Holding through a foundation

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Swiss law permits family foundations only for the limited purposes of Art. 335 CC: the costs of upbringing, endowment, support or similar purposes of family members. A foundation that pays its beneficiaries an income without need, or that simply holds the family's wealth for distribution, is a prohibited maintenance foundation and void.[1] That rule has pushed Swiss families to Liechtenstein, whose foundation law permits discretionary family foundations with beneficiaries chosen by the board, and to trusts under foreign law recognised in Switzerland under the Hague Convention.[2] A revision of Art. 335 CC to permit Swiss family foundations was proposed in the 2020s and had not passed on 30 June 2026.

A Liechtenstein foundation holding digital assets for a Swiss family is taxed in Liechtenstein at the flat rate of 12.5 per cent on income. If it holds only passive assets it may obtain private-asset-structure status at a minimum tax of CHF 1,800 a year.[3] Swiss tax law looks through a foundation that the founder controls and attributes the assets to the founder for wealth and income tax purposes, so the foundation protects the position only if the founder has given up control in fact.[4] Singapore has no foundation law and does not recognise the foundation as a distinct category. A Liechtenstein foundation holding assets for a Singapore-resident beneficiary is treated for Singapore tax purposes according to its features, usually as a company or, if its terms create fiduciary obligations, by analogy to a trust.

Notes

1. CC, SR 210, Art. 335 para. 1 (family foundations may be established only for the costs of education, endowment, support or similar purposes of family members) and para. 2 (prohibition of entails); BGE 108 II 393 (prohibition of pure maintenance foundations).
2. Liechtenstein Persons and Companies Act (PGR), Art. 552 §§ 1 to 41 (foundations); Hague Convention of 1 July 1985 on the Law Applicable to Trusts and on their Recognition, SR 0.221.371, in force for Switzerland since 1 July 2007; PILA, SR 291, Arts 149a to 149e. Part D, Chapter VIII.
3. Liechtenstein Tax Act (SteG), Art. 44 (corporate income tax at 12.5 per cent) and Art. 64 (private asset structures; minimum tax). Part O, Chapter II, on Liechtenstein.
4. Swiss Tax Conference (SSK), Circular No. 30 of 22 August 2007 on the taxation of trusts, section 4 (transparent treatment of revocable trusts; analogous application to controlled foundations); BGer 2C_1086/2016 of 7 February 2017.

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