

Your Company in Switzerland

Tax Aspects and Advantages

Presentation at the Swiss-Chileno
Chamber of Commerce

October 22, 2008

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Overview

- I Swiss Taxation of Business in General
- II Swiss Taxation of Individuals
- III Double Taxation Conventions

Part I - Swiss Taxation of Business in General

Corporate Income Tax

- **Scope**
 - **Subject to unlimited taxation**
 - Incorporated in Switzerland
 - Central place of management in Switzerland
 - **Subject to limited taxation**
 - Swiss real estate
 - Swiss PE

Corporate Income Tax

- **Exemption system**
 - Exemption for foreign PEs
 - Participation exemption (for dividends and capital gains)
 - No group taxation

Corporate Income Tax

Effective tax rates, incl. federal income tax (2008)

Canton, Community	Total effective tax rate
Zug, Zug	16.09%
Zurich, Zurich	21.17%
Aargau, Aarau	21.99%
Thurgau, Frauenfeld	16.99%
Schwyz, Wollerau	14.67%
St. Gallen, St. Gallen	18.78%
Obwalden, Sarnen	12.66%
Nidwalden, Hergiswil	16.14%
Lucerne, Lucerne	18.37%

Local Real Estate Taxes

- **Local real estate capital gain taxes**
 - Different systems in the Cantons
 - Tax rates vary considerably
- **Local real estate transfer taxes**
 - Abolished in various Cantons
 - Tax rates vary from 0.1% to 3%

Dividend / Interest Withholding Tax

- **Federal withholding tax**
 - In principle, 35% on dividends and interest paid on “bonds”
 - But exempt/reduced by application of
 - Double taxation conventions
 - EC Parent-Subsidiary Directive
 - EC Interest and Royalties Directive
 - No withholding on group financing and royalties
 - No branch remittance tax

Stamp Taxes

- **Federal issuance stamp tax**
 - 1% on share capital and surplus exceeding CHF 1 million
 - Exemptions for (de-)mergers, merger-like transactions and transfers of domicile from abroad into Switzerland
 - No tax on capital allotted to a Swiss branch of a foreign company
 - 0.12% / 0.06% on issuance of “bonds”

Stamp Taxes

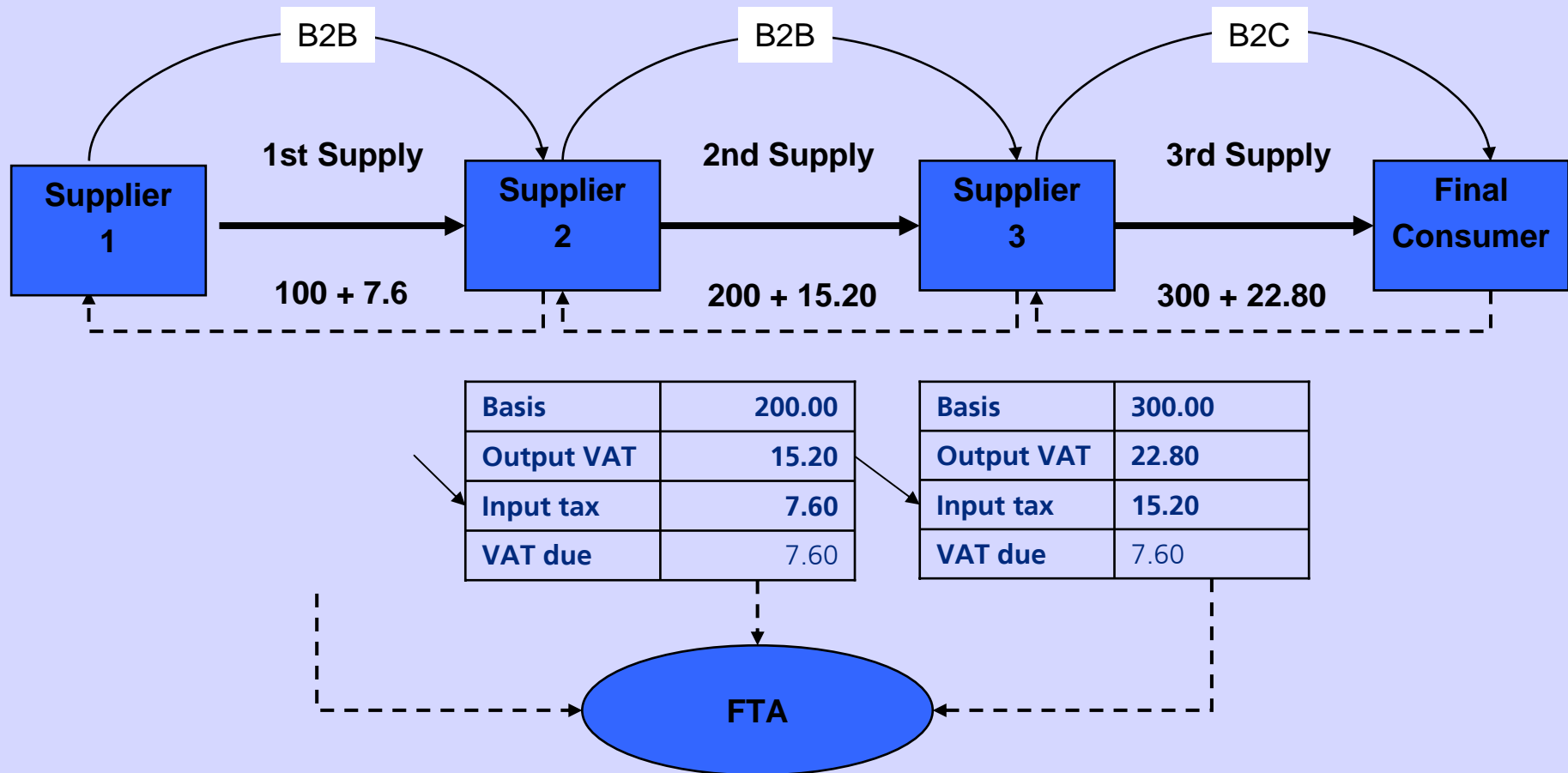
- **Federal transfer stamp tax**
 - 0.15% for Swiss securities
 - 0.3% for foreign securities
 - Tax is due only if a Swiss security dealer is involved in transaction
 - Various exemptions

- **Federal stamp tax on insurance premiums**
 - 5.0% on net cash premium
 - Various exemptions

Value Added Tax

- **Standard rate**
 - 7.6%
- **Similarities to EU system**
 - With substantial deviations
- **Object of taxation**
 - Supply of goods within Swiss territory
 - Supply of services within Swiss territory
 - Self-supply within Swiss territory
 - Receipt of services from foreign enterprises

Value Added Tax



Tax Holidays / Swiss Tax Ruling Practice

Tax Holidays

- **Swiss Companies can apply for up to 10 Years Tax Holidays in certain (undeveloped) areas, if certain conditions are fulfilled**

Swiss Tax Ruling Practice

- **Very fast and flexible tax ruling practice in all areas of tax law and on all levels**

Part II - Swiss Taxation of Individuals

Taxable Income

Taxe base

- Income from employment /self-employment
- Income from pensions
- Income from movable and immovable property (part taxation of income from participations)
- Income from lottery gains

Taxable Income

Deductions

- Professional expenses
- Interest paid
- Social security premiums
- Social deductions

Maximum income tax charge

(Federal max rate = 11,5 %)

Canton, Community

Tax rates (2008)

Zug, Zug	11.68% (+11.5%)
Zurich, Zurich	28.27% (+11.5%)
Aargau, Aarau	24.36% (+11.5%)
Thurgau, Frauenfeld	24.11% (+11.5%)
Schwyz, Wollerau	7.59% (+11.5%)
St. Gallen, St. Gallen	22.86% (+11.5%)
Obwalden, Sarnen	12.49% (+11.5%)
Nidwalden, Hergiswil	12.75% (+11.5%)
Lucerne, Lucerne	19.82% (+11.5%)
Geneva, Geneva	31.14% (+11.5%)

Tax-Free Private Capital Gains

Capital gains derived on private property are tax free as a principle!

Net-Worth Taxation

Tax Base

- Claims and credits
- Securities
- Real estate /vehicles
- Redeemable life insurances
- Shares in partnerships

Net-Worth Taxation

Deductions

- Debts
- Tax-free amounts

Valuation

- At fair market value

Tax rates

- Depending on cantons, e.g. City of Zurich: 0.2%

Lump-Sum Taxation

Conditions for lump-sum taxation

- Swiss tax resident but no Swiss citizenship
- Taking up residency for the first time or after 10 years absence from Switzerland
- No gainful activity inside Switzerland

Lump-Sum Taxation

Tax base

- Deemed cost of living is income tax base
- At least 5 times rental costs
- Income from Swiss sources if higher
- **Rule of thumb:** Minimal income of CHF 500'000 and net-worth of CHF 5 million

Additional benefit: In an number of Cantons no inheritance and no gift tax applies

Estate and Gift Taxation

Exercise of power to tax

All cantons levy estate and gift taxation except:

- Schwyz (no estate and not gift tax)
- Lucerne (no gift tax, but gift in the last five years before the death are included in the base for estate tax)

Estate and Gift Taxation

Power to tax

- Canton of the deceased last domicile
- Canton of site of immovable property

Object of the tax

- Transfer of assets inter vivos or upon death
- Valuation at fair market value (except real estate)

Deductions

- Debts of the estate and costs of the funeral and administration of estate

Estate and Gift Taxation

Exemption from the tax

- Surviving spouse is exempt in all cantons
- Direct descendants are exempt in a majority of cantons
- Direct ascendants are exempt in some cantons (Uri, Obwalden, Zug, Freiburg, Appenzell Innerrhoden, Ticino, Valais, and Geneva)

Estate and Gift Taxation

Tax free amounts

- Up to CHF 200'000

Tax rates

- Progressive and dependant upon relationship between deceased/donor and heir/donee.
- E.g. In Zurich: 36% for non-relatives

Assessment

- On the basis of the death inventory

Part III - Double Taxation Conventions

Double Taxation Conventions

Chile-Switzerland

- Income and capital tax convention signed
- Not yet in force
- Date of application unclear

Double Taxation Conventions

Important issues covered:

- Limitations for taxation of dividends, interest and royalties

Dividends:

- In general: max 15 % w/h tax
- No special lower tax between groups of companies

Double Taxation Conventions

Interest:

- In general: max 15 % w/h tax
- Max 5 % for bank products, traded bonds and securities, machinery and equipment credits

Royalties:

- Depending on the underlying rights, i.e. max 3 % / 5 % / 10 % / 15 %

But: Switzerland has no w/h tax on outbound royalty payments

Your contact for Swiss tax and law matters



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See you here in Zurich!

