

# Corporate relocation to Switzerland

## Opportunities when relocating to Switzerland

### Is your company affected?

Does your company have entities or permanent establishments abroad? Does your company perform treasury and/or R&D functions abroad? Can companies, operations, and/or functions be relocated to Switzerland? 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. Tax advantages will now be introduced for financial as well as research and development activities in Switzerland. In addition, tax advantages will be granted to companies that relocate to Switzerland from abroad.

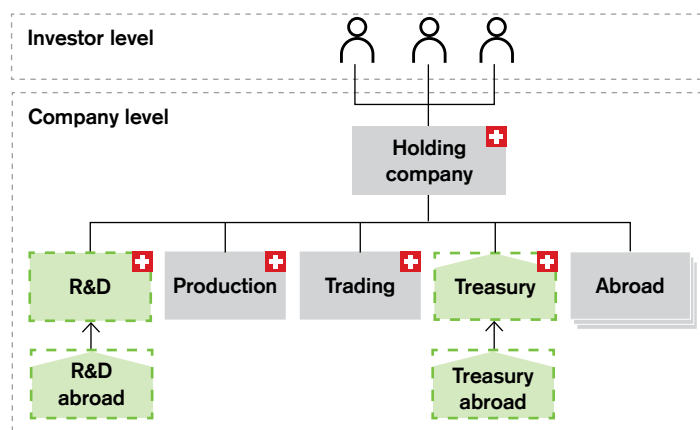
The tax concessions for relocating to Switzerland are the counterpart to the tax applied when relocating out of Switzerland. Specifically, this means that at the time of relocation to Switzerland the **hidden reserves formed abroad** and goodwill are disclosed in Switzerland on a tax-exempt basis, then written off against taxes in subsequent years. A relocation is defined as a transfer of registered office or management, or a transfer of assets, operations, or functions, to Switzerland. This “**relocation step-up**” will now take effect at federal level and in all cantons.

### Why the need to act now?

Given that the legal changes take effect on **January 1, 2020**, it is advisable to examine right now the opportunities for relocating a registered office, or transferring operations or functions, to Switzerland in order to be able to evaluate the advantages of the TRAF in a timely manner.

### How can you benefit?

The TRAF enables a relocation to Switzerland to be structured in an attractive, flexible manner from a tax point of view. The potential for optimization can be increased further in the case of **mobile and high-value-added functions**, especially if tax advantages can be utilized in addition. This is illustrated by the following generic example:



Production and trading functions are typically location-specific functions and are not always easy to relocate. Treasury and R&D functions are often high-value-added and generally (more) mobile, making a relocation to Switzerland possible in some circumstances.

### Potential benefits

- Relocation to Switzerland enables the tax-rate differential between Switzerland and abroad to be utilized.
- The bundling of functions enables financing costs in Switzerland to be reduced and further synergies to be exploited.
- Lower costs improve the return on capital, which may result in a higher credit rating.
- By relocating functions to Switzerland, assets in Switzerland can be strengthened to better reflect capital requirements in relation to other countries.

### Influencing factors

- Mobility and value-added intensity of the functions being transferred (to Switzerland)
- Amount of hidden reserves on assets and goodwill in operations
- Tax burden, amortization period, and possible tax incentives in the cantons
- Impact that relocation of functions will have on business operations
- Exit taxation abroad and corresponding optimization opportunities

### Next steps

- Evaluate transfer potential – assets, staff, companies, operations
- Assess transfer potential – reference to possible application of foreign tax law
- Evaluate structuring options and duration of relocation to Switzerland
- Carry out cost-benefit analysis and prepare implementation plan and timetable
- Meet with cantonal 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 relocation of your registered office or operations/functions to 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.**

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### 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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