

Share buy-backs, the second trading line and withholding tax

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

In addition to dividends, both groups return capital to shareholders through share buy-backs. Novartis in particular has conducted large programmes in recent years, including a programme of up to USD 15 billion announced in late 2023 and a further programme announced in 2025. Roche has used buy-backs less frequently, partly because the family pool has no interest in reducing its relative holding through sales and partly because the structure of its equity complicates repurchases. The large repurchase of its own bearer shares from Novartis in 2021, described below, was a special case.¹

Share buy-backs in Switzerland have a technical peculiarity that is closely linked to withholding tax. When a company repurchases its own shares for the purpose of cancelling them, the Federal Tax Administration treats the transaction as a partial liquidation. The difference between the repurchase price and the nominal value of the share, together with any attributable capital contribution reserves, is regarded as a distribution subject to withholding tax at 35 per cent. The same applies if a company holds its own shares for longer than six years or above certain thresholds. This rule, laid down in Article 4a of the Federal Act on Withholding Tax, has shaped the practice of Swiss buy-backs for decades.²

To handle the tax efficiently, Swiss companies conduct their buy-backs on a so-called second trading line on the SIX Swiss Exchange. On this separate line, only the issuing company can act as buyer, while sellers receive the purchase price less 35 per cent withholding tax on the liquidation portion. The second line therefore trades at a premium to the ordinary line, since sellers who can reclaim the withholding tax, mainly Swiss institutional investors, are willing to sell there and to recover the tax later. Foreign investors who cannot reclaim the tax in full continue to sell on the ordinary

line. The practice is a Swiss specificity that foreign investors and analysts often find puzzling.³

For very large programmes, the second line can be supplemented by purchases on the ordinary line where the shares are not intended for cancellation, for instance to cover employee share plans. Novartis has used both methods. Its programmes are executed by banks under mandates that specify maximum prices and volumes, and the Swiss Takeover Board has issued rules on buy-back programmes, including disclosure requirements and limits on daily volumes. These details make the execution of a buy-back in Switzerland a specialised service that a limited number of banks in Zurich and Geneva provide.⁴

1 Notes

1. On the Novartis share buy-back programme of up to USD 15 billion announced in November or December 2023 and a further programme of up to USD 10 billion announced in 2025, see the Novartis press releases. Amounts and dates to be verified. Status to be verified. ↩
2. On the treatment of share buy-backs as a partial liquidation under Article 4a of the Federal Act on Withholding Tax (VStG), including the six-year rule and the thresholds of Article 659 of the Code of Obligations, see the Act and Circular Letter No. 5a of the Federal Tax Administration on the purchase of own shares. To be verified. ↩
3. On the second trading line of SIX Swiss Exchange for share buy-backs, the deduction of withholding tax and the premium of the second line over the ordinary line, see the regulations of SIX Swiss Exchange and the practice notes of the Federal Tax Administration. To be verified. ↩
4. On the rules of the Swiss Takeover Board on buy-back programmes (Circular No. 1 on buy-back programmes) and on the execution of buy-backs by banks, see the publications of the Swiss Takeover Board. To be verified. ↩

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