

Vast know-how, applied Concisely, Conscientiously and Pragmatically for entrepreneurs, SMEs and private individuals!

What's of importance to you, in a nutshell:

Official reference interest rate for rental relationships: **1,75%** (2 December 2023)
→ **A further increase is expected for 2025 (Source: ZKB.ch)**

New safe haven interest rates for advances/loans were announced; here, an overview of the key rates for CHF-based arrangements:

- to participants / related parties (financed out of shareholders' equity) **1,50%**
- from participants / related parties (working capital loans to operating companies) **3.75%**

The FTA Circulars (in German) will soon be available at www.estv.admin.ch for CHF and for FX. We do not expect substantial changes.

Occupational Pensions (BVG): Minimum interest rate now **1.25%** (until end 2023 1%).

- **5th revision of AHV, effective as of 1.1.2024**

1. Self-determined age for start of pension withdrawals – as early as 63 up to 70 (so-called "reference age" = 65)
2. Partial withdrawal of the pension in steps (min. 20%, max. 80% of the full pension), calculated to the precise birth month (not year)
3. Continued work after the reference age can now count towards the deferred AHV pension; this way, contribution gaps and a shortfall versus the maximum pension can be reduced
4. The VAT increases to 8.1/2.6/ 3.8 percent serve to bolster the AHV reserves

More information in this regard can be found at www.ahv-iv.ch. The AHV branch office at your place of residence is the first point of contact for personal enquiries and assistance in any further steps.

- **Providing for "In the event that..." !**

This topic is important for entrepreneurs – but also when it comes to complex family and wealth circumstances. A sudden death leaves a gaping hole, and thus difficulties for the surviving family members and the company itself. Moreover, testamentary dispositions need to be legally valid and safekept at all times. These ins-and-outs are sometimes difficult for beneficiaries to understand or accept. It follows that expertise and experience are required to protect and ensure the ongoing viability of the company, while also seeing to the proper execution of the deceased's last will and testament. You can make important arrangements during your living years. Some of the most important are:

- keep your will in a secure, "neutral" place where it can be found immediately and submitted to the competent court for the official commencement of the probate process;
- appoint an appropriately aged executor who knows your circumstances, is well informed and can act rapidly – otherwise, your group of heirs would first have to get themselves organized internally, even as they lack the necessary expertise and a competent person to take charge of the intricacies;
- as to your AG/GmbH/sole proprietorship: make sure that you have formally appointed deputies and other authorised signatories to oversee the day-to-day business, including their entry in the commercial register and recognition under bank signature regulations.

These measures need to be reassessed periodically, given that probate rulings can change over the course of years. It is also advisable to have your will and testamentary dispositions legally reviewed on a periodic basis or even drawn up by a specialist.

With an "incapacity mandate" (= Vorsorgevereinbarung), you can document personal instructions as well as designate the individual or individuals who are authorised to act on your behalf should you become temporarily or permanently incapacitated. Here as well, you must take care to include in these arrangements only people who are fit, capable and honest in every respect.

- **Real estate investment company as alternative to private ownership of income properties**

Owners of rental properties know that the income generated (minus ongoing maintenance costs), on top of the income they earn from employment or pensions, is usually subject to a steep tax progression and thus taxed at a high rate. Add to that the fact that the wealth tax alone can amount to a significant sum before even a single franc hits the bottom line.

If, on the other hand, a rental property is held in a real estate AG/GmbH, the tax burden can be reduced and smoothed simply through depreciation and provisions. Mortgage amortisations and shareholder loans can be rendered from essentially tax-free property income, which in turn eases the burden on the balance sheet and ultimately makes the investment debt-free or otherwise fit for later cyclical major repairs/modernisations or even for additional property acquisitions.

In view of today's high market prices, transferring a property from one's private assets to an AG/GmbH is often a daunting undertaking. However, if long-term ownership is your aim, such a company can be a good investment vehicle for sizeable new acquisitions or prior to making major investments in an old building. Also in terms of inheritance law, shares of an investment company (AG or GmbH) shares are often helpful when it comes to transferring a real estate portfolio to the next generation.

- **Revised foundation law**

Switzerland's revised, less restrictive foundation law took effect on January 1, 2024. The founder now has the right to change the purpose and also the organisation of the foundation. After a minimum of 10 years, the foundation board can submit amendments to the supervisory authority. Even insignificant amendments to the deed of foundation are possible, provided there are objective reasons for such and the rights of third parties are not infringed.

Our opinion: Small charitable foundations – i.e. most of the foundations that conduct no ancillary business operations – should be set up for a fixed term, e.g. 20, 30 or 50 years, and the purpose clause of the foundation should stipulate that not only the income from its assets, but also a certain drawdown from those assets, can be used each year to fulfil the foundation's stated purpose.

YES, WE CAN!

Besides German, we service in ENGLISH – Géstions en FRANCAIS – Gestiones en ESPAÑOL

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