The taxation of holding companies in the canton of Zug

Term

Holding companies are enterprises, which have mainly the purpose of the permanent management of interests in other companies and which do not carry out any business activities.

1. Subjective taxation requirements

Public limited companies, partnerships limited by shares, limited liability companies and associations are entitled to the holding privilege.

2. Objective taxation requirements

2.1. Corporations, whose business consists exclusively or mainly of investments in other corporations.

2.2. As a rule, at least one decisive interest (20% of the original capital or at least CHF 2 mio. market value) has to be proven, if the company existing eventually is a holding company and no capital management company. The holding period for the interests has to be at least 1 year. Intensive security trading with the float is not permissible.

2.3. At least two thirds of the securities should be long-term interests (2-3 years) and widespread shareholdings. The assessment can be realized with profits tax or current market values. Alternative to the assets, these requirements are also fulfilled if at least two thirds of the returns are investment and dividend returns from floats.

2.4. Permissible activities are:

- asset management as well as the management of intellectual property rights abroad
- license returns from Switzerland are only permissible if they are marginal
- corporate administration activities; the charging should be conducted with market prices, normally using the cost-plus method (5%)
business activities abroad (incl. liquidation of incorporeal rights).

Not permissible activities are:

- trade, industrial and commercial activities in Switzerland.

2.5. A holding company may hold real estate, if the character of the holding company is not prejudiced.

3. Basic assessment principles and taxation rate

As a rule, holding companies only pay tax on capital.

3.1 Profits tax

As an exception, the following returns are taxed with the regular rate (§68 sect. 2 StG):

- Returns from real estate in Switzerland (incl. notional rent calculated according to market)
- Returns benefiting from DBA (e.g. interests and license fees), for which taxation in Switzerland is assumed.

For the determination of rates, the total profit is decisive.

The profits tax rate is:

| For the first CHF 100,000.00 | 4 % |
| For the profit exceeding CHF 100,000.00 | 7 % |

The simple tax is multiplied by the applicable tax rate.

To this, the direct federal tax of 8.5% of the taxable profit is added, which is levied by the canton by order of the federation. In case the corporation disposes of qualified interests, the tax on profit is reduced within the scope of the dividend exemption (“Beteiligungsabzug”).
3.2 Capital tax

Subject of the capital tax is the equity.

The tax on capital amounts to 0.075‰ of the taxable equity, but at least to CHF 150.00, multiplied by the applicable tax rate (§75 sect. 1 StG).

The equity consists of the deposited share, original or nominal capital, the participation capital, the visible reserves and hidden reserves, consisting of profits after tax, as well as the net profit. At least the share, original or nominal capital, including the deposited participation capital are taxable (§72 StG.).

The equity is calculated based on the balance at the end of the taxation period (§78 StG.).

Source: www.zug.ch/tax

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