Dear reader

As we approach the end of 2015, we give you another overview of the latest issues and developments in the field of tax law.

At an international level, BEPS (Base Erosion and Profit Shifting) has had the biggest impact on the tax landscape around the globe. The OECD’s ambitious project is currently on everyone's minds. BEPS can be said to be the most challenging and far-reaching international tax initiative to date, one that involves a large number of countries, organizations and institutions. The final reports from the OECD and the G20 states on the 15 actions for preventing international base erosion and profit shifting were published on 5 October 2015. Our first article brings you up to date on BEPS and gives you information about the resources provided by EY on this important subject (e.g. tax alerts, webcasts and a comprehensive website).

International developments within the OECD are having a fundamental impact on Corporate Tax Reform III in Switzerland. Switzerland has set itself the target of adjusting its corporate tax laws to the new international standards in order to preserve Switzerland’s attractiveness as business and investment location. In addition to new tax measures under Corporate Tax Reform III, a reduction in corporate income tax at the cantonal level is inevitable if Switzerland is to remain internationally competitive from a tax perspective. To this end, the Canton of Vaud adopted a draft bill in September 2015 with the aim of reducing its statutory cantonal corporate income tax rate to 16% (i.e. an effective tax rate of 13.79%) as of 1 January 2019. The proposed reduction of the corporate income tax rate have not been unanimously accepted and the opposition has successfully collected the requisite number of signatures for a legislative referendum. We inform you about the latest developments in the Canton of Vaud, as well as the current progress of Corporate Tax Reform III.

Our next article also deals with the legislative process. Certain aspects of the completely revised VAT law which entered into force in 2010 are to be improved by means of a partial revision. The revision does not result in significant improvements for Swiss companies. Nevertheless, the reduction in VAT-related competitive disadvantages should improve their economic position. The changes will, however, have a major impact on foreign companies providing services in Switzerland. This issue contains details of the proposed partial revision.
Since 8 September 2015, companies have been able to submit their VAT returns to the Swiss Federal Tax Administration online. This is significantly reducing the administrative workload of the companies involved. We inform you about the possibilities and prerequisites for submitting electronic VAT returns.

In a referendum on 9 February 2014, the Swiss voters approved the federal decree for financing and expansion of the railway infrastructure (FABI). The measure will be financed in part by limiting the travel expenses that can be deducted for direct federal taxes. The cantons can also provide for a corresponding limitation for cantonal and municipal taxes. In our final article, we provide a summary of the implications of using company cars and employer-financed public transport subscriptions for tax purposes.

We would like to wish you and your family a restful holiday season and a good start to 2016.
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BEPS Update

On 5 October 2015 the final reports of the OECD/G20 BEPS (“Base Erosion and Profit Shifting”) Project on all 15 actions have been published. The reports constitute the final output of two years of work aimed at developing specific recommendations on the 15 actions identified to inhibit BEPS. These reports were endorsed by the G20 leaders at their meeting in Antalya, Turkey on 15-16 November 2015, pledging full support for rapid, complete and consistent implementation of the BEPS measures. It was further buttressed that proper implementation of measures is just as important as defining them. Hence, there is general agreement that the proper implementation needs to be monitored. With this in mind, the OECD and G20 countries have declared their willingness to extend their cooperation on the BEPS Project to 2020; firstly to complete the outstanding work, and secondly to ensure an effective and focused monitoring of the implementation process. The design of the framework on how the carved out monitoring role of the OECD, or its “alter ego” the Global Forum, will look like, is expected by February 2016.

With regards to the global outreach and complexity, BEPS can be described as an unprecedented renovation of the international tax system, involving the OECD and G20 countries along with developing countries, international organizations like the United Nations, the World Bank, the International Monetary Fund and the European Union..

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The final reports

The final reports consist of more than 1,000 pages of material, some including novel amendments others agreement on one of the options contained in earlier discussion drafts. As the final reports are the result of compromise, they differ with regards to the level of commitment, meaning the extent the implementation of a recommendation is binding on a country. The recommendations in the final reports also differ in their degree of impact on a time scale. Some, such as the changes to the Transfer Pricing Guidelines, may already have immediate impact. The impact of others will likely take a little longer. Whereas some of the measures require changes to bilateral tax treaties; most probably primarily done through the multilateral instrument, others require changes to domestic law.

The measures under the various actions fall into the following categories:

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<tr>
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</thead>
<tbody>
<tr>
<td>• Action 6 (Abuse of Treaties)</td>
<td>• Actions 8-10 (Transfer Pricing)</td>
<td>• Action 2 (Hybrid Arrangements)</td>
<td>• Action 3 (CFC Rules)</td>
</tr>
<tr>
<td>• Action 13 (CbCR)</td>
<td>• Action 13 (CbCR)</td>
<td>• Action 4 (Interest Deductions)</td>
<td>• Action 12 (Disclosure)</td>
</tr>
<tr>
<td>• Action 14 (Dispute Resolution Mechanisms)</td>
<td>OECD Model Agreement</td>
<td>• Action 2 (Hybrid Arrangements)</td>
<td></td>
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<td></td>
<td>• Action 2 (Hybrid Arrangements)</td>
<td>• Action 6 (Abuse of Treaties)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Action 7 (PEs)</td>
<td>• Action 14 (Dispute Resolution Mechanisms)</td>
<td></td>
</tr>
</tbody>
</table>

5. Analytical reports: Action 1 (Digital Economy), Action 11 (Analyzing BEPS data), Action 15 (Multilateral Instrument)

1. Binding minimum standards:
The countries have committed to implementing the minimum standards in the final reports into their national law or double taxation agreements. This should ensure a minimum level of harmonization between countries.

2. Changes to existing international standards:
The OECD Transfer Pricing Guidelines and the OECD Model Agreement will be revised to achieve the most consistent possible implementation of the corresponding BEPS measures. Most countries have accepted these changes, but a handful of countries made reservations.
3 **Common approaches:**
These recommendations are intended to help countries adapt their domestic law. Even though the majority of countries wish to implement the recommendations, implementation is optional. It is expected that common approaches will gradually lead to legislative harmonization in these areas of different countries converging over time. At a later point in time these optional measures may ultimately result in a minimum standard.

4 **Best practices:**
Countries have not committed to implement these recommendations, which constitute a mere catalogue of possible ways to structure national rules based on existing examples. Where countries however do decide to revise their national laws, these examples can be used as templates.

5 **Analytical reports:**
These reports summarize the results on specific areas related to BEPS.

You will find Global Tax Alerts on all 15 focus areas with a detailed analysis at our global website, [click here](#).

EY also provides a comprehensive review of the BEPS project outcomes and the outlook for country action in a program of eight global webcasts. For more information, to register for the webcast series or to watch recorded webcasts, [click here](#).

To help you to staying up-to-date on the latest BEPS developments, you will find a comprehensive collection of all BEPS-related information and materials at our global website, [click here](#).

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Corporate Income Tax Reform III (CTR III)
Canton of Vaud

Summary
Following several debates in 2014, the Vaud legislative assembly adopted on September 29th, 2015 the proposal contained in the fiscal roadmap prepared by the State Council. Among the changes introduced by the new legislation are the reduction of the cantonal income tax rate for companies established in the canton of Vaud to 16% (effective tax rate of 13.79%) as of January 1st, 2019.

Background of the Swiss tax reform
In light of international developments and pressure from the EU, Switzerland committed in July 2014 to abolish cantonal tax regimes (holding, domicile/mixed companies, etc.). Consequently, the Swiss government prepared the Corporate Income Tax Reform III, destined to modify corporate taxation and to substitute the abolished tax regimes by internationally accepted measures. The reform aims to maintain the tax attractiveness of Switzerland.

In June 2015, the Federal Council presented a series of new measures as part of the CTR III. The key initiatives include:

► The introduction of a patent box at the cantonal level leading to preferential taxation of qualifying intellectual property income (exemption of up to 90% of patent box income);
► The optional introduction by the cantons of a research and development superdeduction (deductibility of R&D expenditure in excess of 100%);
► Disclosure of hidden reserves and goodwill (« step-up »);
► Reduction of the cantonal equity tax rates;
► Abolishment of the stamp duty.

These measures were recently under examination by the Commission of Economic Affairs and Taxation of the Council of States and debates by the Parliamentary chambers should follow in early 2016. In accordance with the time frame set by the Federal Council, the entry into force of measures included in the proposal is scheduled to take place on January 1st, 2017 (with transitional periods), excepting a potential referendum.
The CTR III in Canton of Vaud

During the consultation phase related to the proposal of the Swiss Federal Council, the Canton of Vaud has taken position regarding the various measures planned in coordination with the Canton of Geneva. The Canton expressed support for measures related to the promotion of R&D and the introduction of the notional interest deduction (which was not retained in the federal proposal) but firmly rejected the “step-up” mechanism.

Considering the measures covered by the proposal as not adequate to maintain the tax attractiveness of the Canton, lowering the income tax rate for companies was presented as the most appropriate measure in the current circumstances.

The Vaud tax package was submitted to the approval of the legislative assembly, and was accepted by a large majority on September 29th. However, the legislative amendments have not been unanimously accepted and the opposition has successfully collected the 12,000 signatures for a legislative referendum.

Cantonal legislative referendum

Given the priority that the cantonal legislature has granted to the fiscal reform, it is expected that the referendum takes place in early 2016.

If the referendum succeeds, the amendments will not enter into force and the canton’s State Council will have to propose new measures within six months following a potential success of the referendum.

If the referendum fails, the tax law will be modified and the amendments will enter into force between January 1st, 2017 and January 1st, 2019.

CTR III schedule at the Cantonal and Federal level

The estimated timing of developments related to the CTR III may be summarized as follows:

- **June-November 2015**
  - **Confederation**: Review of the project by the Federal Commission of Economic Affairs and Taxation of the Council of States

- **October-December 2015**
  - **Canton of Vaud**: Gathering of signatures to initiate a referendum against the legislative amendments

- **2016-2017**
  - **Confederation**: Parliamentary debates and federal legislative process by the National Council and Council of States
    - Changes to the federal proposal are still possible
    - Approval by federal chambers may be subject to legislative referendum

- **Early 2016**
  - **Canton of Vaud**: Legislative referendum

- **2017-2019**
  - **Canton of Vaud**: Progressive entry into force of cantonal law amendments in case of referendum failure

- **2018**
  - **Confederation**: Entry into force of the CTR III at the federal level

- **2018-2020**
  - **Canton of Vaud**: Adaptation of the cantonal legislation to the provisions of federal laws related to the CTR III
Cantonal tax measures

If accepted, the cantonal income tax rate reduction will be implemented gradually:

► Reduction of the legal cantonal tax rate from 8.5% to 8% starting on January 1st, 2017;
► Reduction of the legal cantonal tax rate from 8% to 3.3% as of January 1st, 2019.

Following January 1st, 2019, the overall income tax rate for companies (combined between the Confederation, canton and commune) would be 16% maximum (effective tax rate of 13.79%).

Overview of tax rates
Simulation based on entry into force of the Vaud CTR III amendments

<table>
<thead>
<tr>
<th>Income taxes</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base tax</td>
<td>9.00%</td>
<td>8.50%</td>
<td>8.00%</td>
<td>8.00%</td>
<td>3.33%</td>
</tr>
<tr>
<td>Statutory</td>
<td>21.02%</td>
<td>19.85%</td>
<td>18.68%</td>
<td>18.68%</td>
<td>7.50%</td>
</tr>
<tr>
<td>Effective tax</td>
<td>16.23%</td>
<td>15.46%</td>
<td>14.69%</td>
<td>14.69%</td>
<td>6.47%</td>
</tr>
<tr>
<td>Federal tax</td>
<td>8.50%</td>
<td>8.50%</td>
<td>8.50%</td>
<td>8.50%</td>
<td>8.50%</td>
</tr>
<tr>
<td>Total</td>
<td>29.52%</td>
<td>28.35%</td>
<td>27.18%</td>
<td>27.18%</td>
<td>16.00%</td>
</tr>
</tbody>
</table>

The income tax rate reduction will be accompanied by other changes to corporate taxation, including:

► Adoption of a uniform capital tax rate of 0.6‰ (the imputation of income tax on capital tax is maintained), representing an increase of 100% for companies currently taxed under the ordinary regime;
► Gradual decrease of the minimum tax rate;
► Modification of instalment perception system;
► Mostly formal adaptations of the tax law to the revision of commercial law

A global overview of the most significant changes for companies contained by the Vaud amendments are summarized in the following table:

<table>
<thead>
<tr>
<th>Corporate taxation</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary effective rate (federal and cantonal)</td>
<td>22.79%</td>
<td>22.09%</td>
<td>21.37%</td>
<td>21.37%</td>
<td>13.79%</td>
</tr>
<tr>
<td>Special tax regimes (holding, mixed, etc.)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Abolition</td>
</tr>
<tr>
<td>Ordinary regime</td>
<td>0.3‰</td>
<td>0.3‰</td>
<td>0.3‰</td>
<td>0.3‰</td>
<td>0.6‰</td>
</tr>
<tr>
<td>Capital tax</td>
<td>Holding companies</td>
<td>0.75‰</td>
<td>0.75‰</td>
<td>0.75‰</td>
<td>0.75‰</td>
</tr>
<tr>
<td>Mixed companies</td>
<td>0.1‰</td>
<td>0.1‰</td>
<td>0.1‰</td>
<td>0.1‰</td>
<td>0.6‰</td>
</tr>
<tr>
<td>Minimum tax assessed on gross revenues</td>
<td>Wholesale</td>
<td>0.13‰</td>
<td>0.13‰</td>
<td>0.12‰</td>
<td>0.12‰</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.36‰</td>
<td>0.36‰</td>
<td>0.32‰</td>
<td>0.32‰</td>
<td>0.14‰</td>
</tr>
<tr>
<td>Other gross revenues</td>
<td>0.72‰</td>
<td>0.72‰</td>
<td>0.68‰</td>
<td>0.68‰</td>
<td>0.28‰</td>
</tr>
</tbody>
</table>

1 For a company domiciled in Lausanne, Canton of Vaud

This table does not take into account the various measures of the federal proposal.

The CTR III roadmap provides a safeguard clause to take into account a possible modification of circumstances (speeding up, adjournment, freezing, amendment of the proposal).

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1 For a company domiciled in Lausanne, Canton of Vaud, subject to the entry into force of the Vaud tax package
Partial revision of the Swiss VAT law

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With the current partial revision of the Swiss VAT Act, the Federal Council intends to fine tune a number of items in the completely revised act that entered into force in 2010. The partial revision comprises changes in the areas of tax liability, tax rates and exceptions, procedures and data protection. The main focus is on mitigating the competitive disadvantages of domestic companies compared with their foreign competitors.

Reduction in competitive distortions
One of the main reasons for the partial revision of the VAT regulations is to mitigate VAT-related distortions of competition, particularly in the border regions of Switzerland. This relates in particular to supplies made by foreign companies in Switzerland. Swiss companies are required to pay 8% VAT on such supplies, while foreign companies can often avoid a tax liability or are outside the scope of Swiss VAT.

Under the new proposals companies who supply goods or services in Switzerland or are domiciled there will be exempt from the requirement to register for Swiss VAT only if their worldwide taxable supplies amount to less than CHF 100,000. In the past only taxable supplies in Switzerland were included in this threshold. This will mean a big increase in the number of foreign companies registering for VAT in Switzerland. The Federal Council estimates that there will be around 35,000 additional registrations.

The proposed changes relating to cross-border online retailing have a similar rationale.

At the moment items such as books, CDs or spare parts can be sent from other countries to Switzerland without attracting customs and VAT if the tax calculated on the basis of the goods' value is less than CHF 5. This will remain the case in future. However, companies that supply goods in small consignments of this kind to the value of over CHF 100,000 a year will be required to register for VAT in Switzerland, charge Swiss VAT on all such supplies to Swiss customers and remit this to the Swiss tax authorities. This basically means that, once the threshold for VAT liability is exceeded, the place of supply for such small consignments is shifted from the foreign country to Switzerland.

Amendments by the National Council
The National Council was the first chamber of parliament to debate the draft bill in its autumn session. There was clear support for the changes to the law as set out above. However, in other areas the National Council approved a number of interesting amendments to the Federal Council's draft bill:

“Lex Rega”
• In order to keep the VAT liability for organizations such as the Swiss Air-Rescue REGA as little as possible, the definition of donations and contributions from supporters is to be broadened. A donation will still be deemed to be tax-exempt and to have no impact on the right of input tax deduction if supporters receive a return service in exchange for their donation, but the charitable organization explicitly makes clear that there is no entitlement to this return service on the part of the donor.

Car parks
• The National Council rejected the proposal by the Federal Council to abolish the differential tax treatment of private and public car parks. The use of public car parks is to remain exempt from VAT, while 8% VAT will apply to all other car parks (particularly multi-storey car parks).

Option to charge VAT on exempt supplies
• After the requirement to obtain permission to voluntarily charge VAT on exempt supplies was already abolished in the complete revision of the VAT Act, the National Council is now proposing a further simplification. In future it will be sufficient for VAT to be declared and charged on these supplies in the VAT return sent to the Federal Tax Administration. It will no longer be mandatory to issue an invoice stating the VAT payable.

Limitation period
• The attempt by the Federal Council to extend the limitation period for the absolute expiry of tax liabilities from 10 to 15 years again did not convince the National Council and was rejected.

E-books
• The National Council also decided that the reduced VAT rate of 2.5% rather than 8% should in future apply not only to electronic newspapers and magazines but also to electronic books (e-books).
Under the current timetable the revised law is set to enter into force on 1 January 2017. However, since the upper house of parliament, the Council of States, still has to debate the bill and there are signs that it will also make changes, the current timetable may turn out to be too tight. The Council of States will debate the bill during its spring session in 2016.

Conclusion
In summary, the partial revision of the VAT Act will not lead to any significant changes for most Swiss companies. However, their economic position should be improved by a reduction in VAT-related competitive disadvantages. The changes will have a major impact on foreign companies supplying goods or services in Switzerland. How many of them ultimately register for Swiss VAT will depend on how far the Federal Tax Administration is able to enforce the new regulations on companies based outside Switzerland. The Federal Council expects the revision to raise additional revenues of around CHF 68 million in total for the state coffers.
Electronic VAT returns

Since 8 September 2015 companies are able to submit their VAT returns to the Swiss Federal Tax Administration (SFTA) online. This can reduce administrative effort considerably, as the VAT return form no longer needs to be physically signed and submitted by post.

ESTV SuisseTax – electronic VAT returns

Thanks to the new e-government portal ESTV SuisseTax, online VAT returns are now available for all taxpayers meeting certain minimum technical requirements (browser, etc.).

Functions of the ESTV SuisseTax portal – electronic VAT returns

The portal currently offers the following functions:

► Electronic submission of quarterly VAT returns and corrective quarterly VAT returns
► Electronic submission of corrective yearly VAT returns with respect to the annual reconciliation
► Electronic requests for deadline extensions
► Overview of pending and completed VAT returns submitted online
► Electronic user administration (add and change user rights)

Different authorization types

The portal supports the following authorization types:

► Preparer: Can prepare the VAT return, but cannot submit it electronically him/herself. This role is defined by the superuser.
► Submitter: Can prepare and submit the VAT return electronically. This role is defined by the superuser as well.
► Superuser: Has the same rights as the submitter and is also responsible for user administration. The email address of the superuser is the allocation criterion for the SFTA.

At least one superuser must be defined for each company. Additional superusers, submitters and preparers are then defined electronically by the superuser.

It must be ensured that the superuser effectively carries out the duties (administration of rights and submission of VAT returns) entrusted to him/her (these duties can also be transferred to the submitter).

Registration / authorization

First, a user account must be set up for the superuser. This requires a valid email address and a mobile phone number, as the passwords are sent by email and text message. For data protection reasons, a power of attorney is generated and posted to the physical address of the relevant company as shown in the VAT UID register (in the case of foreign companies, these are sent to their fiscal representatives). Once the SFTA has received the signed power of attorney the request is reviewed and the account approved, with notice of the approval sent by email.

Conclusion

The new SFTA service makes life easier for taxpayers, as VAT returns can be submitted online round the clock and at no charge. The person submitting the return does not even have to be domiciled in Switzerland. However, companies must continue to ensure that only VAT returns that are correct in terms of form and content are submitted. Under the new submission system processes must be defined to ensure that this is the case, as superusers and submitters can submit VAT returns independently at any time. The roles must be assigned within the company with care and the scope of actions of the people named structured accordingly. Processes for the respective duties should be defined to ensure that the superuser does not make decisions independently based on the opportunities he/she has for doing so.
Impact of FABI on salary statements, employers and employees - company cars and public transport passes

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In a referendum on 9 February 2014, the Swiss electorate voted in favor of the Federal Council decision to fund and expand railway infrastructure (FABI). This will be financed partly by additional revenue from the direct federal tax on private individuals (cf. Art. 87a of the Federal Constitution, as amended from 1 January 2016). The revenue will be raised by limiting the deductibility of travel to work to CHF 3,000 annually (cf. Art. 26 (1)a of the Law on Direct Federal Taxes (DBG), as amended from 1 January 2016). Art. 9 (1) of the Federal Act on the Harmonization of Direct Taxation at Cantonal and Communal levels (StHG) also gives the cantons the option of imposing a corresponding limit on the deductibility of the cantonal and municipal taxes under their jurisdiction. In the case of company cars, an exclusion on the salary statement (tick in box F) meant that it was previously not possible to claim a deduction for travel to work. In future with company cars, additional income will be offset in a first step before a deduction (with limitation at least for the Direct Federal Tax) is then claimed and/or the income reduced in a second step. This offsetting is not supposed to incur any additional costs for employers. The following article provides a brief summary of how this will work in practice.

Provision of a company car free of charge
Under the current regulations, private use is recorded in the salary statement as a non-cash benefit. This generally takes the form of a fixed monthly imputation of 0.8% of the purchase price excluding VAT, subject to a minimum of CHF 150 a month. The employer also has to levy social security contributions, VAT and source tax for the individuals subject to taxation at source on this amount, and tick box F. This tick means that the employee cannot claim any business expenses in their tax return in connection with their journey to work.

From 2016 the employer will be required to also confirm a proportion of business use outside the regular work location (with travel from home directly to a client or construction site) for each employee in section 15 of the salary statement (“Comments”).

From 2016, employees will have to declare additional taxable income for use of a company car for travel to work (number of kilometers multiplied by CHF 0.70 per kilometer) in their personal tax returns for the direct federal tax (probably in the “Other income” section of the employee’s personal tax return form). If the salary statement indicates a proportion of business use outside the regular work location, the employee may reduce this amount accordingly.

This additional offsetting in the employee’s tax return creates a new category of taxable income from employment. Based on the information we have at present, this income will not be subject to social security or VAT, and an amount will not need to be recorded in the salary statement. Accordingly, there should be no obligation for the employer to withhold source taxes on this additional offset. However if the employee files a source tax adjustment request additional income for the use of the company car for travel to work may be offset for them.
The business expense deduction for the costs of travelling to work will as from 1 January 2016 be limited to CHF 3,000 annually on the basis of Art. 26 DBG for Direct Federal Tax.

In the cantons of Appenzell Ausserrhoden, Nidwalden, Schaffhausen and Thurgau, the deduction for travel to work will be limited to CHF 6,000 with respect to cantonal and municipal taxes (in the Canton of Appenzell Ausserrhoden since 2015 and therefore before the amendment to Art. 9 StHG entered into force!). Further cantons with limitations are Bern and Jura (CHF 6,700), St. Gallen (CHF 3,655) and Basel-City (CHF 3,000). Discussions on whether, when and to what extent to introduce a limit on the amount that can be deducted are also under way in various other cantons.

In accordance with the wording of Art. 26 DBG and Art. 9 StHG, and in the absence of an equivalent regulation for the self-employed, the limit on the amount that can be deducted only applies to those in employment.

**Provision of a free general rail pass for business purposes**

If a general rail pass is mostly used for business purposes, all that is required in the salary statement under the current regulations is a corresponding note (a tick in box F) and identification as compensation for expenses.

There are no plans to change this regulation in the future. In the case of a first-class general rail pass (which currently costs CHF 5,970), the offsetting of a private portion of 50% of the general rail pass would still fall below the maximum deduction of CHF 3,000.

**Provision of a general rail pass not required for business purposes, or other public transport passes (excluding the SBB's half-fare passes), free of charge**

If a general rail pass is provided but is not required for business purposes, the market value of the general rail pass is currently recorded in the salary statement as a non-cash benefit. The employer also has to charge social security contributions, VAT and source tax for the employees subject to taxation at source on this non-cash benefit. This regulation will continue to apply in the future.

In cases where other public transport passes are provided (that do not fall under the special regulations for general and half-fare rail passes), the employer will in future be required to declare the value of the pass as a non-cash benefit and also charge social security contributions, VAT and source tax for the employees subject to taxation at source on this amount.

Employees can claim a deduction for their journey to work in their tax return. As already mentioned, this deduction will be limited to CHF 3,000 from the 2016 tax year, at least with respect to the Direct Federal Tax.

In case business use for such regional passes prevails, there may be arguments for the employer not to declare the market price as non-cash benefit but to tick box F in the employee's salary certificate instead.

**Provision of a free half-fare rail pass**

For reasons of practicality, the provision of a free half-fare rail pass will remain one of the benefits that does not need to be declared in the salary statement (neither with a tick in box F nor by offsetting).

**Conclusion**

The attraction of company cars from a tax perspective will be considerably reduced when the planned new regulations come into effect on 1 January 2016. This is particularly true in cases where the distance between the employee's home and place of work is more than 10 kilometers. Based on the information we have at present, the employer will in future be required to also confirm a proportion of business use to travel outside the regular work location in section 15 of the salary statement for employees with company cars. No changes are expected with respect to half-fare and general rail passes. In the case of other public transport passes, social security contributions, VAT and source tax are also expected to be incurred from 2016 unless it can be argued that business use prevails.
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