Holding through a company

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A Swiss holding company for personal digital assets is rarely tax-efficient. The company pays profit tax on realised gains at just under 12 per cent in Zug. The shareholder then pays income tax on dividends, with partial relief of 30 per cent at the federal level and 50 per cent in Zug for qualifying participations of at least 10 per cent.[1] The combined burden exceeds the zero tax of a private holder. A Swiss holding company is used nonetheless where the holder's activity would otherwise be classified as professional trading, because the company's trading profit is taxed at the corporate rate and the shareholder controls the timing of dividends. It is also used where the holder wants to separate the digital assets from the personal estate for creditor protection, or where several family members hold together.

A Singapore holding company is more attractive for a Singapore resident than a Swiss one is for a Swiss resident. The company pays no tax on capital gains, dividends are exempt in the shareholder's hands under the one-tier system and there is no wealth tax at either level.[2] The company gives the family a board, a set of accounts, a custodian relationship in the company's name and a vehicle that can be passed on by transferring shares instead of keys. The s. 10L rule on foreign-sourced disposal gains applies only to entities of a multinational group, so a single-family Singapore holding company with no foreign subsidiary is outside it.[3] The limits are

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two. The company must have Singapore control and management, which for a family means at least one resident director who takes part in decisions. The company's own trading in tokens may be a trade taxable at 17 per cent.

Client question

"I live in Zug, I hold about CHF 40 million in bitcoin and ether that I bought in 2016, and I want to protect it from a future divorce and pass it to my children. Should I put it in a company?"

A Swiss company would convert tax-free private gains into taxable corporate profits and taxable dividends, so for tax reasons alone the answer is no. For divorce protection, a marital agreement adopting separation of property (Gütertrennung) under Art. 247 CC protects the position more cheaply than any company. For succession, a Swiss will with a key-management protocol and, if you want the children to receive the assets over time, a foreign trust or a family foundation in Liechtenstein does what a company cannot. The company is the right answer only if you intend to trade actively or to bring other family members in as co-owners.

Notes

1. DFTA, SR 642.11, Art. 20 para. 1bis (partial taxation of dividends from qualifying participations at 70 per cent); Canton of Zug, Steuergesetz (BGS 632.1), § 19 para. 1bis (50 per cent). Part G, Chapter IV. ↩
2. Income Tax Act 1947, s. 44A (one-tier system: dividends exempt in the hands of shareholders) and s. 13(1)(za) (exemption of dividends paid by resident companies). ↩
3. Income Tax Act 1947, s. 10L(1) and (2) (application to entities of a "relevant group", meaning a group with entities in more than one jurisdiction). Part M, Chapter II. ↩

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