

# *Holding Companies in Switzerland*

Switzerland is a highly recognized domicile for international Holding Companies.

First the holding income (dividends from subsidiaries) is not taxed and secondly Switzerland has double tax agreements with practically all developed countries, where the withholding tax on distribution of dividends by the Holding Company is reduced in most cases to nil or 5 %.

Besides Switzerland has a stable currency, stable political conditions and is internationally easily accessible.

It also allows companies, which do not qualify as Holding Companies but have dividend income to be taxed in proportion of privileged income (dividend) to unprivileged income (interest, business income etc.). The participation, however, has to be substantial, 20 % of the share capital of the subsidiary or CHF 2 Mio. of its market value.

The cantonal tax authorities are less stringent in the judgement of a mixed holding company and may grant holding status to a company deriving other than dividend income to an extent of less than 49 % or less than 25 % (according to their cantonal tax laws). The capital gain from the selling of subsidiaries is tax exempt in those cantons but not for federal taxes, where a tax of less than 10 % is levied. Upon distribution of the profits of the Holding Company a withholding tax of 35 % is applied which can be eliminated or drastically reduced under the Double Taxation Treaties.

A pure Holding Company is only taxed on the capital by the cantons at a rate of 0,5 ‰ to 1,5 ‰ according to the tax laws of the cantons.

Switzerland offers also an other type of tax mitigating companies, the Administrative Company. This is a company not involved in business but in the administration of business. It reflects on administration of values which the company possesses or which the company has acquired without "Swiss" active commercial activities. Further typical assisting activities are invoicing, debt collecting, cost management, patent and trademark administration. Companies with high foreign participation in the capital of the Swiss company are privileged as the income from the administration must come from abroad.