

Corporate structuring

Opportunities for (re)structuring the company

Is your company affected?

Is your company organized as a partnership or corporation? Do you have a holding or parent company structure? Do you have companies, operations, and/or real estate in various cantons and/or abroad? 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 situation.

What changes will the TRAF bring?

Swiss voters approved the Federal Act on Tax Reform and AHV Financing (TRAF) on May 19, 2019. For **companies**, this means the abolition of privileges for holding, domiciliary, management, principal, and finance companies. In return, new tax advantages will be introduced for financial as well as research and development activities. These tax incentives can be utilized by corporations as well as partnerships. In most cantons, these will be accompanied (to a greater or lesser extent) by a reduction in the corporate income tax rate.

To take advantage of a tax privilege in the past, the requirements had to be met for each individual company separately. With the holding-company privilege, in addition to the statutory

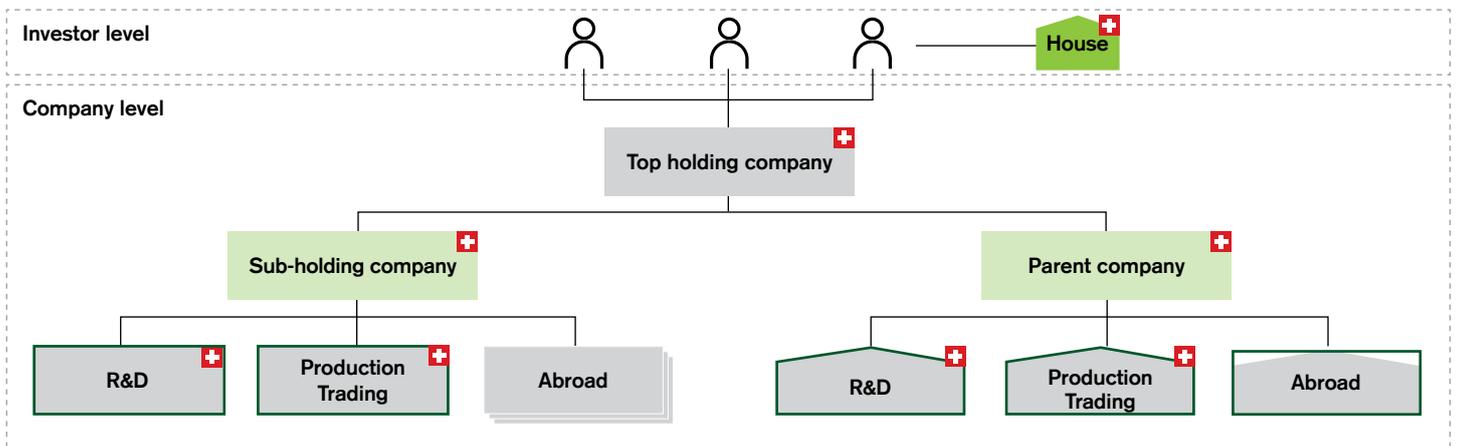
holding-company purpose, at least two-thirds of the company’s assets had to consist of participations; alternatively, at least two-thirds of the income had to come from dividends. With the TRAF, the **tax advantages** are no longer tied to the company itself but to the **exercising of a function in Switzerland**, e.g. the finance or R&D function. This enables legally (over)complex structures to be simplified and companies to be structured based on operational criteria.

Why the need to act now?

Given that the legal changes take effect on **January 1, 2020**, it is advisable to start evaluating right now the impact of the TRAF on the company’s structure in order to take advantage of its effects in a timely and tax-efficient manner at both private and corporate level.

How can you benefit?

Corporations are usually based on a **holding-company or parent-company structure**. In the case of a holding-company structure, the question is whether it makes sense to operate with a **top and sub-holding company**. The TRAF now makes it possible for companies to be (re)structured on a business-oriented and fiscally flexible basis. This is illustrated by the following generic example:



In the case of a holding-company structure, top and/or sub-holding companies own separate group companies. Where there is a parent-company structure, the parent company performs participation and business functions with permanent establishments in different cantons. By contributing (private) real estate to a company, **tax advantages** can be achieved in the case of wealth tax as well.

Potential benefits

- Reduction in maintenance, auditing, and financing costs due to simplification of group structure; simplification of service relationships within the group
- Improvement in return on capital and higher credit rating due to utilization of synergies
- Intercantonal profit and loss netting between permanent establishments due to tax-neutral switch from holding-company to parent-company structure
- Reduction in capital tax burden for mergers of operating companies or elimination of dual-holding company structure

Influencing factors

- The nature and scope of business activities across the different cantons and abroad
- Profit and/or loss situations in individual companies in Switzerland and abroad
- Distribution of functions in cantons and abroad – can business areas and functions be combined to achieve business or operational synergies?
- Can tax-privileged and non-tax-privileged functions be combined in order to reduce corporate income tax?

Next steps

- Evaluate restructuring options.
- Calculate tax savings based on simplified structure.
- 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 in Switzerland**.

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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