Partial revision of the Tax Act effective 1.1.2011

In its decision of 17 March 2010 the cantonal parliament adopted a further partial revision of the Tax Act effective 1 January 2011. In so doing, the cantonal parliament is acting within the legislative objectives 2008–2011 according to which Canton Nidwalden is to be among the three Swiss cantons with the most favourable tax conditions. This partial revision of the Tax Act includes

- tax relief for families with children, and income tax and corporate tax relief
- implementation of regulations prescribed under federal law (Tax Harmonisation Act and Corporate Tax Reform II).

In past years Canton Nidwalden has been operating very successfully in terms of fiscal and tax policy. However, further specific as well as general tax relief is required to promote competitiveness. This holds true all the more so since our good competitive position is under continued pressure due to the tax reductions decided on or planned in surrounding cantons.

Together with the private individuals and companies already domiciled in Canton Nidwalden, the newcomers and companies that are setting up businesses generate jobs and contribute to Canton Nidwalden (apart from the high quality of life) maintaining its position as one of the most attractive locations in Switzerland. The favourable tax framework is based on the one hand on sustainable support, and on the other hand continues to attract successful private individuals and legal entities. This framework in turn has a positive effect on financial policy as well as on the lasting success of local industry, commerce and services.

The projected reductions in tax revenues are to be financed without a cost-cutting program primarily by additional growth stimulus and in part by equity, wherein the reductions in tax revenues of the political communities and the school communities are to be compensated by payments amounting to approximately 8.4 million CHF from the Canton.

Overview of the most important measures:

- **Reduction in the maximum tax rate from 3% to 2.75%.**
- **Introduction of a deduction of 3000 CHF for looking after children at home.**
- **Reduction in the fixed tax on earnings relating to legal entities to 6 per cent.**
- **Reduction in the fixed capital tax relating to legal entities to 0.01 per cent.**
- **Tax relief of 80% on income from licences (licence box).**
- **Abolition of the percentage and amount limits relating to provisions for research and development expenditure.**
- **Abolition of the inheritance and gift tax applying to going concerns.**
- **Abolition of the inheritance and gift tax applying to parents, step parents and foster parents.**
- **Reduction to 1 per cent in the fixed tax on earnings of foundations and associations.**
- **Abolition of the "Dumont Praxis" (1.1.2010).**
- **Adjustment for fiscal drag or "cold" tax progression.**

The current weakness of the economy worldwide, influenced by the financial crisis, has resulted in the demand for and announcement of a growing number of government support measures to ease economic conditions. The present revision of the tax law is not associated with specific economic support measures; instead, the general competitiveness of Canton Nidwalden (in the national and international context) is to be strengthened for the years ahead.

Federal law provisions

At the same time, the legislative changes made in the context of the Corporate Tax Reform II (USTR II) or the Tax Harmonisation Act are being implemented as at the federal level.

Overview of the most important measures:

- **Introduction of the capital contribution principle according to which the premium paid-in after 31.12.1996 by the holder of equity securities is treated in the same manner as the repayment of share capital and nominal capital.**
- **More attractive prerequisites for qualifying for the participation deduction.**
- **Relief for capital spending on replacement.**
- **Tax deferral in the transfer of real estate from business assets to private assets, on request.**
- **Reduced taxation of liquidation proceeds when ceasing self-employment at 55 years of age or due to invalidity.**