

The entrepreneur family and its companies

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Many of the wealthiest residents of Zug are entrepreneurs or the heirs of entrepreneurs, whose wealth consists mainly of participations in family companies. For them, the taxation of the company and the taxation of the family are two sides of the same question. While the company pays profit tax, the family pays wealth tax on the value of its shares and income tax on the dividends. The combined burden determines the return on the family's wealth.

The wealth tax on unlisted shares depends on their valuation. The cantonal tax administrations value unlisted shares according to a method agreed among the cantons, which combines the net asset value and the capitalised earnings value of the company.¹ For a family whose company is highly profitable, the capitalised earnings value may far exceed the book value. The wealth tax can then become a significant burden, especially where the company retains its profits and pays small dividends. The low wealth tax rates of Zug, reduced further in 2024, mitigate this burden and are one of the reasons why entrepreneur families from higher-tax cantons move to Zug.

The structure of the family's holdings is equally important. A family may hold its operating company directly, through a personal holding company or through a family holding company in which several branches of the family participate. Each structure has different consequences for the taxation of dividends, for the wealth tax, for the transfer of the company to the next generation and for the governance of the family's relationship with the company. The practitioner in Zug is frequently asked to design or revise such structures, work that the canton's familiarity with holding companies, described in Part B, facilitates.

1 Notes

1. Swiss Tax Conference, Circular No. 28 "Wegleitung zur Bewertung von Wertpapieren ohne Kurswert für die Vermögenssteuer" of 28 August 2008, updated February 2022, ssk-csi.ch; KPMG Switzerland, "Steuerwert nicht kotierter Aktien", kpmg.com/ch: under the circular, trading, industrial and service companies are valued at twice the capitalised earnings value plus once the net asset value, divided by three, while pure holding and asset management companies are valued at net asset value. ↩

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