

Philanthropy and taxation

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In Switzerland, the taxation of philanthropy combines the tax exemption of public-benefit foundations with the deductibility of donations. Donations to public-benefit institutions are deductible from direct federal tax up to 20 per cent of net income. The cantons apply comparable ceilings, and Geneva allows the deduction to a similar extent.¹ Foundations recognised as serving the public benefit are exempt from profit and capital taxes, provided that they pursue a purpose in the general interest, in a disinterested and irrevocable manner, and the exemption is granted by the cantonal tax administration.² Foundations whose activity is carried on mainly abroad may be exempted if their general-interest purpose so justifies, a question that practice has clarified and which matters to Geneva foundations active in development.

These rules make Geneva an attractive centre for international philanthropy without making it a philanthropic haven: the controls of the tax administration and the supervisory authority are real, and foundations that serve private interests lose their exemption. Geneva advisers — lawyers, fiduciaries, banks — assist their clients in designing structures that comply with these requirements, so that philanthropic compliance has become a speciality in the same way as banking compliance.

1 Notes

1. Art. 33a LIFD (Federal Direct Tax Act, DFTA; droit-bilingue.ch): “Donations in cash and in the form of other assets to legal entities that have their seat in Switzerland and are exempt from tax on account of their public-service or public-benefit purposes (Art. 56 let. g) are likewise deducted from income, up to 20 per cent of income less the deductions provided for in Arts. 26 to 33, provided that such donations amount to at least 100 francs per tax year”; the deduction also applies to

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donations to the Confederation, the cantons, the communes and their institutions. ↩

2. Art. 56 let. g LIFD (droit-bilingue.ch): exemption of “legal entities that pursue public-service or public-benefit purposes, in respect of the profit exclusively and irrevocably dedicated to those purposes”; “economic purposes cannot in principle be regarded as being in the public interest”; the holding and management of substantial participations may qualify as serving the public benefit where the interest in maintaining the enterprise is subordinated to the public-benefit purpose and no managerial activity is exercised. ↩

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