

# *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 ‰                      |