IN-HOUSE VIEW

Swiss M&A

TAX CONSIDERATIONS IN M&A TRANSACTIONS

LEXOLOGY

Swiss M&A

2026

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UBS AG

The In-House View: Swiss M&A provides a topical analysis of the legal framework, opportunities, challenges and risks that arise in connection with M&A transactions in Switzerland. It explores key trends, legislative developments and other issues impacting strategic decision-making.

Generated: August 10, 2026

Tax Considerations in M&A Transactions

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Summary

Tax framework and recent changes

General tax framework

Corporate income and capital tax

Legal entities are subject to corporate income tax on their worldwide net income (except for income from foreign real estate or allocated to foreign permanent establishments) if they are resident, that is, if they are incorporated or have their place of effective management in Switzerland. In addition, Swiss corporate income tax is levied on foreign residents if there is a specific economic connection to Switzerland (eg, maintaining a permanent establishment in Switzerland). Depending on the canton and community, the effective corporate federal, cantonal and communal income tax rate on net profits before tax varies between approximately 11.1 and 22.3%.

Under the currently applicable law, tax losses for corporate income tax purposes may be carried forward for a maximum period of seven tax years. At the end of 2025, however, the Swiss Federal Assembly adopted the Federal Act on the Extension of Tax Loss Carry-Forwards pursuant to which the offsetting of loss or rather tax loss carry forwards will be extended to 10 tax years. This extended period applies to losses incurred from the 2020 tax period onwards, whereas losses originating from earlier tax periods remain subject to the existing seven-year limitation. As the referendum period has expired without a referendum being initiated, the Federal Council will determine the date of entry into force by ordinance, which is expected no later than 1 January 2028.

In addition, Swiss tax-resident legal entities are subject to a capital tax at the cantonal and communal level (the rate varies between cantons and communities), which is levied annually on the taxable equity. The cantons may provide for a capital tax reduction on taxable equity that is allocated to qualified assets for capital tax purposes (ie, an equity interest of at least 10 %, intragroup loans, and certain patents and similar rights).

On 1 January 2024, Switzerland implemented certain aspects of the Organisation for Economic Co-operation and Development (OECD) Minimum Tax. On the federal level, Switzerland introduced the qualified domestic minimum top-up tax, according to which Swiss entities and branches of multinational companies in scope of the OECD Minimum Taxation (ie, having a turnover of more than €750 million per annum) will pay a top-up tax in Switzerland if their effective tax rate across Switzerland is below 15%. Furthermore, the Income Inclusion Rule (IIR) was brought into force with effects from 1 January 2025. The Undertaxed Payments Rule (UTPR) will not be implemented for the time being.

The new Side-by-Side Package (as part of the Inclusive Framework on Pillar 2) comprises new safe harbour rules, in particular a relief for US-headquartered groups from the IIR and UTPR. In an official statement dated 5 January 2026, the Swiss Federal Tax Administration (SFTA) confirmed the direct applicability of these safe harbour rules in Switzerland without legislative amendment and clarified their temporal scope.

Withholding tax

Swiss withholding tax is levied on dividends, including deemed dividends, and certain types of Swiss source interest, as well as certain insurance payments paid by Swiss insurance companies. In principle, tax at a flat rate of 35% is automatically deducted by the payer (debtor system) and, if the income is properly reported by the Swiss resident beneficiary, is refunded in cash or credited against the personal income tax liability. Dividends paid out of qualifying capital contribution reserves are not subject to Swiss withholding tax and are exempt from income tax for Swiss individuals holding the shares as private assets. A tax reform, which entered into force on 1 January 2020, introduced a restriction on the capital contribution principle for Swiss listed companies, namely a 50:50 rule, according to which at least half of the distribution must be made out of taxable reserves, if any. A comparable rule applies in the case of a share buyback of Swiss listed companies for cancellation on the second trading line, where at minimum the same amount of capital contribution reserves and other reserves must be used.

For non-Swiss tax residents, the withholding tax is essentially a final burden, unless they are eligible for a partial or full refund under an applicable Swiss double tax treaty.

Recent changes relevant for financial institutions

The extension until 31 December 2031 of the withholding tax exemption on interest paid on "coco-bonds" or write-off bonds keeps these instruments attractive to foreign investors.

From an international perspective, Swiss financial institutions – but also other companies domiciled in Switzerland – are increasingly affected by international transparency initiatives, such as the automatic exchange of information (first exchange of collected information by Switzerland in September 2018), the US Foreign Account Tax Compliance Act, or the spontaneous exchange of tax rulings (first rulings were exchanged by Switzerland in May 2018). Also, certain types of structured products (eg, securities lending) are under increased scrutiny by the SFTA with regard to the refund of Swiss withholding tax, as beneficial ownership is often challenged. Several court cases are currently pending in Switzerland in this regard.

Stamp duties

Issuance stamp duty

The issuance of new share capital as well as any contributions into the reserves of Swiss corporations made by their direct shareholders are subject to an issuance stamp duty of 1% of the net contribution received by the corporation. Contributions received from indirect shareholders are not subject to this duty. Certain transactions are exempt, for example the first 1 million Swiss francs received as a contribution in connection with the issue of shares, or shareholder contributions of up to 10 million Swiss francs received in connection with a recapitalisation, to the extent that the contribution eliminates losses in the balance sheet.

Securities transfer tax

Transfers of taxable securities (eg, shares or bonds) for consideration and with the involvement of at least one Swiss securities dealer (for the purposes of the stamp duties this also includes Liechtenstein residents) as a party or intermediary may be subject to a securities transfer tax of 0.15% (Swiss securities) or 0.3% (foreign securities) on the purchase price. The tax is payable by the Swiss securities dealer, who pays half of the tax, and the other half by the counterparty or client who is neither a Swiss securities dealer nor an "exempt investor" (exempt investors include, inter alia, Swiss and foreign investment funds, foreign regulated pension funds and life insurers, listed foreign companies and their foreign consolidated subsidiaries).

The term "intermediary" is interpreted with reference to Swiss private law and includes referral/contact brokers and intermediary/negotiations brokers. The latter term also includes companies that "causally participate in the conclusion of a securities transaction and knowingly cause or contribute to the actual success of the exchange of the concurrent declaration of intent". These activities include searching for suitable buyers for the clients' companies, preparation of sales documentation, establishing contact with prospective buyers, organisation of meetings with interested parties and assisting in the negotiation of the sales contracts. As a result, a Swiss parent company (qualifying as a securities dealer due to holding significant shareholdings or securities of minimum 10 million Swiss francs book value) of either the buyer or the seller in an M&A transaction actively involved in the transaction via its officers or internal deal team, or an M&A adviser, may be viewed as an intermediary. In that respect, neither the existence of a formal contractual relationship between the parties involved nor the payment of a brokerage fee is relevant.

The Swiss Federal Court recently confirmed that, no Swiss securities transfer tax is owed with respect to employee shares granted free-of-charge (against no consideration; the taxable benefit for the employee does generally not qualify as such consideration).

Income tax

All periodic and non-recurring income is generally taxable for a Swiss resident individual (worldwide income, except for foreign real estate, permanent establishments or explicit tax-exempt income). The Swiss income tax laws contain a very favourable provision that capital gains from the sale of private assets (other than Swiss real estate) are tax-free, subject to certain restrictions to prevent abuse (eg, indirect partial liquidation or transposition and qualification of the individual as a commercial securities dealer).

Dividends received out of qualifying capital contribution reserves are not subject to income tax. According to a recent Swiss Federal Court decision, the same treatment applies to the distribution out of hidden equity contributions by the direct shareholder (to the extent the shareholder can prove the origin respectively creation of the respective reserves). Dividend payments out of other reserves are taxable, but may benefit from privileged income taxation if the Swiss resident recipient holds a qualifying stake of at least 10% in the capital of the distributing entity. The latest tax reform slightly increased the taxable dividend inclusion from 60 to 70% at the federal level and to at least 50% at the cantonal level.

Value added tax

Switzerland has a favourable VAT regime for holding companies: As holding companies are considered to carry out entrepreneurial activities, they can be registered as VAT payers and can therefore claim input VAT refunds. In January 2024, the Swiss Federal Court confirmed that, in the case of holding companies, the refund of input VAT can only be claimed in respect of services rendered and goods purchased on or after the date of registration in the VAT register – services received before that date are treated as consumed prior to the commencement of entrepreneurial activity and therefore do not give rise to an input VAT entitlement. For example, if a holding company receives consultancy services in the period 2018–2022 and registers for VAT only as of 1 January 2023, no input VAT refund would be available in respect of those earlier services, as consultancy services are presumed by law to be consumed upon receipt.

In a more recent decision, the Swiss Federal Court clarified its earlier position on the temporal link between VAT registration and input VAT recovery. The court held that the right to deduct input VAT arises upon receipt of the invoice – not upon receipt of the underlying service. The relevant question is therefore not whether the taxpayer was VAT-registered at the time the service was received, but whether the service had already been consumed outside of any entrepreneurial activity by the time entrepreneurial activity commenced. Input VAT deduction is available where: (1) the invoice is received while the taxpayer is VAT-registered; and (2) the service has not yet been consumed at the time entrepreneurial activity begins – meaning it still retains residual value that will be used in the course of that activity. In practice, however, this clarification has limited impact for consultancy and similar services since these are presumed by law to be consumed upon receipt; these services received before the commencement of VAT liability will therefore generally remain non-deductible. The clarification is more relevant for goods and long-lived services (eg, software licences and construction work) that retain residual value at the time of VAT registration.

The practice published by the SFTA takes a more taxpayer-friendly approach: a newly formed company may claim input VAT on pre-incorporation costs incurred up to six months prior to its commercial register entry in its first VAT return following registration, even if the invoices are not issued in the name of the registered entity (eg, issued to “XY AG in Gründung” or to the founding shareholders). The following conditions must be cumulatively met: (1) the company must register as a taxable person at the time of commercial register entry; (2) the pre-incorporation costs must be recorded in the company’s accounts; (3) the pre-incorporation costs must be for the incorporation or the company’s future business activities; (4) no revenues may have been generated prior to the commercial register entry, unless the revenues are recorded in the accounts and declared in the VAT returns; and (5) goods may not have been used for other purposes (eg, private purposes of the founding shareholders) prior to the commercial register entry. Some restrictions on input VAT deduction may need to be considered for holding companies that combine a shareholding function with a financing arm (ie, companies that, in addition to holding qualifying participations, also grant intercompany loans generating VAT-exempt interest income). In a decision from July 2025, the Federal Administrative Court confirmed that input VAT incurred in connection with the acquisition, holding, and disposal of participations cannot be allocated directly to the holding activity for full recovery, but must be treated as attributable to the company's overall entrepreneurial activity and apportioned accordingly. The court gave decisive weight to the Swiss parliament's deliberate decision, during the 2023 partial VAT law revision, to retain the statutory qualification "within the scope of the entrepreneurial activity entitling to input VAT deduction" (as codified in the VAT Act), thereby preserving the restriction and the materially less favourable treatment of "mixed" holding companies compared to "pure" holding companies. However, the court found that the revenue-based apportionment key applied by the SFTA – which yielded a deductible proportion of approximately 0.2% – was not appropriate given that the holding activity generates no turnover by its nature, and remitted the case for recalculation. The question of what constitutes an appropriate apportionment key in such cases remains open pending a decision of the Federal Supreme Court in this matter.

Many services provided by financial institutions are exempt from VAT, including traditional banking activities, the sale of shares and intermediary services in respect of share sales. In contrast to the prior position of the SFTA, the Swiss Federal Court held that intermediary services in respect of capital contributions into companies are likewise exempt from VAT – bringing Switzerland into line with EU practice in this respect.

General tax considerations for Swiss M&A transactions

Taxable acquisitions and dispositions: asset deal versus share deal

In the case of taxable acquisitions or disposals, Swiss resident buyers and sellers often have conflicting interests. A (Swiss) buyer often prefers an asset deal, whereas a (Swiss) seller typically prefers a share deal, owing to the facts described below.

Asset deal

Buyers generally prefer an asset deal to limit their risks from the acquired business, to achieve a step-up in tax basis, and to have the possibility to offset financing expenses with operating income. Compared to a sale of shares, capital gains resulting from sales of assets are generally subject to full corporate income tax (no participation relief applies) at the level of the selling company. The subsequent distribution of such proceeds to the shareholders generally constitutes a taxable dividend (with privileged taxation of qualifying dividends for Swiss individuals and participation relief for Swiss corporate shareholders). Against this background, sellers generally prefer a share deal, where the capital gains are either generally tax-exempt for Swiss individuals or can benefit from participation relief (see below).

An asset deal is often considered when only part of a company (eg, one business division) is to be sold. The asset deal gives the buyer the opportunity to acquire only the necessary assets and to acquire them with the right acquiring entity (eg, to centralise IP directly in one entity). In such cases, it may also be possible for the seller to carry out a share deal by way of a tax-neutral demerger (see below) of the business (or part thereof) to be sold to a new Swiss company and the subsequent sale of the shares in this Swiss company.

Where individual assets are acquired, the purchase price is allocated to the different assets. Based on accounting rules, the acquired assets are stepped up to their fair market value, which is relevant to the buyer for capital gains tax purposes in the event of a future sale. This also allows the buyer to depreciate or amortise these assets from their new accounting and tax basis. Any tax loss carry-forwards by the selling entity are not transferred to the buyer but remain with the selling entity (and may be set off against the capital gains realised on the asset deal).

If the purchase price exceeds the fair market value of the assets acquired in the purchase of a business, the excess may be allocated to goodwill. Goodwill is generally depreciated in the Swiss financial accounts of a Swiss resident buyer, with tax rules allowing either a 40% annual depreciation on a declining balance basis over five years or 20% annual on a straight-line basis (general depreciation options for intangibles).

Generally, no historic tax liabilities are assumed by the buyer. Exceptions are joint and several liability with the seller in certain cases (where the seller does not carry on a business and deregisters for VAT purposes), VAT succession (where (part of) a business unit is transferred to a related party or where the seller does not continue to operate a business after the transfer (and needs to deregister from VAT), ie, the dual business requirement is not met) and joint liability for social security contributions if employees are transferred.

The downside of asset deals is the transfer of contracts with, for example, suppliers and service providers with the consent of the counterparty, who may use this to renegotiate existing agreements. Furthermore, an asset-by-asset deal may require more (legal) work and the setting up of individual acquisition entities in the case of cross-border transactions. Finally, the risk of a fully taxable capital gain for the seller tends to increase the purchase price for the buyer. This may be outweighed by the tax benefit to the buyer arising from the higher amortisation and the ability to deduct financing costs in the acquisition entity against the income of the acquired business. The sale of real estate may be subject to Swiss real estate gains tax or real estate transfer tax. These taxes vary from canton to canton and, in cantons with the monistic system, real estate capital gains tax applies instead of corporate income tax, which may be significantly higher. Should taxable securities be sold as part of the assets, securities transfer tax needs to be considered as well, if a Swiss securities dealer is involved.

From a VAT perspective, the transfer of assets generally is subject to 8.1 or 2.6% VAT, but often the mandatory or voluntary notification procedure applies when a business unit is transferred between Swiss VAT-registered persons.

Share deal

In practice, corporate sellers generally prefer a share deal owing to the applicability of the participation relief (federal and cantonal or communal level) on capital gains, provided that shares of at least 10% in another corporation (under certain circumstances, a sale of a smaller percentage qualifies) that have been held by the seller for at least one year, are sold. Individuals resident in Switzerland who sell shares as private assets generally benefit from a tax-free capital gain on the sale of shares (subject to various restrictions).

At the buyer level, the purchase price is fully attributable to the acquired shares, which cannot be depreciated in a Swiss acquisition company unless their fair market value has declined. Goodwill cannot be separately capitalised in the balance sheet.

A reduction in value (impairment) is tax-deductible for the Swiss corporate buyer. Consequently, a subsequent increase in value is subject to corporate income tax. A revaluation of a qualifying participation that has been depreciated (ie, a participation of at least 10%) is required for tax purposes if the impairment is no longer justified (clawback provision).

Historical tax risks remain with the Swiss target and will crystallise at that level. Likewise, any deferred tax liability on the difference between the market and tax book values of assets remains with the acquired Swiss target and is usually reflected in the purchase price. The tax loss carry-forwards of the acquired company generally remain available for future use (subject to certain limitations due to deemed tax abuse, eg, the sale of a de facto liquidated company). However, the tax loss carry-forward is generally not confirmed by the tax authorities in the tax assessments, which may make valuation difficult.

Real estate capital gains tax (generally payable by the seller) or real estate transfer tax may be triggered if a (majority) shareholding in a real estate company is sold, as this is considered by most cantons and communities as economic change of ownership of the underlying Swiss real estate.

If a Swiss securities dealer is involved in a share deal (as a party or intermediary), securities transfer tax may be triggered.

In the case of a share deal, no VAT applies, since the transfer of shares is exempt from VAT.

A common withholding tax issue for a buyer to consider is the SFTA's "old reserves theory". It applies to retained earnings that are subject to a potential non-refundable withholding tax on dividends, for example, due to a non-Swiss seller or selling entity that does not benefit from a full withholding tax refund under an applicable double tax treaty. If, due to a change of ownership, the non-refundable withholding tax would be reduced to a lower rate than pre-deal, the SFTA may qualify the distributable reserves as earmarked at the higher (pre-deal) withholding tax rate with the consequence that future dividend distributions of the "tainted" reserves are subject to non-refundable withholding tax up to this higher rate. The amount subject to the higher withholding tax rate is usually the lower of retained earnings of the Swiss target company (distributable reserves for corporate law purposes, subject to withholding tax) and non-operating assets (not required for the conduct of the business, at group level) at the time of change of ownership. There are also further anti-abuse theories with respect to past non-refundable withholding tax, for example, in the event of a partial or full liquidation of the Swiss target following an acquisition, which should be considered by a buyer. A buyer should typically consider the limitations due to a potential extended international transposition as another withholding tax topic (see below).

Swiss resident individual sellers that benefit from a tax-free capital gain on the sale of privately held shares in a Swiss or foreign entity may face retroactive taxation in the event of an indirect partial liquidation. If the target has distributable reserves (for corporate law purposes, subject to withholding tax) and non-business-related assets in the group that are distributed by the buyer within five years of the sale, this amount is taxable as dividend for the seller. As a result, the seller will usually include an indemnity clause in a share purchase agreement (SPA) requiring the buyer to indemnify the seller for any indirect partial liquidation triggered (see comments below) during a five-year blocking period.

The downsides of a share purchase are generally the lack of a tax-efficient amortisation of the purchase price as well as the reduced availability of debt pushdown options on the level of the Swiss operating company (see "Acquisition financing").

Tax-free acquisitions and dispositions

In contrast to taxable acquisitions and dispositions, there are various types of tax-free acquisitions and dispositions of domestic entities that are tax-neutral, provided that the relevant conditions are fulfilled, such as:

- merger;
- demerger;
- conversion; and
- transfer of assets within a group.

The Swiss tax treatment of such reorganisations follows a "substance over form" approach, meaning that the end result is generally decisive (regardless of how it was structured from a legal perspective).

As a general condition for income tax neutrality, a continued tax liability in Switzerland and a transfer at the (tax) book values are required. Apart from this, Swiss tax legislation and the applicable circular published by the SFTA (which was last updated in 2022) state the specific conditions to be met for each type of reorganisation.

Tax-neutral reorganisation as pre-transaction step

As mentioned, sellers typically prefer a share deal. To shape the target into its ideal form, pre-deal carve-in or carve-out transactions are quite common. Similarly, conversions of partnerships or sole proprietorships into corporations before a sale are often seen but need to comply with a five-year holding period prior to the sale of the shares to qualify as tax neutral. Capital increases without repayment to the former partner generally do not result in a breach of this holding period.

Pre-deal carve-outs are usually structured as a tax-neutral demerger, for example, with a spin-off of the business unit to be sold or retained to a new Swiss company. Such demerger mainly requires that a business unit (or part of it) remains with the transferring company and a business unit (or part of it) is transferred to the new Swiss company and continued. However, there is no holding period (ie, shares in the entity with the spun-off business can be sold immediately after the demerger). The requirements to qualify for a business unit or partial business unit are as follows:

- the company performs services in the market or towards affiliated entities;
- the company has its own personnel; and
- the personnel expenses are appropriate in proportion to the revenues.

In the case of a demerger of a holding company or a mixed holding company, the SFTA's practice requires for the qualification of a (partial) business unit that the investments are made in subsidiaries, which are predominantly active companies, and include at least two qualifying participations (of at least 20% or otherwise warranting the exercise of a controlling influence) in such companies.

Further, it is sufficient for a split-up of a holding company if the remaining and the transferred part each consisted of only one operationally active subsidiary, as this – based on the transparency theory applied – was equivalent to the spin-off of the underlying operational business itself. The SFTA amended its practice accordingly in the revised circular concerning the tax treatment of restructurings. This practice opens up possibilities for pre-deal structuring for mixed holding companies, that is, it is sufficient for tax neutrality if one participation of over 50% in an operationally active company is transferred.

Attention should be paid to the fact that tax-neutral intragroup transfers of (partial) business units or operating assets at (tax) book value lead to a five-year blocking period over the asset transferred and the shares in the transferring and receiving entities. If breached, the transferred hidden reserves are retroactively taxed. In the case of a contemplated asset or share deal, this is an important aspect that should be reviewed prior to the transaction by the seller or might also be something that should be reviewed by an interested buyer as it may restrict post-transaction integration opportunities.

More restrictive withholding tax practice of the Swiss Federal Tax Authority

The SFTA’s interpretation of the anti-abuse rules has become more restrictive in recent years.

In the context of a tax-neutral quasi-merger (ie, share-for-share exchange with the contribution of a participation that is controlled by the transferee after the contribution against the issuance of new shares), new qualifying capital contribution reserves may be created (which are not subject to withholding tax upon distribution and not subject to income tax at the level of Swiss resident individuals holding the shares as private assets; certain limitations now apply for Swiss listed companies – see above). Against this background, the SFTA established a practice (based on an old court case) whereby such capital contribution reserves are retroactively disallowed if the contributed participation is absorbed or liquidated within five years of its contribution (ie, treatment as a direct side stream merger). To the extent that capital contribution reserves have been distributed in the past, this could lead to income and adverse withholding tax consequences. This practice also applies to contributions of shares where 10% or more (with or without capital increase) is transferred between corporate entities.

The second area is the above-mentioned old reserves practice where a latent non-refundable withholding tax burden is acquired. Cases of (partial) liquidation on behalf of the seller, where the acquired Swiss target is either merged or assets or participations are transferred out of the Swiss target, are subject to more scrutiny, for example where the Swiss target was held directly by foreign shareholders or private equity funds. This practice ((partial) liquidation by proxy) is relevant for the integration plans of a buyer since the withholding tax basis is much higher than under the old reserves practice: the hidden reserves of the Swiss target in the partial liquidation are also subject to the previous non-refundable withholding tax rate.

The SFTA’s interpretation of the anti-abuse rules has also become more restrictive in cross-border constellations in recent years. Based on an "international transposition", the SFTA's practice is to deny a refund of Swiss withholding tax if a person who is not entitled to a full refund of withholding tax transfers shares in a Swiss company to a Swiss company controlled by the same person by way of a sale against a loan, against share capital increase of the receiving entity or a contribution into its capital contribution reserves. This practice has been extended to apply to certain acquisitions through Swiss acquisition companies financed by shareholder loans or capital contribution reserves (extended international transposition) even if the seller benefits from a full withholding tax refund. The tightened practice is especially relevant for investments by private equity funds via Swiss acquisition entities. Economic reasons for the Swiss acquisition company may be helpful and should be confirmed in an advance tax ruling.

Acquisition financing

Swiss acquisitions are often structured with a non-Swiss acquisition or financing company. Often, a Luxembourg-resident company is used, which is leveraged with required bank financing for the acquisition (often guaranteed by a subsidiary with upstream guarantees or collateral; a Swiss subsidiary can provide such securities or guarantees up to the amount of its freely distributable equity).

One reason for this is mainly better conditions for acquisition financing: Switzerland still levies a 1% issuance stamp duty on equity contributions by direct shareholders, and lending to a Swiss company needs to comply with the Swiss 10/20 Non-Bank-Rules (see below) to avoid adverse withholding tax consequences on the interest paid. In addition, there is no tax consolidation in Switzerland, and possibilities for a debt push-down in a share deal are generally limited. In a recent landmark ruling, the Swiss Federal Court for the first time directly addressed the deductibility of interest following a debt push down in a leveraged buyout. It held that interest attributable to the acquisition financing component of a loan pushed down to the target company through a post-acquisition merger does not qualify as an expense "justified by business use" for corporate income tax purposes.

Under Swiss tax law, taxable profit is based on commercial accounts, with non-business-related expenses added back. An expense is deductible only if there is an objective causal link to the company's business purpose, the burden of proving that link falling on the taxpayer. Several cantonal authorities have already denied interest deductibility on this basis rather than on tax avoidance grounds, and the Federal Supreme Court endorsed this approach, confirming that interest shall be disallowed where no such link exists. The duration of this disallowance was not relevant in the decision, and it remains to be seen whether the cantonal tax authorities continue to apply a five year period, as it was often the case before the Federal Supreme Court's decision. It remains uncertain from the Court's decision whether a target entity that acts as a holding company and regularly acquires other companies – such as being the parent company of an operating group – would satisfy the requirements specified by the Court.

A set-off of interest expenses on the acquisition financing may be possible if the deal can be structured with a purchase by a Swiss resident operational company, which may use the expenses to be set off against its operational, taxable income.

There may still be structuring options to achieve a debt push-down, although the above decision has created a degree of uncertainty. Structuring options include the distribution of debt-financed dividends (leveraged dividends), whereby the target company resolves a dividend that is not directly settled in cash but left outstanding as an interest-bearing downstream loan by the shareholder, or settled by the assumption of external acquisition debt and the allocation of interest expenses to the target company or debt financed intragroup acquisitions.

For intragroup loans, the Swiss thin capitalisation rules must be considered, since related-party debt exceeding the maximum permitted debt for tax purposes is qualified as hidden equity, and interest on hidden equity is not tax-deductible but considered as deemed dividend subject to withholding tax. For calculation of the maximum debt capacity, a SFTA circular sets out the maximum percentage amount of debt that may be taken out per asset category (eg, cash positions can be leveraged by 100%, participations by 70% with debt). The basis for the calculation are the fair market values of the different assets in the balance sheet.

The SFTA annually publishes safe harbour maximum and minimum interest rates for related-party loans. Compared to the safe harbour rates in 2023, the interest rates in 2025 and 2026 have slightly decreased (after having remained unchanged for 2024). In addition, the possibility to use a higher or lower interest rate remains open in all cases where the arm's-length nature of the transaction can be demonstrated.

Landmark transactions

SK Capital Partners's acquisition of Swixx Biopharma AG

In late 2025, US private equity firm SK Capital Partners agreed to acquire a majority stake in Swiss based Swixx Biopharma AG from HBM Healthcare Investments at a valuation above 1.4 billion Swiss francs, signalling strong international investor interest in Swiss life sciences platforms. The Swixx BioPharma Group is a leading global full-service partner in the distribution of biopharmaceutical products, particularly in Central and Eastern Europe and Latin America. On 1 June 2026, HBM Healthcare Investments announced the successful closing of the transaction.

Novartis's acquisition of Avidity Biosciences, Inc

In October 2025, Novartis announced that it has entered into an agreement to acquire Avidity Biosciences, Inc (Avidity), a US-based, biopharmaceutical company. The acquisition of Avidity was completed by Novartis, acting through one of its wholly owned indirect subsidiaries, on 2 March 2026. The total value of the acquisition was around US$12 billion.

ABB's divestment of its robotics division to SoftBank Group

On 8 October 2025, ABB announced that it has signed an agreement to divest its robotics division to SoftBank Group Corp. for an enterprise value of US$5.375 billion and not pursue its earlier intention to spin-off the business as a separately listed company. The transaction is subject to regulatory approvals and further customary closing conditions and is expected to close in mid-to-late 2026.

Holcim's separation of its North American business and new listing of Amrize AG

In 2024, Holcim announced its plan to separate and list its North American business on the US stock market. This move aims to create a leading pure-play building solutions company in North America, capitalising on the region's strong construction demand and significant infrastructure investments. The spin-off was approved by the shareholders at the Annual General Meeting on 14 May 2025 and was executed as a full capital market separation.

The spin-off included various pre-deal transactions with transfer of legal entities, IP and financing, as well as the refinancing of external bonds and the demerger of the listed Holcim entity into a newly listed Swiss entity, Amrize AG. The Amrize shares were successfully listed on the New York Stock Exchange and on the SIX Swiss Exchange (SIX) on 23 June 2025.

IPO of SMG

SMG Swiss Marketplace Group AG (SMG) was founded in November 2021 as a joint venture between Mobiliar, TX Group, Ringier and General Atlantic. SMG is a pioneering network of online marketplaces in Switzerland. In September 2025, SMG successfully completed its IPO on the SIX Swiss Exchange. The IPO comprised a secondary offering by two of SMG's principal shareholders, Schweizerische Mobiliar Versicherungsgesellschaft AG and Riniger AG. Trading in the shares commenced on 19 September 2025, resulting in a market capitalisation of SMG amounting to around 4.7 billion Swiss francs.

Advent's public tender offer for u-blox Holding AG

On 26 November 2025, Funds managed by Advent International L P, via their indirect European subsidiary ZI Zenith Sàrl, completed the public tender offer for all publicly held shares of Swiss domiciled u-blox Holding AG, a global leader in positioning and wireless communication technologies. After the public tender offer, Advent held more than 98% of the shares in u-blox and, accordingly, performed a statutory squeeze-out proceeding followed by the delisting of the u-blox shares (delisting occurred in May 2026).

Acquisition mergers of UBS and Credit Suisse

Following the completion of the acquisition of Credit Suisse Group AG by UBS Group AG on 12 June 2023, and the completion of the merger between UBS AG and Credit Suisse AG on 31 May 2024, the boards of directors of UBS Switzerland AG and Credit Suisse (Schweiz) AG approved the merger between UBS Switzerland AG and Credit Suisse (Schweiz) AG (the Swiss Bank Merger). The Swiss Bank Merger became legally effective on 1 July 2024 upon registration in the relevant commercial register.

The Swiss Bank Merger is another milestone in the complex legal entities' integration of Credit Suisse group into UBS group following the merger between UBS Group AG and Credit Suisse Group AG, and the merger between UBS AG and Credit Suisse AG.

L'Oréal's 10% stake in Galderma Group AG

L'Oréal, the world leader in beauty, acquired a 10% stake in Galderma Group AG, the pure-play dermatology category leader and one of the world's largest players in injectable aesthetics, from Sunshine SwissCo AG, Abu Dhabi Investment Authority and Auba Investment Pte Ltd (a consortium led by EQT).

Novartis's acquisition of Mariana Oncology

Novartis has announced its acquisition of U.S.-based radiopharmaceutical company Mariana Oncology for US$1 billion upfront, with the potential for an additional US$750 million contingent on achieving specific milestones. This strategic move aims to enhance Novartis' portfolio in precision cancer treatments, particularly in the field of radioligand therapies (RLTs).

Merger of Helvetia and Baloise

On 8 December 2025, Baloise and Helvetia, two Swiss insurers, completed their merger. As of 8 December 2025, the shares of the merged Helvetia Baloise Holding AG are traded at SIX Swiss Exchange. Helvetia Baloise Holding AG forms the second-largest insurance group in Switzerland and one of the leading insurance groups in Europe.

General tax considerations for cross-border M&A transactions

An inbound, immigration transaction can be structured in different ways, as follows.

Immigration merger

In principle, an immigration merger (inbound) must comply with the provisions of the domestic merger law; thus, the same rules apply to an inbound merger as to a Swiss domestic merger. Consequently, an inbound merger can be carried out tax-free if the conditions for a Swiss domestic merger are met. The main question is whether the foreign legislation permits an immigration merger and under which conditions. Since 1 January 2020, there is a legal basis for a tax-neutral step-up of the hidden reserves (including goodwill) of a foreign company merged into a Swiss company (with the exception of hidden reserves on qualifying participations) to market values for Swiss corporate income and capital tax purposes, irrespective of the book values for accounting purposes. However, there is no step-up for withholding tax purposes. The transferred goodwill can be amortised for tax purposes over 10 years. Thus, we expect this option to become more popular. The same rules apply to a change of domicile or shift of the place of effective management or the transfer of relevant functions to Switzerland.

Quasi-merger

A very popular alternative to an immigration merger or a transfer of seat of a foreign company to Switzerland is a cross-border quasi-merger. A quasi-merger is a share-for-share exchange between an acquiring and a target company, whereby the shareholders of the target company receive at least 50% of the value of their compensation in the form of new shares of the acquiring company, and the target company legally survives as a subsidiary of the acquiring company, whereby the acquiring company must control at least 50% of the voting rights in the target company after the transaction.

Qualifying quasi-mergers with Swiss and foreign target companies are principally tax-neutral for the companies involved. Foreign-resident shareholders of the foreign target company are not taxed in Switzerland. Swiss resident private individual shareholders of the foreign target company generally realise a tax-neutral capital gain (or loss) on the entire quasi-merger consideration (an exception applies, however, in the case of a transposition). The immigration quasi-merger can typically be done tax-neutrally at fair market value and the share premium at the level of the Swiss acquiring company generally qualifies as capital contribution reserves, which can be distributed without withholding tax consequences. The limitations introduced by the last tax reform for Swiss-listed entities do not apply to distributions out of foreign capital contribution reserves that are or were created, for instance, by quasi-mergers involving the contribution of non-Swiss participations. Certain limitations may need to be considered (see "More restrictive withholding tax practice of the Swiss Federal Tax Authority") for mergers or liquidations of the Swiss target within five years of a quasi-merger.

Most cross-border transactions (into Switzerland) are structured as quasi-mergers (acquisition by a Swiss entity). From a tax perspective, such quasi-mergers resulted in significant capital contribution reserves, for example, through the creation of LafargeHolcim under a common Swiss holding company. Restrictions on the creation of capital contribution reserves may apply to a Swiss target due to the extended international transposition practice.

Landmark transactions

Merger of Aebi Schmidt Group with The Shyft Group

On 1 July 2025, the Swiss speciality vehicle manufacturer Aebi Schmidt announced the successful completion of its merger with The Shyft Group, thereby creating a world-class speciality vehicles leader with sales of approximately US$2 billion per year and 70 locations worldwide. The shares of the combined Aebi Schmidt Group (NASDAQ: AEBI) started trading on NASDAQ Global Select Market in July 2025.

Change of domicile of Cavotec SA from Switzerland to Sweden

Cavotec SA, a global cleantech company, transferred its registered office from Switzerland to Sweden through a share-for-share offer, allowing shareholders to exchange their current shares for shares in a new Swedish parent company. The offer was announced in the second quarter of 2025 and aimed to maintain shareholders' ownership share and voting power. Since completion in July 2025, the new entity (Cavotec Group AB) is listed on Nasdaq Stockholm, and Cavotec SA shares were delisted.

Key tax issues in M&A transactions – tax practice points for M&A dealmakers

In the case of an asset or share deal, the Swiss tax-related objectives of a Swiss seller and buyer are often, as outlined above, diametrically opposed. Finding the most tax-efficient deal structure is often the subject of lengthy negotiations. Swiss individuals as sellers will usually insist on share deals and it is market practice that a buyer must accept an indirect partial liquidation indemnity obligation under the SPA.

Depending on the structure of the deal, the focus of the tax due diligence will vary: in a share deal, a buyer generally inherits all historical tax risks of the target, but in an asset deal, the buyer is jointly and severally liable with the seller for certain taxes and the acquired real estate may be encumbered with a pledge for past real estate taxes.

From a buyer's perspective, there are certain potential pitfalls that should be considered regarding acquisition financing, for example, issuance stamp duty on direct equity financing into a Swiss company may be mitigated by substitution with a grandparent contribution or by making use of exemptions for reorganisations (eg, certain share contributions).

There is limited interest deductibility for intragroup financing owing to thin capitalisation limitations and safe harbour interest rates.

In order to avoid the imposition of 35% Swiss withholding tax on interest paid by a Swiss borrower, the Swiss 10/20 non-bank rules must be complied with, meaning that the Swiss borrower may not have more than 10 non-banks as lenders under one facility with the same terms and not more than 20 non-banks as lenders under different terms. Swiss interest withholding tax can also be triggered for a foreign borrower with downstream guarantees by a Swiss parent entity and a detrimental use of the funds in Switzerland or, in certain cases, also upstream or cross-stream guarantees or securities by Swiss entities. The practice with respect to detrimental downstream guarantees by Swiss parents has been relaxed by the SFTA in spring 2019. As a result, the acquisition financing agreements require specific language to address this topic and are often subject to Swiss tax ruling confirmations.

There is no tax consolidation for income tax purposes and thus limited options for a debt push-down; this should be taken into account when modelling the purchase price or tax benefits of the financing.

Repatriation of funds from the Swiss target requires careful structuring to avoid triggering indirect partial liquidation limitations. Distributions used to service acquisition debt may trigger indirect partial liquidation consequences in the case of Swiss individual sellers (eg, by arm‘s-length upstream loans) or dividend withholding tax leakage. Non-refundable withholding tax on dividends may apply either due to the situation of the seller (eg, due to the old reserves practice); it may also apply if the acquisition company is not entitled to a full withholding tax refund under an applicable double-tax treaty. In addition to beneficial ownership and fulfilment of the general conditions (shareholding quota, minimum holding period), the reduction of the withholding tax under a double tax treaty requires in particular that the acquisition company has sufficient substance from the perspective of the SFTA. The reduction of withholding tax at source under a double tax treaty is subject to the prior authorisation of the SFTA, which usually requests detailed information about the rationale and set-up of the acquisition company. Further, withholding tax on distributions by a Swiss target to a Swiss acquisition company set up by a buyer who is not entitled to a full withholding tax refund (eg, a private equity fund) may not be fully refunded if the acquisition company shows more share capital or capital contribution reserves than the target (extended international transposition). This does not apply if there are economic reasons for the Swiss acquisition company, such as significant external financing or reinvestment by Swiss shareholders or shareholders entitled to a full refund.

In a share deal, Swiss withholding tax aspects in general should not be neglected. The Swiss concepts of "old reserves", respectively "(partial) liquidation by proxy", are a speciality of Swiss tax practice of which a buyer is often unaware. To assess potential exposure in this regard, which may provide an opportunity to negotiate a lower purchase price, a buyer also needs to look at the past shareholder history (ie, not only the situation as per signing of the transaction).

Other relevant aspects for a buyer in a tax due diligence are, in particular:

- existing blocking periods, for instance, from past reorganisations, which need to be considered in the context of potential post-closing integration work;
- deferred tax liabilities on hidden reserves that are permitted from a Swiss tax perspective, for example, inventory allowance, lump-sum allowance for bad debt;
- deferred tax liabilities arising from past depreciation of shares in subsidiaries. These depreciations may need to be reversed after the transaction if higher values can be justified (eg, based on the purchase price);
- earn-out arrangements for sellers continuing to work for the target or non-compete agreements may partly qualify as taxable income for the seller and lead to social security contribution consequences in the target company; and
- the shares acquired could in general qualify as employee shares and accordingly, under certain circumstances, lead to taxable salary for the sellers upon the sale and trigger social security contribution consequences in the target company.

A very positive aspect of Switzerland as a tax jurisdiction is the ease of access to the tax authorities and the broad possibilities to obtain advance tax ruling confirmations within a reasonable time frame. This is particularly important in transactions to obtain certainty, for example, whether the requirements of a tax-neutral reorganisation are met, whether certain upstream loans or distributions do not trigger the indirect partial liquidation taxation, or whether certain upstream guarantees by Swiss entities do not trigger interest withholding tax for loans to foreign borrowers. Transactional tax rulings with a unilateral context are generally not subject to the international ruling exchange. Tax rulings that were obtained by the Swiss target may also reduce tax risks for the buyer. For any tax rulings, it is important to note that they are only binding to the extent the relevant facts are fully disclosed and the described transaction is implemented as described.

Swiss securities transfer tax aspects in share deals should not be forgotten. Financial institutions in Switzerland are accustomed to this tax, but it should be noted that each corporation in Switzerland may qualify as a Swiss securities dealer and as such become subject to securities transfer tax, if it acts as a party to a deal or is involved as an intermediary. The tax currently applies both to the transfer of Swiss and foreign shares (or other securities and bonds). The Swiss Federal Court tightened the requirements that a securities dealer can rely on the fact that the other party also qualifies as a securities dealer only if the evidence is provided within three days. Otherwise, the securities dealer must pay both parts of the securities transfer tax. Also, potential securities transfer tax implications for an M&A adviser who can, as confirmed in a recent court case, qualify as a Swiss securities dealer, act as intermediary in transactions and thus become subject to securities transfer tax, should be considered. Similarly, the role of a potential Swiss resident parent holding company in the context of a transaction should be carefully reviewed, as it often qualifies as a Swiss securities dealer and could also trigger a securities transfer tax on the transaction if it acts as intermediary in the sense of Swiss stamp duty law (see above). With regard to holding companies, the SFTA clarified that intermediation by a Swiss holding company is subject to the securities transfer tax only where it qualifies as an introductory brokerage or a negotiating brokerage. Neither is deemed to exist where the holding company (or another group company) engages and remunerates an independent investment bank to carry out a transaction, or where the negotiations are conducted by a person not belonging to the domestic holding company. In practice, the role of a group companies qualifying as Swiss securities dealer should remain as limited as possible to mitigate the risk of triggering Swiss securities transfer tax. The SFTA further clarified that a management company performing M&A activities should not qualify as securities dealer if it only performs such activities for other group companies.

Potential international tax developments should also be monitored in M&A transactions, as they may affect assumptions used to value the expected tax burden. An example is the OECD Pillar Two framework, which requires multinational groups with annual revenues exceeding €750 million to achieve an effective minimum tax rate of 15% (see above). Its impact should be considered in M&A transactions, for example where an international group acquires a target that could adversely or favourably affect its Pillar Two position. The treatment of joint venture entities for Pillar Two consolidation purposes should also be reflected in pricing and contractual terms, as misalignment between the economic allocation of profits and the resulting tax costs may otherwise arise.

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