

Why Zug

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The reasons why Russian and Kazakh groups chose Zug were the same that attracted other international companies: low taxes, the tax privileges for holding and domiciliary companies until 2020, political stability, a reliable legal system, an English-speaking business environment and discretion. For groups from the former Soviet Union, two further factors mattered. The first was the presence of the traders with whom they did business, together with the lawyers, banks and service providers that specialised in the trade. The second was the protection that a Swiss company offered against the uncertainties of their home countries. By putting the group's assets and its international sales under Swiss law, a holding company in Zug offered protection against expropriation, arbitrary taxation and the conflicts between rival groups that characterised the business environment in Russia in the 1990s and 2000s.

Switzerland's neutrality played a part as well, since Russian and Kazakh groups considered that Switzerland would not take political measures against them as quickly as the member states of the European Union. The expectation proved correct for a time. After the annexation of Crimea in 2014, Switzerland adopted the European Union's sanctions against Russia only in part, confining itself to measures to prevent the circumvention of European sanctions through Switzerland.¹ The expectation proved wrong in 2022, when Switzerland adopted the European sanctions in full, a turn that Chapter III examines.

1 Notes

1. Federal Council, press release "Situation in Ukraine: Federal Council decides on further measures to prevent the circumvention of international sanctions", 27 August 2014, admin.ch: amendment of the Ordinance of 2 April 2014 on measures to prevent the circumvention of international sanctions in relation to the situation in Ukraine, following the EU measures of July 2014; Switzerland does not adopt the EU sanctions but prevents their circumvention through Switzerland.



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