GHR FactSheet

Taxation of Companies in Switzerland

Introduction

Corporations, cooperatives, associations, foundations and other legal entities (hereinafter "**companies**") are subject to unlimited tax liability in Switzerland if their registered office or actual administration is in Switzerland. If this is not the case, it is possible that such companies will only be subject to limited tax liability in Switzerland, for example due to a permanent establishment. The taxation of general, limited and simple partnership, on the other hand, is transparent, i.e. with the respective partners. Other principles apply accordingly.

From a tax point of view, the fiscal year does not necessarily have to be the same as the calendar year.

Profit Tax

The profit tax is levied at federal, cantonal and municipal level. Object of Profit tax with unlimited tax liability is the worldwide profit of the company. At federal level, corporate tax is levied at a flat rate of 8.5 % on the net worldwide profits of the company. Taking into account the deductibility of the profit tax itself, the net tax burden is 7.8 %. On the cantonal and municipal levels, however, tax rates are progressive. They vary from canton to canton between 4.5 % and 16 %. Taxes are calculated on the basis of net income according to accounting, subject to the possibility of tax adjustment.

In case of participations exceeding 10 % or a participation value of at least CHF 1 million, the applicability of the fiscally preferable participation deduction should be analyzed. (see behind; lit. a)

In the event of a loss within a tax period, it is possible to carry it forward within the following seven periods.

It should also be noted that companies in some cantons have to pay church taxes in addition to the regular profit tax.

Capital Tax

Capital taxes are levied exclusively by the cantons and the municipalities, but not by the federal government. Subject of the capital tax is equity. Since certain cantons offset profit tax directly against capital tax, capital tax can amount to CHF 0.00 in the result.

Stamp Duty

When shares of a corporation, shares of limited liability companies, share certificates of cooperatives, participation and profit participation certificates are issued, a one-off federal tax (so-called emission levy) in the amount of 1 % of the amount of the participation rights issued to the company or at least their nominal value must be paid. However, this only applies if the inflow exceeds the exemption limit of CHF 1 million.

Withholding Tax

A withholding tax of 35 % is levied on income from domestic capital share rights, such as shares, participation certificates or common shares, which is paid to the owners by public limited companies, limited liability companies (hereinafter "companies") and cooperatives. This tax is fully refunded to Swiss residents. For other persons, it constitutes a final tax, unless the recipient is resident in a country with which Switzerland has concluded a corresponding state treaty and provided that such person can benefit from this treaty. The withholding tax is withheld by the company or cooperative, deducted directly from the dividend payment and transferred to the Swiss Federal Tax Administration. If the subject is not a natural person, but a company or a cooperative, the tax liability can be fulfilled by reporting instead of payment, if necessary.

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Participation exemption

Dividends paid to a company are normally included as income in its net profit and are taxed accordingly. However, if the recipient of the dividend is a company or cooperative holding a participation of at least 10 % or a book value of at least CHF 1 million, the federal income tax is reduced in proportion of dividend income to total income (so-called participation exemption).

The holding privilege and the domiciliary company status are abolished as per January 1, 2020, based on a public vote in 2018.

Double taxation treaties

In international circumstances, double taxation of dividends, interest or royalties is possible. In order to avoid such double taxation, Switzerland has concluded numerous double taxation agreements. These agreements determine which state - whether the state of residence or the state from which a possible profit originates - has the right of taxation. After that, the tax is levied as withholding tax and can be reimbursed under certain conditions, i.e. the confirmation of the country of residence that an international company is subject to unlimited tax liability. Non-refundable taxes can be offset against the tax burden of an international company in the country of residence.

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