

Question: Taxation of collective investment schemes

(30 points)

You are part of the Tax Committee at SBU, a bank domiciled in Switzerland. In order to be efficient, the president asks participants to prepare for the meeting beforehand. In this context, you have received the following questions.

- a) Mr. Weber, a client of the bank, wishes to sell shares of a Swiss collective investment scheme to Mrs. Klein, another client of the bank, without the bank intervening in any way whatsoever in the transaction.
- a1) Which tax could possibly be levied by the bank on this transaction? Explain. (2 points)
- a2) Is this transaction subject to this tax? Explain. (2 points)
- b) Agora Fund, an investment fund domiciled in the Bahamas and authorized by FINMA to be distributed in Switzerland, executes its transactions on Swiss securities through the intermediary of the bank. Controls done by the internal audit have revealed that no tax has been invoiced by the bank on transactions made by this investment fund on Swiss securities. Is it correct? Explain. (4 points)
- c) Zebra Fund, a Swiss collective investment scheme authorized by FINMA and investing only in Swiss securities, decides to distribute its profits to investors through a dividend of CHF 10 per share. The distributed profits only consist of dividends received by Zebra Fund from its investments.

You are informed that 2 clients of the bank, Mrs Weber, a Swiss fiscal resident, and Natura SA, a Swiss domiciled company, hold 100 Zebra Fund shares each.

- c1) What is the tax treatment of dividends received by Zebra Fund on its investment? Explain. (4 points)
- c2) What is the cash amount distributed to Mrs Weber and Natura SA by the investment fund? Explain. (4 points)
- c3) What will the tax treatment of dividends received by Mrs Weber and Natura SA be? Explain. (4 points)
- d) Victor, a Swiss client whose assets are deposited at SBU, holds 25 shares of the Crocodile Fund, an investment fund domiciled in Jersey and managed by a company domiciled in Geneva. Victor complained that the bank has made a mistake on the dividend paid by the fund and credited on his account. The latter was subject to the Swiss anticipatory tax of 35%. After some checks, you consider that this transaction is correct. What do you explain to Victor? (6 points)
- e) Simba, a Swiss client whose assets are deposited at SUB, sends the order to subscribe for an amount of USD 1 million in shares of the Bohemian Fund, a fund of hedge funds domiciled in the Bahamas. Is this transaction subject to a specific tax? Explain. (4 points)