

Tax Alert Switzerland

Tax-recognised interest rates for advances or loans 2023

For the tax assessment of advances and loans in Swiss francs and in foreign currencies, the Swiss Federal Tax Administration (FTA) publishes the recognised interest rates annually. The interest rates were massively increased in 2023 compared to previous years.

The granting of non-interest-bearing or insufficiently interest-bearing advances or loans to participants or related third parties constitutes a benefit in kind, which is subject to withholding tax and income tax. The same applies to excessive interest paid on the basis of obligations to participants or related third parties.

The FTA publishes save haven interest rates annually. When applying these values, the FTA assumes without further proof that the interest rates are market rates. This creates planning and legal certainty for Swiss companies in their

financing activities and protects them from surprises.

Transactions in Swiss francs

For loans in Swiss francs granted by a Swiss company to its shareholders or other related parties and financed from equity, the FTA requires a minimum interest rate of 1.5% in 2023.

For advances from shareholders or related parties – for example, for operating loans at trading and manufacturing companies – the following maximum interest rate is permitted according to the FTA:

- Up to CHF 1 million 3.75%, from CHF 1 million 2.25%.
- The resulting spread between the granting of funds and the borrowing of funds is therefore 2.25% for loans up to CHF 1 million, or 0.75% for higher amounts.



Transactions in foreign currencies

If loans are not granted in Swiss francs but in a foreign currency, modified safe haven interest rates must be applied, whereby at least the interest rate for loans in Swiss francs must be applied if the interest rate for the foreign currency is lower.

For 2023, many interest rates in foreign currencies are set higher by the FTA. For loans in EUR, the permissible minimum interest rate has increased significantly from 0.5% in 2022 to 3% in 2023. For loans in USD, the rate has increased from 2% to 3.75% for 2023.

These interest rates are valid if the advances or loans are financed from equity. For loans financed by borrowed capital, interest must be paid on the cost price plus 0.5%, but at least the interest rate listed by the FTA.

Loan obligations may bear interest at a maximum of the safe haven interest rate plus the same spread as loans in Swiss

francs. As explained, the spread for operating loans up to CHF 1 million, for example, is 2.25%, and for loans of CHF 1 million or more it is 0.75%. Accordingly, the maximum interest rate on operating loans on euro loans is 5.25%, from the equivalent value of CHF 1 million the maximum interest rate on operating loans in euros is 3.75%.

Higher interest rates based on the third-party comparison can be claimed in principle. However, in any case, business-related evidence must also be provided as to why no obligation was entered into in lower-interest Swiss francs.

Especially companies that have entered intragroup loan obligations or loan balances denominated in foreign currencies are advised to review the loan agreements on an ongoing basis and in particular regarding the latest adjustments of the FTA as of 1 January 2023 and to adjust them if necessary. Grant Thornton Switzerland/

Liechtenstein will be happy to assist you as a competent contact partner with any questions you may have. We look forward to hearing from you.



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