12 September 2019

SIF's updated position on the taxation of the digitalised economy

Up-to-date corporate taxation and fair tax competition

Digitalisation is changing the economy and business models. The international tax rules have not yet been significantly adapted to these changes. In Switzerland, too, digitalisation is one of the strongest drivers of the structural change currently taking place. As an innovative and cosmopolitan country with few resources, it can see numerous opportunities in digitisation that need to be seized. As a successful location for companies that operate internationally, as well as for research and innovation, Switzerland knows how important it is to have the best possible framework for digital business models and innovations, including in the area of taxation. Switzerland is thus in favour of tax rules that both enable and promote innovation and sustainable competition, and safeguard its tax receipts.

In the programme of work published on 31 May 2019, the Organisation for Economic Co-operation and Development (OECD) proposed a series of measures. These are currently being further developed in the technical working groups. The outline of the architecture of the measures should be agreed to by January 2020. By the end of 2020 an agreement on a consensus-based long-term solution should be reached. The State Secretariat for International Finance (SIF) actively participates in the process with the following position:

- **In favour of innovation, but technology-neutral**: Further developments in the area of corporate taxation should not hamper or suppress innovation and should be neutral in terms of both competition and technology.
- **Tax competition as a hallmark**: Switzerland is committed to fair tax competition. The introduction of minimum tax rates restricts competition and can lead to additional burdens for companies.
- **Taxation of value creation**: Profits are to be taxed where value is created. In this way, incentives are created and locations are compensated for offering good framework conditions and enabling companies to produce efficiently. Functions performed, risks borne and assets employed must be sufficiently taken into consideration.
- **Avoidance of double taxation and over-taxation**: The existing international tax system promotes the international activities of companies. The network of double taxation agreements must be maintained and new solutions integrated into it.
- **Closure of taxation gaps**: Switzerland supports a comprehensive review of whether and, if so, how the rules for a nexus and the allocation of profit should be adapted to digitalisation. In this respect, the allocated profits should be consistent with value creation and underlying economic activities.
- **Broad-based solutions**: Switzerland generally advocates a multilateral approach and a consensual solution. It is sceptical of unilateral measures. In order to achieve an international consensus, it is also necessary to consult business representatives in a timely and comprehensive manner and to take account of legitimate concerns.
- **Long-term solutions**: At present, Switzerland is not planning to introduce interim measures such as the digital tax proposed in the EU. Such interim measures based solely on turnover in market areas can lead to double taxation and over-taxation and make it more difficult to achieve a global consensus for a definitive solution.