Asset structuring

Opportunities for structuring your assets

Is your company affected?
Do you have freely disposable private or business assets that can be restructured? Do you keep some of your assets in a private holding company or other vehicle? Do you have assets you wish to use for a particular purpose? 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.

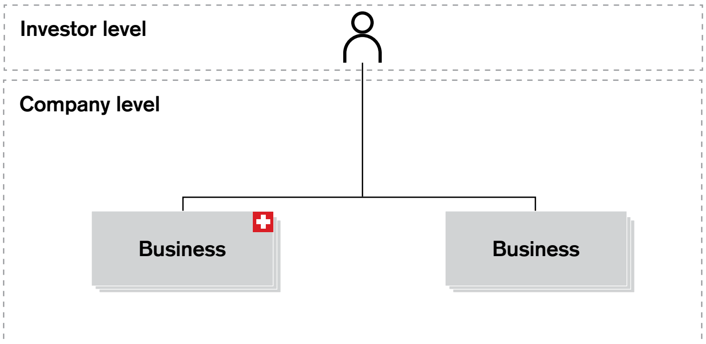
What changes will the TRAF bring?
Swiss voters approved the Federal Act on Tax Reform and AHV Financing (TRAF) on May 19, 2019. At the **investor level**, one consequence will be that partial taxation of dividends will increase to 70% at the federal level and at least 50% in the cantons. Gains from the 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 the case of companies listed in Switzerland, the capital contribution principle will be restricted. In the future, it will only be possible for tax-exempt capital contribution reserves to be distributed to the same extent as freely disposable, taxable retained earnings.

The **structuring of assets** will primarily be determined on the basis of investor-specific private and business reasons. Financial and tax aspects also play a role. In the case of family firms, the increase in dividend taxation may call for changes to the dividend and salary strategy. In the case of portfolio investments with a market value of over CHF 1 million, you should consider a transfer to a self-controlled (private) holding company. Due to the tightening of the capital contribution principle, it may be necessary in the case of (partially) listed companies to convert profit and/or capital reserves into equity capital. The restructuring of private and/or business assets – the transfer of private real estate to a company, or the transfer of assets of other legal entities, for example – may also be worthwhile as a way to reduce wealth tax.

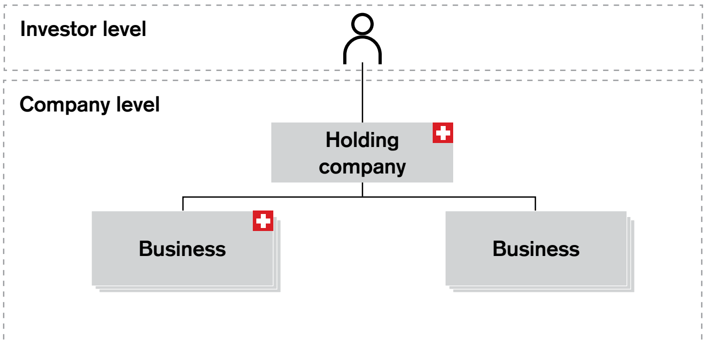
Why the need to act now?
Given that the legal changes take effect on **January 1, 2020**, it is advisable to act now and examine the impact of the TRAF on your investment structure in order to utilize its effects in a tax-efficient manner.

How can you benefit?
The TRAF enables companies to be structured in a flexible manner for tax purposes as a partnership or stock corporation. In addition, taxes on income and wealth can be reduced on a sustained basis depending on the **structuring of private and business assets**. The following generic structures are shown for illustrative purposes:

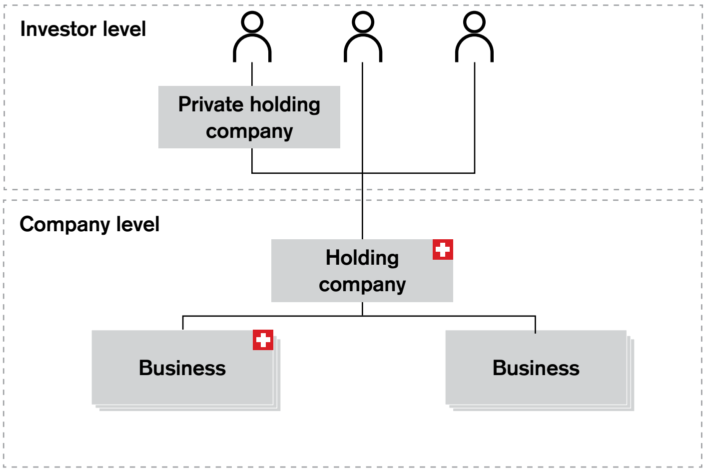
Structure 1



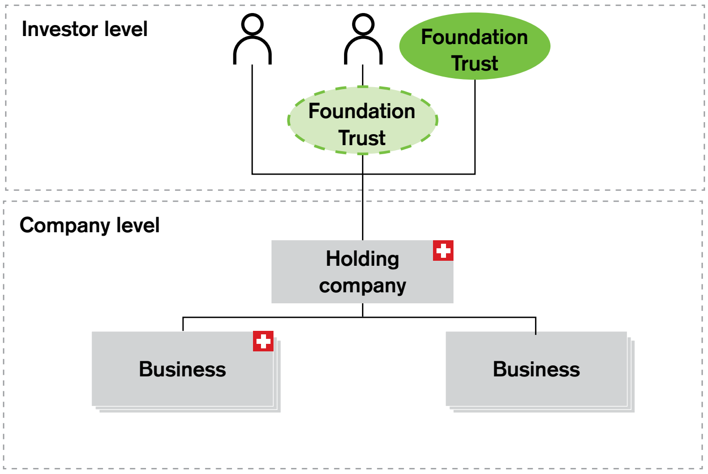
Structure 2



Structure 3



Structure 4



The structuring of private and business assets enables an investor's private, family, and business needs to be addressed in a systematic, tax-efficient manner.

Potential benefits

- The structuring of private/business assets can be used to influence the timing of taxation, break the tax progression, and reduce income taxes.
- Due to the scope for asset allocation, either to private or business assets, or to your occupational pension pot, the level of taxable assets can be reduced.
- Fiscally (non-)transparent vehicles can be used to (partially) decouple civil and tax law from one another to address the investor's specific needs.
- The tax-efficient structuring of equity and debt capital as part of the chosen private and business asset structure can be used to improve credit ratings and interest conditions.

Influencing factors

- Nature and scope of private and business assets – fiscal flexibility when allocating
- Structuring of private and business assets – free versus tied assets
- Financing of private and business assets – equity versus debt financing
- Interests of family members in Switzerland and abroad – impact on succession planning

Next steps

- Determine level of tied and free private and business assets.
- Evaluate restructuring options for private and business assets.
- Calculate tax consequences of structuring options and 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 a restructuring of your private and/or business assets.

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.

CREDIT SUISSE (Switzerland) Ltd.
P.O. Box 100
CH-8070 Zurich
credit-suisse.com

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