



## SWISS COMPANY: SPECIAL TAX STATUS

### HOLDING COMPANIES

The term “holding companies” is used for those companies whose purpose is the ongoing management of investments in other companies and which do not conduct any business activity in Switzerland. An additional requirement is that the investments held or the revenues earned from them must represent at least 2/3 of the entire assets and/or of the entire income. Holding companies are exempt from cantonal income tax and pay a reduced rate of capital tax. At federal level, and based on the income from significant investments in other companies, it is possible to claim a tax reduction (the so-called participation deduction).

### INVESTMENT COMPANIES

In the same way as for the participation deduction at federal level, a tax reduction is granted at cantonal level for significant investments in other companies.

### MANAGEMENT COMPANIES

A management company is a domicile or mixed company. Domicile companies are characterised by the fact that they simply have their business address in Switzerland but do not conduct any actual business activity in Switzerland. In particular, they have neither staff nor offices of their own.

Mixed companies are those whose business activity is primarily related to business abroad, whereas any business activity in Switzerland itself is of a secondary nature.

For management companies, revenues from Swiss sources are fully taxed, whereas income from foreign sources are proportionately taxed, depending on the extent of the activity.

Income from investments in other companies is tax-exempt.

### MIXED COMPANIES

**BACKGROUND:** Mixed companies are corporations or branch operations of foreign companies whose business activity is primarily related to business abroad, whereas any business activity in Switzerland itself is of a secondary nature.

**PRESUMPTIONS:** This regime is applicable to corporations, limited partnerships, limited liability companies, cooperatives and branches of foreign companies.

**BASIC CONDITIONS:** The business activity must be performed predominantly outside of Switzerland, i.e. at least 80 % of both sales and purchases must take place outside of Switzerland (the bi-dimensional principle). Mixed companies are not allowed to be involved in their own production or distribution activities in Switzerland.

### PRINCIPAL COMPANIES

Principal companies process trading transactions with foreign subsidiaries and sister companies on a commission basis and also allocate manufacturing orders to such foreign companies.

For this kind of business activity, principal companies can claim a deduction at the level of direct federal tax for business conducted outside Switzerland.

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