

Tax exemption for charitable foundations in Switzerland

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The tax exemption is what turns a Swiss foundation into an efficient instrument for philanthropy. An exempt foundation pays no profit or capital tax on the assets and income it uses for its purpose, and donations to it can be deducted by donors in Switzerland. The exemption is not granted automatically: the foundation must meet strict conditions, and it must continue to meet them for as long as it exists. Founders should therefore design the deed of foundation with the exemption in mind from the start.

1 The legal basis

Legal entities that pursue a public or public-benefit purpose are exempt from the federal direct tax on the profit and capital used exclusively and irrevocably for that purpose (Article 56 letter g of the Federal Direct Tax Act). The cantons apply equivalent rules to their profit and capital taxes. The exemption is granted by the cantonal tax authority of the foundation's seat and applies to the federal and the cantonal taxes.

2 Public benefit

A purpose serves the public benefit where it promotes the general interest, for example education, research, health, culture, social welfare, the environment or development cooperation, and where the circle of beneficiaries is open. A foundation that supports only the founder's family, the employees of one company or members of a closed group does not qualify. The foundation must also act altruistically: its organs and donors may not expect any consideration or economic benefit in return.

3 Exclusivity and irrevocability

The foundation's assets must be dedicated exclusively and irrevocably to the public-benefit purpose. The deed of foundation must therefore provide that, if the foundation is dissolved, its remaining assets pass to another tax-exempt institution with a similar purpose, and never back to the founder or his family. Commercial activities are permitted only where they serve the purpose and remain secondary.

4 Activities abroad

A Swiss foundation may pursue its purpose outside Switzerland. The tax authorities expect the foundation to document how its funds are used abroad, to select partner organisations carefully and to be able to show that the grants reach their purpose. A clear grant-making policy and regular reporting by the recipients are therefore part of good practice.

5 Obtaining the exemption

The application is filed with the cantonal tax authority together with the deed of foundation, the regulations, the composition of the board and a description of the planned activities. In practice the draft deed is agreed with the tax authority and the supervisory authority before the foundation is established, so that both approve it without changes once it has been notarised.

6 Deductions for donors

Individuals resident in Switzerland can deduct donations to tax-exempt institutions from their taxable income for the federal direct tax up to 20 per cent of their net income, and companies up to 20 per cent of their net profit. The cantons provide for similar deductions. Donors abroad depend on the tax law of their own country, as explained in the article on [cross-border giving](#). The formation and supervision of foundations are explained in the article on [charitable foundations in Switzerland](#).

7 How Ressos Legal helps

I draft deeds of foundation that meet the conditions for tax exemption, agree them with the tax and supervisory authorities in advance, and advise foundations on keeping their exemption. [Contact me](#) for a first conversation.

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

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