February 2026

Newsletter No. 221

Intra-group Debt Financing: Updated Safe Haven Rates and Thin Capitalisation Rules

On 29/30 January 2026, the Swiss Federal Tax Administration (SFTA) published the safe haven interest rates applicable to intra-group loans for the year 2026. Against this background, this article provides an overview of the relevant Swiss tax rules governing the classification of intra-group loans as debt or equity for tax purposes, as well as the tax consequences resulting from each characterisation.

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1. Background

The establishment of a legal entity or the expansion of its business operations requires capital, which may be provided either in the form of debt or equity. A shareholder contributing equity capital is typically compensated through dividend distributions. For the company, dividends constitute a non-deductible expense, while, on the recipient level, such income is often exempt or subject to preferential taxation in order to mitigate or eliminate economic double taxation. By contrast, debt financing gives rise to interest expenses, which are generally tax-deductible on the level of the borrower and taxable in the hands of the lender.

If financing is provided between related parties, the capital structure can be freely determined, and shareholders often prefer debt financing over equity financing. In cross-border or Swiss inter-cantonal situations involving different tax rates, intra-group debt financing may enable the group to optimise its overall tax position. For example, if a Swiss borrower is subject to a corporate income tax rate of 30% and the related lender to a rate of 12%, interest expenses may be deducted at 30% while the corresponding income is taxed at 12%. Such structures allow groups to engage in tax arbitrage and shift profits to lower-tax jurisdictions.

To counteract these effects and protect the domestic tax base, many jurisdictions – including Switzerland – have implemented anti-abuse measures. In Switzerland, these include thin capitalisation rules that limit the permissible debt-to-equity ratio, as well as safe haven interest rates published annually by the SFTA to prevent unjustified profit erosion.

This article focuses on the Swiss safe haven interest rates and thin capitalisation rules as they apply to intra-group loans granted to Swiss companies.

2. Overview

As a general rule, debt financing obtained by a Swiss company from independent third parties is unrestricted and the related interest expenses are fully deductible for Swiss tax purposes.

By contrast, interest on intra-group debt will only be deductible on the level of the Swiss borrower if both of the following conditions are met:

- the interest rate complies with the safe haven interest rates published annually by the SFTA or is demonstrably at arm's length; and
- the loan does not qualify as hidden equity under the Swiss thin capitalisation rules.

These two sets of rules are outlined below.

3. Safe Haven Interest Rates

3.1. General principles

The SFTA's annually updated circular letters set out safe haven interest rates for intra-group loans. The applicable rates depend on:

- whether the Swiss company acts as lender or borrower;
- whether the loan is denominated in Swiss francs or a foreign currency; and
- whether the loan is secured.

Said circular letters prescribe minimum interest rates for loans granted by Swiss companies to shareholders or related parties and maximum interest rates for loans granted by shareholders or related parties to Swiss companies. Compliance with these rates creates a rebuttable presumption that the relevant interest charged is at arm's length, without the need for additional transfer pricing documentation.

3.2. Intra-group loans denominated in Swiss Francs

For 2026, the minimum interest rates applicable to loans denominated in Swiss Francs and granted by Swiss companies to shareholders or related parties are generally as follows:

- Equity-financed loans: 0.75%
- Debt-financed loans: Actual financing cost plus a margin of 0.5% for loans of up to CHF 10 million and 0.25% for loans exceeding CHF 10 million, but in any case at least 0.75%.

The maximum interest rate for 2026 on loans denominated in Swiss Francs and granted by shareholders or related parties to a Swiss trading or manufacturing company is 1.5%. For loans of up to CHF 1 million, interest rates of up to 3.5% are permitted.

Different maximum rates apply to loans secured by real estate and loans granted to Swiss holding or asset management companies.

3.3. Intra-group loans denominated in foreign currencies

Safe haven interest rates for loans denominated in foreign currencies are published in a separate SFTA circular letter. Unlike the circular letter for Swiss franc loans, only one safe haven interest rate is published per currency, without a distinction between minimum and maximum interest rates. In practice, however, these rates are treated as minimum interest rates.

For 2026, the minimum interest rates **for loans granted to shareholders** or related parties are, for example:

- Equity-financed loans:
  - EUR: 2.5%
  - USD: 4%
- Debt-financed loans:
  - The actual financing cost plus 0.5%, with a minimum of 2.5% (EUR) or 4% (USD).

To determine the maximum interest rate for **loans granted by shareholders** or related parties, a spread corresponding to the difference between the minimum and maximum interest rates applicable to Swiss franc loans is added to the published safe haven rate.

For loans granted to a Swiss trading or manufacturing company, the applicable spread is:

- 2.75% for loans of up to CHF one million; and
- 0.75% for loans exceeding CHF one million.

Accordingly, for EUR-denominated loans, the maximum interest rate amounts to 5.25% (2.5% minimum interest rate plus spread) and 3.25% (2.5% minimum interest rate plus spread), respectively. For USD-denominated loans, the corresponding maximum rates are 6.75% and 4.75%, respectively.

3.4. Arm's length exception

Taxpayers may deviate from the safe haven interest rates if they can demonstrate that the applied rate is at arm's length. A loan will be considered arm's length if granted by an independent third party under comparable conditions.

4. Thin Capitalisation Rules

4.1. Loans granted by related parties

If a Swiss company receives down-stream or cross-stream loans, the competent tax authorities will assess whether the company is thinly capitalised for Swiss tax purposes.

The applicable thin capitalisation rules are set out in an SFTA circular letter updated on 10 October 2024. These rules limit the maximum amount of related-party debt on which interest remains tax-deductible.

Under the circular, each asset category of the Swiss borrower must be financed by a minimum equity portion, based on fair market values. The remaining portion may be debt-financed in accordance with the applicable safe harbour debt-to equity ratios. For example, participations must be financed with at least 30% equity, meaning that up to 70% of their fair market value may be financed with debt.

Cash and cash equivalents	100%
Accounts receivable	85%
Other receivables	85%
Inventories and unbilled servi-ces	85%
Accrued income and prepaid expenses	85%
Domestic and foreign bonds in CHF	90%
Foreign bonds in foreign cur-rency	80%
Listed domestic and foreign shares	60%
Non-listed domestic and foreign shares	50%
Participations	70%
Loan receivables	85%
Property / equipment	50%
Factory premises / plants	70%
Villas / condominiums, holiday	70%
Other real estate properties	80%
Goodwill	70%

As an exception, finance companies may apply a safe harbour debt-to-equity ratio of 6:1. Moreover, even if the safe harbour ratios are exceeded, taxpayers may demonstrate that a higher level of debt is nevertheless at arm's length.

4.2. Third-party loans guaranteed by related parties

While the Swiss thin capitalisation rules generally apply to related-party loans only, third-party loans guaranteed by shareholders or related parties are treated as related-party debt for these purposes. As a result, such loans may also be subject to the Swiss thin capitalisation limitations.

5. Tax Consequences of Non-Compliance

Intra-group financing not compliant with the safe haven interest rates and/or the thin capitalisation rules and lacking arm's length evidence results in adverse tax consequences.

In cases of thin capitalisation, the portion of related-party debt exceeding the permissible debt-to-equity ratios will be reclassified as equity ("hidden equity") and become subject to Swiss annual capital tax. Interest paid on this portion will be recharacterised as a hidden dividend distribution.

Similarly, interest exceeding the applicable safe haven interest rates will be treated as a hidden dividend. In both cases, the interest expense will be disallowed for corporate income tax purposes and added back to the taxable income of the Swiss company.

Hidden dividend distributions are generally subject to Swiss withholding tax at a rate of 35%. For Swiss-resident shareholders, any withholding tax paid will typically be refundable or creditable, provided that the statutory conditions are met. For non-resident shareholders, relief may be available under an applicable double tax treaty.

In cross-border situations involving a qualifying corporate shareholder (generally holding at least 10% of the Swiss company), treaty relief often reduces the applicable withholding tax rate to 0%. Withholding tax may be avoided if the notification procedure has been approved by the SFTA prior to the distribution.

If a third-party loan is guaranteed by a related party, the Swiss company's direct shareholder will be deemed the recipient of any resulting hidden dividend even if another related party provides the guarantee. This practice is often favourable from a treaty perspective as qualifying shareholders may benefit from full relief from withholding tax.

6. Comment

To avoid adverse Swiss tax consequences, intra-group financing of Swiss companies must comply with:

- the safe haven interest rates published annually by the SFTA; and
- the Swiss thin capitalisation rules.

Interest rates or debt levels exceeding the applicable safe harbour thresholds must be supported by robust arm's length evidence. By contrast, debt financing granted by independent third parties will generally be unrestricted unless guaranteed by related parties.

The Walder Wyss Newsletter provides comments on new developments and significant issues of Swiss law. These comments are not intended to provide legal advice. Before taking action or relying on the comments and the information given, addressees of this Newsletter should seek specific advice on the matters which concern them.

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