

# *Special deductions for research and development (R&D deductions)*

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## Key points of the reform

### Deductions for research and development costs (cantons)

- Introduction of these deductions is optional for the cantons.
- Domestic research and development expenditure can be deducted up to 150% from taxes.

### Deductions for self-financing (Lex Zurich)

- High tax cantons (with tax rate of  $\geq 13.5\%$  for cantonal and municipal tax) may allow the deduction of a fictitious interest on excess equity.
- It is likely that only the Canton of Zurich will be able to benefit from this.

Nicht KMU  
relevant



# Calculation of the special deductions for R & D

## Calculation of special deductions for R & D

### Art. 25a Tax Harmonization Act (StHG):

- **Optional for the cantons.**
- R & D in Switzerland.
- Not more than 50% above commercially justified research and development expenditure.
- Definition of "R & D" in Art. 2 of the Federal Act of 14 December 2012 on the Promotion of Research and Innovation (FIFG)

# Calculation of special deductions for R & D

## Art. 2 FIFG :

Definitions in the Federal Act:

- a. scientific **research** (research): the method-guided search for new knowledge; it includes by name
  1. Basic research: research whose primary objective is to gain knowledge;
  2. application-oriented research: research whose primary aim is to make contributions to practice-oriented problem solutions;
- b. science-based **innovation** (innovation): the development of new products, methods, processes and services for the economy and society through research, in particular application-oriented research, and the exploitation of its results

Canton	Overall deduction for research and development costs
ZH	50%
BE	50%
LU	0%
UR	0%
SZ	50%
OW	50%
NW	0%
GL	0%
ZG	50%
FR	50%
SO	50%
BS	0%
BL	20%
SH	25% (from 6th year)
AR	50%
AI	0%
SG	40%
GR	50%
AG	50%
TG	30%
TI	50%
VD	Still open
VS	50%
NE	50%
GE	50%
JU	50%

## Calculation of special deductions for R & D

### Art. 25a Tax Harmonization Act (StHG):

- An increased deduction is permissible for:
  - a. the personnel expenses directly attributable to R & D, plus a surcharge of 35 % of these personnel expenses, but not exceeding the total expenses of the taxable person.
  - b. 80 % of the cost of R & D invoiced by third parties
- If the customer of R & D is entitled to deduction, the contractor is not entitled to any deduction.

# Deductions for R&D

## Example with high personnel costs

<b>1. Initial situation</b>						
Total Expenditure	1500					
thereof R&D personnel costs	1050					
thereof other expenditures	450					
thereof domestic contract research	100					
<b>2. Calculation</b>						
R&D personnel costs	1050			50%	525,0	
Flat-rate surcharge	1050	35%	367,50			
Relevant basis for additional deduction			367,50	50%	183,8	
Domestic contract research	100	80%	80,0	50%	40,0	
<b>Total additional deduction</b>					<b>748,8</b>	<b>49,9%</b>



# Deductions for R&D

## Example with smaller personnel costs

<b>1. Initial situation</b>						
Total expenditure	1500					
thereof R&D personnel costs	400					
thereof other expenditures	1100					
thereof domestic contract research	100					
<b>2. Calculation</b>						
R&D personnel costs	400			50%	200	
Flat-rate surcharge	400	35%	140			
Relevant basis for additional deduction			140	50%	70	
Domestic contract research	100	80%	80	50%	40	
<b>Total additional deduction</b>					<b>310</b>	<b>20%</b>

# Deductions for R&D

## Example contract research

<b>1. Initial situation</b>						
Total Expenditure	1500					
thereof R&D personnel costs	100					
thereof other expenditures	100					
thereof domestic contract research	1300					
<b>2. Calculation</b>						
R&D personnel costs	100			50%	50	
Flat-rate surcharge	100	35%	35			
Relevant basis for additional deduction			35	50%	17,5	
Domestic contract research	1300	80%	1040	50%	520	
<b>Total additional deduction</b>					<b>587,50</b>	<b>39%</b>

# Relief limit

Canton	Maximum Relief limit
ZH	70%
BE	70%
LU	20% / 70%
UR	50%
SZ	70%
OW	70%
NW	70%
GL	10%
ZG	70%
FR	20%
SO	70%
BS	See patent box
BL	50%
SH	70% during 5 years, then 50%
AR	50%
AI	50%
SG	40%
GR	55%
AG	70%
TG	50%
TI	70%
VD	Still open
VS	50%
NE	40%
GE	9%
JU	70%

# Reduction of capital tax

Canton	Current capital tax	Planned capital tax
ZH	0.15/0.75 ‰	0.75 ‰
BE	0.3 ‰	0.05 ‰
LU	0.5 ‰	0.5 ‰ or 0.01 ‰
UR	0.01-2.40 ‰	0.01-4 ‰
SZ	0.4 ‰	0.03 ‰ -0.07 ‰
OW	2 ‰	0.01 ‰
NW	0.1 ‰	same
GL	0.05/2 ‰	2 ‰
ZG	0.5 ‰	Reduction on participations, patents
FR	1.6 ‰	1.0 ‰
SO	0.8/0.2/0.1 ‰	0.1 ‰
BS	1/0.5 ‰	1.0 ‰
BL	1.25 ‰	1.55 ‰, min. 165 CHF
SH	0.1 ‰	0.025 ‰
AR	0.1 ‰, min. 900 CHF	same
AI	0.1 – 0.6 ‰	same
SG	0.2 ‰	Exemption of participations, patents
GR	2.3 ‰	Reduction on participations, patents
AG	1.25 ‰	same
TG	0.3 ‰, min. 100 CHF	0.15 ‰
TI	1.5 ‰	Still open
VD	0,6 ‰	Adjustments follow
VS	1 ‰ for 1. 500'000 CHF/then 2.5 ‰	Adjustments follow
NE	2.5 ‰	2.5 ‰ or 0.005 ‰
GE	1.8 ‰	4 ‰ or 0.01 ‰
JU	0.75 ‰	0.375 or 0.05 ‰