

Practitioner's note: rulings, substance and relocation

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In daily practice, three features of the Zug tax environment matter as much as the statutory rates. The first is the practice of advance tax rulings. The cantonal tax administration confirms, on request, the tax treatment of a planned transaction or structure in rulings that give the taxpayer legal certainty. Since 2018, rulings with cross-border effects are subject to the spontaneous exchange of information with foreign tax authorities under the international standards.¹ The practitioner must therefore assume that a ruling obtained in Zug will become known to the tax authorities of the other states concerned.

The second is substance. The international standards that ended the status regimes also changed the expectations of foreign tax authorities. A company in Zug that claims treaty benefits, that receives royalties or that serves as a principal company for a group's trading activities must be able to demonstrate that it is managed and controlled in Zug, with qualified staff, real decision-making and the corresponding costs. The history of the domicile company, which had its seat in Zug and its business elsewhere, is over. The practitioner who advises on a structure in Zug today advises on the establishment of a real business.

The third is the relocation of individuals. Zug's tax scale for income and wealth, its retention of taxation according to expenditure and its exemption of descendants from inheritance tax make it attractive to wealthy families. The relocation of such a family requires the careful planning of the move, the documentation of the new domicile and, frequently, the negotiation of an agreement on the lump-sum tax with the cantonal tax administration. Part F treats these questions in detail.

1 Notes

1. State Secretariat for International Finance (SIF), "Spontaner Informationsaustausch", sif.admin.ch: the Convention on Mutual Administrative Assistance in Tax Matters entered into force for Switzerland on 1 January 2017, and Switzerland has exchanged information on tax rulings spontaneously since 2018. StAhiG, Art. 22a–22e (SR 651.1), and StAhiV of 23 November 2016 (SR 651.11), Art. 16: rulings issued from 1 January 2010 (droit-bilingue.ch). ↩

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