Switzerland in one chapter: Tax

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Swiss tax law treats a payment token as a movable capital asset. For an individual holding tokens in private wealth, capital gains are exempt from income tax under Art. 16 para. 3 of the Direct Federal Tax Act (DFTA; DBG). The holdings are nonetheless subject to the annual cantonal wealth tax at the year-end value published by the Federal Tax Administration, while staking rewards, airdrops and mining income are taxable income when received.[1] The line between private wealth and professional trading is drawn by the criteria of Circular No. 36. A trader who crosses it becomes taxable on gains and liable to social security contributions. Part G, Chapters II and III analyse the line as it applies to tokens.

For companies, token issuance is taxed according to its accounting treatment under the Code of Obligations. The proceeds of a utility token sale are revenue when the service is performed, while the proceeds of an asset token sale are equity or debt depending on the rights granted. A Zug foundation that holds a protocol treasury can obtain exemption from profit tax under Art. 56 lit. g DFTA if its purpose is public or charitable and it does not pursue commercial purposes. The exemption requires careful drafting of the purpose clause and rests on a ruling practice that the Zug tax administration has developed over a decade. Expenditure-based taxation under Art. 14 DFTA is available in Zug to foreign nationals who take up residence without gainful activity in Switzerland and is a central element of the founder's relocation arithmetic in Part P, Chapter I. Part G, Chapters IV and VI treat both.

Notes

1. Direct Federal Tax Act of 14 December 1990 (SR 642.11), Art. 16 para. 3; Federal Tax Administration, working paper on cryptocurrencies and initial coin or token offerings as the subject of wealth, income and profit tax, withholding tax and stamp duties, first published 27 August 2019 and updated 14 December 2021.

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