

## The taxation of trusts

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The taxation of trusts in Switzerland is not governed by statute. It follows a circular of the Swiss Tax Conference, which the cantons apply. The circular distinguishes between revocable trusts, in which the settlor retains control over the assets and which are therefore disregarded for tax purposes, and irrevocable trusts, whose treatment depends on whether the beneficiaries have fixed entitlements or the trustee has discretion.<sup>1</sup> In a revocable trust, the income and assets are attributed to the settlor. In an irrevocable fixed interest trust, they are attributed to the beneficiaries in proportion to their entitlements. In an irrevocable discretionary trust, where the beneficiaries have no enforceable claim, the assets are attributed neither to the settlor, if he was resident abroad when he created the trust, nor to the beneficiaries. The distributions are taxed as income when the beneficiaries receive them.

The practice gives considerable weight to the question whether the settlor has really parted with control over the assets. A trust in which the settlor retains the power to revoke the trust, to direct the investments, to change the beneficiaries or to receive distributions at will is treated as revocable, whatever its formal terms. For a wealthy family that moves to Zug with existing trusts, the review of their tax treatment under the Swiss practice is one of the first tasks of the practitioner. A trust that was neutral for tax purposes in the family's previous state of residence may be treated as transparent in Switzerland, with the consequence that the trust assets become subject to the Swiss wealth tax of the settlor.

The inheritance and gift tax treatment of trusts depends on the same distinctions. Depending on the cantonal practice, the transfer of assets to an irrevocable discretionary trust by a settlor resident in Switzerland may be treated as a gift to the beneficiaries, or its taxation may be deferred until the distribution to the beneficiaries.<sup>2</sup> The cantonal law of Zug expressly includes transfers through trust arrangements in the scope of its

inheritance tax.<sup>3</sup> Since spouses and descendants are exempt from the Zug inheritance tax, the question matters mainly for trusts in favour of more distant relatives or unrelated persons.

## 1 Notes

1. Swiss Tax Conference, Circular No. 30 "Besteuerung von Trusts" of 22 August 2007, [ssk-csi.ch \(KS\\_30\\_d.pdf\)](https://www.ssk-csi.ch/KS_30_d.pdf): distinguishes the revocable trust (assets attributed to the settlor), the irrevocable fixed interest trust (beneficiaries treated like usufructuaries) and the irrevocable discretionary trust (section 5.2.3). For a discretionary trust whose settlor was resident abroad at settlement, the assets are attributed neither to the settlor nor to the beneficiaries and distributions are taxed as income of the beneficiary on receipt. Where the settlor was resident in Switzerland at settlement, assets and income continue to be attributed to the settlor. ↩
2. Swiss Tax Conference, Circular No. 30 of 22 August 2007, [ssk-csi.ch](https://www.ssk-csi.ch), confirms that for an irrevocable discretionary trust of a settlor resident in Switzerland at settlement the assets continue to be attributed to the settlor, and that the circular leaves the determination of the gift tax rate to the cantons. Toni Amonn, "Trustbesteuerung in der Schweiz – eine Standortbestimmung", [lfch.ch](https://www.lfch.ch): the cantons held different views, the canton of Bern taxed at settlement for reasons of procedural economy, and the author argues for deferral until distribution. ↩
3. Kanton Zug, "Erbschafts- und Schenkungssteuer": inheritance tax applies to property transfers due to death, including those through trust arrangements. ↩

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*For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.*

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