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Switzerland Tax

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This country-specific Q&A provides an overview of tax laws and regulations applicable in Switzerland.

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Switzerland: Tax

1. How often is tax law amended and what is the process?

Swiss tax laws can be amended at any time and almost every year new provisions or minor adjustments are introduced at the federal and cantonal level.

The legislative process typically starts with an initiative or motion from the Swiss people, the Parliament, the Swiss Federal Council or the cantons. The draft amendment elaborated by the Swiss Federal Council is subject to public consultation with the cantons, political parties, associations and interested groups, and the final draft is submitted together with a dispatch to the Parliament for deliberation. Federal law amendments are subject to an optional referendum and constitutional amendments to mandatory referendum.

2. What are the principal administrative obligations of a taxpayer, i.e. regarding the filing of tax returns and the maintenance of records?

Individual and corporate taxpayers must file an annual tax return. For individual taxpayers the tax return refers to income and wealth tax and the tax period is the calendar year. Corporate taxpayers are subject to corporate income and capital tax and the tax period coincides with the financial year.

Tax filing procedure and deadline for tax returns for individual and corporate taxpayers vary widely from canton to canton and an extension may be possible.

Employers must file tax returns covering taxes withheld from the employee's remuneration.

Depending on the circumstances, VAT returns must be filed monthly, quarterly or on a half-annual basis.

Certain events (e.g. company dividend distributions, real estate transactions, gifts) may require the taxpayer to file additional one-time tax returns.

Corporate taxpayers and self-employed individual taxpayers have to maintain the books and records for tax purposes for ten years. Other requirements may apply depending on the circumstances (e.g. for VAT purposes a taxpayer maintain all records relating to real estate for 26 years).

3. Who are the key tax authorities? How do they engage with taxpayers and how are tax issues resolved?

The Swiss Federal Tax Administration ("SFTA") and cantonal tax authorities are the key regulatory authorities.

For income tax, the SFTA issues guidelines for the interpretation of tax provisions and has a supervisory function, while the cantonal tax authorities are in charge of the day-to-day tax matters of taxpayers, including issuing tax assessments and collecting taxes.

The SFTA is the main tax authority for other federal taxes, such as the Swiss VAT, the Swiss withholding tax ("WHT") and the Swiss stamp duties.

Cantonal tax authorities are also in charge of other cantonal taxes (e.g. wealth and capital taxes, tax on real estate transactions, gifts and inheritance taxes).

SFTA and cantonal tax authorities are generally available for dealing with tax rulings. Taxpayers may apply for an advance binding tax ruling with respect to the tax consequences of a planned structure or transaction. The ruling procedure is not regulated by tax law but is based on the constitutional principle of good faith. Obtaining a tax ruling usually takes a few weeks, but depending on the complexity, the process may take up to several months.

The time needed to resolve an issue with the SFTA or the cantonal tax authorities depends on the scope and complexity of the issue. Normally, standard issues can be directly resolved with the competent tax authority in a cooperative way.

4. Are tax disputes heard by a court, tribunal or body independent of the tax authority? How long do such proceedings generally take?

Taxpayers can challenge the tax assessment by submitting a formal objection with the tax authority. The tax assessment is re-examined by the tax authority that issued the initial decision.

The tax authority may modify the initial decision partially or in full or reject the objection entirely.

The outcome of the re-examination decision can be appealed to the competent cantonal or federal court. In most cases, the judgement of the first instance can be appealed to the Swiss Federal Supreme Court, either by the taxpayer or the tax authority. The Swiss Federal Supreme Court is the final instance, so that decisions taken cannot be further challenged.

Tax disputes until the Swiss Federal Supreme Court generally take several years to be resolved.

5. What are the typical deadlines for the payment of taxes? Do special rules apply to disputed amounts of tax?

Income, wealth and capital taxes are usually collected on a provisional basis during the calendar year. The tax authority provides individual and corporate taxpayers with provisional invoices based on the last tax assessment. Provisional tax payments for federal income tax are due by March 1 following the respective tax year. Cantonal laws govern the collection of cantonal and communal provisional tax payments and vary widely from canton to canton. Final tax payments or tax refunds (or carries forward) are due once the authorities have finally assessed the tax return.

For VAT purposes, the payment deadline is usually identical to the filing deadline (cf. question 2).

The payment of non-periodical taxes is usually within thirty days after the due date of the tax.

A late payment may trigger a late payment interest (interest rate depending on tax and circumstances).

In the event of a dispute, provisional payment of the disputed tax amount is in principle not required. However, if the final judgment is unfavorable to the taxpayer, late interest may be charged until the final tax payment.

6. Are tax authorities subject to a duty of confidentiality in respect of taxpayer data?

Taxpayer information is kept confidential and subject to non-disclosure rules. Swiss tax authorities may exchange information with each other for tax assessment purposes (i.e. between federal and cantonal tax authorities). Within the other Swiss authorities, tax information may only be disclosed in exceptional cases provided for by law (e.g. the social security service or criminal prosecutors).

On an international level, Switzerland has adopted numerous agreements that provide for the exchange of

tax information on request, automatically and spontaneously (cf. question 14).

7. Is this jurisdiction a signatory (or does it propose to become a signatory) to the Common Reporting Standard? Does it maintain (or intend to maintain) a public register of beneficial ownership?

Switzerland is a signatory to the Common Reporting Standard ("CRS") and has implemented the automatic exchange of information standard since January 1, 2017.

Switzerland has adopted requirements for the identification and registration of beneficial owners of corporations based on the Revised FATF Recommendations of 2012. Swiss non-listed companies must record and keep up to date in a register every person who holds direct or indirect at least 25% of the capital or voting rights in the company or exercises control in some other way (i.e. register of the beneficial owner). Such a register is not public, but the information may be made available to the Swiss authorities.

Furthermore, on August 30, 2023, the Federal Council launched the consultation procedure on a bill to strengthen the anti-money laundering framework, including introducing a federal transparency register reporting the information on beneficial owners. Such non-public register should be managed by the Federal Department of Justice and Police (FDJP) and access should be reserved for certain authorities in the exercise of their statutory duties.

8. What are the tests for determining residence of business entities (including transparent entities)?

A corporation is deemed to be resident in Switzerland if its statutory seat (place of incorporation) or place of effective management is located in Switzerland. A corporation's place of effective management is where its economic and effective interests are focused, i.e. the place from which its daily activities are directed and/or the place from which management decisions are made.

Swiss partnerships are not legal entities and are therefore not subject to Swiss corporate income tax. Partnerships are transparent for tax purposes and the partners of a partnership are taxed individually, thus the residence is determined at partner level.

9. Do tax authorities in this jurisdiction target cross border transactions within an international group? If so, how?

In recent years, Swiss tax authorities have increasingly focused on cross-border issues and transactions of international groups, targeting transfer pricing and supply chains. This includes, for example, assessing whether transfer prices comply with the arm's length principle.

Offshore companies are also closely scrutinized by the Swiss tax authorities and may be considered as Swiss tax residents if they are managed and controlled in Switzerland and established for the sole purpose of avoiding Swiss taxes.

10. Is there a controlled foreign corporation (CFC) regime or equivalent?

There are no controlled foreign company (CFC) rules in Switzerland. However, tax authorities use different approaches to tax foreign entities with limited or no substance, (i) by assuming that the place of effective management is located in Switzerland (cf. question 8) or the foreign entity has a permanent establishment in Switzerland, (ii) by adjusting the transfer prices between the foreign entity and Swiss group companies, or (iii) by assuming of tax avoidance, i.e. disregarding the foreign entity for Swiss tax purposes and attributing the profits and capital to the shareholders.

11. Is there a transfer pricing regime? Is there a "thin capitalization" regime? Is there a "safe harbour" or is it possible to obtain an advance pricing agreement?

Transfer pricing regime

Switzerland does not have specific transfer pricing legislation and there are no particular documentation requirements in this respect. Nevertheless, under the general tax provisions, related party transactions must be at arm's length and commercially justified. For the interpretation of the arm's length principle, the Swiss tax authorities rely on the OECD Transfer Pricing Guidelines.

In Switzerland, advance pricing agreements (APAs) can be obtained from the Swiss tax authorities. APAs have become a preferred option for Swiss-based international groups with complex or high-volume transactions. In practice, the process starts with a presentation of the facts and a formal request to the competent tax authority (i.e. cantonal tax authority for granting unilateral APAs for

income tax purposes; SFTA for unilateral APAs relating WHT; Swiss State Secretariat for International Finance for bilateral or multilateral APAs). These rulings may be subject to the spontaneous exchange of information (see also question 14; not the entire advanced tax ruling is exchanged, but a summary thereof.)

Thin Cap regime

The SFTA has published thin cap safe harbor rules that limit the maximum amount of related party debt for which deductible interest payments are allowed for Swiss tax purposes. A debt position is considered "related party" debt, if (i) the debt is raised directly from a related party (i.e. the lender is a related party); or (ii) a related party has granted security for debt raised from third parties (so called "indirect" related party debt). The Swiss Thin Cap Rules are not applied to third-party financing (e.g. banks).

The thin capitalization rules require that each asset class must be financed by a certain minimum equity portion. This test will be applied based on the assets' stand-alone Swiss book values, unless the Swiss company can show that the market value is higher. The maximum underlying debt for each asset category is determined by the following safe harbor debt-to-equity ratio:

Asset Class	Maximum debt financing allowable
Cash	100%
Accounts receivable	85%
Inventory	85%
Other current assets	85%
Bonds in CHF	90%
Bonds in foreign currency	80%
Listed stock	60%
Non-listed stock	50%
Participations	70%
Loan receivables	85%
Furniture and equipment	50%
Property, plants (commercially used)	70%
Other real estate	80%
Intellectual property	70%

As an exception thereto, a safe harbor debt-to-equity ratio of 6:1 applies to finance companies. In addition, a Swiss company that does not comply with the safe harbor rules may be able to demonstrate that a higher debt is consistent with the arm's length principle.

In addition, interest payments on related-party debt must comply with the safe harbor interest rates published

annually by the SFTA (alternatively, evidence must be provided that the interest rate is at arm's length). Shareholder loans and loans provided by related companies are subject to maximum interest rates and loans provided by the company to shareholders and related companies are subject to minimum interest rates.

Switzerland does not levy outbound interest WHT unless the loan agreement is qualified as a collective financing scheme. Intra-group loan agreements generally do not qualify as collective financing schemes. Accordingly, interest paid by a Swiss company to foreign lenders is generally not subject to WHT if the loan agreement does not qualify as a collective financing scheme. This requirement can be ensured by using particular language in the loan agreements ("10/20 Swiss Borrower Language").

If the related party debt exceeds the maximum borrowing capacity according to the Swiss thin capitalization rules, this debt is re-characterized as "hidden equity", i.e. not treated as debt but rather as equity for Swiss tax purposes and therefore subject to the annual equity tax. Debt interest on deemed equity as well as excessive (i.e. not at arm's length) debt interest on recognized debt is not tax deductible, i.e. is treated as deemed dividend subject to income tax and WHT at a rate of 35% (full or partial refund of the Swiss outbound dividend WHT possible based on applicable double tax treaty).

12. Is there a general anti-avoidance rule (GAAR) and, if so, how is it enforced by tax authorities (e.g. in negotiations, litigation)?

Swiss income tax law does not contain a specific general anti-avoidance rule ("GAAR"). However, the Swiss Federal Supreme Court has developed an anti-abuse doctrine applicable to all types of Swiss taxes, in order to prevent abusive tax planning. According to this anti-abuse doctrine, the tax authorities may tax the taxpayer's structure on the basis of its economic substance rather than its legal form, provided that such structure is unusual and economically unreasonable, can be explained only by tax reasons and would lead to significant tax savings if recognized by the tax authority.

Double tax treaties concluded by Switzerland may also contain further provisions that deal with preventing tax avoidance, e.g. by granting WHT reductions only to the beneficial owner. In addition, the Federal Supreme Court has also stated that every Swiss double taxation treaty implicitly contains a general anti-abuse clause. If a structure is deemed to be abusive, the double taxation treaty benefits are generally not granted.

Switzerland signed the OECD's Multilateral Instrument ("MLI") on 7 June 2017 and ratified it on 29 August 2019. The MLI entered into force on 1 December 2019. Thus, Switzerland is implementing the minimum standards either within the framework of the MLI or through the bilateral negotiation of double taxation agreements. Switzerland has already concluded initial bilateral negotiations to implement the BEPS minimum standards in existing double tax treaties. The MLI contains a principal purpose test on the basis of which treaty benefits can be denied if an abusive arrangement exists.

13. Is there a digital services tax? If so, is there an intention to withdraw or amend it once a multilateral solution is in place?

Switzerland does not levy a digital service tax and there is currently no intention to introduce such a tax.

On 15 May 2022, Switzerland approved the amended Film Act in a popular vote, which will enter into force on 1 January 2024. According to this law, any streaming or television service in Switzerland that generates annual gross income of more than CHF 2.5 million per year will be obliged to invest in Swiss filmmaking. Foreign television stations that broadcast Swiss advertising windows and streaming providers must therefore also pay a levy of 4% on their gross income generated in Switzerland, like domestic peer companies. Alternatively, it is possible to pay a substitute levy to the Federal Office of Culture.

14. Have any of the OECD BEPS recommendations, including the OECD's recent two-pillar solution to address the tax challenges arising from digitalisation of the economy, been implemented or are any planned to be implemented?

With the exchange of country-by-country reports is Switzerland implementing a minimum standard of the G20 countries and the OECD to combat base erosion and profit shifting (BEPS). On 1 December 2017, the relevant legal framework entered into force. This includes the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports ("CbC MCAA"), the associated Federal Act on the International Automatic Exchange of Country-by-Country Reports of Multinationals ("CbC Act") and the Ordinance on International Automatic Exchange of Country-by-Country Reports ("CbC Ordinance").

On 1 January 2017, the OECD/Council of Europe Convention on Mutual Administrative Assistance in Tax Matters (administrative assistance convention) entered into force for Switzerland, introducing a minimum standard for the spontaneous exchange of information on tax rulings regarding preferential tax regimes, unilateral APAs or other transfer pricing rulings, downward adjustment rulings, permanent establishment rulings and conduit rulings. For the purposes of spontaneous administrative assistance, the convention will be applicable in Switzerland for tax periods from 1 January 2018.

The MLI entered into force on 1 December 2019. Thus, Switzerland is implementing the minimum standards either within the framework of the MLI or through the bilateral negotiation of double taxation agreements (cf. also question 12).

Switzerland has committed to comply with the OECD minimum standard to improve the effectiveness of dispute resolution mechanisms (BEPS Action 14). Therefore, all Swiss double tax agreements include provisions on the mutual agreement procedure. Switzerland thus largely complies with the elements of the minimum standard (confirmed in the first OECD peer review report on the implementation of BEPS Action 14).

On 19 May 2019, Switzerland approved the Federal Act on Tax Reform and AHV (Old-Age and Survivors Insurance) Financing ("TRAF") in a popular vote, which entered into force on 1 January 2020. The tax reform replaced certain preferential tax regimes with new internationally accepted measures (as a result of BEPS Action 5).

On 18 June 2023, Switzerland decided in a popular vote to introduce the OECD minimum taxation at a rate of 15%. The Federal Council has received the authority to implement the minimum taxation with an ordinance. It will decide at the end of 2023 about the point of time when the minimum taxation is put into force. Possible dates of entry into force are 1 January 2024 or 1 January 2025 depending on the status of the implementation of the GloBE Rules in other countries. The corresponding tax statute will then be drafted in the ordinary legislative process.

15. How has the OECD BEPS program impacted tax policies?

Switzerland favors long-term, broad-based multilateral solutions and has therefore been actively involved in the BEPS project as well as the OECD's two-pillar solution and has implemented the BEPS rules into Swiss tax law

(cf. question 14).

16. Does the tax system broadly follow the OECD Model i.e. does it have taxation of: a) business profits, b) employment income and pensions, c) VAT (or other indirect tax), d) savings income and royalties, e) income from land, f) capital gains, g) stamp and/or capital duties? If so, what are the current rates and how are they applied?

Business profits

The Swiss tax system broadly follows the Swiss OECD Model. There are three levels of corporate taxes: federal, cantonal and communal. There are 26 tax cantonal jurisdictions and about 2,170 communal tax jurisdictions. Swiss corporate income tax is levied at federal, cantonal and communal level. Swiss corporate capital tax is levied at cantonal and communal level.

A Swiss resident corporation is subject to Swiss corporate income tax on its worldwide income, with the exception of income attributable to foreign permanent establishments and foreign immovable property (domestic exemption method with progression).

A Swiss permanent establishment of a foreign company is subject to Swiss corporate income tax on the income attributable to the permanent establishment.

Swiss corporate taxation follows the statutory financial accounts ("Swiss GAAP") unless a specific Swiss tax provision applies (e.g. deemed dividend distribution, thin cap rules, transfer pricing rules). The annual profit of the profit and loss statement and the equity of the closing balance sheet are subject to Swiss corporate income taxes and Swiss corporate capital taxes.

Corporations pay a tax on profits. The ordinary effective tax rates for corporations on profit before tax vary between 11.5% and 24.4% (covering income tax on federal as well as cantonal/communal level, further considering that taxes are tax deductible), depending on canton and community of domicile. The following table shows the combined 2023 Swiss corporate income effective tax rates (i.e. before taxes):

Tax jurisdiction	2023 income tax rate before taxes
Basel-City (Canton of Basel-City)	13.04%
Geneva (Canton of Geneva)	14.00%
Lausanne (Canton of Lausanne)	14.00%
Zug (Canton of Zug)	11.82%
Zurich (Canton of Zurich)	20.13%

Employment income and pensions

All individuals resident in Switzerland are taxed on their worldwide income and wealth (unlimited tax liability), excluding income from business activities carried out abroad, foreign permanent establishments and real estate situated abroad.

Income tax rates are progressive at the federal level and in most of the cantons. In 2023, the tax rates (highest level of progression) vary between 22.1% to approximately 47.69% (covering income tax on federal as well as cantonal/communal level) depending on the canton and community of domicile.

The tax returns generally have to be filed in the canton where the taxpayer is/has been resident at the end of the respective tax period. Married couples that are not legally or factually separated have to file a joint tax return. The jointly taxation of married couples is currently subject to political discussion and the Swiss Federal Council defined on 30 August 2023 key parameters for the possible introduction of individual taxation.

Generally, expenses related to the earning of income (e.g. professional expenses, commuting costs, additional costs for meals at the place of work, costs related to further education, third party child care) are deductible from gross income. In addition, social security contributions are also deductible from gross employment income.

Employment income is additionally also subject to social security contributions at the rate of approximately 13%.

VAT

A Swiss corporation and a Swiss permanent establishment respectively may become subject to Swiss value added tax ("VAT") if they provide services and deliver goods in Switzerland at a global turnover of CHF 100,000 per year.

Proceeds from sales and services in Switzerland are generally subject to the standard VAT-rate of 7.7% (will increase to 8.1% as of 1 January 2024). Goods for basic needs (e.g. food, water in pipes) are subject to the reduced rate of 2.5% (will increase to 2.6% as of 1 January 2024). Furthermore, services related to the provision of accommodation (e.g. bed and breakfast) are subject to the special VAT-rate of 3.7% (will increase to 3.8% as of 1 January 2024). The supply of services and the delivery of goods abroad is not subject to Swiss VAT.

Savings income and royalties

Savings income and royalties are generally taxed together with other income at the ordinary Swiss income tax rates. Dividend income from qualifying participations (i.e. at least 10% shareholdings in corporations) is only partially (between 50%-70%, depending on the canton of domicile) taxable (cf. question 25).

Capital payments from pension funds are also subject to income tax but usually at a lower rate.

Income from land

Income from immovable property (e.g. rental income, development income) is taxed as ordinary income. Swiss income tax law also considers the imputed rental value of habitable real estate as taxable income of individual taxpayers.

Capital gains from the sale of real estate are taxable for both individual and corporate taxpayers.

Capital gains

Private capital gains on movable assets (including crypto assets) are generally tax exempt in Switzerland provided the respective individual's activity does not qualify as business activity. In contrast, capital gains from immovable property are taxable (see above lit. e).

The sale of business assets is subject to ordinary taxation, with the exception of the sale of qualified participations (i.e. at least 10% shareholdings in corporations), which are included in the tax base at only 70%. Capital gains of corporations are subject to ordinary corporate income taxes, with the exception of the sale of qualified participations (cf. question 25), for which a participation relief is granted.

Stamp and/or capital duties

Contributions into the equity (share capital and capital reserve) of Swiss corporations paid by the shareholder are subject to issuance stamp duty at 1% on the fair market value of the contribution. However, a tax-free CHF 1 million threshold is applicable to contributions into share capital.

The establishment of a Swiss permanent establishment is not subject to issuance stamp duty.

Switzerland also levies a stamp tax on the transfer of securities (i.e. Swiss or foreign shares, bonds and units in collective investment schemes) against consideration, when a Swiss securities dealer participates in the transaction either as a party or as an intermediary. The Swiss transfer stamp tax rate is 0.15% for the transfer of

Swiss securities and 0.3% for the transfer of foreign securities.

17. Is business tax levied on, broadly, the revenue profits of a business computed in accordance with accounting principles?

The Swiss accounting regulations of the Swiss Code of Obligations ("CO") differ significantly from the generally accepted international accounting standards (e.g. IFRS or US GAAP). The CO is largely characterized by the principle of prudence (in particular, the creation of hidden reserves is permitted to a virtually unlimited extent), whereas the internationally recognized accounting standards are characterized by the true-and-fair-view principle.

Swiss corporate taxation follows the statutory financial accounts in accordance with the provisions of the CO unless a specific Swiss tax provision applies (e.g. deemed dividend distribution, thin cap rules, transfer pricing rules, etc.).

18. Are common business vehicles such as companies, partnerships and trusts recognised as taxable entities or are they tax transparent?

Tax residents include Swiss resident legal entities, i.e. Swiss stock corporations, limited liability companies and partnerships limited by shares, cooperatives, associations and foundations as well as collective investment schemes with direct ownership.

Partnerships are not legal entities and are transparent for Swiss tax purposes. The profits and capital of the partnership are subject to income and wealth tax at the level of the partners. As an exception, foreign partnerships with a tax nexus to Switzerland (e.g. operates a Swiss company) are taxed like legal entities for Swiss tax purposes (i.e. subject to corporate income tax).

Swiss tax law does not have any provisions on the taxation of trusts. However, foreign trusts can be fully recognized in Switzerland. If the settlor is tax resident in Switzerland when the trust is established, the tax treatment of the settlor and beneficiary depends on whether the settlor establishes a revocable fixed interest trust, an irrevocable fixed interest trust, or an irrevocable discretionary trust. As a general rule, if an irrevocable fixed interest trust is established, a final disposition of the assets has taken place, so that the beneficiary is subject to tax if he/she is a Swiss tax resident. In all other cases,

the assets and the income from those assets continue to be attributed to the settlor, and the settlor is subject to tax, regardless of whether the trust is a revocable or an irrevocable trust. On the other hand, if a settlor is tax resident abroad when establishing an irrevocable discretionary trust (i.e. pre-immigration trust), he/she will not be subject to tax on the trust assets and income after moving to Switzerland.

19. Is liability to business taxation based on tax residence or registration? If so, what are the tests?

A company is subject to Swiss corporate income taxes if its statutory seat (place of incorporation) or place of effective management is located in Switzerland (cf. question 8).

20. Are there any favourable taxation regimes for particular areas (e.g. enterprise zones) or sectors (e.g. financial services)?

With the entry into force of the TRAF on January 1, 2020, the cantonal special tax regimes (e.g. the regimes for holding companies, domiciliary companies, mixed trading companies) were abolished. At the same time, the majority of the cantons introduced internationally accepted replacement measures, such as an OECD compliant patent box, a research and development (R&D) super deduction (cf. question 21), and other measures.

In addition, when establishing a new company, creating a new activity within an existing company or a significant development of an existing activity, many cantons offer temporary tax incentives, such as tax holidays or significant tax relief for cantonal and communal tax purposes for up to ten years. In some specific economic development regions and regional centers, a tax holiday may even be granted for federal corporate income tax purposes if certain conditions are met.

21. Are there any special tax regimes for intellectual property, such as patent box?

On January 1, 2020, the TRAF introduced a mandatory patent box incentive at cantonal and communal levels. Upon request from the taxpayer, the income derived from its domestic and foreign patents and similar rights is eligible for a maximum relief of 90%.

With the TRAF, several cantons have introduced an R&D super-deduction, granting an additional deduction from

the corporate income tax base of up to 50% on qualified R&D expenses. The additional deduction related to R&D expenses activities (i.e. fundamental research, application-oriented research, science-based innovation) carried out in Switzerland.

22. Is fiscal consolidation permitted? Are groups of companies recognised for tax purposes and, if so, are there any jurisdictional limitations on what can constitute a tax group? Is there a group contribution system or can losses otherwise be relieved across group companies?

In Switzerland there is no tax consolidation system for corporate income tax purposes. For tax purposes, each legal entity is assessed on a stand-alone basis. Tax losses can only be transferred to other group companies by company reorganization.

A group taxation regime is only available for VAT purposes.

23. Are there any withholding taxes?

In general, Switzerland applies a 35% WHT tax on Swiss sources:

- Interest from bond or equivalent instrument;
- Dividend or other profit and liquidation distribution;
- Income paid by collective investment schemes (funds);
- Interest from a bank deposit;
- Lotteries gains;

WHT is also levied on certain insurance payments and, depending on the circumstances, the tax rate is 8% or 15%.

Interest on loans paid by a Swiss company is in principle not subject to WHT unless the loan agreement qualifies as a collective financing scheme (cf. question 11 lit. b).

Swiss-resident recipient can obtain a full refund of WHT, while a non-resident recipient may apply for a full or partial refund based on an applicable international tax treaty. Under certain circumstances, the notification procedure may apply and dividends distributed by Swiss subsidiaries to Swiss or Non-Swiss parent companies are exempt from WHT.

Furthermore, under certain conditions, other Swiss-

sourced income may be subject to WHT at source (labour income for foreign national residents and cross-border commuters, non-resident sportspersons and entertainers, interest related to non-resident creditor if a mortgage pledge on a Swiss-located property secures the loan).

24. Are there any environmental taxes payable by businesses?

At the federal and cantonal levels, there are several taxes related to the environment and certain energy products, like waste, mineral oil, energy, and transport taxes.

25. Is dividend income received from resident and/or non-resident companies taxable?

Dividend income is included in the individuals and corporates income tax base. Under certain conditions, the shareholder can benefit from a tax relief applied at the federal and cantonal income tax level.

Corporate taxpayer benefit of participation relief on qualifying dividend income and capital gain: the taxable income is reduced in proportion to the ratio between the net dividend or net capital gain and the total taxable income. To benefit from the participation relief on dividends, the company must hold at least 10% of the equity or profit interest of the distributing company, or the fair market value of the participation rights must be at least CHF one million. The participation relief on capital gain applies if the company held for at least one year 10% minimum of the equity or profit interest of the subsidiary. No participation relief applies on recaptured depreciation.

Individual taxpayers benefit from partial taxation on dividends if they hold at least 10% of the equity of the distributing company. The partial taxation of dividends from qualifying participations is set at 70% at the federal level and varies at the cantonal level but must be at least 50%. Individual taxpayers holding a qualifying 10% shareholding in their business assets for more than one year also benefit from partial taxation on capital gains.

26. What are the advantages and disadvantages offered by your jurisdiction to an international group seeking to relocate activities?

Switzerland offers a regulated environment that would ensure long-term sustainability, political and economic stability, and a quality infrastructure. For corporate and employment tax matters Switzerland has an international competitive environment, and it is generally possible to

conclude advance ruling requests with the Swiss authorities, offering legal assurance with respect to certain companies' set-ups. In addition, foreign companies may benefit from a tax neutral step-up of all hidden reserves upon relocation to Switzerland.

Furthermore, Switzerland has a very broad double tax treaty network with more than 100 countries. Therefore, potential double taxation issues may be covered by a respective applicable double tax treaty.

Disadvantages can be found in the high employment cost and some highly regulated domestic industries.

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