Tax Alert Switzerland

Public Vote decides against Abolition of Issuance Stamp Tax

In a public vote February 13, 2022 a change of current stamp tax law was disapproved with the result that the 1% stamp tax as levied on the issuance of equity of Swiss corporate entities stays in place. Other stamp duties were not being voted on, such as the securities transfer tax, a transaction tax on the sale or purchase of certain securities, as well as the insurance stamp tax, both of which will remain in existence as well.

Whilst the voters decision is not what was the anticipated outcome, the economic impact for corporate entities may or may not be important, depending on specific situation of the tax payer. Already for many years broad exemptions on issuance stamp tax exist. As such a general exemption for the first Swiss Franc million of equity applies. Further, corporate reorganizations, migrations or financial recoveries are generally exempt of Swiss issuance stamp tax. Alternative financing via interest free or low interest bearing debt instead of equity financing is a common set-up in cases where a formal exemption from stamp tax does not apply. As such, especially for international corporate entities seeking to onshore business operation to Switzerland, stamp tax in many cases is not an economic cost of doing business. Rather, the process on clearance on exemption on issuance stamp tax, via advanced ruling procedures with the authorities, may be a time-consuming hurdle for the corporate entity. This ruling process on exemption mechanism, as well as proven alternative funding structuring, remain in place to reduce or mitigate the economic burden of the issuance stamp tax.

Although the abolition of issuance stamp tax, after the yesterday's voters verdict, is not foreseen in the near future, there are multiple legally correct and authorities accepted procedures to play around it.

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