

Switzerland/Liechtenstein: VAT Update May 2016

Beneficial VAT treatment of Asset Managers located in Switzerland and Liechtenstein



Domestic asset managers supplying management services to foreign collective investment schemes may benefit from zero rated supplies in combination with full input tax recovery

Supplies of domestic asset managers to domestic collective investment schemes (CIS) are in general tax exempt without credit of input tax. For example, such non-creditable input services may be investment advice, investment research, legal advice, regulatory costs, audit services or other technical support. This principle is similar to the general EU VAT exemption for the management of special investment funds as stated in article 135 g of the VAT Directive.

However, based on domestic VAT law and practice in force since 2010 supplies of domestic asset managers to foreign CIS are taxable, but effectively zero rated as the management services are supplied at the place of the recipient. In consequence, domestic asset managers do not charge output tax on their services to foreign CIS but still can fully recover input tax. This has the effect that purchases of services from foreign suppliers subject to reverse charge are offset by the corresponding input tax and that purchases of services from domestic suppliers result in a VAT credit refundable in cash.

The full recovery of input VAT applies as long as the recipient of the management services is domiciled outside of Switzerland or Liechtenstein (Swiss VAT law is applicable in Liechtenstein as well). It is particularly not of

relevance to which type of investor the share in the CIS is distributed, be it a qualified or a non-qualified investor (respectively enlisted on the FINMA list or not), nor does it matter what type of asset the foreign CIS has under management, be it securities or real estate.

An asset manager may be considered domestic when having its seat of economic activity or a (deemed) permanent establishment in Switzerland. This can be achieved for example by setting-up an office in Switzerland or Liechtenstein. In order that a domestic asset manager supplying services to a foreign CIS may benefit from the full recovery of input VAT a registration for VAT is required.

The combination of making zero rated supplies with full recovery of input tax, makes Switzerland and Liechtenstein an attractive location for asset managers supplying management services to foreign CIS.

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