

A Swiss competition before Zug

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

Zug did not invent the tax privilege for holding companies. When the canton first discussed such a privilege in 1921, it could point to precedents in Schaffhausen, Zurich, Solothurn and Glarus.¹ The competition between cantons for holding companies was already under way and intensified in the following years. By 1928, sixteen cantons were competing through tax privileges, as capital sought a safe haven in neutral Switzerland after the First World War.² The number of holding companies in Switzerland rose from 128 in 1921 to nearly 2,000 in 1938.³

The context explains the attraction. The First World War had destroyed the monetary stability of the European powers. Inflation in Germany and Austria, capital controls, confiscatory taxation of wealth and the political instability of the post-war years led companies and wealthy families to look for a place where their holdings would be safe from war, revolution and the tax collector. Switzerland offered political neutrality, a stable currency, banking secrecy in practice and a legal framework for companies whose sole purpose was to hold participations in other companies. The holding company, a company limited by shares whose assets consist of shares in subsidiaries, allowed the owners of an international group to place the ownership of their operating companies in a neutral jurisdiction, to receive the dividends there and to reinvest them without passing through the tax systems of the countries in which the operations were conducted.

The cantons could offer such companies two things. The first was relief from the double taxation that would otherwise arise when the profits of subsidiaries, already taxed in the countries of operation, were taxed again as dividends at the level of the holding company. The second was relief from the cantonal taxes on capital, which were levied on the equity of companies and could be substantial for holding companies with large balance sheets. A canton that taxed a holding company only on a small fraction of its capital, and not at all on its dividend income, could attract

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the registered seats of international groups at little cost to itself, since the holding companies required few services and employed few people. The revenue from such companies was small per company, but it was revenue that the canton would otherwise not have received at all.

1 Notes

1. Zug in der Welt, "Zug mit Steuern steuern", zuginderwelt.ch, accessed September 2026: in 1921, the revision of the tax law discussed holding company privileges with reference to precedents in Schaffhausen, Zurich, Solothurn and Glarus. ↩
2. zentralplus, Damals-Blog, "So wurde Zug vor 100 Jahren zum Steuerparadies", zentralplus.ch, accessed September 2026: by 1928, sixteen cantons competed via tax privileges as post-war capital flowed into neutral Switzerland. ↩
3. Zug in der Welt, "Zug und der globale Kapitalismus", zuginderwelt.ch, accessed September 2026: number of holding companies in Switzerland rising from 128 in 1921 to nearly 2,000 by 1938. ↩

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