Swiss Corporations

Corporate Income Taxation

As of January 1, 2020, the holding, trading and other special tax regimes were abolished in favor of a uniform regime. There is taxation at the Federal, Cantonal and Municipal level. Corporate income tax rates in the Canton of Geneva are approx. 6.7% plus Federal tax at 7.3%, for a total of approx. 14%.

Dividends from qualifying participations of at least 10%, or with an FMV at least CHF 1MM, are exempt from Cantonal and Federal tax. Capital gains derived from disposal of participations of at least 10% and held for at least 1 year are also exempt from Cantonal and Federal tax.

Corporate Vehicles

Switzerland has two types of corporations, the Société Anonyme (SA) and the Société a Responsabilité Limitée (Sarl). The Société en Commandite, or limited partnership, is fiscally transparent and has quasi-legal personality.

Withholding Tax (WHT)

Outbound dividends paid by a Swiss company are subject to 35% WHT. However, under the Swiss-EU Parent Subsidiary Directive, there is no WHT if the shareholder corporation holds at least 25% of the shares of the Swiss company for a period of 2 years, and both corporations are subject to tax. WHT rates can also be reduced under DTTs.

To avoid treaty abuse, Switzerland applies the Principle Purpose Test under which DTT benefits will generally be denied where the holding structure was created for tax avoidance and lacks an economic purpose.

Stamp Duty

Stamp duty is levied at the Federal level on contributions to share capital, at 1% of the FMV of the contribution. An exemption applies to the first CHF 1 MM.

Net Equity Tax

Net Equity is taxed only at the Cantonal level. In Geneva, the tax is approx. 0.4%, but is reduced to approx. 0.001% for qualified participations and intercompany loans.

Controlled Foreign Corporations (CFCs)

Switzerland does not have CFC rules. Undistributed profits of subsidiaries are not imputed to the holding company.

Thin Capitalization Rules

If debt from shareholders exceeds admissible ratios, which depend on the type of asset (e.g. cash 100%, listed securities 60%, bonds in CH 90%, bonds in foreign currency 80%), it may be treated as hidden equity. Excessive interest is not deductible and may be treated as a constructive dividend subject to Federal WHT.

Statutory Requirements

Swiss companies must conduct an annual general meeting of shareholders, produce audited accounts (can opt-out of audit where less than 10 employees), and file tax returns. At least one member of the board or management must be a Swiss resident. Corporate directors are not permitted.

The minimum share capital for an SA is CHF 100,000, at least 20% must be paid, but not less than CHF 50,000. For an Sarl, the minimum capital is CHF 20,000 and must be fully paid.

Commercial Registry

The basic details of the corporation are filed and publicly available in the Registre de Commerce. There is no public beneficial owner register.

Double Tax Treaties (DTTs)

Switzerland has an extensive network of Double Tax Treaties (DTTs).

Foreign Investment Protection

Switzerland has abroad network of agreements which provide for international arbitration in case of expropriation or confiscation of investments.

Common Reporting Standard (CRS)

Switzerland has adopted CRS for the automatic exchange of account information.

FATCA

Switzerland has a Model 2 FATCA IGA with the United States, under which financial account information is reported directly to the IRS.

Notice

CISA is not a legal or tax advisor, this memo is informational only and is not offered as advice.