FACT SHEET

Swiss tax consequences of a fixed-price share buyback programme

Castle Private Equity AG (hereinafter CPE) offers a fixed price share buyback programme of up to 25% of outstanding registered shares to its shareholders. The tax implications are different for shareholders depending on the tax residence.

Purpose of the transaction

The main objective of the buyback for cancellation purposes will be to distribute liquidity to shareholders. The share buyback programme with fixed-price repurchase offer allows a more rapid repayment of the accumulated excess liquidity to the shareholders compared to the share buyback programme on a second trading line or via issuance of tradable put options

Basic recommendations for most common shareholder categories

Swiss resident individuals (private wealth)

The difference between the repurchase price and the nominal value of the shares constitutes taxable income. Swiss withholding tax amounts to 35% of the difference between the repurchase price of the shares and their nominal value. Shareholders domiciled in Switzerland are entitled to a reimbursement of the withholding tax provided that they are beneficial owners of the shares at the time they are tendered and provided that no tax avoidance scheme is assumed.

Foreign resident individuals

Shareholders domiciled outside Switzerland may reclaim the Swiss withholding tax partially in accordance with any applicable double tax treaties. The refund procedure is administratively burdensome. The income tax treatment of the foreign resident private individual depends on the applicable law in the respective jurisdiction. The tendering of the shares including partial refund of Swiss withholding tax and potential credit of the residual withholding tax to the foreign income tax should be analysed based on the rules applicable in the jurisdiction of residence.

Swiss resident corporations, limited liability companies and cooperatives

Provided that the overall investment in CPE has a fair market value of at least CHF 1 million, the tendering of the shares should not lead to corporate income taxation (participation relief for qualifying dividend payments should apply). The Swiss withholding tax triggered upon the tendering of the shares should be fully refundable provided that no tax avoidance scheme is assumed. However, this creates an administrative burden.

Foreign resident corporations and limited liability companies

The Swiss withholding tax could be fully refunded (or relief at source may be granted based on advance request) only for qualifying shareholding as defined in the applicable double tax treaty between Switzerland and the state of residence (usually at least 10%). In all other cases, Swiss withholding tax could only be refunded partially. Usually a non refundable tax of 15% remains, if a double tax treaty applies.

Since the Swiss withholding tax triggered upon tender of the shares could in most cases only be refunded partially or not at all and the refund procedure is administratively burdensome, investors usually do best by selling the shares in the market. This holds particularly true for investors resident in offshore jurisdictions with no entitlement to refund of Swiss withholding tax in case of tendering. In other locations, the tendering should be taken into consideration, depending on the possibilities for full or partial refund of Swiss withholding tax based on the applicable double tax treaty.

ADB ALTORFER DUSS & BEILSTEIN AG