Swiss Corporations: Stability In A Volatile World

Switzerland offers stability as well as a number of potential tax efficiencies to corporates, in a volatile and changing world.

By **Christine Breitler**, 15th November 2022

Recent events around the world, including the covid pandemic and major wars, mean that stability, security and reputational issues have become even more important. This applies to corporate structures as well as to many other areas of international life.

Swiss companies offer stability, as well as a number of potential tax efficiencies.

Advantages

Switzerland offers a number of advantages as a location for international companies:

- Located in the centre of Europe.
- Economic and political stability.
- High regard for personal privacy and confidentiality.
- An exceptionally 'innovative' and 'competitive' country, with numerous strong industries.
- A well respected jurisdiction with an excellent reputation.

- A high quality and multilingual local workforce.
- Low rates of corporate tax for Swiss companies.
- Premier destination for international investment and asset protection.
- Major commodity trading centre in the world.
- Hub for HNWIs, international families and a wide variety of professionals including: lawyers, family offices, bankers, accountants, insurance companies.

A Favourable Tax Environment for Companies and Foreign Investors

The Swiss tax regime for companies is attractive as summarised below:

- Swiss trading companies are taxed at between 12% and 14%.
- NO corporate tax on dividends received from qualified participations and no capital gains.
- NO tax on dividend distributions to shareholders based in Switzerland and/or a country in the EU.

Swiss Company Taxation

The Swiss federal tax rate is consistent across Switzerland, but corporate tax rates (federal tax, plus cantonal tax) vary across different Swiss cantons, depending on the specific approved cantonal tax rate.

Since January 2020, the corporate tax rate (combined federal and cantonal tax) for trading companies in Geneva, has been 13.99%.

Swiss Holding Companies benefit from a participation exemption and do not pay income tax on profits or capital gains arising from qualifying participations. This means that a pure Holding Company is exempt from Swiss tax.

Swiss Withholding Tax (WHT)

There is no WHT on dividend distributions to shareholders based in Switzerland and/or in the EU (EU Parent/Subsidiary Directive).

Switzerland is not in the EU, but is in 'Schengen'.

Double Tax Treaties

Switzerland has an extensive double tax treaty network, with access to tax treaties with over 100 countries.

If shareholders are domiciled outside Switzerland and outside the EU, and a double tax treaty applies, the final taxation on distributions will generally be between 5% and 15%.

Patent Box

Net profit from domestic and foreign patents are taxed separately with a maximum reduction of 90% (precise rate depending on the specific canton). This Patent Box Regime meets the OECD2 standard.

Before the Patent Box is applied for the first time, the R&D expenditures, that are to enjoy tax relief, must have been identified and taxed.

Additional Information

If you require additional information relating to Swiss companies and the advantages they can offer for Swiss corporations, please speak to Christine Breitler at the Dixcart office in Switzerland: advice.switzerland@dixcart.com.