



Taxation in Uri

Chapter I: Taxation of Individuals

I. Income tax

Individuals domiciled in Switzerland are subject to taxation on federal, cantonal and communal level. In addition a church tax is levied if an individual is a member of one of the official churches (Catholic or Protestant).

Resident individuals are subject to tax on their worldwide income. Taxable income includes the income from employment, investment income, income from pension funds as well as all other income. An exception is made for revenues derived from business carried on abroad in permanent establishments or from immovable property situated abroad. Such income has to be reported for determining the applicable federal tax rate, but is non taxable.

Uri has moved to a **flat rate tax system** for individuals since 2009. The flat tax is complemented by generous tax-free allowance for single and married taxpayers. The tax regime in Uri is especially favourable for families. The child deduction is between CHF 8'000 and 20'800 per child. The effective costs of child care can be deducted without any upper limit. In order to improve intercantonal competitiveness, Uri has reduced the tax rates as of January 1, 2011:

A. Cantonal taxes on income

Flat rate tax in combination with high tax-free allowance for individual taxpayers

Tax rates	cantonal	communal	church	total
- on income	7.1%	7.1%	1.0%	15.2%

- The rates are subject to annually fixed cantonal and communal multipliers (~ 100%).
- The church tax is levied by the cantonal authorities in addition to the cantonal and communal taxes if an individual is a member of one of the official churches (catholic or protestant).

Tax-free allowance on income:

Deduction for single	CHF	14'500
Deduction for single parent	CHF	20'000
Deduction for married	CHF	25'500
Deduction for children	CHF	8'000 to 20'800

B. Federal tax on income

Progressive tax rate

Tax rates on income can amount up to **11.5%**

C. Total income tax

Cantonal, communal and church tax rates ¹⁾	0%	and	15.2%
Federal tax rate	0%	and	26.7%
Tax rates on income can amount between	0%	and	26.7%

II. Wealth tax

Resident individuals are subject to a wealth tax on their worldwide net assets, with the exception of real estate located outside of Switzerland and business assets in foreign countries. Wealth taxes is not levied at federal level.

A. Cantonal taxes on wealth

Flat rate tax in combination with high tax-free allowance for individual taxpayers

Tax rates	cantonal	communal	church	total
- on net wealth	0.10%	0.10%	0.03%	0.23%

- The rates are subject to annually fixed cantonal and communal multipliers (~ 100%).
- The church tax is levied by the cantonal authorities in addition to the cantonal and communal taxes if an individual is a member of one of the official churches (catholic or protestant).

Tax-free allowance on net wealth:

Deduction for single	CHF	100'000
Deduction for married	CHF	200'000
Deduction for children	CHF	30'000

B. Total wealth tax

Cantonal, communal and church tax rates ¹⁾	0%	and	0.23%
Federal tax rate			-----
Tax rates on income can amount between	0%	and	0.23%

1) A flat rate tax in combination with high tax-free allowance will lead to indirect progression.

III. Lump sum taxation

Resident individuals may opt for lump-sum income taxation instead of the ordinary income and net wealth taxes under certain conditions. This tax is *not* based on the effective income derived by the taxpayer but on certain living expenses. It applies to the federal and cantonal level, but only if the taxpayer does not perform professional activity or employment in Switzerland. The lump-sum is not lower than 120'000 swiss francs.

Chapter II: Taxation of Corporations

I. Profit tax

International corporations are attracted to Switzerland's favourable tax regime. In addition the Swiss Tax Authorities are known to be cooperative and business orientated. Tax rulings can be obtained within weeks, providing corporations with certainty on their tax treatment prior to the investment into Switzerland.

Uri levy corporate taxes on their net profit as shown in the statutory financial statements prepared in accordance with the statutory provisions contained in the Swiss Code of Obligation (OR). Therefore the profit tax and capital tax are themselves deductible from the taxable basis. As a result the taxable profit is based on the accounting income determined under normal accounting principles. Expenses are tax deductible to the extent that they are commercially justified and at arm's length. To assist the taxpayer, Uri has published safe haven rates in relation to depreciation (e.g. immediate write-off), interest expenses and provisions.

In Uri, corporations are taxed on their profit at the federal, cantonal and communal level at a tax rate of 17.9% (after-tax), corresponding to an effective tax rate of 15.2% (pre-tax: federal, cantonal, communal and church tax included).

A. Cantonal taxes on profit

Tax rates	cantonal	communal	church	total
- on profit	4.5%	4.5%	0.4%	9.4%

→ The rates are subject to annually fixed cantonal and communal multipliers (~ 100%).

B. Federal tax on profit

Tax rates on profit	11.5%
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C. Total profit tax

Cantonal, communal and church tax rates ¹⁾	9.4%
Federal tax rate	8.5%
Tax rates on profit (after-tax)	17.9%
Tax rates on profit (pre-tax)	15.2%

Dividend income and capital gains on participations are generally subject to tax. However an exemption is available, which leads to up to 100% of the income from participations being exempt from Swiss tax. For the participations exemption to apply, the following requirements have to be met:

- ◆ Dividends: Investment must amount to at least 10% of equity or have a market value of at least 2 million Swiss francs.
- ◆ Capital gains: Investment sold must amount to at least 10% of equity and a minimum one year holding period applies.

II. Capital tax

Furthermore corporations are subject to capital taxes on a communal level at a rate of 0.001%. The capital tax is levied on the basis of the taxable capital recorded at the end of the business year (net equity).

A. Capital tax (communal level only)

Tax rate on equity	0.001%
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→ *The rates are subject to annually fixed communal multipliers (~ 100%).*

II. Corporate Tax Privileges

A. Holding Company

Uri offers tax privileges, which are based in the tax law or obtained through negotiations. The cantonal tax privileges have been harmonized. However Uri has still the lowest capital tax rate on the net equity in Switzerland. In general tax privileges are granted for an unlimited period of time.

A pure holding company needs to meet three requirements:

1. Its main purpose must comprise the holding and managing of long term investments in affiliated companies;
2. The company cannot enter into any commercial activity in Switzerland;
3. Two thirds of the company's total assets need to consist of qualifying shareholdings or alternatively two thirds of the company's total gross income must derive from dividends of qualifying shareholdings.

A holding company is completely exempt from cantonal and communal income taxes, except for income from Swiss real estate, which is fully taxed. However a holding company is subject to income tax on federal level only. The applicable tax rate is 7.8%. There is no taxation at all if the holding company's income benefits from participation exemption (0%).

Finally holding companies pay a cantonal equity tax at a rate of 0.001% on the net equity, which is the lowest tax rate in Switzerland.

B. Mixed Company

A mixed company tax privilege is available for companies which carry out administrative functions in Switzerland, whereby commercial activities are tolerated to the extent that they do not exceed 20% of the company's income and expenses. Outside Switzerland a company with the mixed company tax privilege may conduct any activities whatsoever. A company benefiting from this tax privilege can be expected to be subject to an effective total tax rate of 8.6% to 9.4% on its foreign source income.