Strategy for Withdrawal or Management of Non-Business-Critical Liquidity –
Avoiding Negative Interest Rates

Changes in tax rules combined with the financial impact of negative interest rates are forcing many SMEs to think about how they use and manage excess liquidity. Credit Suisse can offer two solutions.

1. Review of the withdrawal strategy

Changes in tax rules in recent years (especially the Corporate Tax Reform CTR II[1]) and upcoming revisions of the relevant legislation (CTR III or successor project) have created opportunities for the targeted withdrawal of company capital. This can involve either payouts of existing liquidity:

- Dividends
- Share buybacks/par value reductions
- Shareholder loans

Or solutions for inadequate liquidity:

- Dividend recapitalizations
- Use of debt capacity for payouts
- Setting up extra-mandatory insurance for owners in employment

The potential for optimizing the payout strategy can be determined through a detailed analysis – especially concerning issues such as:

- Type, amount and timing of withdrawals
- Level at which payout made and recipients (e.g. private assets or business assets)
- Liquidity is siphoned off periodically
- Best organizational structure

The starting point is the analysis of the interaction of salary, dividends and BVG by our experts. The goal is the optimization of income and assets.

2. Investing non-business-critical liquidity

In the current economic environment, low-risk investment strategies are incompatible with attractive returns. Protecting the value of bond portfolios is also difficult.

If liquidity is not paid out, the following advantages can be realized through the investment of non-business-critical liquidity at the company level:

- Avoidance of negative interest rates
- Attainment of an investment return
- Relatively low value fluctuations at the year-end

Analyzing the tax framework for business assets

If the liquidity is invested at the company level, it is possible to benefit from the tax impact of the book value principle: while capital gains are subject to tax, capital losses can be offset against profits.

It is important that this fact is taken into consideration when implementing the investment strategy.

"Cash Sweeper" – solution for the investment of non-business-critical liquidity

The "Sweeper" is an investment account that automatically and periodically siphons off excess liquidity from other accounts to be invested according to client specifications. The procedure is as follows:

1. Liquidity is siphoned off periodically
2. This liquidity is collected in a central account
3. The liquidity is invested according to a predefined conservative strategy
4. All unrealized capital gains and losses are consolidated periodically
5. Accumulated unrealized losses are neutralized through suitable offsetting of positions

This solution is exclusively suited to conservative investment objectives based on capital preservation and the achievement of a capital income rather than capital gains.

[1] CTR: Swiss Corporate Tax Reform.

Costs

A short discussion of the topic or the first meeting of a detailed consultation is free of charge for existing clients.

Contact Us

We will be happy to arrange a personal consultation.
Please call us on +41 848 880 844*.

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* Telephone conversations may be recorded.

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