



Taxation of Domicile Companies in the Canton of Basel-Stadt

Term

There is basically two types of Domicile Companies: Administration Companies and Mixed Companies. Administration Companies have no business but only administrative activity in Switzerland. Mixed Companies are companies which generate their turnover mainly abroad and where business activity in Switzerland plays a minor role.

1. Subjective Taxation Requirements

Capital Companies, Partnerships and Foundations can all enjoy the privileged taxation of a Domicile Company (§ 79 Abs. 1 StG). A Joint-stock Company based abroad can be granted a domicile privilege for its affiliation, as long as it complies with the requirements.

2. Objective Taxation Requirements

As related to the company purpose there are no limitations. There is no requirement for the Domicile Company to be under foreign control.

There is basically two types of Domicile Companies: Administration and Mixed Companies. The terminology varies from Canton to Canton.

An Administration Company has no operative activity, no staff and no office premises in Switzerland nor abroad.





3. Basis of assessment and taxable amount

3.1. Tax on Earnings

The Canton of Basel-Stadt divides the earnings of Domicile Companies into three divisions.

Division 1: Earnings from relevant participations:

Earnings from relevant participations (a minimum of 20 % or CHF 2 mio. market value) are tax free. Part of these earnings are dividend earnings as well as realised capital earnings or revaluation surplus entered. In this division all earnings from relevant participations as well as the costs related to these earnings including proportional financing and administration costs (§ 76 Abs. 5 StG) have to be declared.

Division 2: Earnings from Swiss sources

Earnings from Swiss sources are – with the exception of the earnings listed under division 1 – taxed at the normal rate. In division 2 all earnings from Swiss sources such as earnings from real estate in Switzerland, interest earnings from Swiss debtors, dividends from irrelevant participations in companies based in Switzerland and all earnings from a subordinate activity of an aiding or business nature have to be declared. From these earnings from Swiss sources the directly allocable costs as well as the proportional financing and the administrative costs can be deducted.





Division 3: Income from foreign sources

Income from foreign sources is taxed in Switzerland – subject to the relevance of the administrative resp. business activity in Switzerland. The taxable quota varies between 0 % for a pure Administration Company without staff and office premises and 15 % for a Mixed Company with business activity purely or at least mainly abroad. In division 3 all earnings from Swiss sources such as earnings from real estate in Switzerland, interest earnings from Swiss debtors, dividends from irrelevant participations in companies based in Switzerland and all earnings from an subordinate activity of an aiding or business nature have to be declared. From these earnings from Swiss sources the directly allocable costs as well as the proportional financing and the administrative costs can be deducted.

The taxable quotas from division 2 and 3 are added up and result in the taxable profit.

The earnings tax is based on a basic tax of 9 % plus an addition. This addition is based on the ratio between taxable net profit and taxable capital. The taxable net profit is calculated in % of the taxable capital to which a basic tax of 9 % is added. The tax rate consists of a basic tax plus an addition and is capped at 24.5 %.

Added to that is the direct federal tax of 8.5 % of the taxable earnings which is levied by the Canton by order of the Confederation. As long as the company is in the possession of qualified participations, the tax on earnings is reduced within the frame of the participation allowance.





3.2. Capital Tax

Subject to the capital tax is the equity capital.

The capital tax is 0.5 % of the taxable equity capital (§ 87 Abs 2 StG).

The taxable equity capital consists of:

- paid-up share capital, basic or original share capital
- disclosed reserves
- hidden reserves created with taxable profits
- taxable equity capital has to be increased by the part of the debt capital, which has the commercial relevance of equity capital

The share, basic or original capital is taxable at the minimum.

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