



# Corporate Tax Services

knowing you.



## Corporate Taxation

Resident companies are subject to corporate income tax on their worldwide income with the exception of income attributable to foreign permanent establishments or foreign real estate (immovable property). Such income is excluded from the Swiss tax base and is only taken into account for rate progression purposes in cantons that still apply progressive tax rates.

Non-resident companies are subject to Swiss taxation only, when income and capital gains derived from Swiss business, permanent establishments or immovable property, whereas income from immovable property includes capital gains from trading with immovable property.

- **Tax Return from CHF 300**
- **Tax Ruling from CHF 1'000**
- **Tax Advisory CHF 100-470 p/h**

## Thin Capitalization Rules

The Swiss Federal Tax Administration has issued "Safe Harbor Rules" for thin capitalization purposes that apply to related party debt. Third-party financing is not affected by these rules. Specifically, a unique asset-based test is used to determine whether a company is adequately financed. The thin capitalization rules require that each asset class must be underpinned by a certain minimum equity portion.

Related-party debt exceeding the allowable debt as calculated according to the percentages provided from the Tax Administration is classified as equity and added back to the taxable capital for purposes of the cantonal/communal annual capital tax, unless it can be proven that in this particular case the debt terms applied meet the requirements of the arm's length principle and are therefore appropriate. Moreover, the allowable interest deductibility on debt is determined by multiplying the allowable debt with the safe harbor interest rates. If interest payments to related parties exceed the amount which can be paid based on the allowable debt, they are added back to taxable profit in case the market-related prices cannot be proven on an arms length comparison. In addition, such excessive interest payments are regarded as hidden dividend payments, which are subject to withholding tax.

## Capital Tax

Annual capital tax is only levied at cantonal/communal level. The basis for the calculation of capital tax is in principle the company's net equity (i.e. share capital, paid-in surplus, legal reserves, other reserves, retained earnings).

## Ordinary income tax burden

The effective tax rates for Swiss companies vary from canton to canton and start at around 11.35%. This makes Switzerland extremely competitive in an international comparison.

## Withholding Tax

A federal withholding tax of 35% is levied at source on the gross amount of dividend distributions by Swiss companies, on income from bonds and similar debt instruments by Swiss issuers, as well as on certain distributions of income by Swiss investment funds, and interest payments on deposits with Swiss banking establishments.



Since the capital contribution principle came into effect on January 1, 2011, repayments of capital contributions from shareholders, which were declared and accounted for correctly are now treated the same as repayments of nominal capital. These repayments are not subject to withholding tax. The repayment of capital contributions for individuals (if shares are held as private assets) does not cause taxable income. For non-resident taxpayers, the withholding tax would represent a final tax burden. However, a partial or total refund may be granted based on an international double tax treaty or a bilateral agreement concluded by Switzerland with the country in which the recipient of the earnings is residing.

### **Real Estate Taxes**

Capital gains on Swiss immovable property are either subject to a particular cantonal real estate gains tax or to ordinary corporate income tax, depending on the system that is applied in the canton where the immovable property is located.

Furthermore, in some cantons the transfer of real estate is subject to a conveyance tax. Generally, conveyance tax is assessed on the purchase price or the taxable value of the real estate.

Moreover, about half of the cantons levy a special wealth tax on real estate. This tax is due every year in addition to the general wealth tax. The tax is levied at the place where the property is situated and is assessed on the market or taxable value of the real estate without allowing for deduction of debts. The applicable tax rate is 0.3%.

### **Stamp Taxes**

Generally, the tax liability arises on special legal transactions such as the issuance of shares (issuance stamp tax also known as capital duty) or the trading of securities (securities transfer stamp tax). The tax on the issuance and the increase of equity of Swiss corporations is 1% on the fair market value of the amount contributed, with an exemption on the first CHF 1 million of capital paid in, whether it is made in an initial or subsequent contribution.

### **Value Added Tax (VAT)**

Any legal entity, establishment, partnership or association without legal capacity, institution, etc. that operates an enterprise (obtains revenues through business or professional activity for a long period of time, regardless of whether there is an intention to make money) is liable for VAT. There is a registration obligation if global taxable turnover exceeds CHF 100,000 per year. All permanent domestic establishments of a Swiss parent company form one taxable entity together with the parent company. All domestic establishments of a foreign parent company are also classed as one taxable entity. On the other hand, the domestic establishments and the foreign parent company are each considered a separate taxable entity. A VAT obligation (without mandatory registration) also does not apply to taxable recipients in Switzerland if, in a calendar year, they render services not exceeding CHF 10,000 to companies domiciled abroad that are not entered in the taxpayer register and provided that the service takes place in Switzerland according to the "place of supply is where the recipient is established" principle.



# WHY KRESTON?

Kreston is an international network of over 200 companies in more than 125 countries, with more than 25,000 dedicated professionals.

You will receive first class advice and exceptional service from us wherever in the world you do business.



**1971**

FOUNDED



**125+**

COUNTRIES



**200+**

FIRMS



**25,000+**

PEOPLE



**12th\***

LARGEST GLOBAL  
ACCOUNTING NETWORK



**\$2.3bn+**

IN REVENUES



## VAT Service Packages

### ● Registration from CHF 300

Any legal entity, establishment, partnership or association without legal capacity, institution, etc. that operates an enterprise (obtains revenues through business or professional activity for a long period of time, regardless of whether there is an intention to make money) is liable for VAT. There is a registration obligation if global taxable turnover exceeds CHF 100,000 per year.

### ● Fiscal Representative from CHF 1'200

A foreign company that operates in Switzerland and is subject to taxation must be represented by a Swiss domiciled representative (tax representative). A fiscal representative represents the foreign company / entrepreneur who has authorized him / her to do so in all VAT matters towards the Swiss tax administration.

### ● Basic Package p.a. CHF 1'200

The client compiles the required information every quarter; which will be recorded by us in the quarterly VAT declaration without verifying the information.

### ● Advanced Package p.a. CHF 2'400

The client compiles the required information every quarter. We select 5 random samples of account receivables and payables each quarter and check whether they meet the formal requirements and the correct booking / use of VAT codes. After checking the samples and necessary corrections, the VAT declaration will be filed and submitted.

### ● Premium Package p.a. CHF 4'600

The client compiles the required information every quarter. We select 5 random samples of account receivables and payables each quarter and check whether they meet the formal requirements and the correct booking / use of VAT codes. After checking the samples and necessary corrections, the VAT declaration will be filed and submitted. Moreover a VAT reconciliation will be carried out at the end of the year, a completeness and plausibility check is executed every quarter and the completeness and correctness of the VAT codes applied will be monitored.



# OUR SERVICES

**Kreston members** act as trusted and long-term counsellors, guiding individuals and their organisations through professional challenges to enable them to achieve both business and personal goals. Our services offering quality advice across all sectors include:



- Statutory audit and assessments
- Tax efficient structuring and compliance - both corporate and individual
- Consultancy
- Cross border acquisitions and due diligence for both purchaser and vendor
- Restructuring and reorganisation
- Global indirect taxes and customs duties
- Forensic accounting, valuations and litigation support
- Transfer pricing
- International fund raising, initial public offerings, venture capital, private equity
- Compliance with International Financial Reporting Standards and US GAAP
- Risk management and internal auditing services
- International business planning, strategy, budgets and forecasts
- Global technology and software selection services
- Multinational corporate and employment law
- International wealth and fiduciary services
- Outsourcing of accounting, payroll, company secretarial and other functions





a&o kreston ag, CHE-115.359.835 VAT  
hello@kreston.ch, +41 (0)58 101 02 02  
Schochenmühlestrasse 4, 6340 Baar (ZG)  
Husmatt 1, 5405 Baden-Dättwil (AG)  
Rothenburgstrasse 34, 6274 Eschenbach (LU)  
Seestrasse 166, 8810 Horben (ZH)  
Birmensdorferstrasse 123, 8003 Zürich (ZH)  
[www.kreston.ch](http://www.kreston.ch)

An independent member of the  
Kreston Global network

Member of TREUHAND | SUISSE

 Member of EXPERTsuisse

 MEMBER OF THE  
FORUM OF FIRMS