

**Small, but just right.**

Appenzell Ausserrhoden as a tax location



an attractive tax location

**Taxation advantages**

Child deductions

**Efficiency**

**Tax stability**

**Patent box**

**Reliability**

**Double taxation agreement**

Attractiveness of the location

**Tax competition**

**Tax relief**



As a partner and co-owner of the GEOINFO Group, I appreciate the easy access to the authorities and the moderate corporate taxes.

Adrian Eichrodt, GEOINFO

## General information on the tax location

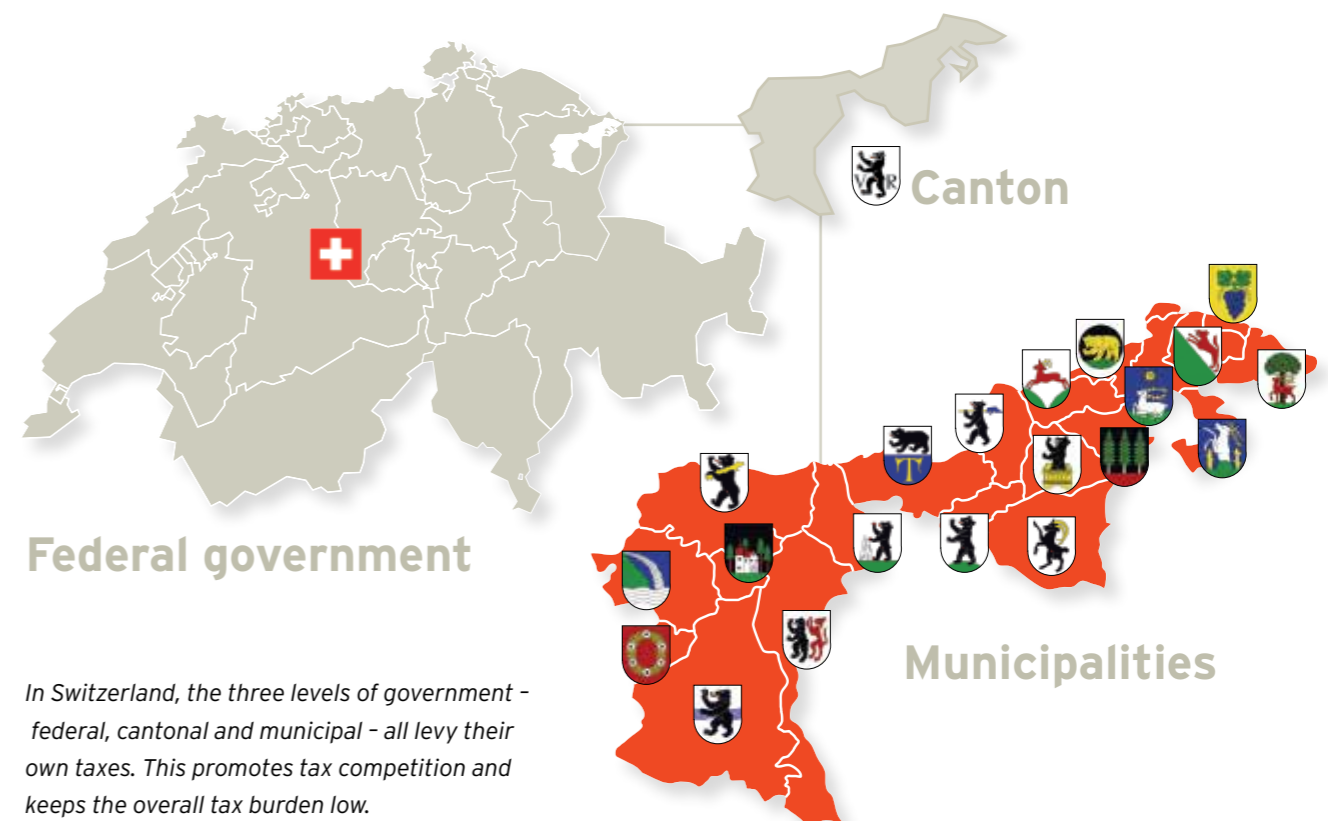
**There are three levels of taxation in Switzerland: the federal level, the cantonal level and the municipal level. Unlike in most countries, the cantons and the municipalities are in tax competition. When choosing a business or residential location, a thorough examination of the tax framework is therefore recommended.**

Word has spread around the world that Switzerland is not only beautiful, but also very tax-efficient. However, not everyone knows that Appenzell Ausserrhoden is one of the most attractive tax locations in Switzerland - for companies and private individuals alike.

As one of the smallest cantons, we are notably efficient when it comes to administration. Our population, which attaches great importance to a lean state and regularly speaks out against unnecessary state spending and for tax cuts, ensures a high level of tax stability and thus makes Appenzell Ausserrhoden a reliable partner.

On the following pages you will find the most important information about Appenzell Ausserrhoden as a tax location. Could it be an ideal location for you, too? You will find well qualified contact persons in our canton's location promotion and tax administration offices who will give you prompt and helpful advice without any red tape.

Whether you take up residence with us privately or for business, **tax efficiency starts with Appenzell Ausserrhoden.**



*In Switzerland, the three levels of government - federal, cantonal and municipal - all levy their own taxes. This promotes tax competition and keeps the overall tax burden low.*

# National and global comparison of the tax burden for companies

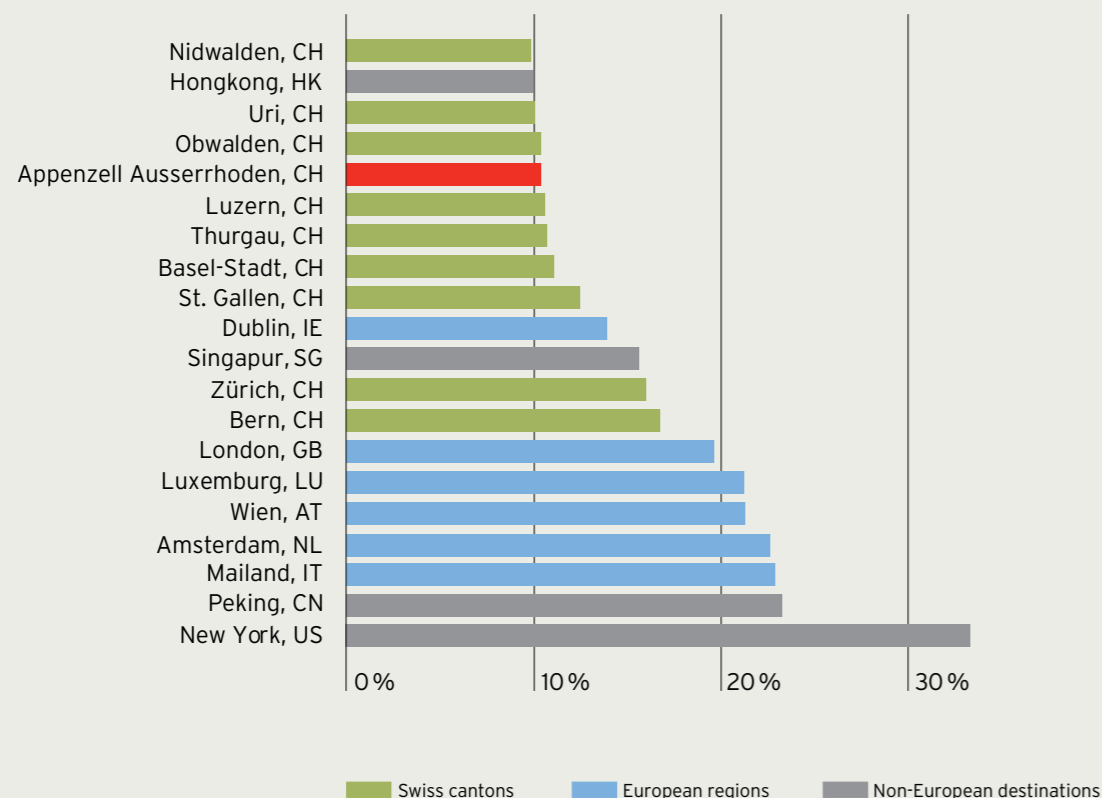
The canton of Appenzell Ausserrhoden anticipated international and national developments from an early stage. With its low tax rate, Appenzell Ausserrhoden has established itself among the best tax locations, both in Switzerland and worldwide, since 2008.

Appenzell Ausserrhoden erhebt bei juristischen Personen Gewinn- und Kapitalsteuern (oder Minimalsteuern auf Kapitalanlageliegenschaften). Auf nationaler Ebene (Bundessteuer) werden ausschliesslich Gewinnsteuern erhoben.

Zweigniederlassungen ausländischer Personen- oder Kapitalgesellschaften in der Schweiz werden üblicherweise wie juristische Personen besteuert.

Bei natürlichen Personen erhebt Appenzell Ausserrhoden Einkommens- und Vermögenssteuern. Auf Bundesebene wird lediglich die Einkommenssteuer erhoben.

BAK Taxation Index Companies 2024



Source: BAK Taxation Index Companies 2023

# Taxation of legal entities

## Taxes on profits and capital

For companies, Appenzell Ausserrhoden is one of the most favourable locations in Switzerland. The tax burden (federal government, canton and municipality) on profit is 13.04% (before tax, "flat tax" without tax multiplier) and on capital 0.04745% (capital tax burden contingent upon the annually fixed tax multiplier, as of 2024), in such a way that the capital tax is at least 900 francs (minimum tax).

The net profit of legal entities is subject to profit tax and includes all income less justified business-related expenses (e.g. also taxes). If necessary, the balance of the income statement is adjusted, for tax purposes, with mandatory offsets and certain deductions.

## Low basis of taxation thanks to deductions

It is not only the tax rate, which is usually significantly lower than in Switzerland and abroad, that is convincing. The basis of taxation for calculating the profit tax shows that the tax burden is actually even lower compared to other countries than the tax rate indicates. This results specifically from the possibility of depreciating certain movable fixed assets in full in the year of acquisition and buildings with intensive special use at 30% in the year of acquisition or construction. In addition, lump-sum provisions can be granted for various areas, such as research and development costs, and there is the possibility of establishing attractive expense regulations for employees. All these elements influence the basic calculation of taxes and thus the tax burden on a company.

## Deduction of shareholdings

In addition to low tax rates and the aforementioned possibilities of keeping the basis of profit taxation at a low level, the tax burden is reduced in proportion of the net income from shareholdings to the total income. Income from shareholdings includes all income from significant shareholdings (shareholdings with a ratio of more than 10% or an absolute market value of more than 1,000,000 francs). Capital gains from the sale of shareholdings held for at least one year are also considered as income from shareholdings.

The taxable capital includes the share capital of a joint-stock company (AG), limited partnership (Kommandit-AG), limited liability company (GmbH) or cooperative society (Genossenschaft), the open reserves and the hidden reserves taxed as profit as well as any hidden equity capital. If there are shareholdings, group loans and patents on the assets side, the taxable equity capital is reduced proportionately (shareholding deduction on the capital).

Example:

### Company with its place of business in Appenzell Ausserrhoden

(in francs, as of 2024)

Taxable profit before taxes	1,000,000
Taxable capital	3,000,000
13.04 % profit tax incl. federal tax	130,400
0.04745 % capital tax	1,424
<b>Tax burden</b>	<b>131,824</b>



### Double taxation agreement

In order to avoid double taxation, Switzerland has concluded bilateral agreements with over 100 countries and agreed on exemptions or credits. In the case of an exemption, the country of residence waives the taxation of taxable income or assets in the source country or country where the income/asset resides (albeit with a progression advantage). In the case of a credit, both countries tax, in such a way that the country of residence credits the tax of the source country against its own if the source country has a primary right of taxation. The same applies to legal entities.

### Tax relief from the canton

Appenzell Ausserrhoden can grant tax relief for a maximum of ten years to new companies that serve the economic interests of the canton. The amount depends in particular on the number and quality of the jobs created. After investment consultation with the Cantonal Tax Administration and the Office of Economy and Labour (AWA), an informal application with a business plan and explanatory documents can be submitted for a more detailed assessment.

## Attractive instruments for tax planning

### Patent box

The profit from domestic and foreign patents and (narrowly defined) comparable rights is separated from the other profits and taxed at a lower rate.

This relief cannot be more than 50%. It should be noted that the R&D costs incurred while developing the patent and claimed as expenses are added to the profit at the time of utilising the patent box. However, these costs can subsequently be claimed in the patent box.

### Additional deductions for research and development (R&D)

Additional deductions of up to 50% may be made for certain research and development expenses.

### Relief limit

The tax relief due to the patent box, the additional deductions for research and development and the notional interest deduction is limited by the so-called relief limit at 50% (minimum amount of taxable profit). Depreciation based on the current law step-up base is also taken into account.

Pflegeab

**Appenzell Ausserrhoden is the perfect location for the Berit Clinic thanks to the availability of highly trained and motivated staff, the beauty of the landscape and excellent infrastructure.**

*Peder Koch, Berit Clinic*

# Other taxes at federal level

## Value added tax (VAT)

The standard rate is currently 8.1%. For certain goods (especially food and everyday consumer goods), VAT is only 2.6%, for accommodation services only 3.8% (as of 2024).

Companies are subject to VAT if their annual sales from deliveries, services and own consumption exceeds 100,000 francs (as of 2024). The same applies to persons who use foreign services for more than 10,000 francs per year or for services that are subject to customs duties. The basis of taxation for domestic deliveries and services is the agreed or received gross remuneration.

Excluded from VAT are services in the areas of health, social welfare, social security, education, teaching, child and youth care, culture, insurance turnover, turnover from money and capital transactions (excluding asset management and collection), changes in property transfer and long-term rental of land, betting, lotteries and games of chance as well as deliveries of domestic official stamps used as such.

Also exempt are transactions involving exports, cross-border transports or services performed abroad. Goods and services required to achieve such turnover are eligible for input tax deduction.



## Stamp duties

Stamp duties arise in legal transactions (procurement of capital, sales of securities, payment of insurance premiums) and comprise three types of duties:

**Issue tax on domestic certificates** (shares, share certificates, participation certificates, profit participation certificate, bonds, money market instruments). The duties to be paid by issuers amount to 1% (in the case of establishment or capital increase, an exemption limit of 1 Million francs applies).

**Transfer stamp tax on domestic and foreign securities when sold by Swiss securities dealers.** The duties of 1.5‰ on Swiss and 3‰ on foreign securities are payable by the trader. The issuance of euro bonds, bond trading in foreign to foreign business and the trading portfolios of commercial securities dealers are exempt from stamp duties.

**Stamp duties on insurance premiums** such as third-party liability and comprehensive or property insurance. Accident and health insurance as well as certain life insurance policies are not affected. The insurer is usually liable for the stamp duty.

35%  
Withholding tax

## Withholding tax

The withholding tax is a 35% tax at source on the income from movable capital assets (in particular interest and dividends, lottery winnings and insurance payments). The party who must pay the benefit is taxable and must pass on the tax to the recipient. If the benefit recipient is a resident of Switzerland, they can apply for a refund or credit. Investors who reside abroad may claim a partial or full refund of the withholding tax if there is a double taxation agreement between Switzerland and the country of residence.

See also [www.estv.admin.ch](http://www.estv.admin.ch)

# Taxation of private individuals

## Basis of income, deductions and assets

All assets accruing in the tax period are taxed as income. For private individuals, business-related expenses, child deductions, insurance contributions, financial contributions as well as savings and debt interest are deducted from the gross income. For the calculation of property tax, the simple tax as well as the tax multipliers of the municipality are relevant.

For the first 250,000 francs, the simple tax is 0.5 ‰, for larger assets 0.55 ‰.

## Withholding taxes on income and assets

Foreign employees and Swiss nationals whose primary place of residence is abroad are subject to withholding tax. Their employers register these persons with the Cantonal Tax Administration when they hire them, withhold the withholding tax from their salary and settle this with the Cantonal Tax Administration.

## Partial taxation of dividends

Tax on distributed profits from corporations domiciled in Switzerland is calculated at 60% of the rate of the total taxable income, provided that the taxpayers hold a participation of at least 10% in the capital.

## Inheritance and gift taxes

In Appenzell Ausserrhoden, all gifts and inheritance inducements to spouses, parents, children, grandchildren and stepchildren and foster children are tax-free. If a third party is the beneficiary in a company succession, the tax is generally reduced by 90% so far as the transferred business assets are mainly used for self-employment or if the transferred significant shareholding is accompanied by a senior management position in the business operations.

## Taxation of capital gains

Tax law explicitly exempts capital gains from private assets from tax. An exception applies to profits from land sales: if capital gains occur in a commercial activity, they are subject to ordinary income tax.

### Please note: tax can be calculated online

Based on the taxable income and assets, the tax burden can be calculated online at [www.ar.ch/steuern](http://www.ar.ch/steuern) (under the menu item "Steuerberechnungen").

# Taxation at the municipal, cantonal and federal level

**Income tax is levied at the cantonal, at the municipal and at the federal level (federal direct tax). Different tax rates apply for single and married persons. Wealth tax is only due at the cantonal and municipal level. Depending on the denomination, church tax is also payable.**

## Cantonal and municipal taxes

Unlike legal entities, individual taxation depends on the municipality of residence. The calculation of income and wealth tax therefore involves two steps:

1. Calculation of the simple tax according to taxable income and assets
2. Multiplication by the tax multiplier of the respective municipality of residence and of the canton

## Federal direct tax

There is a separate tax scale for calculating federal direct tax. Here, too, the different tax rates apply to single and married persons. In contrast to cantonal and municipal tax, multiplying the taxable income by the tax rate results in the total tax.

Example:

### Married couple, living in Speicher, Protestant

(in francs, as of 2024)

Taxable income	200,000
Taxable assets	900,000

### Cantonal and municipal tax on income

Simple tax: 2.28% x 200 000 = 4,549	
Total tax for Speicher: 7.5 x 4,549	34,117

### Cantonal and municipal tax on assets

Simple tax:	
0.5 ‰ x 250,000 + 0.55 ‰ x 650,000	482.50
Total tax for Speicher: 7.5 x 482.50	3,619

### Federal direct tax on income

6.035% x 200,000	12,070
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<b>Total tax burden</b>	<b>49,806</b>
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(corresponds to 24.903% of taxable income)

# Are you interested in relocating to Appenzell Ausserrhoden?



The Location Promotion and Tax Administration offices will be happy to assist you at any time.

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Location Promotion  
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