

What the minimum tax means for trading houses in Lugano

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For the large majority of trading companies in Ticino the minimum tax is irrelevant, because their groups do not reach the threshold of EUR 750 million in consolidated revenue. The Federal Department of Finance estimated that about 99 per cent of Swiss companies are unaffected, and about 2,200 groups with revenues above the threshold were expected to be subject to the new rules.¹ Commodity trading is, however, a business of very high turnover and thin margins. A steel or grain trader with a few dozen employees in Lugano can exceed EUR 750 million in revenue while earning a profit of only a few million. Trading groups therefore fall within the scope of the GloBE rules more often than their size in personnel would suggest. Each Lugano trader with a large turnover must examine whether the threshold is met at group level.

Where the threshold is met, the effective rate of about 15.5 per cent in Lugano described in the previous section is close to the minimum. The GloBE effective tax rate is calculated differently from the statutory effective rate. It is based on the financial accounts adjusted by the GloBE rules, includes deferred taxes within limits and takes into account the substance-based income exclusion for payroll and tangible assets. A trading company may have a high ratio of profit to payroll, temporary differences from the valuation of inventory and derivatives or tax credits. Its GloBE rate may then fall below 15 per cent even though its statutory rate is above it. The Swiss QDMTT then collects the difference, which is why a Lugano trader within scope must model its GloBE rate each year and file the GloBE information return.²

1 Shipping and the minimum tax

One exclusion in the GloBE rules matters for trading groups with their own fleets. International shipping income is excluded from the

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computation of GloBE income, subject to conditions on strategic and commercial management in the jurisdiction concerned. It is defined as income from the transportation of passengers or cargo by ships in international traffic and from certain ancillary activities.³ The exclusion protects tonnage tax regimes such as those of Cyprus, Malta or Greece. It does not cover the trading margin, which is taxed at the ordinary rate wherever the trading company is located. Groups that combine trading in Lugano with ship ownership elsewhere must therefore separate the shipping income, which may be excluded, from the trading income, which counts in full. The shipping and ship management companies of Lugano are described in Chapter F.III.

Essentials. Switzerland applies a domestic minimum top-up tax (QDMTT) from 1 January 2024 and the income inclusion rule (IIR) from 1 January 2025, but has postponed the UTPR. Seventy-five per cent of the receipts go to the cantons. The rules apply only to groups with consolidated revenue of at least EUR 750 million, a threshold that high-turnover trading groups reach more easily than their size suggests. With an effective rate of about 15.5 per cent, Lugano is close to the minimum, so that differences between statutory and GloBE rates must be modelled annually.

2 Notes

1. Federal Department of Finance (above) (99 per cent unaffected); IFC Review (above) (about 2,200 firms). ↩
2. OECD GloBE Model Rules (above), Art. 3 (GloBE income), Art. 4 (covered taxes and deferred taxes), Art. 5.3 (substance-based income exclusion), Art. 8.1 (GloBE information return). ↩
3. OECD GloBE Model Rules (above), Art. 3.3 (international shipping income exclusion), including the condition of strategic or commercial management in the jurisdiction (Art. 3.3.7). ↩

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