



## Taxation of Holding Companies in the Canton of Basel-Stadt

### Term

Holding Companies are companies with the main purpose of permanently administering participations in other companies and with no business activity in Switzerland.

### 1. Subjective Taxation Requirements

Capital Companies, Cooperative Societies and Foundations qualify for the holding privilege (§ 78 StG).

### 2. Objective Taxation Requirements

- 2.1. Companies whose activity only or mainly consists in participating in other Capital Companies.
- 2.2. Free float is possible. According to the tax law a substantial participation is not required.
- 2.3. A Holding Company's participations or its earnings from participations have to be at least two thirds of all assets or earnings (§ 72 Abs. 1 StG). The minimum quota is based on taxable profits from the point balance (including possible real assets) at the end of the tax period. The minimum quota can also be based on current market prices.





#### 2.4. Permitted activities:

- Asset management as well as management of intellectual property rights abroad. Swiss earnings from licenses are only permitted if they are insignificant.
- Roles in connection with the management of Trusts; the costs should be allocated in accordance with market values by means of the Cost-plus method (5 %).
- Business activities abroad as long as there is a permanent establishment abroad (incl. utilisation of incorporeal chattels).

#### Non permitted activities:

- Commercial and industrial activities in Switzerland.

2.5. A Holding Company is allowed to hold landed property as long as it does not affect the character of a Holding Company and two thirds of the earnings and assets originate from participations.





### 3. Basis of assessment and Taxable amount

Holding Companies generally only have to pay a Capital Tax.

#### 3.1. Tax on Earnings

As an exception following earnings will be taxed at the normal rate:

- Earnings from landed property in Switzerland (incl. notional rental value based on market values).
- Double Taxation Treaty protected income (interest and license fees), for which a taxation in Switzerland is required.

Decisive factor for the tax rate are the earnings subject to taxation. Decisive factor for the equity capital is the entire taxable equity capital at the beginning of the tax period.

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 share capital is taxable at the minimum.

Source: [www.steuern.bs.ch](http://www.steuern.bs.ch)

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