

Swiss tax reporting An essential need for any fund with Swiss private investors



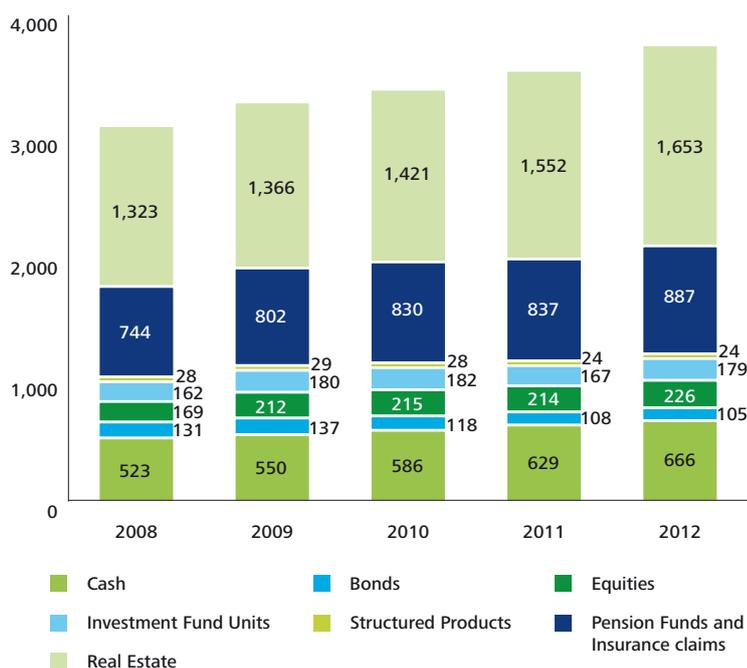
In order that Swiss private investors of investment funds may benefit from a privileged taxation, the funds must annually calculate and report the respective income figures based on Swiss tax rules. Deloitte can fulfil these obligations for your investment funds, ensuring your investors a timely and accurate Swiss tax reporting that is in line with current Swiss tax law and practice.

Background

By the end of 2012 Swiss households had invested over CHF 179 billion in Swiss and foreign investment funds. Their choice of the respective fund products not only depends on the fund's expected performance but also on its compliance with Swiss tax rules.

Figure 1. Wealth allocation of Swiss households

in CHF billion



Source: Swiss National Bank (www.snb.ch)

Why is it important?

Fund promoters need to protect the rights of their investors to benefit from a privileged taxation of income derived from privately held assets. By providing a Swiss tax reporting for each business year, investment funds basically allow for their Swiss individual investors to be taxed on the interest and dividend income of the fund only and not on the capital gains and exempt income realized by the fund.

Non-Swiss investment funds that are registered for distribution in Switzerland are legally obliged by the Swiss regulator FINMA to annually submit the Swiss tax reporting to the Swiss Federal Tax Administration (SFTA). Basically, the Swiss tax reporting includes the calculation of the taxable income as well as of the wealth value of the funds' units based on Swiss tax rules stipulated by the SFTA.

Other funds, which do not have a Swiss distribution license, have basically no legal obligation to provide the SFTA annually with the Swiss tax reporting. However, if no tax reporting is provided the Swiss resident private investors risk being assessed by the tax authorities upon discretion.

Such assessment generally is not in favour of the investor and may lead to situations where a fund is in a loss position while its Swiss investors are taxed on a deemed income.

It is an expectation of many Swiss private investors that the Swiss tax reporting is provided by a fund in order to remain attractive as an investment.

Deadlines

There is no official deadline for the fund's tax reporting. However, the tax figures are required for the Swiss private investors to complete their individual tax returns, which are due at different dates, depending on the Canton of residence. We recommend filing the respective information before 31 March of the year following the fund's business year owing to the due dates for individual tax returns.

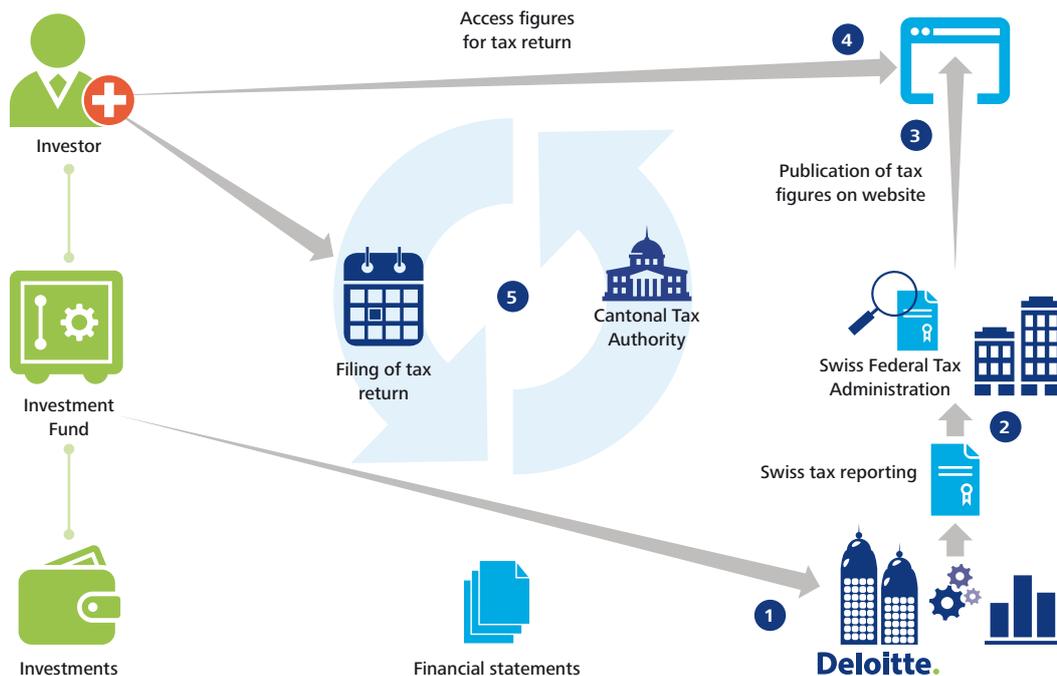
Documents required

The Swiss tax reporting is based on the foreign fund's financial statements that have been established under an accepted GAAP and audited by an external audit firm. The calculations need to be done at share class level, i.e. an allocation of the income statement to the respective share classes is required. Depending on the circumstances additional account details may be required.

The Deloitte Tax Reporting Process

Deloitte has extensive experience in assisting investment funds with their Swiss tax reporting obligations. Our standardized process is as follows:

1. Fund provides the financial statements and additional accounting details
2. Deloitte prepares the Swiss tax reporting and provides it with the SFTA
3. The SFTA reviews the tax reporting and publishes the figures on their website
4. When completing his/her individual tax return the Swiss investor transcribes the tax figures from the SFTA website into the tax form
5. The investor files his/her tax return including the taxable income from investments with the competent Cantonal Tax Authority



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