



The Taxation of Administrative Companies (Mixed Companies)

Background

Mixed companies are corporations or branch operations of foreign companies whose business activity is primarily related to business abroad, whereas any business activity in Switzerland itself is of a secondary nature.

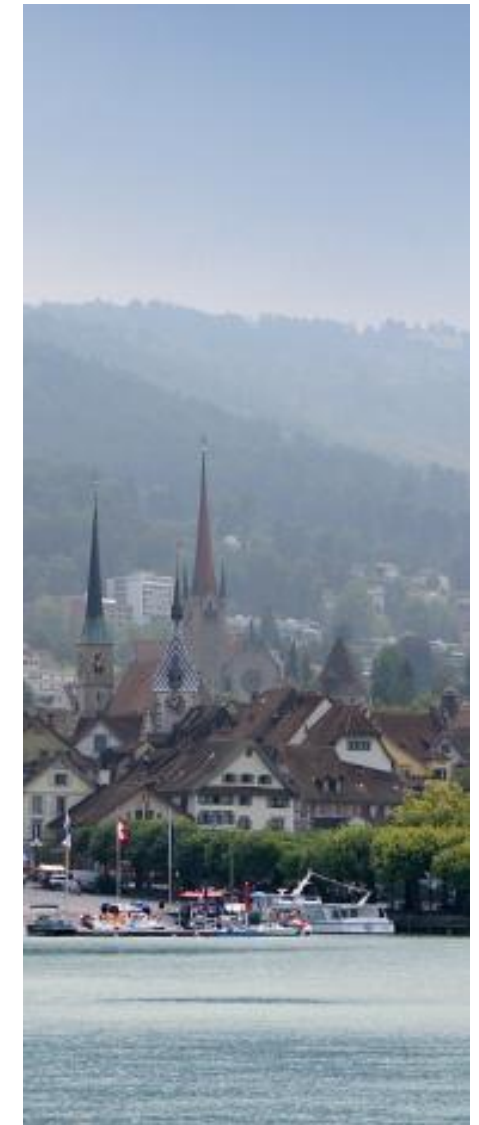
1. Presumptions

This régime is applicable to corporations, limited partnerships, limited liability companies, cooperatives and branches of foreign companies.

2. Basic Conditions for Taxation

The business activity must be performed predominantly outside of Switzerland, i.e. at least 80% of both sales and purchases must take place outside of Switzerland (the bi-dimensional principle). Exceptionally, purchases may be made in Switzerland as long as the payment is on an arm's length basis.

Mixed companies are not allowed to be involved in their own production or distribution activities in Switzerland.





3. Basis of Tax

3.1. Income Tax

The taxable net profit of a mixed company is assessed in accordance with divisional calculation.

Taxable at the ordinary rate are:

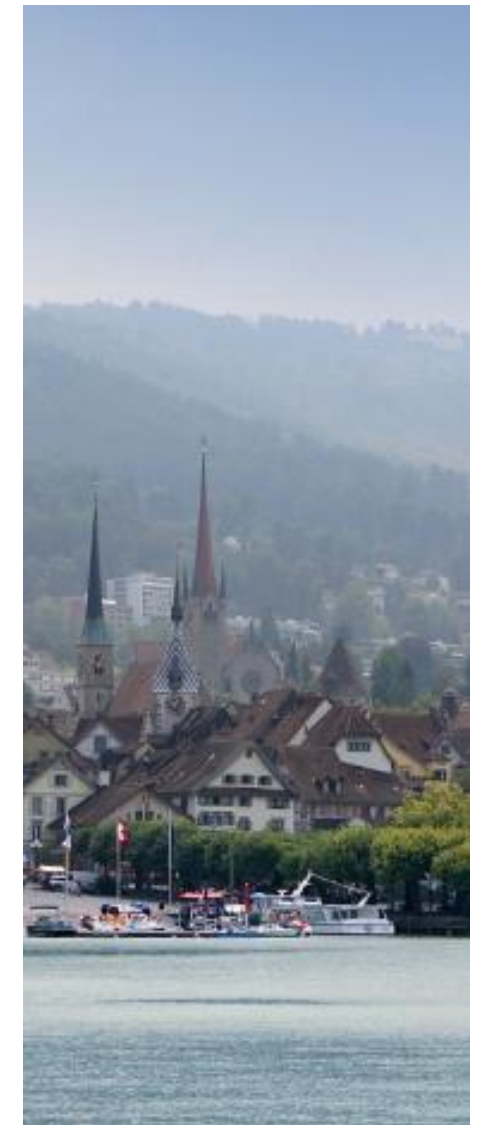
- Investment income (interest, dividends and capital gains) from domestic sources.
- Income from intangible rights (licences and trademarks) in Switzerland (up to 20%).
- Trading income from Switzerland (up to 20%).
- Double Taxation Treaty protected income (interest and royalties) where it is a condition that they are taxable in Switzerland.
- In general costs incurred in relation to specific income will be allocated to them or, where that is not possible, proportionately whereby a lump consisting of management costs and taxes may be allocated as a deduction.
- Income from real estate in Switzerland (including a hypothetical rental value of the property).

Income derived from outside of Switzerland will be taxed on a scale calculated in accordance with the number of fulltime employees of the group in Switzerland:

up to 5 employees	10%
6 to 10 employees	15%
11 to 30 employees	20%
over 30 employees	25%

Tax free are:

- Net proceeds out of specific participations in accordance with Section 67 of the tax law (dividends and capital gains) after deduction of the losses on the participations (depreciation and provisions). Net losses from participations cannot be offset against either domestic and/or foreign source income.





The total profit is the criteria for the determination of the rate of tax.
Income tax rates amount to:

- for the first CHF 100'000.00 4 %
- for the income exceeding CHF 100'000.00 7 %

This tax amount is then multiplied by the applicable cantonal and communal multiplier resulting in the total income tax liability

Furthermore there is the federal corporate income tax to pay. The rate is 8.5 % of the total taxable income. In case of the company holding qualified participations, the rate is reduced within the participation exemption.

3.2. Capital tax

Taxable basis is the equity of the company.

The capital tax equals 0,01% of the taxable equity with a minimum of CHF 150.00, multiplied by the current cantonal and communal multiplier (Section 75, Para 1 of the tax law).

The equity consist of paid in equity (share capital, original stock or capital), participation capital, declared and hidden reserves created from taxed profits as well as retained earnings. At the minimum, the paid in equity, including the paid in participation capital, is taxable (Section 72 of the tax law).

The shareholders' funds are calculated at the end of the relevant tax period (Section 78 of the tax law).

Source: www.zug.ch/tax

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