



*Law – Tax – Consulting*

# Switzerland: Protection of Foreign Assets and Tax Optimisation

Presented by Goldblum and Partners

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# Agenda

- Switzerland – country profile
- Swiss Companies – common legal structures
- Other business vehicles and structures
- Taxes – brief overview
- Why Switzerland
- Alternative solutions:
  - ♦ *Trusts and Foundations*
  - ♦ *Swiss Charity Foundation*
  - ♦ *Swiss Residence (lump sum taxation)*



An aerial photograph of Zurich, Switzerland, featuring the city's dense architecture and the Limmat river. The image is overlaid with a red color filter. The prominent clock tower of the Grossmünster is visible on the left, and the city extends to the hills in the background. The text "Switzerland – country profile" is centered on the left side of the image.

# Switzerland – country profile





# Switzerland – country profile

- A European centre with excellent infrastructure (railway, road network, airports, international harbor, high-speed Internet)
- International airports (Geneva, Zurich, Basel)
- Stable political, economic and legal system
- Reliable authorities and courts
- Favourable economic and labour environment
- Competitive taxes
- Well-established legal system and corporate law





A close-up, low-angle shot of the Swiss flag, featuring a large white cross on a red field. The flag is slightly wrinkled and appears to be flying against a blue sky with some clouds visible in the bottom right corner.

# Swiss companies – common legal structures

## Swiss companies – common legal structures

- **Swiss Ltd**  
Swiss Joint Stock Corporation (AG/SA/Ltd/Inc)
- **Swiss LLC**  
Swiss Limited Liability Company (GmbH/LLC/Sarl)
- **Swiss Branch**
- **Swiss General Partnership**
- **Swiss Limited Partnership (LP)**



## Swiss Ltd. - Joint Stock Corporation "Swiss AG"

- Company limited by shares (AG/SA/Ltd/Inc)
- Most widespread form of Company in Switzerland
- Minimum (share) capital requirement:  
CHF 100,000
- 1% one-off stamp duty for capital higher than  
CHF 1,000,000
- Bearer Shares or Registered Shares
- Shareholders: Individuals or Corporations



# Swiss Joint Stock Corporation

## "Swiss AG"

- Shareholders' liability limited to the amount of share capital
- Board members: *minimum one Board Member, at least one Board Member residing in Switzerland*
- Separate operational Management may be appointed (*no residency requirements*)
- Public registry of Board Members but not Shareholders
- Mandatory annual tax filing
- Mandatory accounting
- Audit (*recommended and/or mandatory depending on business size*)



# Establishment of "Swiss AG"

- "Name check"
- Opening of a special account with a Swiss bank
- Transfer of capital (e.g. CHF 100,000) to a special capital account
- Drafting and signing of Articles of Incorporation (*including the definition of the Company's purpose*)
- Recording of a public deed by notary public with cantonal Commercial (Trade) Registry
- Extract from the Commercial Registry
- Opening of a bank account and transfer of capital

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# Main differences between Swiss Joint Stock Corporation "Swiss AG" and Swiss Limited Liability Company "Swiss GmbH"

- Minimum capital: AG/SA/Ltd/Inc - CHF 100,000; GmbH/LLC/Sarl - CHF 20,000
- AG/SA/Ltd/Inc more confidential: bearer shares possible  
registered shares not in public share registry; registry of Board Members but not Shareholders  
GmbH/LLC/Sarl: Public registry of Shareholders and Management
- AG/SA/Ltd/Inc higher reputation, streamlined transfer of shares, etc.
- AG/SA/Ltd/Inc possible splitting between Board and Management

**For the reasons mentioned above we normally recommend setting up a Swiss joint stock corporation (AG/SA/Ltd/Inc)**



## Swiss Branch

- No separate legal personality under Swiss law
- Branch offices of foreign companies
- No capital
- One Swiss residing Branch Manager required
- "Sample Ltd, Swiss Branch"
- Specific feature: no Swiss withholding tax  
(*subject to some "substance" requirements*)

A photograph of two men in business attire (suits and ties) sitting at a desk, looking at a tablet. The man on the left is wearing glasses and holding the tablet, while the man on the right is pointing at the screen with a pen. On the desk, there is a glass of water, a laptop, and some papers. The entire image is overlaid with a semi-transparent red filter.

# Other business vehicles and structures



## Other business vehicles and structures

- Swiss Holding Company
- Swiss - European Structure
- Swiss Trading Company
- Swiss Branch
- Swiss Partnership Structure



# Taxes – brief overview



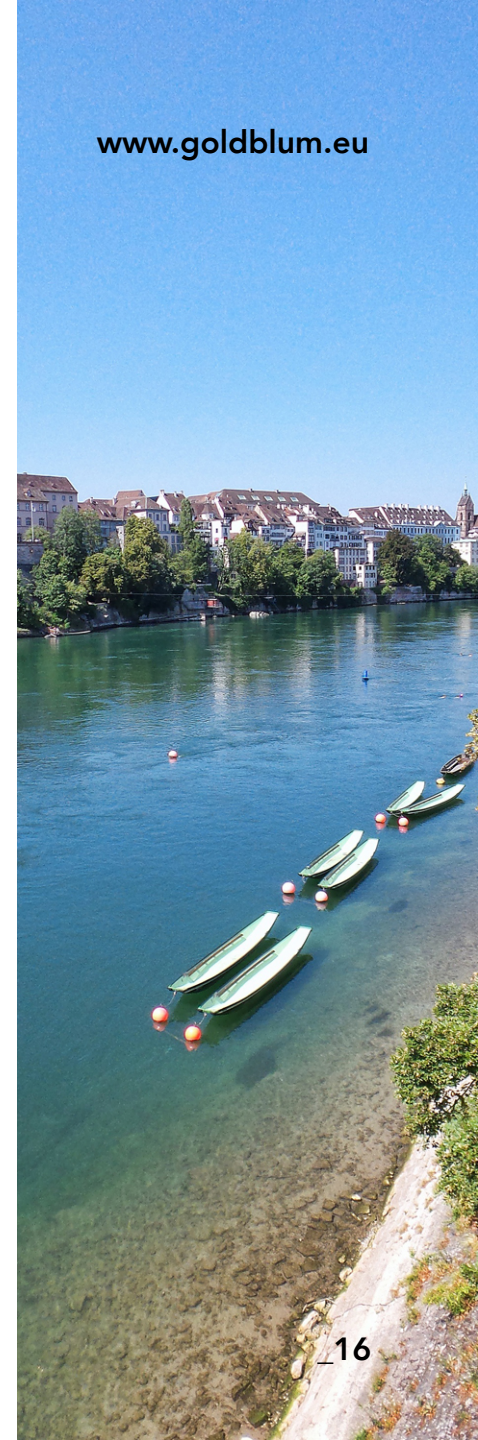
## Taxes – brief overview

- 26 Cantons and 26 different cantonal tax regimes and tax rates
- 1 Federal tax law
- It is generally possible to negotiate tax rulings setting reduced tax rates for a limited period of time



# Swiss Taxes – benchmarks

- Ordinary Corporate Income Tax  
*12-29 % depending on the Canton*
- Tax Exemption for **HOLDING**
- Tax Exemption for **TRADE**



## Corporate tax rates – examples

- Corporate income tax rates on ordinarily taxed companies (federal tax included):
  - ♦ Canton of Obwalden: 12.6%
  - ♦ Canton of Schwyz: 15.4%
  - ♦ Canton of Zug: 16.3%
  - ♦ Canton of Zurich: 21.3%
  - ♦ Other cantons higher
    - highest Graubünden with 29.1%
    - average of all Swiss cantons: 20.6%
- Capital tax:
  - ♦ Federal: 0%
  - ♦ Cantonal and Municipal: 0.001% to approx. 0.6%
  - ♦ VAT: 2.5%, 3.7% and ordinary rate of 8.0%

## Tax Rulings

- It is highly recommended to apply for, and negotiate, an appropriate Tax Ruling with the relevant tax authorities
- Tax rulings covering management and service costs for operational (*trading*) companies; up to 50 % of costs are tax deductible
- Tax rulings regarding the application of the EU Parent Subsidiary Directive (*zero withholding tax on distributed dividends **subject to the SUBSTANCE requirement***)





# Swiss Withholding Tax

- 35% withholding tax on dividends of Swiss resident companies
  - ◆ Exemption or refund under double taxation agreements
- Double taxation agreements (DTAs)
  - Agreements of Switzerland with 72 other countries
- Dividends to Individuals: 15% Swiss withholding tax (non-refundable)



# Swiss Withholding Tax

- Dividends to Companies: 5% Swiss withholding tax is non-refundable on dividends from qualified participations, e.g.:
  - ◆ at least 20% of share capital: DTAs with Russia, Ukraine, Estonia, Latvia, Lithuania
  - ◆ at least 25% of share capital: DTA with Belarus
- With the EU member states: increasing number of DTAs with 0% tax rate of Swiss withholding tax on dividends

# Swiss Withholding Tax

- Bilateral Agreement between Switzerland and the EU on Taxation of Interest, Dividends and Royalties
- Full exemption, if participation of at least 25% of the share capital is held for at least two years
- Holding companies, domiciliary companies, mixed companies and principal companies are considered ordinarily taxed



# Value – Added Tax

- If goods do not physically transit via Switzerland, or if they transit via a bonded warehouse — free port, the trading of goods carried out from Switzerland by a Swiss company is not subject to VAT





A high-angle, wide shot of a Swiss mountain valley. The sky is a deep, vibrant red, suggesting a sunset or sunrise. The mountains are rugged and steep, with a prominent waterfall cascading down a rocky face in the center. The valley floor is a lush green, dotted with numerous small, dark-roofed houses and barns. The foreground is filled with dense evergreen trees, and the overall scene is bathed in a warm, golden light.

# Why Switzerland

# Why Switzerland

## **ADVANTAGES**

- Low ordinary tax rates
- Low tax rates for privileged companies
- Stable economy and legal system
- Attractive tax planning: the possibility of obtaining binding advance tax rulings from competent tax authorities offering advantageous tax treatment provided that a specifically outlined fact pattern or transaction takes place
- Large number of double taxation agreements (*DTA*)
- Qualified workforce and excellent living standards





# Alternative solutions

## Alternative solutions: Trusts & Foundations

- There is no Swiss law on trusts ("domestic" trusts do not exist in Switzerland) but trusts are a well-known concept in Switzerland due to the country's long history of administering foreign trusts
- Trusts and Foundations are useful instruments for the consolidation of assets and for succession planning
- The Hague Trust Convention has been ratified by Switzerland and has been in force since 1 July 2008; Trusts are recognized in Switzerland as separate legal structures with their own set of rules
- The administration of foreign Trusts and Foundations via Switzerland guarantees secrecy and high-quality professional service

# Alternative solutions:

## Swiss Charity Foundation

- **Foundation Name**

A foundation's name is assigned by its founder(s) at their discretion. Disclosure of founders' names is not mandatory

- **Charitable Purpose**

The purpose of the foundation is defined by its founder(s) at their own discretion

- **Founder's instructions**

Founder(s) may stipulate their instructions/wishes

- No requirement for a founder to be a Swiss resident or citizen



## Alternative solutions: Swiss Charity Foundation

- **Commercial Registry**  
Foundations and names of all individuals having signing power are published in the commercial registry
- **Registry of Foundations**  
Foundations are included into the Federal Foundation Registry
- **Capital**  
No minimum capital requirement, but capital should be sufficient for the declared purpose of the foundation. Capital contributions can be made at the time of incorporation and can also be increased at a later stage

# Alternative solutions: Swiss Charity Foundation

- **Principles**

A foundation must adhere to its mission as set out by its founder(s) and implement it in the most effective and sustainable manner possible

- **Accounting and reporting**

Mandatory bookkeeping. A foundation must be able to provide information on its financial standing at any time

- **Audit**

A foundation must appoint auditors

# Alternative solutions: Swiss Charity Foundation

- **Foundation's Council**

The Council is the ultimate executive body of the foundation having all management powers. Minimum one Swiss resident member

- **Taxes**

Charity foundations are tax exempt (*as long as they are in full compliance with the applicable legal requirements and do not pay any distributions to foundation's founder(s) or their family members*). A tax exemption guarantee must be negotiated with the competent federal and cantonal tax authorities at the time of incorporation

- **Setup time frame**

4-8 weeks



## Alternative solutions: Swiss Residence – Lump-Sum Taxation

- In addition to being one of the most beautiful countries in the world Switzerland also offers its residents the benefit of lump-sum taxation („*Pauschalbesteuerung*“/*forfeit*)
- The lump sum taxation regime offers foreign high-net-worth individuals a possibility to be taxed on their income and wealth on the basis of a fixed annual lump sum without the obligation to report their actual worldwide income or wealth (*unless treaty relief under a double-taxation treaty is applied in Switzerland on a voluntary basis*)

## Alternative solutions: Swiss Residence – Lump-Sum Taxation

- Residence Permits are granted to all EU nationals who do not intend to work in Switzerland. The lump-sum taxation has no age limit for EU nationals
- For non-EU nationals the lump-sum taxation regime is only available once an individual reaches the age of 55
- Swiss lump-sum taxation can be a very attractive tax planning tool for high-net-worth individuals and their families who wish to make Switzerland their home (*for example to avoid inheritance taxes and/or estate taxes*)



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# Interested? Call us now!

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for legal professionals and direct customers

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# Thank you!