

Holding and trading companies in Zug

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For decades, Zug has been a preferred seat for holding companies and international trading firms. The former special cantonal tax status for holdings has been abolished, yet the participation deduction and the low general tax rate keep Zug attractive. At the same time, expectations regarding substance and transparency have risen markedly.

1 The end of the special holding status

Until the end of 2019, Swiss cantons granted special tax status to holding, domicile and mixed companies. These regimes were abolished with the federal tax reform that entered into force on 1 January 2020. Since then, holding companies in Zug are taxed under the ordinary rules, which in Zug means a low general profit tax rate. Transitional rules applied to companies that previously benefited from special status.

2 The participation deduction

The central instrument for holding structures is the participation deduction. Dividends and qualifying capital gains from substantial participations are effectively relieved from profit tax in proportion to their share in the company's total net income. As a rule, a participation qualifies if it amounts to at least 10 per cent of the capital of another company or, for dividends, has a market value of at least CHF 1 million. Additional conditions apply to capital gains, including a minimum holding period. Financing costs and administrative expenses reduce the benefit, so the calculation should be prepared carefully.

3 Commodity traders in Zug

Zug is one of Switzerland's main centres for commodity trading. Trading companies benefit from the low tax rate, the proximity to trade finance

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banks and an established pool of specialists in trading, operations, risk management and compliance. Commodity trading is, however, under particular scrutiny, especially regarding sanctions, export controls, anti-money laundering and the origin of goods. Swiss sanctions measures must be observed by companies in Switzerland, and breaches can have criminal consequences.

4 What banks and authorities expect

Swiss banks examine holding and trading companies thoroughly. They typically ask for a clear group structure, the identity of beneficial owners, audited or at least reliable financial statements, an explanation of the trade flows and evidence of compliance processes. Tax authorities, both in Switzerland and abroad, look at where decisions are actually taken. A holding or trading company with qualified management and staff in Zug is far more robust than an entity administered from abroad.

5 What pays off in practice

- **Document the substance.** Board minutes, employment contracts and office leases show where the company is managed.
- **Model the participation deduction.** Financing costs can reduce the expected relief considerably.
- **Build compliance into trading operations.** Sanctions screening and know-your-counterparty checks are expected by banks from the first transaction.

6 How Ressos Legal helps

I advise international groups and traders on holding structures, trading companies and sanctions compliance in Switzerland. [Contact me](#) for a first conversation.

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