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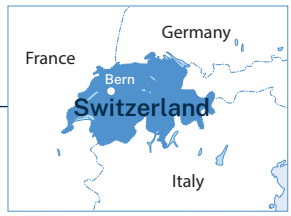
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Switzerland: Law and Practice

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SWITZERLAND



Law and Practice

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Tax Partner AG leverages its highly experienced team of tax professionals to focus on Swiss and international tax law and is recognised as a leading independent tax boutique in Switzerland. With 16 partners and counsels and an overall team of approximately 50 experts, including lawyers and economists, the firm advises multinational and national companies as well as individuals in all tax areas. Its tax experts develop creative and thought-through solutions in all areas of tax law and offer the full range of tax advice. Since its inception in 1997, Tax Partner's strategy has been to exclusively offer specialised tax advice to its clients, thereby avoiding any conflicts of interest stemming from other professional activities. As the exclusive Swiss member firm of Taxand, the world's largest independent organisation of tax experts, the firm is also perfectly positioned to offer clients access to deep tax resources across the globe.

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1. Tax

1.1 Tax Regimes

In Switzerland, taxes are levied at three levels: federal, cantonal and communal. The exact rules and applicable tax rates can vary between cantons and communes.

Unlimited and Limited Tax Liability

In Switzerland, unlimited tax liability applies to anyone who is domiciled or deemed resident in a canton – ie, someone who makes habitual stays of 30 days or more with gainful activity, or 90 days or more without, in that canton. The individual is taxed by that canton and the Confederation (ie, the nation of Switzerland) on worldwide income and net assets.

By contrast, limited tax liability applies to non-residents who merely derive income from specific Swiss-source items – such as Swiss real estate, a fixed place of business, or Swiss employment – and they are taxed only on those Swiss-source income streams and on the taxable value of Swiss-situs assets.

Swiss individuals file an annual tax return reporting their income and wealth to the cantonal tax authorities.

Income Tax

Swiss resident individuals pay an income tax at federal, cantonal and communal level on their worldwide net income. Income from foreign real estate, businesses and permanent establishments is usually exempt (under a progression exemption).

Tax rates are mostly progressive and in the top brackets range from approximately 20% to 45% (depending on the canton/commune in question).

Dividends from qualifying participations (minimum 10%) benefit from a reduced income taxation.

Capital gains derived from the sale of privately held moveable assets such as shares benefit from an income tax exemption. However, several exceptions to this apply.

Real Estate Capital Gains Tax

The cantons/communes levy a separate capital gains tax on the net gain resulting from the sale of real estate. The exact rules vary from canton to canton and several exceptions apply (eg, if the proceeds resulting from the sale of the primary home are reinvested in a new primary home in Switzerland). The holding period reduces the tax exposure.

No real estate capital gains tax is levied at federal level.

Federal Withholding Tax

A federal withholding tax of usually 35% is levied on Swiss-source dividends, bond interest and certain insurance proceeds. The federal withholding tax is fully refundable to Swiss residents who declare the income, and partially or fully reclaimable by foreign residents based on respective double taxation treaties.

Wealth Tax

No wealth tax is levied at federal level in Switzerland. The cantons and communes, however, levy a wealth tax on the worldwide net assets of Swiss resident individuals. Foreign real estate, businesses and permanent establishments are usually exempt (under an exemption with progression method).

Tax rates are mostly progressive and in the top brackets range (approximately) from 0.1%–1.1%, depending on the canton/commune in question.

Expenditure-Based ("Lump Sum") Taxation

Foreign nationals who take Swiss residence for the first time (or after a ten-year absence) and do not have any work activities in Switzerland may opt to be taxed on a deemed income and wealth (lump sum) basis. The lump sum is determined taking into account various factors such as a multiple of the annual rental value of Swiss housing or the worldwide expenditure (costs of living) of the taxpayer.

Some cantons have abolished this regime. Cantons that still apply it require certain minimum amounts of taxable bases, which can vary.

The ordinary income and wealth tax rates apply and, under the lump sum regime, income from foreign sources is in principle not taxed unless a treaty benefit is claimed.

The lump sum regime is applied for by filing a written tax ruling with the competent cantonal tax authority.

Inheritance and Gift Tax

Based on current legislation, no estate, inheritance or gift tax is levied at federal level. The cantons and communes can levy inheritance and gift taxes on transfers of assets on death or by gift (a couple of cantons have abolished the inheritance and gift tax altogether).

The tax is due in the canton of residence of the donor/descendant or, for real estate, in the canton where the property is located.

Tax rates are usually progressive and can reach up to 50% for distant relatives and non-related beneficiaries.

Social Security Contributions:

Social security contributions (for old age, disability, income compensation and unemployment) are due by all Swiss residents until reaching the retirement age of 65. The contributions are levied on employment or self-employment income and have no salary cap for old age, disability and income compensation (AHV/IV/EO). Non-employed individuals are also subject to social security contributions, which are calculated based on their net assets.

1.2 Exemptions

The cantons of Obwalden and Schwyz have fully abolished the inheritance and gift tax. Lucerne applies no gift tax but has maintained inheritance tax.

The spouse and (in most cantons) direct descendants are exempt from inheritance and gift tax.

A charity exemption applies to gifts or bequests to Swiss-recognised public-benefit bodies and tax-exempt charitable institutions.

In principle, no real estate capital gains tax or real estate transfer taxes apply if real estate is gifted, inherited or transferred in the course of a division of matrimonial property.

1.3 Income Tax Planning

Capital Gains Tax Exemption

For Swiss resident individuals, any capital gain realised on the private (non-business) sale of movable assets – shares, bonds, funds, crypto, precious metals, works of art, yachts, etc – is exempt from federal, cantonal and communal income tax.

The main caveats are as follows.

- Share transposition (*Transponierung*): when an individual sells shares in their own company to a corporation they control (or a related-party company) and the price paid exceeds the shares' nominal value plus any paid-in capital, the surplus is recharacterised as a taxable dividend instead of a tax-free private capital gain.
- Indirect partial liquidation (*Indirekte Teilliquidation*): if an individual sells 20% or more of a company's shares to a purchaser who holds the shares in the business assets and, within five years, the company distributes pre-existing hidden reserves or surplus liquidity to help fund the purchase price, that distribution is traced back to the seller and the corresponding portion of the sale proceeds is retroactively taxed as a taxable dividend rather than a tax-exempt capital gain.
- Professional trader: the assets must be held in a purely private capacity (if the tax authorities requalify the seller as a "professional trader", the gain is re-taxed as ordinary income.
- Real estate: the exemption never covers Swiss real estate, where each canton levies its own real estate capital gains tax.
- Share buy-back: A Swiss share buy-back is tax-free only if the company holds the shares within the statutory treasury-share limits and resells them promptly; if the shares are cancelled (or the limits are breached) the amount above par is deemed a dividend, taxed in the hands of the seller and subject to 35% Swiss withholding tax – unless and to the extent it can be booked against capital contribution reserves.

Expenditure-Based ("Lump Sum") Taxation

Please refer to **1.1 Tax Regimes** for discussion of the Swiss lump sum tax regime.

1.4 Taxation of Real Estate Owned by Non-Residents

Swiss tax rules for a non-resident who owns Swiss real estate are as follows.

- Limited tax liability on rental (or imputed) income: The canton and commune where the property is located as well as the Confederation tax the net rental income (or the deemed rental value if the home is not rented but kept for private use). Ordinary progressive income tax rates apply. Expenses that relate to the Swiss property (eg, maintenance costs or mortgage interest) can be deducted.
- Annual wealth/property taxes: Most cantons charge non-residents the same net wealth tax they impose on residents, but only on the Swiss real estate asset. Some cantons levy an additional annual property tax on the tax value of the property.
- Real estate capital gains tax: When the property is sold, the canton of situs taxes the capital gain, irrespective of the owner's foreign residence. The tax is progressive and usually falls the longer the holding period.
- Transfer duties on purchase: Most cantons levy a one-off property-transfer tax or fee of 1–3 % of the price (exemptions apply).
- Inheritance/gift tax rule of situs: If the non-resident owner gifts or bequeaths the property, the canton where the property is located taxes the transfer.

1.5 Stability of Tax Laws

Switzerland's tax regime is not at all volatile. There are formal checks and balances in place requiring changes in tax law to go through parliament and in many cases a popular referendum. This direct form of democracy has shown some radical ideas appearing on the ballot; however, only a handful survive the two-tier ("people + cantons") vote. The result is a system that changes slowly and predictably. In addition, competition between the 26 cantons ensures that tax rates rarely move suddenly.

Federal Inheritance Tax Initiative

A popular initiative launched by the Young Socialists aims to introduce a federal 50% tax on the value of all gifts and estates that, together, exceed CHF50 million per donor/decedent. This CHF50 million allowance is a once-per-person lifetime one; above it the whole surplus would be taxed, with no exemption for spouses or descendants. Cantonal inheritance and gift taxes would continue to apply on top.

The revenue from the proposed tax is earmarked for climate-action programmes. Parliament and the Federal Council oppose the plan and have recommended rejection. Nevertheless, the Swiss direct-democracy rules force a nationwide referendum, scheduled for 30 November 2025.

Pollsters and most commentators expect the measure to fail because it needs a "double majority" of both voters and cantons, but its mere presence on the ballot has already prompted some very wealthy families to accelerate lifetime transfers or review residency.

1.6 Transparency and Increased Global Reporting

Over the last decade Switzerland has closed most of the loopholes that once made the country synonymous with opacity.

Exchange of Information

Regarding automatic exchange of account information, since 2017, Swiss banks, insurers and asset managers have reported account data under the OECD Common Reporting Standard, and this has now been extended to crypto-assets: a Crypto-Asset Reporting Framework has been introduced, and first exchanges are scheduled for calendar-year 2026 data.

FATCA

An intergovernmental agreement to implement the US Foreign Account Tax Compliance Act (Model 2 FATCA IGA) has applied since 2014, forcing Swiss financial institutions to report US account holders.

In June 2024 Switzerland and the United States signed an amendment that turns the flow into a two-way automatic exchange starting in 2027.

Mandatory Disclosure of Aggressive Cross-Border Arrangements ("Swiss MDR")

Switzerland has not adopted DAC 6 into its own law, so a Swiss resident individual does not file anything in Switzerland. However, the directive can still affect them whenever an arrangement touches the EU.

A Swiss Mandatory Disclosure Regime (MDR), modelled on OECD BEPS Action 12 hallmarks, was enacted in 2025 and will start on 1 January 2026. Swiss banks, trustees, lawyers and other "intermediaries" must report a reportable cross-border arrangement within 30 days – unless legal privilege applies or the intermediary is outside Switzerland. In those carve-outs the burden flips to the "relevant taxpayer" – ie, the individual who benefits from or implements the scheme – who must lodge the report directly with the Federal Tax Administration.

2. Succession

2.1 Cultural Considerations in Succession Planning

The following factors shape Swiss succession planning.

- Small, long-living families: Parents transfer legal title to the next generation but often keep income rights (usufruct) to continue to benefit from earnings. In order to secure control over a family-run business, parents may keep voting shares.
- The Swiss Civil Code's forced-heirship rules are widely seen as fair: Even after the 2023 reform (forced share for descendants cut to a half) most testators still divide assets arithmetically. Business owners therefore plan early to compensate non-operating heirs (life-insurance, real estate carve-outs) rather than disinherit them.
- Switzerland has a strong family-run SME tradition: Governance tools – shareholders' agreements, veto shares, professional boards, etc – are inserted to let the next generation learn.
- High philanthropic engagement: Donating to public-benefit and charitable foundations is culturally prestigious. The institutions usually benefit from a tax exemption and donations are income tax deductible to a certain extent.

Succession planning is guided by a culture of egalitarianism, privacy, and steady, hands-on stewardship – so advisers focus on equalising heirs, staggering control, minimising cantonal tax frictions and preserving discretion.

2.2 International Planning

The following factors may have an impact on cross-border succession planning.

- Competing inheritance laws: A Swiss testator with assets or heirs abroad must reconcile Swiss forced-heirship rules with the systems of the other affected countries. Since the 1 January 2025 revision of the Private International Law Act (PILA), a Swiss resident who is also a citizen of another country may opt for the law of that other country to apply to their estate, but the compulsory Swiss shares of children and spouses still apply on Swiss assets.
- Double taxation risk: Switzerland has only a handful of inheritance-tax treaties (eight, none for gifts). Respective planning with the use of structures can potentially help to mitigate double taxation.
- Multi-domicile families: Many Swiss marriages are now binational. A choice-of-matrimonial-property agreement plus a will that names both the governing law and the competent forum is routine; failure to do so can leave heirs fighting parallel probates inside and outside Switzerland.

Once wealth or heirs cross borders, Swiss succession plans become a three-way puzzle: forced heirs versus chosen heirs, Swiss cantonal taxes versus foreign death duties, and ever-tighter disclosure rules. Robust solutions blend careful conflict-of-laws choices, treaty-aware holding structures, and documentation that will survive automatic information exchange.

2.3 Forced Heirship Laws

Protected Shares

Swiss "forced heirship" rules still apply.

Following the 2023 reform, these protected shares are as follows:

- the surviving spouse/registered partner receives half of what intestacy would give;

- all descendants taken together receive half of what intestacy would give (although parents are no longer protected);
- the rest of the estate is the freely disposable portion that a testator may leave to anyone.

The shares are calculated on the net estate; if a will or gift breaches them, any forced heir can sue for a reduction of the excess.

Workarounds

There are, however, a number of consensual workarounds that allow for greater testamentary freedom:

- inheritance contracts allow heirs, while the testator is alive, to waive or rearrange their protected share by notarised agreement;
- renunciation agreements allow an heir to give up their share outright (often against compensation) either inter vivos or after the death;
- a disclaimer after death allows an heir to simply refuse the succession, letting the estate pass to the next rank;

If the forced heirs concerned sign one of these contracts, the estate can be distributed in almost any pattern despite the statutory rules.

Marital Agreements

In a prenuptial agreement the standard split between spouses can be amended by assigning all or part of the surplus to one spouse.

2.4 Marital Property

Participation in Acquisitions

If the couple sign no marriage contract then the participation in acquisitions regime will apply by default. Each spouse keeps separate legal ownership of two asset pools:

- their own property – assets brought into the marriage, inheritances/gifts, and items for strictly personal use; and
- acquired property – income earned and savings built during the marriage (salary, dividends, pension credits, etc).

At dissolution (divorce or death), the net acquired property of both spouses is added together and split 50:50; own property is never shared.

Contractual Alternatives

Alternatives to the participation in acquisitions regime include:

- community of property, where most assets become joint property and on dissolution the common property is split 50:50;
- separation of property, where each spouse owns, manages and keeps everything that is in his or her name and there is no equalisation on divorce or death (except what inheritance law may grant); and
- mixed regimes, where couples may tailor the default rules (eg, exclude a business from being shared or agree different split ratios) so long as the mandatory minimum protections for spouse and children are respected.

Prenuptial and Postnuptial Contracts

These contracts must be executed as a public deed before a notary and signed by both spouses.

Contractual agreements are respected by Swiss courts if:

- executed as a notarial deed;
- both parties had capacity and gave genuine consent; and
- the terms do not strip either spouse of the statutory minimum share on death (forced heirship) or violate public policy.

Contracts concluded abroad are upheld if they meet the form prescribed by the Hague Matrimonial Property Convention or by the spouses' national law.

Spouses may, in the same notarised deed, elect the matrimonial-property law of:

- the country where one spouse is domiciled; or
- the country of either spouse's nationality.

2.5 Transfer of Property

Movable Assets

For an individual, Switzerland does not tax private capital gains on movable, privately held assets (shares, art, crypto, etc), so a gift or inheritance does not lead to a "step-up". The donee simply takes over the donor's historic tax values.

Real Estate

Each canton charges a real estate capital gains tax when a property is sold. If the property is transferred gratuitously (eg, as an inheritance, gift or advance on an heir's portion), the cantons in general grant a tax deferral. The recipient inherits the donor's original cost basis and holding period. The latent gain is merely postponed and will be taxed when the heir or donee eventually sells.

Business Assets

Neither death nor an intra-family gift creates an automatic revaluation of business assets within a company; hidden reserves remain untaxed until realised.

2.6 Transfer of Assets: Vehicle and Planning Mechanisms

The main tax exempt (or tax-deferred) paths Swiss families use to shift wealth down a generation consist of the following options, which each require thorough planning.

- Gifts or inheritances to descendants: In 23 of 26 cantons, transfers to children and other direct heirs are fully exempt from gift/inheritance tax. Early gifting therefore remains the single cheapest route.
- Move the donor to a zero-tax canton first: Obwalden and Schwyz (and Lucerne for gifts) have abolished these taxes entirely; a change of domicile before the gift/death can therefore lead to a zero tax burden.
- Gift Swiss real estate with cost-basis carry-over: A lifetime transfer (or an advance on an heir's portion) of property to children usually triggers no real estate capital gains tax today; the latent gain is merely rolled over to the next sale.
- Bare-ownership gift and retained usufruct: Parents give the legal title now but keep the lifetime use/rent; the usufruct blocks any gains tax and lets the donor stay in the house, while the recipient's gift-tax base is discounted.
- Life-insurance: Pure-risk policies paid out on death are exempt from cantonal inheritance/gift tax and from income tax for the heirs.
- Foreign trust structures: trusts can be used for asset protection and in certain cases also for tax planning. The exact tax treatment depends on many factors such as the residence of the settlor upon settlement, their degree of control, and the influence of beneficiaries.
- Swiss family-support foundation: These foundations can hold assets for a child's education/care outside the parents' estate; they are taxed as a company and their use is narrowly restricted, so they are employed only for very specific needs.
- Foreign family foundation: similar to foreign trust structures, foreign family foundations can – depending on circumstances and proper planning – be used to transfer assets to the next generation(s) while mitigating tax exposure.

2.7 Transfer of Assets: Digital Assets

Switzerland follows the principle of universal succession: at death, heirs automatically step into all transferable rights and obligations, including crypto-wallets, domain names, cloud storage, etc. Swiss heirs inherit digital assets just like bank accounts, but they need the practical means (keys, passwords, provider consent) to reach them.

3. Trusts, Foundations and Similar Entities

3.1 Types of Trusts, Foundations or Similar Entities

The following structures are often used for tax and estate planning.

Swiss Charitable Foundations

These are typically used for long-term family philanthropy, corporate social-investment vehicles, dedicated scholarship or research funds, and art and cultural endowments. Their purpose must serve the common good in Switzerland (eg, education, science, culture, the environment or humanitarian aid). Once recognised as exclusively and irrevocably charitable, the

foundation is exempt from Swiss federal, cantonal and communal income, capital, inheritance and gift taxes; donations to it are tax-deductible for Swiss donors (within statutory limits).

Swiss Family Foundations

These are restricted under Swiss law and may exist only to finance a descendant's education or vocational training, support a family member in need (illness, disability, unemployment) or help them "establish themselves" (first home, business start-up). They cannot be used to pay ordinary living expenses or serve as a form of indefinite wealth preservation. The foundation is liable to ordinary corporate income and capital (wealth) taxes; gifts into the foundation may still trigger cantonal gift tax unless the donor is in a zero-tax canton.

Foreign Family Foundations

Due to the aforementioned restricted use of the Swiss family foundation, foreign foundations – which are usually recognised for civil law purposes – are used instead. The foundation ring-fences wealth outside probate, allows staggered payouts and can soften Swiss forced heirship by replacing outright shares with discretionary benefits. The tax treatment will depend on whether the settlor has given up control over the assets transferred to the foundation. The one-off transfer is treated as a gift and may trigger cantonal gift tax. Once funded, the foundation's assets and income are no longer attributed to the settlor for Swiss income or wealth-tax purposes if the settlor has fully given up control. Swiss resident beneficiaries are usually taxed only when – and if – they receive distributions.

Foreign Trusts

Switzerland has no domestic trust statute, so Swiss residents settle or benefit from foreign trusts. There are no specific tax laws covering the tax treatment of trusts. The tax aspects are laid down in a Circular published by the Tax Authorities in 2007.

For tax purposes, trusts are divided into revocable and irrevocable trusts and the latter into fixed interest and discretionary trusts. Depending on the circumstances, taxes may be due either by the Swiss resident settlor or beneficiary. Under the Swiss tax regime, the trust itself, the trustee or the protector are not tax subjects.

3.2 Recognition of Trusts

The Hague Trust Convention, which Switzerland ratified in 2007, means Swiss courts recognise and apply foreign-law trusts, but no Swiss statute allows their creation under Swiss law. A draft bill to introduce a domestic trust was tabled in 2021 yet withdrawn by Parliament in 2024 for lack of consensus; it is off the legislative agenda for now.

For discussion of the tax treatment of trusts see **3.1 Types of Trusts, Foundations or Similar Entities** and **3.3 Tax Considerations: Fiduciary or Beneficiary Designation**.

3.3 Tax Considerations: Fiduciary or Beneficiary Designation

Tax Treatment of a Swiss Resident Trustee

When a Swiss resident acts only as a professional trustee or foundation board member of a foreign structure, the Swiss tax system treats the arrangement as outside the fiduciary's personal tax sphere. The fees earned for the mandate are ordinary Swiss-taxable income, but the trust or foundation assets and income are not attributed to the fiduciary for wealth or income tax purposes, provided the fiduciary cannot benefit personally from the funds.

Matters change the moment a Swiss resident combines control with personal benefit. If the Swiss individual is a settlor or beneficiary and holds decisive powers – such as the right to replace trustees or veto distributions, or if they form the majority of the board – Swiss practice characterises the trust as revocable/settlor-controlled. In that case the capital and income are attributed to that person for tax purposes. Later "distributions" are ignored because the assets were never considered to have left the individual's estate in the first place.

Tax Treatment of a Swiss Resident Beneficiary

For a Swiss resident discretionary beneficiary with no control, an irrevocable discretionary trust offers deferral. Under the 2007 Swiss Tax Conference circular, expectative rights are too remote to value, so the beneficiary pays nothing annually; only cash or

in-kind distributions are taxed as ordinary income on receipt, while a return of the original settled capital remains tax-free.

In fixed-interest arrangements the Swiss beneficiary is usually taxed each year on the allocated share of income and wealth even if nothing is paid out.

Swiss Resident Settlor

When a Swiss person endows a foreign family foundation or foreign irrevocable trust, the initial transfer is treated as a gift and may trigger cantonal gift tax (possibilities range from zero rate to maximum tax rates).

Provided the structure is irrevocable and the founder/settlor cannot unilaterally reclaim assets, the foundation's/trust's assets and income are thereafter excluded from the founder's/settlor's Swiss wealth and income tax base.

3.4 Exercising Control Over Irrevocable Planning Vehicles

See comments in **3.3 Tax Considerations: Fiduciary or Beneficiary Designation**. If the settlor retains (too much) control, the tax authorities will deem the structure to be treated as tax transparent and will continue to tax the assets and income in the hands of the settlor.

4. Family Business Planning

4.1 Asset Protection

The most common vehicles for asset protection are still the family foundation or the foreign trust. See **3.1 Types of Trusts, Foundations or Similar Entities**. Due to the fact that the Swiss family foundation is very restricted in its permitted purpose under Swiss Civil Law and there is no Swiss trust statute, families often use foreign structures.

Once transferred, the assets are usually removed from the settlor's legal ownership and placed under independent fiduciary control that shields the fund from future personal creditors, divorce claims or compulsory Swiss heirship challenges.

Swiss tax practice respects the structure so long as the settlor retains no dominant powers.

4.2 Succession Planning

Family Holding Company

Founders commonly create a Swiss corporation that owns 100% of the operating firm(s). They keep a thin class A of voting-only shares and gift or bequeath the non-voting dividend class B shares to the next generation. Because gifts to children are tax-free in most cantons and Switzerland has no federal gift tax, future growth accrues outside the parents' taxable wealth base yet managerial power stays with the senior generation until they are ready to step aside.

Transfer of legal ownership, but with a usufruct or preferred dividend strip attached

Founders can donate the shares today but reserve a lifelong dividend right (usufruct) or issue redeemable preference shares to themselves. The next generation acquires legal ownership immediately while parents keep the income they need.

Sale to Heirs – Indirect Partial Liquidation

Capital gains derived from the sale of privately held moveable assets such as shares in a corporation in principle benefit from a tax exemption. However, when an individual sells 20% or more of the shares in a company to the buyer's holding company (eg, to the acquisition company held by the heir), the deal can trigger the so-called indirect partial-liquidation rule leading to income tax consequences if, within the next five years, the company distributes pre-existing "excess" liquidity that helps repay the purchase price.

Taking a dividend financed by surplus cash allows the company to equalise heirs without triggering the punitive indirect partial liquidation rules that can re-characterise a share sale as taxable income.

Use of Inheritance Agreement

Because Swiss law still gives children and spouses compulsory shares, parents who want the business to pass to one active heir ask the other heirs to sign an agreement in which they accept other assets instead of equity. Once signed, the waiver is binding and takes the sting out of the future estate settlement.

Shareholders' agreement and family charter
These private contracts set entry criteria for employment, exit pricing mechanisms, mandatory mediation/arbitration and periodic "family council" meetings. Clear governance plus an agreed dispute route is often achieved.

4.3 Transfer of Partial Interest

For Swiss transfer tax purposes (cantonal gift/inheritance taxes) the value of a minority stake in an unlisted company is normally reduced for lack of control and marketability. The cantons follow the Swiss Tax Conference Valuation Circular 28, which sets the "practitioners' value" per share (a blend of earnings and net-asset value) and then allows a flat 30% minority discount on holdings up to 50% of the voting rights, provided the shareholder does not exercise a controlling influence and the company is not already paying an "adequate" dividend. However, such discount applies for wealth tax purposes, but it is debatable whether it is also applicable for transfer tax purposes.

Listed shares are taken at their market price, so no extra discount applies, and real estate or partnership interests are valued under separate cantonal rules without a standard minority rebate.

5. Wealth Disputes

5.1 Trends Driving Disputes

The most common Swiss-specific drivers for succession and wealth disputes are:

- greater freedom in forced heirship rules – the 1 Jan 2023 inheritance-law reform cut forced shares for descendants and abolished parents' forced share, giving testators greater "free portions";
- cross-border families and assets – the Private International Law Act lets Swiss residents choose a foreign succession law, but that election collides with Swiss forced-heirship and foreign probate rules;
- valuation discussions – privately held companies, crypto-holdings and start-up shares now form a bigger slice of estates and heirs dispute various valuation methods for such assets;
- blended and late-life families – smaller child cohorts, second marriages and partners who never married sharpen disputes between biological children, step-children and surviving partners over usufructs, pension benefits and life-insurance proceeds; and
- longer lifespans and related capacity doubts – wills made in advanced age are attacked on grounds of undue influence or diminished capacity.

The typical forms of dispute are:

- cantonal civil litigation for challenges to will validity, claims to reduce a share, and share-valuation and executor liability cases in the ordinary courts;
- administrative recourse for complaints to the Child-and-Adult-Protection Authority (*Kindes- und Erwachsenenschutzbehörde*, KESB) over guardians, curators and blocked minors' assets; and
- mediation and family charters for private lawyer or notary-led settlements.

5.2 Mechanism for Compensation

Key characteristics of the Swiss approach to compensating justifiably aggrieved parties in private wealth disputes are as follows.

- Restitution first, money second: wherever the disputed asset (shareholding, artwork, crypto-wallet, etc) can be clawed back, the court orders its return; cash is awarded only if restoration is impossible.
- Pure compensation – no punitive damages: Swiss private law aims to neutralise the claimant's loss or the defendant's enrichment, not to punish.
- Supervisory overlay for foundations and adult-protection regimes: The Foundation Supervisory Authority or the KESB can order removal of fiduciaries, freeze assets and require civil restitution; these administrative measures sit alongside the civil damages toolbox.

Swiss courts focus on putting the aggrieved heir or beneficiary back to where they should have been – through restitution, compensatory damages and profit.

6. Roles and Responsibilities of Fiduciaries

6.1 Prevalence of Corporate Fiduciaries

Corporate fiduciaries are common in Switzerland. Private banks, trust companies, family office boutiques and specialised firms routinely act as executors, trustees, foundation board members and guardians.

Under the 2020 Financial Institutions Act (FinIA) every firm that offers trustee services "on a commercial basis" must hold a Swiss Financial Market Supervisory Authority (FINMA) licence and affiliate with an approved supervisory organisation. Once licensed, a corporate fiduciary must meet stricter, codified duties than a private individual acting ad hoc.

In parallel, the Swiss Code of Obligations already binds all fiduciaries – corporate or natural – to a duty of loyalty and the standard of care of a diligent professional.

6.2 Fiduciary Liabilities

Piercing the Veil

Foreign trusts: A foreign trust has no legal personality in Switzerland, so the trustee sues and is sued in his or her own name. Creditors cannot, however, reach the trustee's private wealth unless the trustee has breached fiduciary duties (eg, has misappropriated assets or traded while insolvent) or has contractually assumed unlimited liability.

Swiss foundations (including family-support foundations) are separate legal persons. Board members are not answerable for the foundation's debts merely because the foundation becomes insolvent. They are liable only for culpable breaches of duty – eg, negligence in administration, failure to preserve capital or faulty investment policy.

If the settlor keeps effective control (eg, a revocable trust, the power to recall assets or a majority vote on the foundation board), Swiss courts and tax authorities may treat the assets as still belonging to the settlor and will "look through" the trust.

Mechanisms to Fiduciaries

Fiduciaries can protect themselves with exoneration and indemnity clauses, delegation to regulated professionals and liability (D&O) insurance.

6.3 Fiduciary Regulation

Swiss law does not lay down a single "prudent-investor rule", but it forces every fiduciary to invest with the care of a diligent professional.

Anyone who holds assets for another under a mandate has a general civil-law duty and must manage them "with the care that a prudent business person exercises in their own affairs".

Since the FinIA, every commercial trustee or asset manager needs a FINMA licence.

A Swiss foundation is a separate legal person, but its board answers to a supervisory authority that can annul investments that jeopardise the endowment.

6.4 Fiduciary Investment

Every Swiss fiduciary must invest with the diligence of a "prudent business person" and, if FINMA-licensed, keep written policies and risk controls.

Modern portfolio diversification is welcome, but Swiss practice vetoes positions that still look reckless to an ordinary prudent person or contradict beneficiaries' needs. There are no fixed percentages for diversification; however, diversification is expected and concentrated bets require explicit authorisation and beneficiary/protector consent.

Trusts and foundations may hold and even control operating companies if they install professional boards, document arm's-length governance and keep risks from jeopardising the fund. Charitable or family-support foundations need supervisory approval.

7. Citizenship and Residency

7.1 Requirements for Domicile, Residency and Citizenship

Residence and Work Permits

EU nationals can apply for residence and work permits based on the Agreement on the Free Movement of Persons (AFMP) basically without restrictions. The same rules also apply to citizens of EFTA member states.

Non-EU/EFTA nationals have to meet additional requirements in order to receive a residence and work permit, and the grant of such a permit is subject to quotas and the discretion of the authorities. Possible reasons for granting a permit include proof of the high professional qualification and expert skills of the applicant. Further criteria such as language skills and age or economic interest for Switzerland can be decisive in applications for long-term residence.

Citizenship

Foreign nationals can acquire Swiss citizenship through naturalisation:

- The ordinary naturalisation process applies to foreign citizens who have lived in Switzerland for at least ten years, three of which must be in the five years before they file their application. Further, they most hold a permanent residence permit (C permit).
- The simplified naturalisation applies mainly to persons who are married to a Swiss citizen or who were born in Switzerland and belong to the third generation of a family of foreign citizens living in Switzerland.

The cantons and communes impose their own minimum stays. The process usually takes one to two years and among other criteria involves a language test and a test about Swiss history, geography and the political and social system.

7.2 Expeditious Citizenship

Apart from marriage to a Swiss citizen or being part of the Swiss-born third generation, there is no quick route to a Swiss passport; even "expedited" cases still require several years' residency, language proficiency and proof of deep integration, while investors must first secure residence and then wait out the same statutory time limits.

8. Planning for Minors, Adults with Disabilities and Elders

8.1 Special Planning Mechanisms

Family-Support Foundation (Familienstiftung)

This is a Swiss private foundation dedicated to a child care, education or medical costs; assets are ring-fenced under state supervision and outside the parents' estates. The use of a Swiss family support foundation is restricted under current legislation and may not finance routine living expenses or distribute capital freely. For this reason, foreign family foundations are used more often.

There are no domestic special-needs trusts in Switzerland as Swiss law lacks its own trust statute, so families use foreign-law trusts, which are usually respected by Swiss practice.

Protective Mandate (Vorsorgeauftrag)

While still capable, a person (or parents for a soon-to-be-adult child) names someone to manage health, assets and legal affairs if incapacity strikes. These are activated by the KESB.

KESB Curatorship (Beistandschaft)

A court-appointed guardian steps in if no mandate is in place; the scope ranges from asset management only to full legal control.

Life Insurance and Pillar 3a

Tax-favoured policies can list a disabled child as top-tier beneficiary, passing funds outside probate and wealth tax.

8.2 Appointment of a Guardian

Under Swiss civil law a guardian for a minor or a conservator/curator for an adult can be appointed only by the KESB after it opens a formal protection proceeding. Even if the parents name a guardian in a will or a person grants a protective mandate, the KESB must still validate the choice and issue the appointment order.

Once appointed, the guardian/curator is subject to continuous KESB supervision: they must file an opening inventory, annual accounts and regular activity reports. In addition, major acts (eg, sale of real estate or use of capital) need prior KESB approval.

8.3 Elder Law

Switzerland uses the so-called three-pillar social security system:

- First pillar – old age and disability pension: State-run, pay-as-you-go, old-age and survivors, disability and short-term income-loss insurance; funded by compulsory payroll contributions plus a federal subsidy and designed to cover basic living costs.
- Second pillar – occupational pension: Funded savings accounts run by employers and pension funds; mandatory for employees above an annual salary threshold, with contributions split between employer and employee, aimed at maintaining the pre-retirement standard of living. Voluntary additional contributions by the employee are usually tax deductible.
- Third pillar – private provision: Voluntary, tax-favoured individual saving.

Additional measures and recent developments include the following:

- first pillar – voters approved a 13th monthly old age and survivors' pension from 2026;
- third pillar – the federal maximum pillar 3a deduction is increased regularly and for tax year 2025 will be CHF7,258 (or 20% of income up to CHF 36,288 for the self-employed);
- supplementary pensions (*Ergänzungsleistungen*) can be applied for so that rent, nursing-home fees and health costs are covered;
- elderly or disabled persons who need daily help can claim a federal disability and care allowance; and
- tax relief for family care – most cantons now allow deductions for certified home-care costs and for contributions to parents' or grandparents' support.

9. Planning for Non-Traditional Families

9.1 Children

Children Born out of Wedlock

Parentage is automatic for the birth mother; paternity comes by marriage, voluntary acknowledgment or court ruling. Once parentage is established, the child has the full forced-heirship share and counts in any "children/issue" clause.

Adopted Children

Full adoption severs legal ties to the biological family and creates a new parent-child link to the adopter(s). Adopted children inherit and enjoy forced-share protection exactly like biological children of the adoptive parents, but have no rights in the birth parents' estates.

Surrogate-Born Children

The Swiss Constitution and Reproductive Medicine Act ban surrogacy in Switzerland; the woman who gives birth is always the legal mother in Swiss law. After a foreign surrogacy, the genetic/intended father is usually recognised; the intended mother must adopt the child in Switzerland. Until that adoption is final, the child inherits only from the recognised parent(s).

Legality of Surrogacy

All forms of surrogacy inside Switzerland are criminal offences and contracts are void. Only two legal parents are recognised; intended mothers (or second fathers) must complete a step-child adoption after foreign surrogacy.

9.2 Same-Sex Marriage

Same-sex couples with a registered partnership as well as same-sex married couples are recognised and are subject to the same tax rules as other spouses.

10. Charitable Planning

10.1 Charitable Giving

Swiss based charitable institutions benefit from a tax exemption for corporate income taxes, as well as asset and gift tax, if they meet the legal requirements. They are subject to either a federal or cantonal supervisory authority as regards their charitable activities.

Donations made to Swiss institutions that benefit from a tax exemption due to their public or charitable purpose can be deducted from taxable income. At federal level, the deduction is capped at 20% of net income. Most cantons follow the same 20% rule.

10.2 Common Charitable Structures

The most common form used for charitable purposes is the Swiss charitable foundation. If the foundation benefits from a tax exemption, donations made to it can be deducted for income tax purposes (see **10.1 Charitable Giving**). However, the legal seat of the foundation must be in Switzerland, otherwise a tax deduction is denied.

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