Tax services for Financial Institutions

Financial Services Tax

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What we do

Financial services institutions are ever more exposed to today's complex tax environment. Successfully navigating the challenges in this environment requires custom-made solutions. Our interdisciplinary team possesses the required knowledge of Swiss and international taxes and a profound understanding of today's business and regulatory environment.

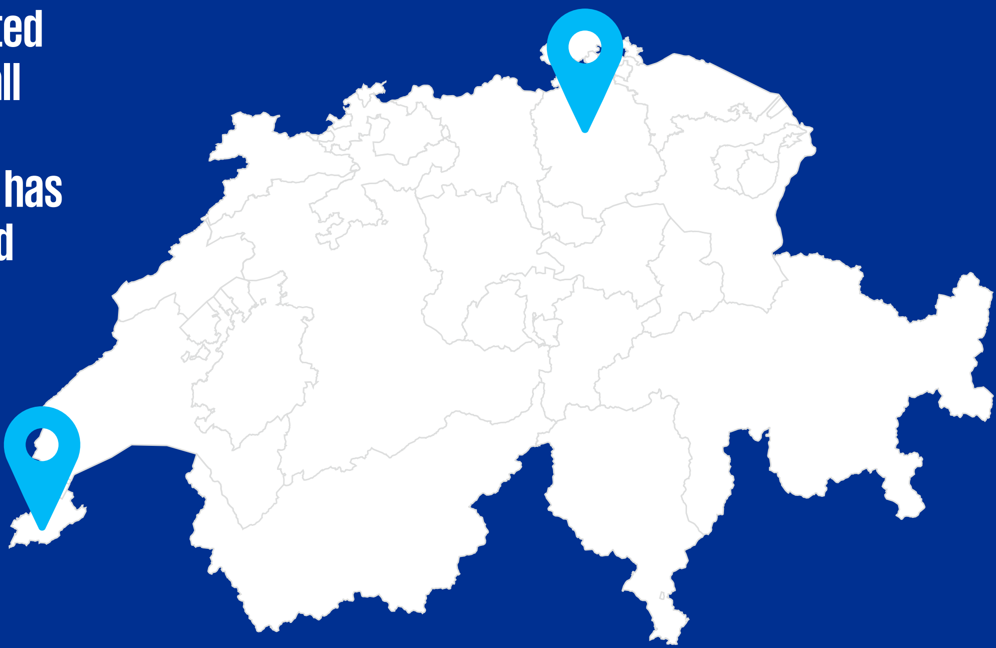
We can assist you with a wide range of topics and have extensive experience in advising financial services institutions, including:

- Banks
- Dealers/ Brokers
- Asset managers
- Fund administrators
- Insurance companies
- Trust companies
- Pension funds
- Fintech companies

Working closely and efficiently in multi-skilled teams, we help you cope with the challenges of today's complex tax environment, providing the following services:

- FS Tax Compliance Services
- FS Tax Advisory Services
- Operational taxes (incl. QI, FATCA & AEOI)
- Asset Management Tax Services
- Tax litigation
- Multishore Tax Reporting
- BEPS 2.0
- IFRS17

Our team is dedicated to serve clients in all of Switzerland and internationally and has offices in Zurich and Geneva.



FS Tax Compliance Services

Direct Taxes

Financial services institutions in Switzerland are subject to Swiss corporate income tax (CIT) at federal, cantonal and communal level. CIT is calculated based on the financial statements prepared in accordance with the relevant Swiss accounting rules (e.g. accounting rules for banks); in practice, various special tax rules are relevant (e.g. lump-sum provisions and inter-cantonal profit allocation rules); the CIT rates differ for each municipality. All entities in Switzerland are required to prepare and file an annual CIT return.

Our team offers a range of services to help you meet your organization's direct tax obligations, including:

01 Preparation/review of CIT returns

02 Tax calculations and tax movement schedules

03 Review of tax bills and assessments

04 Objections

05 Preparation/review of tax credit returns

Indirect Taxes

Swiss entities are obliged to prepare and file (usually on a quarterly basis) VAT returns to the Swiss federal tax administration. Financial services institutions in Switzerland usually realize both (i) turnover subject to Swiss VAT (e.g. asset management and custodial services) and (ii) turnover exempt from Swiss VAT (e.g. brokerage). As a result, Swiss financial service providers are usually only entitled to a partial reclaim of input VAT paid on business costs. Financial services institutions in Switzerland are also subject to various special Swiss VAT regulations (e.g. lump-sum input VAT recovery ratio calculation and split of all-in fee).

Our team offers a range of services to help you meet your organization's indirect tax obligations, including:

01 Preparation/review of quarterly VAT returns

02 Calculation of input VAT recovery rate

03 Preparation/review of annual turnover and input VAT reconciliations

04 Preparation/review of the 5th VAT declaration for any corrections

Other Swiss Taxes

Upon request, our team is also fully equipped to provide Swiss financial institutions with the necessary support to complete/ review other Swiss tax declarations, e.g. Swiss issuance stamp tax declarations, quarterly Swiss securities stamp tax declarations, annual/ quarterly Swiss withholding tax declarations, Swiss additional withholding taxes (USA, Canada and Australia), etc.

We leverage from technology, in particular KPMG's Digital Gateway, to streamline the tax compliance process.

FS Tax Advisory Services

Financial services institutions require competent and pragmatic advice to assist them with the complex challenges in their strategic decisions as well as their operative and day-to-day business. Our FS Tax team has significant experience in providing competent and pragmatic tax advice that meets legal and regulatory requirements and is in line with best practice in the industry. This includes:

M&A, restructuring and transfer pricing advice

- Organizing M&A/reorganizations/ tax due diligences
- International & Swiss tax planning in connection with restructuring
- Handling tax aspects when implementing a new core banking platform
- Structuring of appropriate debt and equity financing
- Advising on transfer pricing

Tax audits, health checks, rulings and risk assessments

- Supporting the preparation, negotiations and implementation of the results from Swiss tax audits
- Preparing year-end corporate tax planning
- Conducting tax health checks, e.g. with regards to VAT & stamp tax and corporate tax
- Drafting tax rulings and tax opinions
- Preparing tax risk assessments, e.g. with regards to IFRIC23

Tax accounting

- Reviewing or issuing deferred tax computations according to U.S. GAAP and IFRS;
- reviewing or issuing tax disclosures;
- preparing tax strategies for the capitalization of loss carry-forwards

Tax treatment analyses

- Supporting the drafting of tax clauses for share-purchase agreements
- Assisting in the issuance of bonds, securitizations, and leasing structures
- Evaluating Swiss tax classifications and treatment of financial products; preparing tax sections for term sheets; calculating bond floors and related matters
- Tax suitability analysis of investment products (Tax Guides)
- Advice on the tax treatment of digital assets (blockchain/crypto/Distributed Ledger Technology (DLT))

Tax hotline

- Acting as tax hotline for ad-hoc tax queries
- Acting as outsourced tax function

Operational Taxes (incl. QI, FATCA & AEOI)

QI

The U.S. Qualified Intermediary (QI) regime imposes significant documentation, withholding and reporting obligations on Swiss banks and other qualified intermediaries in connection with U.S. source income paid to U.S. persons and non-U.S. persons. It also entails the filing of an annual withholding tax return with the U.S. Internal Revenue Service (IRS). Compliance with the QI regime must be verified as part of a periodic review and certified to the IRS every three years.

A QI that acts as a principal/issuer of products which make U.S. "dividend equivalent" payments, as defined in Section 871(m) of the U.S. Internal Revenue Code, has the option to apply for Qualified Derivatives Dealer (QDD) status with the IRS to avoid potential cascading withholding tax on such payments (i.e. on the U.S. dividend-paying shares held by the QI as a hedge, as well as on the dividend equivalent payment embedded in the product).

Our team offers a wide range of services to help you meet your organization's obligations as a QI / QDD, including:

U.S. Qualified Intermediary (QI)

- Assistance with all ongoing compliance matters
- QI/QDD Periodic Reviews, following IRS specifications, including assistance with the compliance certifications required by the IRS
- Assistance with the application to the IRS to become a QDD and implementation of a QDD compliance program
- Risk control matrices to help monitor your organization's QI/QDD compliance, documenting it in an easy-to-understand and efficient manner for audit purposes
- Training sessions tailored to the specific requirements of the audience
- Health checks of documentation, withholding, reporting, compliance & governance obligations
- Policies and procedures, due diligence checklists and flow-charts for client onboarding

FATCA

The U.S. Foreign Account Tax Compliance Act (FATCA) requires Swiss financial institutions to comply with far-reaching documentation, withholding and reporting obligations with respect to financial accounts held directly or indirectly by U.S. persons. Swiss financial institutions must further carry out a periodic review of their FATCA compliance program and confirm their compliance with the FATCA regulations to the IRS every three years.

Our team offers a wide range of services to help you meet your organization's FATCA obligations, including:

FATCA

- Assistance with all ongoing compliance matters
- FATCA Periodic Reviews, following IRS specifications, including assistance with the compliance certifications required by the IRS
- Risk control matrices to help you monitor your organization's FATCA compliance, documenting it in an easy-to-understand and efficient manner for audit purposes
- Training sessions tailored to the specific requirements of the audience
- Health checks of documentation, reporting, compliance & governance obligations
- Policies and procedures, due diligence checklists and flow-charts for client onboarding
- Reporting: KPMG offers a web-based FATCA reporting solution. This tool is available in different versions, either as a managed service whereby clients provide data to KPMG for processing and submission or as software solution which can be accessed and maintained by clients themselves
- Assistance with FATCA group requests from the IRS.

AEoI

The Automatic Exchange of Information (AEoI) based on the OECD's Common Reporting Standard (CRS) builds upon the principles of the U.S. FATCA regime and requires Swiss financial institutions to comply with far-reaching documentation and reporting obligations with respect to financial accounts held directly or indirectly by a person resident in an AEoI partner jurisdiction. Compliance with the CRS is subject to audits by the Swiss Federal Tax Administration.

Our team offers a wide range of services to help you meet your organization's AEoI obligations, including:

Automatic Exchange of Information (AEoI)

- Assistance with all ongoing compliance matters
- Risk control matrices to help monitor your organization's AEoI compliance and document it in an easy-to-understand and efficient manner for audit purposes
- Training sessions tailored to the specific requirements of the audience
- Health checks, including documentation, reporting, compliance & governance
- Policies and procedures, due diligence checklists and flow-charts for client onboarding
- Reporting: KPMG offers a web-based AEoI reporting solution. This tool is available in different versions, either as a managed service whereby clients provide data to KPMG for processing and submission, or as a software solution which can be accessed and maintained by clients themselves.
- Support in relation to the OECD's new Crypto-Asset Reporting Framework (CARF).
- Support in relation to AEoI audits performed by the Swiss Federal Tax Administration

All other operational taxes

Aside from QI, FATCA and AEOI, we also support Swiss and foreign financial services institutions with all other operational tax matters (including withholding taxes, stamp taxes and transaction taxes).

Our services include:

Withholding tax / stamp tax / transaction taxes

- Assistance with all ongoing compliance matters
- Assistance with tax audits
- Training sessions
- Health checks of tax compliance

Asset Management Tax Services

Our wide range of asset management tax services includes:

Swiss investor tax reporting and calculations

- Preparation of annual Swiss investor tax reporting for foreign collective investment schemes
- Calculation of annual taxable income from underlying target funds and related accounting adjustments for Swiss collective investment schemes in accordance with Swiss tax law
- One-stop shop for Swiss and foreign funds for preparation of global investor tax reporting (Austria, Belgium, Germany, Italy, UK, U.S. etc.) through our global network of local KPMG investor tax reporting specialists

Withholding tax refund claims

- Health checks to ensure you are not suffering from excessive withholding taxes, and identifying cases where additional reclaims may be possible
- Assistance with filing claims for refund/ relief of withholding tax on behalf Swiss and foreign collective schemes or their investors under Swiss double tax treaties and EU law

Tax structuring

- Assistance with setting up and (re-)structuring of Swiss and foreign collective investment schemes (incl. real estate funds) in a tax-efficient manner for Swiss and international investors
- Assistance with setting up of tax-efficient fund management structures

Investment reviews / tax due diligences

- Analysis of the tax implications of proceeding with a proposed investment (tax due diligence)
- Review of tax clauses in the legal agreements
- Support with completing tax declaration in the subscription documents

VAT analyses

- Analysis of VAT treatment of functions and fee flows, and drafting of VAT-compliant contracts

Transfer pricing

- Implementing and reviewing transfer pricing methodologies (arm's length remuneration, transfer pricing documentation, etc.) for Swiss and international asset management functions

Litigation

Whilst we work closely with our clients to prevent tax disputes, we provide dedicated and pragmatic advice to our clients to support them from the moment a tax dispute emerges until it is settled.

Our tax litigation team defends the interests of Swiss and foreign financial institutions in Swiss domestic and international tax disputes before the Swiss Federal Supreme Court, Federal Administrative Court, and cantonal courts.

While our focus is on defending financial institutions, we also provide litigation support to private individuals where appropriate.

Multishore Tax Reporting

Swiss and foreign private clients of Swiss banks often need to determine the capital income they are required to disclose in their tax return themselves. This can be a burdensome and costly process. A professional tax reporting solution for Swiss banks that determines the bank's clients' capital income for tax purposes can provide a strategic advantage. KPMG's Multishore Tax Reporting solution is an electronic outsourcing solution that, using an interface with the bank's system, can produce **automated tax reports** for the bank's clients easily and efficiently. This provides a simple solution for the bank as well as added value to the bank's customers. Since 2018, KPMG further offers a combined software solution with SIX to reclaim Swiss withholding tax for clients.

BEPS 2.0

Base Erosion and Profit Shifting ("BEPS") refers to tax planning strategies used by multinational enterprises that exploit gaps and mismatches in tax rules. With the BEPS 2.0 project, over 135 countries and jurisdictions joined a new two-pillar plan to reform international taxation rules and ensure that multinational enterprises pay a fair share of tax wherever they operate.

The BEPS 2.0 project follows a two-pillar approach:

- Pillar 1 ensures a fairer distribution of profits and taxing rights among countries, re-allocating some taxing rights regarding the profits of Multi-National Enterprises ("MNEs") from their home countries to the markets where they have business activities and earn profits, regardless of a physical presence there. Pillar 1 applies to MNEs with a turnover of greater than €20 billion and profit before tax margins above 10%.
- Pillar 2 foresees a global minimum taxation of 15% by means of the Global Anti-Base Erosion (GloBE) rules, applicable to MNEs with revenue above EUR 750 million (starting 2023/ 2024, depending on the jurisdiction).

KPMG assists financial institutions in understanding the tax impact of the implementation of Profit Allocation and Nexus rules (Pillar 1), and Global Minimum Taxation (Pillar 2).

We provide insights into the key challenges which arise with the introduction of BEPS 2.0 and find clear answers to the questions raised by the model rules. In particular, we can offer:

- workshops
- impact assessments and gap analyses
- process definition and structuring
- project implementation
- trainings.

Click here to learn more about BEPS 2.0.

IFRS 17

New accounting standard for insurance contracts

IFRS 17 is required to be adopted by insurance companies reporting under IFRS on or after January 1, 2023. IFRS 17 introduces a completely new financial reporting standard for insurance and reinsurance contracts.

For companies that operate globally, the implementation of IFRS 17 raises tax challenges in addition to accounting, finance, and actuarial challenges, because tax considerations are embedded in many IFRS 17 provisions. Cash flow from taxes – both direct and indirect – may affect the measurement of the IFRS 17 liabilities and should be analyzed by jurisdiction.

Operational aspects of tax reporting and compliance will likely need updating to reflect IFRS 17 requirements. Automated models will need to be adjusted for the new standard. New data may be required for deferred tax calculations, and different jurisdictions may become sensitive to assumptions around deferred tax asset recoverability testing. Reporting and disclosures may need to be updated to reflect local jurisdictions reporting under IFRS 17.

KPMG provides the following services regarding IFRS 17:

- workshops
- tax impact assessments and gap analyses to avoid unanticipated effects / to identify potential opportunity
- analyses of the interaction between IAS 12 (income taxes) and IFRS 17 (insurance contracts) for individual cases (e.g., treatment of policyholder taxes, impacts on fulfillment cashflow, etc.)
- assistance with initial implementation of IFRS 17 (including treatment of restatement losses resulting from the adoption of IFRS 17) as well as ongoing IFRS reporting
- trainings.

Click here to learn more about IFRS 17.

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