

## The tax position of a single family office company

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A single family office company is a taxpayer in its own right, separate from the family members and their holding structures. How its profit is determined, how it charges for its services and whether VAT applies are questions that are best settled before the office starts operating.

### 1 The office as a service company

In most structures the family office company provides services such as investment coordination, accounting, reporting and administration to the family members, their holding companies, trusts or foundations. It incurs costs for staff, premises and advisers and recharges them. The family office company is subject to federal, cantonal and communal profit and capital taxes like any other Swiss company, while the family's own investment income is taxed according to where and how the assets are held.

### 2 Cost-plus arrangements

Some cantons are prepared, in suitable cases, to confirm in an advance tax ruling that the office may determine its taxable profit as its costs plus a mark-up. Such a ruling gives planning certainty, but practice differs between cantons and depends on the facts presented, including the services rendered, the persons served and whether the office takes investment decisions or only supports them. A ruling is only as reliable as the description on which it is based, so the office must operate in the way it was described to the tax authority.

### 3 Transfer pricing

Where the family office serves related companies abroad, the fees must be at arm's length. The tax authorities in Switzerland and in the recipients' countries may examine whether the remuneration is appropriate, and the

recipients' countries may question whether the charges are deductible. Documentation describing the functions performed, the risks borne and the method used to determine the fee helps to defend the position on both sides. If the office in fact manages assets or takes key decisions, the question can also arise where the managed entities are effectively controlled for tax purposes.

#### 4 VAT considerations

Services supplied by the office against payment may be subject to Swiss value added tax under the Federal Act on Value Added Tax, depending on the nature of the service and the place of supply. Services to recipients abroad are often treated differently from services to Swiss recipients. Registration becomes mandatory once turnover exceeds the statutory threshold, and voluntary registration may be useful to recover input tax. Where the office and family companies are closely linked, a VAT group can sometimes be considered.

#### 5 What pays off in practice

- **A ruling request based on accurate facts** provides certainty that lasts as long as the office operates as described.
- **Written service agreements** with each recipient support transfer pricing and VAT positions.
- **Coordination with the family's foreign advisers** avoids conflicting positions in different countries.

#### 6 How Ressos Legal helps

I advise on the tax set-up of Swiss family office companies and work with the family's advisers abroad to keep the structure consistent across jurisdictions. [Contact me](#) for a first conversation.

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