

Zurich and Germany: a history of capital and conflict — overview and summary

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No foreign country has shaped the Zurich financial centre as persistently as Germany. German investors helped to pay for the first Swiss railways, a Leipzig bank sat at the table when the Schweizerische Kreditanstalt was founded in 1856, and German scholars filled the chairs of the Polytechnikum and the university in the decades that followed. German savers brought their money to Zurich whenever their own currency, their own government or their own tax authority gave them reason to fear for it. Zurich banks, in turn, lent to German industry and German municipalities on a scale that nearly ruined some of them in 1931. For most of the twentieth century the relationship combined intimacy with mistrust, since the two economies were closely interwoven while the two states repeatedly found themselves on opposite sides of questions of money, war and taxation.

The conflict reached its most visible form between 2008 and 2013. A German finance minister spoke of the whip and the cavalry. German tax authorities bought stolen client data from Swiss banks, while the Swiss prosecuting authorities issued arrest warrants against German tax investigators. A negotiated settlement, the withholding tax agreement of 2011, passed the German Bundestag and failed in the Bundesrat. Tens of thousands of German taxpayers regularised their Swiss accounts through voluntary disclosures in the same years. The period ended with the automatic exchange of financial account information, which since 2018 has sent the data of German clients from Zurich to the German tax authorities every year as a matter of routine.¹ The dispute over undeclared money has thereby lost its object, although it has left traces in the law, in the practice of the banks and in the way the two publics speak about each other.

This chapter follows that relationship from the nineteenth century to September 2026. It begins with the economic ties that bound Zurich to the

German states and later to the German Empire: trade, capital, immigration and the academic migration that brought German professors to Zurich. It then turns to the interwar period, in which German flight capital and German debts made Zurich both a beneficiary and a hostage of Germany's crises, and treats the Second World War and its settlement only briefly, because Chapter F.III examines them in detail. The post-war partnership, the long history of German tax flight, the confrontation of 2008 to 2013 and the failed withholding tax agreement form the core of the chapter. The final sections examine voluntary disclosure under German law, the era of automatic exchange and the relationship as it stands today. The double taxation agreement between the two countries is treated in Chapter K.II, and German entrepreneurs and families who move to Switzerland are also discussed there.

The subject matters for the financial centre of today because Germany remains Zurich's most important neighbour in every sense that counts for a bank, an insurer or a law firm. Germany is Switzerland's largest trading partner and a major destination for Swiss direct investment, while Germans form the second-largest foreign community in the country.² German clients, German companies and German advisers are part of the daily business of the Zurich institutions. The legal framework within which that business is conducted, from § 371 of the German Fiscal Code (*Abgabenordnung*, AO) to Article 273 of the Swiss Criminal Code, still bears the marks of the conflicts described below.

1 Notes

1. Federal Department of Foreign Affairs, Europe Division, "Automatischer Informationsaustausch in Steuersachen", <https://www.europa.eda.admin.ch/de/automatischer-informationsaustausch-in-steuersachen>, on the agreement with the European Union in force since 1 January 2017 and the first exchange in 2018. ↩
2. Federal Department of Foreign Affairs (EDA), "Bilaterale Beziehungen Schweiz–Deutschland", <https://www.eda.admin.ch/de/bilaterale-beziehungen-schweiz-deutschland>. Section X of this chapter gives the figures. ↩

2 Conclusion

The relationship between Zurich and Germany began as a partnership of trade and capital. German investors helped to finance the railways and the

Kreditanstalt, German professors and entrepreneurs brought knowledge to Zurich, and one in five inhabitants of the city was German by 1910. The interwar period turned the partnership into a dangerous dependence. German flight capital came to Zurich and Zurich credit went to Germany until the standstill of 1931 froze a large part of the Swiss banks' assets, while the German laws against capital flight gave Swiss banking secrecy its political narrative. The Second World War and the settlements of 1946 and 1952 closed one chapter and opened the way for four decades of close economic cooperation.

From the 1970s onwards, German tax flight became the central issue. The German tax authorities could not reach the Swiss accounts of German residents, the double taxation agreement excluded the exchange of information on undeclared income, and German attempts to bring the money home through an amnesty and a flat tax had limited success. The breakthrough came from the purchase of stolen data after 2008, which the Federal Constitutional Court did not stop and which triggered tens of thousands of voluntary disclosures. Switzerland responded with arrest warrants, espionage and a withholding tax agreement that the Bundestag approved and the Bundesrat rejected on 23 November 2012. The comparison with the British and Austrian agreements suggests that the anonymous solution would have yielded less than its proponents promised.

The automatic exchange of information, in force with the European Union since 2017 and operational since 2018, ended the conflict by removing its object. The double taxation agreement now contains the full international standard, most recently amended by the protocol of 2023 in force since November 2025. The remaining legal questions concern market access under the KWG and CRD VI and are no longer questions of secrecy. Today, with trade volumes above 100 billion francs a year, some 338,000 German nationals in Switzerland and Germans as the largest foreign community in Zurich, the relationship is as close as it has ever been and rests on full tax compliance.

3 In five sentences

1. German capital, German entrepreneurs and German scholars helped to build the Zurich financial centre in the nineteenth century, from the Leipzig participation in the Kreditanstalt of 1856 to a city in which one inhabitant in five was German by 1910.
2. In the interwar years Zurich became both a refuge for German flight capital and a creditor of German industry, so that the German standstill of

Zurich and Germany

1931 inflicted heavy losses on Zurich banks while the German laws against capital flight gave Swiss banking secrecy its lasting political narrative.

3. After the Washington Agreement of 1946 and the settlement with the Federal Republic of 1952, trade and investment flourished, whereas German taxpayers placed undeclared money in Zurich under the protection of banking secrecy and a double taxation agreement that excluded the exchange of information on such income.

4. Between 2008 and 2013 the conflict escalated through the purchase of stolen data by German tax authorities, which the Federal Constitutional Court did not prevent in its order of 9 November 2010, through Swiss arrest warrants against German tax investigators and through the withholding tax agreement of 2011, which the Bundesrat rejected on 23 November 2012.

5. Voluntary disclosures under § 371 AO, the automatic exchange of information from 2017 and 2018 and the revised double taxation agreement have turned conflict into compliance, so that the remaining legal questions now concern market access under the KWG and CRD VI.

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