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 CTR II[1]) and upcoming revisions of the relevant legislation (TRAF[2]) have created opportunities for the strategic withdrawal of company capital.
This can involve either payouts of existing liquidity in the form of:
- Dividends
- Repayment of capital/par value reductions
- Shareholder loans

Or solutions for insufficient liquidity, such as:
- Dividend recapitalizations
- Use of debt capacity for payouts
- Establishment of extra-mandatory insurance for owners in employment

The potential for optimizing the payout strategy can be determined with a detailed analysis, especially concerning such issues as:
- Type, amount, and timing of withdrawals
- Level at which the payout is made and the recipients (private assets or business assets)
- The best organizational structure

The starting point is the analysis of the interaction of salary, dividends, and BVG by our experts. The goal is to optimize 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 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 for this fact to be taken into consideration when implementing the investment strategy.

1 CTR: Swiss Corporate Tax Reform
2 TRAF: Tax Reform and AHV Financing

Source: Credit Suisse, unless otherwise specified.

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.
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