

The implementation in Zug

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The canton implemented the TRAF through a partial revision of its tax law, the sixth, which entered into force on 1 January 2020.¹ The effective tax burden on profits, combining federal, cantonal and communal taxes for a company in the town of Zug, fell from 14.6 per cent to 11.91 per cent. The canton introduced the patent box with the maximum permitted relief of 90 per cent on qualifying patent income and the additional deduction for research and development at the maximum of 50 per cent of qualifying expenses. It set the limit on total relief at the permitted maximum of 70 per cent, so that at least 30 per cent of taxable profit remains subject to ordinary taxation. The capital tax was set at a uniform rate of 0.5 per mille for all legal entities, with the tax base reduced by 98 per cent for qualifying participations, qualifying intellectual property and intra-group loans. For natural persons with qualifying participations of at least 10 per cent, dividends became taxable at 50 per cent of their amount.² For the companies that had benefited from the status regimes, the canton adopted transitional rules. The hidden reserves that such companies had accumulated under the privileged regime were, at the company's choice, either taxed separately at special reduced rates of between 0.8 and 1.6 per cent over a period of five years, or disclosed in the tax balance sheet and written down over five years.³ The effect of these rules was to spread the transition over several years and to protect the companies from a sudden increase in their tax burden.

The scale of the change was considerable. When the regime for mixed companies was abolished in 2020, some 1,500 companies still benefited from it.⁴ In 2019, these companies generated 22 per cent of the canton's total tax revenue.⁵ In 2019, the canton also counted 5,700 holding companies.⁶ A reform that abolished the legal basis of a fifth of the canton's tax revenue without a significant loss of companies or revenue was a considerable achievement that required a combination of lower ordinary rates, transitional rules and the new instruments of the TRAF.

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The outcome has kept the canton at the top of the Swiss tax rankings. In 2025, Zug had the lowest effective profit tax rate of all cantons, at 11.85 per cent, compared with a Swiss average of 14.4 per cent and rates of 19.61 per cent in Zurich and 20.54 per cent in Bern.⁷ The reform ended the special regimes and translated Zug's fiscal advantage from the language of privilege into the language of general rates.

1 Notes

1. Source as cited in the printed edition. ↩
2. PwC, "Umsetzung der Steuerreform und AHV-Finanzierung in Zug", 2019, pwc.ch: effective date 1 January 2020; reduction of the effective tax burden (federal and cantonal tax, municipality of Zug) from 14.6 per cent to 11.91 per cent; patent box relief of up to 90 per cent; additional R&D deduction of 50 per cent; relief limitation of 70 per cent; transitional taxation of silent reserves of former status companies for five years at special rates of 0.8 to 1.6 per cent, or disclosure with write-down over five years; uniform capital tax rate of 0.5 per mille with the tax base reduced by 98 per cent for qualifying participations, patent-box intangibles and intra-group loans; dividends from participations of 10 per cent or more taxed at 50 per cent for natural persons. ↩
3. PwC, "Umsetzung der Steuerreform und AHV-Finanzierung in Zug": silent reserves from former status companies taxed separately for five years at rates of 0.8 to 1.6 per cent, increasing by 0.2 percentage points annually, or voluntary disclosure with five-year write-down. ↩
4. Zug in der Welt, "Zug mit Steuern steuern": in 2020 the "Gemischte Gesellschaften" were abolished; 1,500 firms still benefited from the special treatment at termination. ↩
5. Zug in der Welt, "Die Finanzen des Kantons Zug und seiner Gemeinden seit 1950": around 1,500 mixed companies generated substantial tax revenues; by 2019 they contributed 22 per cent of the total tax revenues of the canton. ↩
6. Zug in der Welt, "Zug mit Steuern steuern": 5,700 holding companies in 2019. ↩

7. KPMG Switzerland, press release "Unternehmenssteuern in der Schweiz sinken leicht", May 2025, kpmg.com/ch: lowest effective profit tax rate in Zug at 11.85 per cent; highest in Bern (20.54 per cent) and Zurich (19.61 per cent); Swiss average down to 14.4 per cent from 14.6 per cent. ↩

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