



The Taxation of Administrative Companies

Mixed Companies

Background

Mixed companies are corporations whose business activity is primarily related to business abroad, whereas any business activity in Switzerland itself is of a secondary nature. Both, Swiss as well as foreign shareholders may have a dominant influence on a mixed company.

Mixed companies may have their own staff and offices.

1 Presumptions

The rates are applicable to corporations, limited liability companies, cooperatives and branches of foreign companies.

2 Basic Conditions for Taxation

2.1 The business activity must be performed predominantly outside of Switzerland, i.e. at least 80 % of both sales and purchases must take place outside of Switzerland (the bi-dimensional principle). Under exceptional circumstances purchases may be made in Switzerland as long as the payment is on an arm's length basis.

2.2 Mixed companies are not allowed to have their own production or manufacturing activities in Switzerland.

3 Basis of Tax

3.1 Income Tax

3.1.1 Tax Basis

The taxable net profit of a mixed company is assessed in accordance with divisional calculation.

Taxable at the ordinary rate are:

- Investment income (interest, dividends and capital gains) from domestic sources
- Commissions on fiduciary businesses
- Income on intangible rights (licences and trademarks) in Switzerland (up to 20 %)
- Trading income from Switzerland (up to 20 %)
- Income from real estate in Switzerland (including a hypothetical rental value of the property)
- Double Taxation Treaty protected income (interest and royalties) where it is a condition that they are taxable in Switzerland

In general costs incurred in relation to specific income will be allocated to them, or where that is not possible, proportionately whereby a lump-sum deduction for management costs and taxes is made.

Income derived from outside of Switzerland will be taxed on a scale calculated in accordance with the number of fulltime employees of the group in Switzerland at the end of the relevant business year:

less than 6	employees:	taxable scale	10 %
6 to 10	employees:	taxable scale	15 %
11 to 30	employees:	taxable scale	20 %
over 30	employees:	taxable scale	25 %

In the case that the company is under Swiss control i.e. a shareholder with a decisive influence of the company is resident in Switzerland, the scale is increased by 10 %. Nevertheless, the scale shall not exceed 25 % at the maximum.

The portion of the income derived from outside of Switzerland which exceeds the amount of SFr. 200 million (on a twelve month basis) is always taxed at 10 % regardless of any Swiss decisive influence of the company or the number of employees. The quota of 10 % applies to all business years beginning from January 1, 2007.

Tax free are:

- Net proceeds out of specific participations in accordance with Section 67 of the tax law (dividends and capital gains) after deduction of the losses on the participations (among others: depreciation and provisions). Net losses from participations can only be set off against income from participations.

3.1.2 Tax rate

Income tax rates amount to:

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|----|--|--------|
| a) | for tax years through 2008: | |
| | - for the first SFr. 100'000.- | 4 % |
| | - for the income exceeding SFr. 100'000.- | 7 % |
| | The total profit is the criteria for the determination of the rate of tax. | |
| b) | for tax years 2009 and 2010 | 6,75 % |
| c) | for tax years from 2011 | 6,5 % |

This tax amount is then multiplied by the applicable cantonal and communal multiplier resulting in the total income tax liability.

3.2 Capital Tax

Taxable basis is the equity of the company.

The capital tax equals 0,1 ‰ of the taxable equity with a minimum of SFr. 250.-, multiplied by the current cantonal and communal multiplier.

The equity consists of paid in equity (share capital, original stock or capital), participation capital, declared and hidden reserves created from taxed profits as well as retained earnings. At the minimum, the paid equity, including the paid in participation capital, is taxable.

The shareholders' funds are calculated at the end of the relevant tax period.