

The law of 15 July 1930

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The decisive step came in 1930. On 15 July 1930, the canton enacted a law on the special taxation of legal entities, the "Gesetz betreffend die Sonderbesteuerung juristischer Personen". It reduced the tax on holding companies to between 0.5 and 1.5 per mille of their share capital and exempted them entirely from the tax on profits.¹ The citizens never voted on this law. Although it was subject to the optional referendum, the referendum period expired without a request for a popular vote.²

The law of 1930 created the model that would carry the canton through the following decades. A holding company in Zug paid a small annual tax on its capital and nothing on its profits. For an international group, the cost of maintaining a holding company in Zug was negligible, whereas the benefit, the tax-free receipt and reinvestment of dividends from subsidiaries around the world, could be considerable. The law of 1930 also introduced the idea that the canton could tax certain companies according to special rules, distinct from the ordinary taxation of domestic businesses. This idea of a special regime for companies whose activities lay abroad became the foundation of the later practice on domicile companies and mixed companies, described in Chapter II, and remained in force, in various forms, until 2019.

The timing of the law deserves attention. It was enacted in the summer of 1930, in the first months of the world economic crisis. The industrial enterprises of the canton were entering the most difficult period of their history. The spinning mills were in decline. Two years later, Landis & Gyr would lay off a fifth of its workforce. The canton's tax revenue per inhabitant fell, in the decade from 1931 to 1940, below the level of 1920, while the canton accumulated debt year after year.³ The holding law of 1930 was, in this context, an attempt to find a source of revenue that did not depend on the fortunes of local industry. It was a crisis measure, conceived by a small canton with narrow finances in a period of economic distress.

1 Notes

1. Zug in der Welt, "Zug mit Steuern steuern": the "Gesetz betr. Sonderbesteuerung juristischer Personen" of 15 July 1930 reduced the tax rate to 0.5 to 1.5 per mille of share capital, a massive reduction; Zug in der Welt, "Zug und der globale Kapitalismus": preferential rates from 1930 of 0.5 to 1.5 per mille of share capital with complete exemption from profit taxes; zentralplus, "So wurde Zug vor 100 Jahren zum Steuerparadies": a revised holding law took effect in 1930, exempting holdings from profit tax. ↩
2. zentralplus, "So wurde Zug vor 100 Jahren zum Steuerparadies": citizens never voted directly on the 1930 revision; the referendum period expired unused. ↩
3. Zug in der Welt, "Zug mit Steuern steuern": from 1931 to 1940, cantonal tax revenue per capita fell below 1920 levels owing to the Depression, with continuous accumulation of debt. ↩

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