return to his/her place of residence for 60 or more working days.



Expatriates are welcome in the region and have an active network. The International School Basel in Reinach teaches children and young people from 60 nations.



8.2.1 Cross-border workers from Germany

In the case of cross-border workers from Germany who have a residence certificate, the employer deducts tax at source at the rate of 4.5% when the salary is paid. In Germany the person produces his/her salary certificate showing the amount of tax deducted. This amount is credited when assessing his/her income tax in Germany.

8.2.2 Cross-border workers from France

In the case of cross-border workers from France who are employed in the private sector in the Canton of Basel-Landschaft and have a residence certificate, the employing enterprise deducts no tax at source. At the end of the year the enterprise receives a letter from the cantonal tax administration and is asked to report gross salary payments in the previous year to cross-border workers from France. However, if the cross-border worker has no residence certificate, he or she is liable for taxation at source on the ordinary scale.

8.3 Special deductions for expatriates

The term expatriates means senior employees who are temporarily seconded by their foreign employer to Switzerland, together with specialists of all kinds who perform a task for a limited period in Switzerland. These are employees who by reason of their special professional qualification are typically deployed internationally and persons who are self-employed in their country of residence but are employed in Switzerland to

perform a specific task for a temporary period. The duration is limited to five years.

The Canton of Basel-Landschaft allows the deduction of special professional costs by expatriates for tax purposes, provided that evidence of the costs is produced and they are not paid by the employer:

- Costs of relocation to Switzerland and return to the foreign country of residence, together with outward and return journey costs of the expatriate and his family at the beginning and end of the employment relationship;
- Reasonable residential costs in Switzerland if evidence is provided of the maintenance of permanent accommodation abroad;
- Ordinary costs of attendance at a foreign language private school by the employee's children, provided that the state schools do not provide any suitable tuition.

If the taxpayer does not wish to provide full evidence of effective costs, a flat-rate deduction can be made in a monthly amount of CHF 1,500.

9

Other important taxes levied by the Confederation and the Canton of Basel-Landschaft



9.1 Confederation

9.1.1 Withholding tax

The federal withholding tax is an instrument of the Confederation which requires the taxpayer to declare his assets and the income earned on them correctly. Its primary purpose is to limit tax evasion.

Withholding tax is levied as taxation at source on the income from transferable capital assets (e.g. interest and dividends), Swiss lottery winnings and some types of insurance benefits. The withholding tax rate amounts to 35% for capital income and 8% or 15% for insurance benefits. The tax is refunded after the taxpayers have declared the relevant information in their tax return or submitted an application to the federal tax administration.

The party liable for withholding tax is the entity which makes the payment, e.g. a bank or a limited company in Switzerland. The latter shifts the withholding tax directly onto its customer/beneficiary by reducing the payment by the corresponding amount.

Withholding tax is levied based on the self-assessment principle. The taxable enterprise automatically submits a report to the Federal Tax Administration, sends the required statements and supporting documents and pays the tax at

the same time. Under certain circumstances, instead of payment of the withholding tax a notification may be made. This applies, for instance, to the subsidiary of a domestic parent company. It may then transfer or credit its dividends without deduction of the federal withholding tax.

For residents in Switzerland, withholding tax is purely a safeguard tax. The refunded tax is credited by the Canton of Basel-Landschaft against the cantonal tax liability.

Legal entities with a registered office in Switzerland must submit their application for a refund to the Federal Tax Administration. The application is approved if the income liable for withholding tax has been properly stated as revenue.

In the case of taxpayers who are resident abroad, withholding tax constitutes a final tax payment. However, they may apply for a full or partial refund if a double taxation agreement exists between Switzerland and the particular country of residence (see section 3.2 above).

9.1.2 Stamp duties

Stamp duties are taxes levied by the Confederation on certain transactions. These include, in particular, issuance and trading in securities, i.e. capital-raising and secondary capital market transactions, as well as insurance premium payments. There are three types of duty:

a) Issuance duty

Issuance duty covers the issue and increase in nominal value of participation rights in domestic companies, cooperatives and public commercial enterprises. This includes, in particular, shares in domestic joint stock companies (AG) and shares in domestic limited liability companies (GmbH), together with any profit and other participation certificates issued by them. The duty amounts to 1%. It is automatically calculated by the issuer of the participation rights on the self-assessment principle and remitted to the Federal Tax Administration. Upon the incorporation or increase in the capital of an AG or GmbH, an exempt sum of CHF 1,000,000 generally applies to the issued participation rights.

The creation or increase of participation rights in connection with mergers, conversions or splits of corporations or cooperatives, together with the transfer of the registered office of a foreign company to Switzerland, are exempt from issuance duty.

b) Securities transfer duty

Transfer duty is levied on the purchase and sale of domestic and foreign securities which are arranged or performed by domestic securities traders. The term securities traders includes banks covered by the Banking Act, together with

investment consultants and asset managers and holding companies under certain specific conditions.

Securities traders notify the Federal Tax Administration automatically on the self-assessment principle. They report the tax on the prescribed form and transfer it at the same time. The duty amounts to 0.15% for domestic securities and 0.3% for foreign securities. It is based in each case on the actual cost, i.e. the price paid on the purchase or sale of a security. The issue of Eurobonds (bonds of issuers who are not domiciled in Switzerland in a foreign currency), trade in bonds abroad and the trading inventories of professional securities traders are exempt from transfer duty.

c) Duty on insurance premiums

This duty is charged on premium payments for liability and damage insurance and some property insurance policies. Insurance of persons, such as accident and health insurance, as well as some types of life insurance are excluded. As a rule, the domestic insurer is liable for payment of the duty.

The insurer automatically notifies the Federal Tax Administration on the self-assessment principle, submits the prescribed accounts and supporting documents and pays the duty at the same time. The duty is calculated on the insurance premium and generally amounts to 5%. Exceptions are life insurance policies financed by a single premium payment and eligible for redemption.

In this case a reduced rate of 2.5% applies.

Work is in progress in many places: new companies, new research institutions, new educational establishments, new cultural institutions and new concepts are springing up.



9.1.3

Value added tax

Value added tax (VAT) is a general consumption tax. It is levied at every stage of production, in retailing and in the service sector (domestic tax), on the procurement of services from companies based abroad (procurement tax) and on the import of goods (import tax). Anyone who performs a business activity and whose domestic supplies, services and own consumption exceed CHF 100,000 per year. Anyone in Switzerland buying services with a value of more than CHF 10,000 within a calendar year from companies based abroad is likewise taxable, provided that these companies are not taxable in Switzerland. Those liable for custom duties on the importation of goods are also taxable.

In the case of supplies and services performed in Switzerland, the tax is calculated on the net price agreed or received. Taxable companies may deduct the tax charged on the goods and services purchased by them and on their imports in their value added tax returns. This input VAT recovery prevents tax accumulation. As value added tax is intended to be paid by the consumer, it is normally shifted onto them by being included in the sale price and/or stated separately on the sales invoice.

A distinction is made between services which are zero-rated for VAT (i.e. where a VAT rate of 0% applies) or outside the scope of domestic VAT and those which are exempt from value added tax. No tax is payable on any of these categories. However, there is a difference in the eligibility for input VAT deduction. This can only

be claimed on the acquisition of goods and services which are used to achieve sales that are subject to zero or standard rate VAT, or outside the scope of VAT. If, on the other hand, the goods and services are used to achieve sales which are exempt from value added tax, input VAT may not be recovered. Sales which involve export deliveries, cross-border transport services and services for use or processing abroad are outside the scope of Swiss value added tax and the input VAT recovery can therefore be made. Services in the area of healthcare, social assistance, social security, education, tuition, care of children and young people, cultural services, insurance sales, sales involving money and capital transactions (with the exception of asset management and debt collection business) as well as transfers of ownership of properties and their long-term rental are all exempt from VAT; in this case no input VAT recovery is allowed.

The standard rate of VAT is 8% of taxable sales. For the following categories of goods and services (this list is not exhaustive) a reduced rate of 2.5% applies:

- Food and ingredients within the meaning of the Food Act (on the other hand the ordinary rate applies to food which is delivered as part of catering services);
- Cattle, poultry, fish;
- Seeds, living plants, cut flowers;
- Cereals;
- Fodder and fertilizers;
- Pharmaceuticals;
- Newspapers, periodicals, books and other print products which do not constitute advertising, of types to be determined by the Federal Council;
- Services provided by the radio and television companies, except for those with a commercial character.

A special rate of 3.8% applies to accommodation services (bed and breakfast) in the hotel trade and in the para-hotel trade.

Taxable businesses with annual sales of up to CHF 5,020,000 and a tax liability of not more than CHF 109,000 per year may calculate the value added tax on a simplified basis. In this simplified calculation with “balance tax rates” for particular industries, which are always lower than the standard rate of 8%, input VAT no longer needs to be determined.

Value added tax is also a self-assessment tax. The taxable company automatically files a VAT return with the Federal Tax Administration, presents the required calculations and supporting documentation and pays the tax at the same time. The tax levied on the import of goods on the other hand falls within the competence of the Federal Customs Administration.

Federal tax rates

Type of tax		Rate
Withholding tax	Capital revenues and lottery wins	35%
	Life pensions and annuities	15%
	Other insurance benefits	8%
Stamp duties	Issuance duty	
	▪ on domestic shares	1.00%
	Securities sale duty	
	▪ on domestic securities	0.15%
	▪ on foreign securities	0.30%
	Duty on insurance premiums	5.00%
	Duty on redeemable single-premium life insurance policies	2.50%
Value added tax	Standard rate	8.0%
	Reduced rate	2.5%
	Special rate for the hotel trade	3.8%

Companies in the Canton of Basel-Landschaft are successful and growing. New contemporary premises of outstanding architectural merit are being created here for staff. Inspired people are the basis for success.



9.1.4 Customs duties

Switzerland levies import and export duties. They are set out in the customs tariffs. They are almost always weight duties for which the rates are determined by the GATT agreements with a few exceptions. Switzerland has signed free trade agreements with a large number of countries and groups of states which provide customs exemptions or customs reductions for imported goods. They include the EFTA Agreement, the Free Trade Agreement between Switzerland and the EU and the agreements with China, Hong Kong, Israel, Japan, Canada, Colombia, Morocco, Mexico, Singapore, South Africa, Turkey etc.

9.2 Canton of Basel-Landschaft

9.2.1 Property capital gains tax

Like all the Swiss cantons, the Canton of Basel-Landschaft has a property capital gains tax. This tax is levied if a property located in the canton is sold at a profit by a legal entity or an individual. Taxation is triggered by the transfer of ownership of property or the transfer of a majority of the shares in a real estate company. The latter falls under the definition of a change of beneficial ownership. In this case the right to control a property is transferred without any transfer of legal ownership. The tax is always payable by the vendor of the property.



The Canton of Basel-Landschaft is ideal for walking, biking, hiking, trekking, sledging, climbing, riding and golfing. The area where three countries meet also provides a full range of sport facilities.



The taxable profit is determined on the basis of the difference between the proceeds of the sale and the investment costs. The expenditure incurred during the period of possession which led to a permanent increase in the value of the property can be deducted, together with the sale-related costs. In the Canton of Basel-Landschaft, an allowance can also be made for inflation when determining the taxable capital gain on property. To determine the investment value, one-half of the rate of inflation which has occurred since acquisition is added. The taxable gain is reduced accordingly. Moreover, property losses made within a year and business losses which have not been offset for the past seven years can be set against the capital gain.

The tax rate is progressive and amounts to a minimum of 3%. Above a capital gain of CHF 120,000 the rate is 25%. In the case of capital gains made within five years a speculation supplement is levied and reduced on a degressive scale.

Property can be transferred in a tax-neutral manner in the course of mergers, conversions or splits. Similarly, on the disposal of a property necessary for business purposes taxation is deferred if the proceeds are used to acquire another essential business property in Switzerland within a reasonable period. The same provision applies to the sale of owner-occupied residential properties if the proceeds are used to purchase another residential property in Switzerland.

9.2.2 Property transfer tax

The property transfer tax is a transaction tax which is levied on every transfer of ownership of properties against payment in the Canton of Basel-Landschaft, or in the event of a change of the beneficial owner. The tax is calculated on the purchase price and amounts to 1.25% each for the vendor and purchaser, making a total of 2.5%.

Transfers of ownership are exempt from property transfer tax in the course of mergers, conversions or splits. The tax is likewise not levied on the purchase of a replacement property required for business purposes or on a replacement owner-occupied residential property in Switzerland. Last but not least, the acquisition of an owner-occupied property in the Canton of Basel-Landschaft for exclusive permanent owner occupation is exempt from property transfer tax.

9.2.3 Inheritance and gift tax

Inheritance tax is levied on the transfer of wealth to the statutory and appointed heirs and also to the recipients of bequests. The gift tax is charged on voluntary and non-monetary gifts between living persons. The Canton of Basel-Landschaft is entitled to levy the inheritance tax on movable assets if the testator had his last place of residence in the territory of the canton. Properties located outside the canton are taxable in the appropriate canton in which they are located. In the case of the gift tax on movable assets, the tax likewise applies in the canton of residence of the donor, unless it involves a

property located outside the canton which is again taxed in the canton in which it is located.

The recipients of inheritances or gifts are liable for the tax. In the case of the inheritance tax, these are the heirs and recipients of bequests and in the case of the gift tax the recipients of the gift. The inheritance and gift tax is a non-recurring tax. In the case of inheritances, it is generally levied on the value of the net wealth at the time of the testator's death. In the case of gifts their value at the time when the asset is transferred is decisive. The market value is ordinarily used to determine both these taxes.

Advantage!

In the Canton of Basel-Landschaft, inheritances and donations to parents, direct descendants and spouses are tax-exempt. All other recipients of inheritances and gifts are required, depending on the degree of relationship, to pay an inheritance or gift tax. The following tax rates and exempt sums apply:

Degree of relationship	Offspring, parents and spouses	Step children and foster children	Siblings, grand-parents, etc.	Living-in partners	Uncles, aunts, nieces, nephews etc.	Non relatives
Tax rate	0%	7.5%	15%	15%	22.5%	30%
Exempt amounts		50,000	30,000	30,000	20,000	10,000

9.2.4 Church tax

In the Canton of Basel-Landschaft, church taxes are levied on both individuals and legal entities. Individuals who belong to the Evangelical-Reformed Church, the Roman Catholic or the Old Catholic Church pay the church tax along with their communal tax. The taxes are either calculated as a percentage of the cantonal tax or as a percentage of the taxable income or wealth. The amount differs according to the denomination. For persons with no religion or persons belonging to a different religion, there is no statutory obligation to pay church taxes.

Church taxes for legal entities are levied jointly with the cantonal tax. The tax amounts to a uniform 5% of the cantonal tax.

9.2.5 Motor vehicle tax

All motor vehicles and trailers based in Switzerland must be properly registered for use on the public roads. In the Canton of Basel-Landschaft, the licensing of vehicles and the issue of registration papers together with registration plates are the responsibility of the Cantonal Motor

Vehicle Office. Motor vehicles and trailers are liable for motor vehicle tax in every canton. In the Canton of Basel-Landschaft this tax depends on the weight of the vehicle. The keeper of the motor vehicle in whose name the vehicle registration papers and registration plates are issued must pay the tax. Subject to certain conditions, a tax is levied on passenger cars with hybrid, gas or electric propulsion at half the ordinary rate.

Advantage!

9.2.6 No property and cantonal sales tax

Some cantons in Switzerland levy a property tax. This is calculated in parts per thousand of the property value. In the Canton of Geneva a cantonal sales tax is also payable. The Canton of Basel-Landschaft does not levy these taxes.







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