

Dividends as a tradition

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Dividends are a core element of the financial identity of both groups. Roche has increased its dividend in Swiss francs every year for several decades, according to its own investor information for more than thirty-five consecutive years. Novartis has increased its dividend in Swiss francs every year since its formation in 1996. Both companies present this record prominently in their communication with investors and have indicated that they intend to continue it. In a market in which many companies pay variable dividends, such a record creates an expectation that becomes difficult to break without damaging the company's reputation among income investors.¹

The dividend yield of both shares has usually been in the range of about three to four per cent, which is high compared with the yields of Swiss government bonds and of many international equity markets. For Swiss pension funds and private investors, the dividends of Roche, Novartis and Nestlé form a significant part of the total income from Swiss equities. Dividends are paid once a year after the annual general meeting, usually in March, and the payments amount to many billions of francs. For a short period each spring, they produce a noticeable flow in the Swiss payment system and in the accounts of custodian banks.²

Swiss dividends are subject to withholding tax at 35 per cent, unless they are paid out of reserves from capital contributions, which have been exempt from withholding tax since the corporate tax reform of 2011. Swiss residents can reclaim the tax in full when they declare the income, while foreign investors can reclaim part of it under a double taxation agreement. Because the reclaim procedure is a considerable administrative burden for foreign investors and their custodians, a portion of the withholding tax remains unclaimed every year. The concentration of Swiss dividend payments in a few large companies explains why the treatment of withholding tax has such weight in Swiss financial policy.³

1 Notes

1. On the record of consecutive dividend increases of Roche and Novartis in Swiss francs, see the dividend history on their investor relations websites and the annual reports. The number of consecutive years of increase is to be verified for the most recent financial year. Status to be verified. ↩
2. On the dividend yields of Roche and Novartis and the total amount of dividends paid, see the annual reports and the price data of SIX Swiss Exchange. Figures to be verified. ↩
3. On Swiss withholding tax on dividends under the Federal Act on Withholding Tax, the exemption of distributions from capital contribution reserves (Article 5 para. 1bis VStG, introduced by the Corporate Tax Reform Act II with effect from 2011) and the refund procedure under double taxation agreements, see the official materials of the Federal Tax Administration. To be verified. ↩

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