

# Buying and selling companies

## Opportunities when buying and selling companies

### Is your company affected?

Are you planning to buy or sell a company? Do you intend to purchase properties directly or indirectly via a real estate company? Do your private assets include portfolio investments (< 5%) that have a high value and generate dividend income? If you can answer "yes" to any of these questions, you may **need to act** due to the TRAF. Our tax consultants are your point of contact, and will be pleased to discuss the opportunities and challenges created by the TRAF with regard to your tax and financial matters.

### What changes will the TRAF bring?

Swiss voters approved the Federal Act on Tax Reform and AHV Financing (TRAF) on May 19, 2019. At the **investor level**, one consequence will be that partial taxation of dividends will increase to 70% at the federal level and at least 50% in the cantons. Gains from the sale of equities held as private assets are to remain tax-exempt. However, tax exemption in relation to transposition will be canceled altogether – that is, even if a person sells portfolio investments (< 5%) to a company they control. In tandem with the TRAF, some cantons are poised to raise the wealth tax rate. In addition, AHV contributions on salary payments will be increased.

At **company level**, the introduction of the interest deduction on equity capital will provide relief for the finance and treasury functions, while the patent box and R&D super-deduction will bring the same benefits for R&D functions. In addition, the cantons will be able to grant discounts on tax on capital when these are assigned to participations, intracompany loans, and patents. Furthermore, the capital contribution principle will be restricted in the case of companies listed in Switzerland. In the future, it will only be possible for capital reserves to be distributed tax-free to the same extent as freely disposable, taxable retained earnings. In tandem with the TRAF, the cantons are poised to lower the corporate income tax rate.

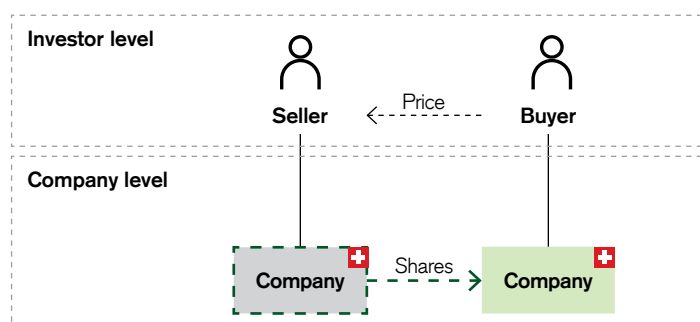
### Why the need to act now?

Given that the legal changes take effect on **January 1, 2020**, it is advisable to act now and examine the impact of the TRAF in order to take advantage of the changes in a timely and tax-efficient manner at both private and corporate level.

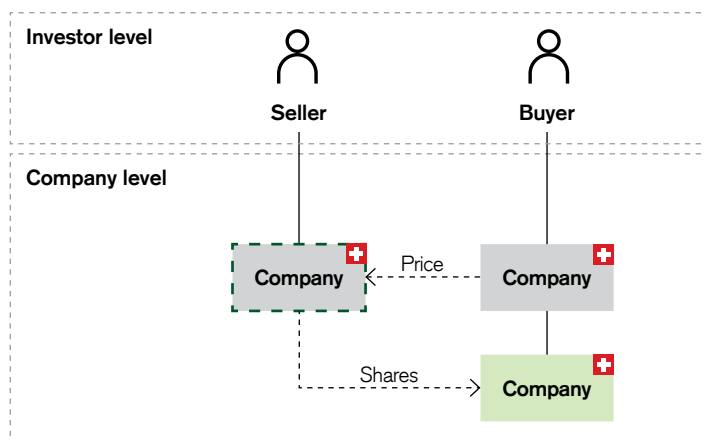
### How can you benefit?

The changes brought by the TRAF may affect financing and acquisition structures. Depending on the **nature and structure of the transaction**, the **seller** can avoid tax pitfalls, in particular the (re)qualification of tax-exempt private capital gains as taxable investment income. For the **buyer**, tax efficiency can be maximized through **the localization and nature of the acquisition vehicle**, for example. The differing interests of purchasers (asset deal) and sellers (share deal) must be reflected in contract structuring. The following generic structures are conceivable:

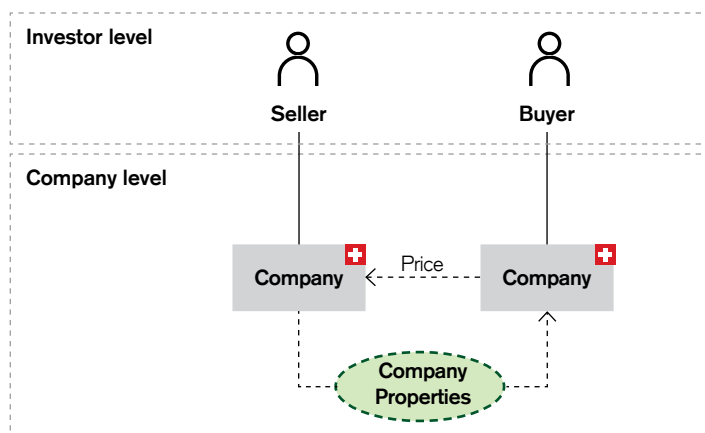
#### Direct share deal



## Indirect share deal



## Asset deal



In the case of **portfolio investments** with a market value of over CHF 1 million, you should consider a sale to a self-controlled private holding company. In the case of **significant participations (> 10%)**, it may be a good idea to distribute – prior to the sale – financial resources that are not required for business operations. Finally, you should think about converting capital contribution reserves into equity capital prior to the sale in order to increase the value of the business.

### Potential benefits

- Through systematic preparation and optimized structuring of the purchase or sale of the company, the tax on income, wealth, profit, and capital can be reduced.
- The tax efficiency of a sale can be increased if financial resources not required for operations are distributed prior to sale and used for additional pension benefits.
- Through an optimized investment and dividend strategy, flexibility in terms of tax-exempt distributions can be improved and the value/sale price of a company increased.
- Capital requirements and the cost of financing the purchase/sale can be reduced depending on the localization of the acquisition vehicle, and credit rating and interest conditions improved as a result.
- In the case of properties, land and wealth tax can be reduced – as can the risk of being qualified as self-employed – by means of a real estate company.

### Influencing factors

- Nature of the transaction – share deal versus asset deal, or combined deal
- Sale from private or business assets – purchase for private or business assets
- Complexity of the transaction – Swiss and/or foreign buyers/sellers and type of property purchased
- Extent and type of resources not required for operations in the case of purchaser and seller – available equity
- Profit and loss situation within the company – at purchaser and seller level

### Steps to follow

- Tax-efficient preparation of sale – e.g. planning of salary and dividend payments and/or prior withdrawal of financial resources not required for operations or restructuring.
- Tax-efficient preparation of purchase – e.g. setting up of acquisition vehicle or real estate company in the case of a real estate portfolio.
- Evaluate tax consequences of structuring options and calculate resulting tax benefits.
- Carry out a cost-benefit analysis.
- Prepare implementation plan and timetable.
- Meet with tax authorities and obtain any tax pre-assessments.

### How can we help?

Our tax consultants will analyze whether your costs and tax burden can be reduced through the **purchase/sale of the company (and/or properties)**.

### What next?

Let us know if you are interested in an initial analysis. We will be pleased to send you a list of the information required, and to meet with you to discuss some initial solutions.

### Contact us

We will be happy to arrange a personal consultation. Please contact your advisor to schedule a personal consultation together with one of our tax consultants.



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