

The taxation of trading profits after 2020

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With the abolition of the regime for mixed companies on 1 January 2020, the trading profits of the principal companies in Zug became subject to the ordinary profit tax. The effective combined rate for a company in the town of Zug fell, as described in Part B, to about 11.9 per cent and stood at 11.85 per cent in 2025.¹ For the large trading groups, whose consolidated revenue exceeds the threshold of the global minimum tax, the Swiss supplementary tax raises the effective rate on their Swiss profits to 15 per cent, subject to the substance-based exclusion.

The instruments introduced by the TRAF, the patent box and the research and development deduction, are of limited relevance to the commodity traders, whose profits derive from trading and owe nothing to patents or research. The traders therefore benefit mainly from the low ordinary rate and, for groups below the threshold of the minimum tax, from the full effect of that rate. The transitional rules for former mixed companies, which allowed the separate taxation of hidden reserves at reduced rates over five years, cushioned the transition for the traders that had benefited from the old regime.²

The allocation of profits between the principal company in Zug and the group's offices and subsidiaries abroad is governed by the arm's length principle. The OECD transfer pricing guidelines contain specific guidance on commodity transactions, which addresses the use of quoted prices and the determination of the pricing date. Many producing countries have introduced their own rules on the pricing of commodity exports to limit the shifting of profits to trading hubs.³ The practitioner advising a trader in Zug must ensure that the remuneration of the foreign offices, the pricing of intra-group transactions and the substance of the principal company in Zug can withstand the scrutiny of the tax authorities of the producing and consuming countries. Those authorities increasingly challenge the allocation of trading profits to Switzerland.

1 Notes

1. PwC, "Umsetzung der Steuerreform und AHV-Finanzierung in Zug": reduction of the effective tax burden from 14.6 per cent to 11.91 per cent; KPMG Switzerland, press release May 2025: Zug at 11.85 per cent. ↩
2. PwC, "Umsetzung der Steuerreform und AHV-Finanzierung in Zug": transitional taxation of silent reserves of former status companies for five years at special rates of 0.8 to 1.6 per cent. ↩
3. OECD Transfer Pricing Guidelines (2017 and 2022 editions), Chapter II, paras. 2.18–2.22, as summarised by TPCases, "Commodity transactions", tpcases.com: the CUP method is generally appropriate for commodity transactions between associated enterprises and may use quoted prices with comparability adjustments (para. 2.20); the contractual pricing date is respected where supported by reliable contemporaneous evidence, otherwise the tax administration may deem another pricing date (para. 2.22). The same source names Argentina, Peru, Uruguay, Brazil, the Dominican Republic and Guatemala as countries with "sixth method" rules. ↩

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