Swiss-American Chamber of Commerce

Swiss Amcham eNews *April 2023*

National vote on June 18 will be essential for the attractiveness of Location Switzerland

At the end of 2021, the Inclusive Framework, a gathering of 140 countries under the leadership of OECD, released details on the so-called Pillar 2, a minimum effective taxation of 15% for large corporations measured on a country-by-country basis. Implementation in many countries will likely start on Jan. 1, 2024.

Switzerland has signed the agreement, albeit without enthusiasm. As probably the only country in the Inclusive Framework in which authority over corporate taxation in not on a national, but on a sub-national level, and as the only country where a popular vote is needed, Switzerland will be hard-pressed to implement Pillar 2 as fast as others. However, implementation is a necessity. Otherwise, some 200 large Swiss and some 2000 foreign companies with operations in Switzerland will pay 15% anyway with some parts of the tax being skimmed off by other countries instead of landing in the cantonal coffers.

On January 13, 2022, the Swiss Federal Council delivered the roadmap for implementation in Switzerland. First step will be a change in the Swiss Constitution to give the necessary fiscal authority to the national government. The proposal has been accepted by the Swiss Parliament before the end of 2022. A public vote is planned for June 18, 2023. This might prove to be difficult as public votes on fiscal matters have a tough stance. Of the last 4 votations on fiscal matters, three were declined by the people. Only STAF, a fiscal reform combined by a rich increase of social spending was accepted at the ballot boxes.

While the proposal passed relatively smoothly in Parliament, the vote on June 18 might get tricky. Some left-wingers argue that 15% is too low and that multinational companies should be forced to pay more. Additionally, these people argue that the Federal government does not get enough of the surplus tax (25%) to plug holes in the social programs. The right wing argues that sovereignty of Switzerland is again dented by the foreigners demands for changes in the Swiss taxation. And finally, the necessary cantonal majority (Ständemehr) might be in danger as only a few (rich) cantons will get most of the additional revenue while most cantons will see no money at all, except through the very complicated financial equation process. The Socialist Party has already decided on a "no" parole.

The acceptance of the Minimum Tax will weaken the attraction of Location Switzerland as it will eliminate the fiscal advantage Switzerland and the cantons can offer to internationally active companies. But with the additional tax revenue and a lot of effort, this handicap will be manageable. The Federal Council would then release a provisional ordinance to implement fiscal changes from January 1, 2024. This would then be followed by a normal law writing process. In light of the Swiss political system, this is a challenging roadmap.

In case of a negative decision by the people, Switzerland will be non-compliant for many years. All large companies with operations in Switzerland will still pay 15% minimum effective taxes, but some part will be levied in other countries. All these companies will be subjected to special audits in all countries where they also have operations, and they will be faced with complicated legal processes and insecurities. This would really constitute a massive blow against the attractiveness of Location Switzerland!

The vote on June 18 is crucial for the future of Switzerland as a competitive location for internationally active companies. Please help bring about a positive result by talking to your friends, neighbors, colleagues and employees. Thank you for your support.

Short video statement from Martin Naville, CEO, Swiss Amcham

Credit Suisse - UBS: A disaster averted, but great efforts needed for success

Over a weekend in mid-March, a true explosion hit the Swiss economy and the global financial markets: With Credit Suisse, the first systemic bank since 20 years went belly-up.

Today, April 12, the dust has settled, and some realities need to be addressed:

- Over the last 3 weeks, way too many pundits - professors, journalists, self-declared experts - came out of the woodwork. Most had no idea what really happened, but they explained their non-knowledge very forcefully.
- Contrary to most media reports, the US government did not pressure or threaten the Swiss responsibles. There was no need to. Interests of all parties were fully aligned: Find a solution to avoid a melt-down of Credit Suisse on Monday morning that could easily lead to another Lehman-sized disaster like it happened on September 15, 2008.
- The solution for UBS to buy Credit Suisse with certain special arrangements proved to be a good solution fulfilling the top priorities: On Monday March 20, all stock markets around the world opened in a smooth manner, the interbank business went about undisturbed, the payment systems were up and running and all cash machines were full. The Swiss system had pulled off the rescue like a Swiss clock.
- Nominating Sergio Ermotti, trusted and experienced former CEO of UBS, to head the "New UBS" was a great boost for the acceptance of the deal by the markets.
- Criticism regarding the solution has been loud and consistent. But while the events were and continue to be tragic for employees, stockholders and holders of AT1 bonds, as well as for many people and organizations closely linked to Credit Suisse, the alternatives would have been much more tragic. Nobody has come up with any safe and sound alternative.
- But the damage has been significant: Damage to the reliability of the Swiss legal system, damage to the trust in the Swiss financial system and damage in the confidence regarding the ability of the Swiss authorities to not just successfully firefight, but to wisely manage with a long-term view. Everybody now needs a successful UBS. Back-biting and commiserating will not do.
- This week, the Swiss Parliament will engage in a highly politicized mud fight in a special session which will be the real start of the election campaign for the national elections on October 22, 2023. While it will be important to learn the necessary lessons from this disaster and to take the necessary measures, we call on the politicians to act responsibly, look for the future and help rebuild the lost trust. Switzerland's competitors are watching closely.

Short video statement from Martin Naville, CEO, Swiss Amcham

Swiss-American Chamber of Commerce
Talacker 41, 8001 Zurich, Switzerland
Tel: +41 43 443 72 00
info@amcham.ch