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GLOBAL TAX

Financier Worldwide canvasses the opinions of leading professionals on current trends in global tax.





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Kersten Honold, with a career spanning more than two decades, is an esteemed tax professional in the sphere of M&A transactions and for multinational businesses with a distinguished expertise in principal taxation and cross-border business restructurings. His proficiency is evident across diverse sectors, encompassing pharmaceuticals, life sciences, FMCG, TMT, automotive, logistics, and oil & gas. Prior to joining A&M, he was the head of EY's international tax and transaction services practice in Switzerland. He is a Swiss certified tax expert, a US certified public accountant, and holds a PhD in economics and an MBA, both from the University of St. Gallen.



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David Brusa is a seasoned Swiss certified tax expert and director in A&M's Swiss tax practice. His expertise lies mainly in transaction tax advice and M&A, a skillset refined over several years at a Big Four firm and law firm, prior to joining A&M. As a trusted adviser with a rich background, he brings a wealth of experience to the table. He holds a master's degree from the University of Zurich in business administration and data science. His proficiency encompasses tax due diligence, structuring, reorganisations and international tax optimisation projects for private equity, corporations and SMEs.

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Q. Given Switzerland's position as a preferred location for global and regional headquarters, trading hubs and principal structures, how do you see its strategic position evolving amid global tax reforms such as Base Erosion and Profit Shifting and Pillar Two?

A. Switzerland's strategic position is undergoing a significant transformation. Global tax reforms, including Base Erosion and Profit Shifting and Pillar Two, aimed at curbing profit shifting and introducing a global minimum tax, present both challenges and opportunities for multinational enterprises (MNEs) operating in Switzerland. Historically attractive, partly due to low corporate tax rates, Switzerland is now shifting its focus toward offering compliant, substance-driven incentives to attract and retain MNEs. These measures must align with Pillar Two's substance requirements, avoid artificial profit shifting and address a range of Swiss tax implications, such as value added tax (VAT). Switzerland's collaborative approach between authorities and industry, coupled with its adaptive regulatory framework, positions it well to navigate these changes. Other factors

determining where Switzerland sits in the top league worldwide, such as the availability of highly skilled labour, strong institutions and reliable regulatory environment, have been strengthened.

Q. Could you highlight some of the common pitfalls investors should be aware of when acquiring a Swiss company?

A. Investors in Swiss companies must carefully navigate several critical considerations to mitigate potential risks. A comprehensive due diligence process is imperative to identify any outstanding tax liabilities or compliance challenges. The investor's residency and substance – spanning functional, financial and personnel aspects – should be thoroughly assessed to determine the refund position of Swiss withholding tax. Swiss VAT regulations, including exceptions and special rates, require proper management and adequate experience. Furthermore, Switzerland levies a stamp duty on share transactions, although certain exemptions may apply. Identifying whether related-party transactions take place at arm's length is essential to prevent exposure to

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Swiss withholding and corporate income tax on deemed dividends. Leveraging Switzerland's well-established tax ruling practices can offer valuable legal certainty, while strategic post-acquisition planning can optimise tax efficiency.

Q. What are some of the key tax topics to consider when investing in Switzerland?

A. Even though tax follows business, investing in Switzerland brings several noteworthy tax advantages. Switzerland is renowned for its competitive corporate tax rates, which range from 11 to 20 percent, depending on the canton. Economic centres such as Zug and Basel stand out for their attractive tax environments and well-developed infrastructure. The country's federal structure means that while some tax harmonisation exists, each canton maintains unique tax laws and incentives, with a healthy degree of internal competition. Key benefits include the patent box regime, which offers reduced tax rates on patent-related profits and additional deductions for research and development expenses. Companies creating jobs or making significant investments may also qualify for tax

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holidays of up to 10 years. Furthermore, Switzerland's VAT rate of 8.1 percent is among the lowest in Europe. Coupled with its political stability, skilled workforce and exceptional quality of life, Switzerland remains a highly appealing destination for investment.

Q. Beyond the broader context, how can operating model optimisation be effectively achieved in the Swiss tax environment?

A. Operating model optimisation in the Swiss tax environment involves strategically restructuring a business to maximise tax efficiency – usually not only in Switzerland, but globally. This process leverages Switzerland's favourable tax treaties, cantonal incentives and efficient supply chain management. A key focus is achieving structured efficiency by organising operations, processes and structures to minimise tax liabilities while enhancing overall efficiency. This may include utilising Swiss tax rulings, benefitting from low corporate tax rates and reducing VAT exposure. Legal entity rationalisation is central to this process. By consolidating, eliminating or restructuring

legal entities, businesses can reduce complexity and improve tax efficiency. For instance, consolidating operations into fewer Swiss entities can simplify compliance and support loss utilisation planning. Effective optimisation requires a structured, step-by-step approach. It begins with understanding the business structure, including the functions, assets and risks of each entity. Next, inefficiencies such as redundant entities or misaligned tax strategies are identified. A tailored plan is then developed, potentially involving consolidation, simplification or realignment with tax strategies. Implementation follows, involving reorganisation, strategy changes or relocating functions. Finally, continuous monitoring ensures the optimisation remains effective and compliant with Swiss tax laws, avoiding unexpected impacts while enhancing operational efficiency.

Q. Since optimising operating models often leads to the relocation of senior executives to Switzerland, frequently accompanied by management incentive programmes, what are the key considerations, trends and best practices in structuring these incentives effectively?

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A. When structuring management incentive programmes, careful tax planning is needed. Among the key considerations is aligning incentives with Swiss tax regulations to avoid excessive tax burdens that dampen incentive effects. Equity-based incentives, such as stock options or restricted shares, are common but must be structured to benefit from favourable Swiss tax treatments – particularly a tax-free capital gain upon exit. Trends show a growing preference for performance-based incentives tied to long-term business goals, ensuring alignment with corporate strategy and investor interests. It is prudent to obtain advance tax rulings from Swiss authorities to confirm the tax treatment of incentive schemes, ensuring compliance and predictability. Additionally, careful planning around social security contributions and double taxation in international contexts is essential to mitigate these issues. Tailoring incentives to Swiss tax rules ensures competitiveness while attracting and retaining top executive talent, as efficiently as possible.

Q. Could you provide insights on how companies can mitigate tax risks during

restructuring, especially in times of financial distress?

A. To effectively mitigate tax risks during restructuring, particularly in times of financial distress, companies must prioritise early and comprehensive tax planning, even as business challenges rapidly approach. This strategy enables identification of potential tax liabilities and opportunities for savings, ensuring full compliance with Swiss tax regulations. A holistic understanding of tax implications is essential to make informed decisions, supported by the expertise of seasoned Swiss tax professionals. Strategic utilisation of tax loss carry forwards can provide significant opportunities for future growth and financial recovery. Proactively engaging with Swiss tax authorities, such as obtaining advance tax rulings, offers clarity on tax treatment and minimises uncertainty. Additionally, maintaining precise and seamless documentation is critical to withstand potential tax audits. Implementing a robust tax risk framework further ensures that risks are identified, assessed and effectively managed, facilitating a smoother and more efficient restructuring process. □

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