www.switzerland-family-office.com/nl/family-office-services/belastingverdrag.html

International Tax Planning

A sophisticated family office in Switzerland will be able to advise you on compliant corporate double tax treaty planning. With international tax legislation becoming more complex, international business owners every year face a bigger challenge to structure their business assets tax efficiently. Cross-border tax efficient and compliant corporate structuring is very important for (U)HNW families in particular, because they often own internationally active businesses.

What is a double taxation agreement?

A double taxation agreement (also called tax treaty) is a treaty between two countries (bilateral) in which it is agreed what kind of tax and how much tax each of the two countries is allowed to levy on income generated in case of cross-border investments and activities. Income which is for example distributed to a holding company in a foreign country is, based on what has been agreed in the double taxation agreement, not taxed twice but only taxed in one of the two countries involved. The same concept applies to interest, royalties and capital gains realised and sent cross-border (and other types of income such as, for example, wages, pensions, etc.). In most of the tax treaties the countries furthermore grand certain tax benefits to investors from the other country. A simple example of this is the significantly reduced or even completely waived dividend withholding tax when a double taxation agreement is in place.

Frequently used jurisdictions

Well-known jurisdictions used for double tax treaty planning in an international context are Austria, Cyprus, Hong Kong, Hungary, Luxembourg, Malta, the Netherlands, Singapore, Sweden, Switzerland and the United Kingdom. These countries have signed many double tax treaties and most of these tax treaties are above average beneficial. In addition, the local tax rules in these countries enable (U)HNW families to structure their assets in a tax compliant and tax efficient manner. Many of the countries mentioned are also used to establish the family holding. In case the family office has an in-house tax lawyer, he/ she will, as part of the service, regularly review the existing corporate structure(s) of the family.

Compliant structuring

Sophisticated and compliant double tax treaty planning is key to optimising the profitability of the business and is often combined with asset protection structuring. In many cases you will find a trust or family foundation on top of the international corporate holding structure. But double tax treaty planning is very complicated and will become even more complex in the coming years. If an international corporate structure is not set up correctly, this could have severe consequences. Issues such as economic substance will for example become a huge topic in international tax planning in the coming years. Especially smaller family offices in Switzerland, which are more focussed on asset management, will find it very difficult to serve you with tax planning based on double taxation agreements. The origin of most family offices, namely wealth management and not tax planning, implies that only few offices employ tax lawyers, which might make it hard to find a family office with the appropriate knowledge on corporate and/or international tax planning.

Bilateral investment protection agreements

Bilateral investment protection agreements (BITs) are agreements between two countries in which these two countries agree that investors from the other country are not in any way treated discriminatory or worse than local investors. Furthermore it is arranged that the foreign investor is able to transfer profits or proceeds realised in the other country back to his home country. In case investments are done or assets are held in politically or financially instable countries, a BIT could be essential to protect the family investments as it prevents expropriation. A BIT also includes dispute settlement mechanisms.

Ideally BITs and double tax treaties are combined when an international corporate (holding) structure is established. Switzerland has signed BITs with a considerable number of countries. The Netherlands and Sweden are also often used for structuring focussed on investment protection, because these jurisdictions have signed numerous BITs, too. There are very few family offices that take BITs into account when advising their clients.

FOSS Family Office Services Switzerland
Bahnhofstrasse 1 | CH-8022 | Zürich | Tel. +41 (0)58 819 65 50 | Fax +41 (0)58 819 65 98
info@switzerland-family-office.com | www.switzerland-family-office.com