

German entrepreneurs, families and relocation — overview and summary

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Every working day, trains from Stuttgart, Munich and Frankfurt arrive at Zurich main station carrying engineers, bankers, physicians and consultants who hold German passports. Many of them have long since ceased to be visitors. The Germans form the largest group of foreign nationals in the canton of Zurich. A considerable number of them are entrepreneurs, senior managers and members of wealthy families who chose the city deliberately after weighing its tax system, its schools, its airport and its legal stability against the alternatives in Germany, Austria and further afield. For the financial centre this migration matters in several ways. It brings capital that is managed by Zurich banks, asset managers and family offices. It supplies the professional services firms of the city with clients whose affairs straddle two legal systems. It also generates a steady stream of advisory work in tax law, succession planning, corporate law and, when relocations go wrong, criminal defence.

The legal framework of such a move is unusually dense. German tax law does not let go of a departing resident easily. Its instruments begin with the extended unlimited tax liability that the double taxation convention of 1971 preserves for five years after departure. The Außensteuergesetz (AStG) adds the extended limited tax liability of § 2, the exit taxation of § 6 in the version introduced by the ATAD Implementation Act and the controlled foreign company rules of §§ 7 to 13. An inheritance tax that follows German nationals abroad for years after they have left completes the picture. Switzerland, for its part, taxes the newcomer on worldwide income and wealth from the first day of residence. In the canton of Zurich it does so without the option of lump-sum taxation that remains available in other cantons. Social security, residence rights, pensions and German real estate add further layers.

This chapter describes that framework as it stands in September 2026. It begins with the motives that bring German entrepreneurs and families to Zurich. It then turns to the double taxation convention between Switzerland and Germany, including the amending protocol of 2023 that entered into force at the end of 2025. The following sections deal with the German instruments that reach across the border, with the taxation of companies and inheritances and with the Swiss side of the move. The compliance and criminal law risks that attend a relocation which exists only on paper are considered last. A practitioner's checklist and an assessment of the legacy of this migration close the chapter. The history of the relationship between Zurich and German capital, from the nineteenth century to the tax CDs, has been told in the preceding chapter. Part H described the Zurich tax system itself. Both are presupposed here.

1 Conclusion

German entrepreneurs and families come to Zurich for a combination of reasons in which tax plays an important but rarely an exclusive part. The canton offers stability, proximity to Germany, a familiar language and the infrastructure of a major financial centre, while its tax burden, although higher than in the neighbouring cantons of central Switzerland, remains lower than in Germany for most wealthy households. The legal framework of the move is shaped above all by German law. The convention of 1971 allows Germany to continue taxing persons who keep a home in Germany, and for five years it preserves German taxing rights over the German-source income of emigrants who are not Swiss nationals. The Außensteuergesetz adds the extended limited tax liability for ten years, the exit tax on shareholdings and fund units, the controlled foreign company rules and the attribution of foundation income. The inheritance and gift tax follows German nationals for five years and German heirs for as long as they live in Germany.

The Swiss side of the move is comparatively simple. Free movement guarantees the right of residence and the European coordination rules determine social security. The canton taxes the newcomer in the ordinary way on his worldwide income and wealth. The main risks lie in the interaction of the two systems and in the temptation to relocate only on paper. A move to Zurich that is real, complete and carefully planned remains legally secure and can bring lasting benefits to the family and to the financial centre. A move that leaves the centre of life in Germany exposes the taxpayer to German worldwide taxation and, if undeclared income results, to criminal prosecution.

2 In five sentences

1. Germans form the largest foreign community in the canton of Zurich. Its wealthy entrepreneurs and families are drawn by stability, proximity, language and a tax burden that remains lower than in Germany even without the lump-sum taxation abolished in the canton in 2010.
2. The German–Swiss convention of 1971, last amended by the Protocol of 21 August 2023 in force since 27 November 2025, allows Germany under Article 4 paragraph 3 to tax persons who keep a German home and under Article 4 paragraph 4 to tax the German-source income of non-Swiss emigrants for five years, a rule the Court of Justice upheld in *Bukovansky*.
3. German domestic law adds the extended limited tax liability of § 2 AStG for ten years after a move to a low-tax country, the exit tax of § 6 AStG with seven annual instalments and a return rule applicable uniformly since 2022, as well as the controlled foreign company rules whose low-tax threshold of 15 per cent now spares most ordinary Zurich companies.
4. The estates convention of 1978, § 2 paragraph 1 number 1 lit. b ErbStG and § 4 AStG keep German inheritance and gift tax in play for five to ten years after departure and indefinitely where heirs live in Germany, while § 15 AStG discourages Swiss-managed foundations and trusts during that period.
5. The Swiss side offers secure residence under free movement and ordinary taxation in Zurich, but a relocation succeeds only if it is real and documented, since a sham domicile leaves the taxpayer subject to German worldwide taxation and exposed to prosecution for tax evasion under § 370 AO.

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