

VAT relief for investment foundations and Limited Qualified Investor Funds

Under the partially revised VAT Act (VATA), effective since 1 January 2025, investment foundations (regulated by OAK) can benefit from a new VAT relief.

The VAT position of Limited Qualified Investor Funds has been stipulated for the first time (written practice published by the SFTA).

Executive summary - urgent need for action

The introduction of a new VAT exemption rule and changes in the practice of the Swiss Federal Tax Administration (SFTA) require a thorough review of the VAT qualification of all services provided to investment foundations. As a result, contracts need to be amended consequently - ERP systems, VAT reporting, invoicing, input VAT corrections, pricing and profitability calculations need to be adjusted. Investment foundations must ensure, that they do not compensate any VAT on newly VAT-exempt services acquired which includes offering, asset management and administration. Such VAT would inadmissibly reduce the value of the collective assets and harm the investors. All of this needs to be done immediately.

Any uncertainty as to whether certain transactions with investment foundations, L-QIFs and real estate investment funds might now be exempt from VAT should immediately be clarified by a ruling from the SFTA.

VAT exemption for investment foundations implemented

Investment foundations are collective investment vehicles for pension funds and thus supplementary occupational benefit schemes. They perform a responsible task by managing collective pension assets. While the management of domestic collective investment schemes pursuant to the Collective

Investment Schemes Act (CISA) is exempt from VAT under Art. 21 (2) no. 19 lit. (f) VATA, the VAT Act has so far not provided for an exemption for investment foundations.

With the partial revision of the VAT Law, Art. 21 (2) no. 19 VATA was extended to include lit. g to also exempt the management and offering of investment groups of investment foundations pursuant to the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) from VAT.

Sector Leaflet No. 14 "Financial Services" specifies which management services are specifically covered by the VAT exemption applicable to CISA funds (cipher 5.2.1.4.). On 21 November 2024, the SFTA published the revised version of Sector Leaflet No. 14 clarifying that this catalogue of VAT exempt management services is also applicable to investment foundations. Originally, the draft leaflet provided for a significant restriction of VAT exempt management services listed in cipher 5.2.1.4., particularly in the area of property fund management. This attempt was withdrawn during the consultation process; the list of tax-privileged services was left almost untouched and i.e. investment foundations can now benefit from the VAT exemption on real estate management services.

In terms of VAT, as per 1 January 2025 investment foundations have been placed on an equal footing with collective investment schemes.

Initial identification of/changes in existing administrative VAT practice

In addition, the SFTA published important changes to and added an initial identification of its practice in Sector Leaflet No. 14 which became in force since 1 January 2025:

- Notarial services provided towards a collective investment scheme or an investment foundation - such as the public certification of real estate transfers - are no longer exempt from VAT (amendment to the taxable management services catalogue ciphers 5.2.1.4).
- For VAT purposes, a L-QIF is deemed to be a Swiss collective investment scheme and may therefore qualify for the VAT exemption under Art. 21 (2) no. 19 lit. (f) VATA. A L-QIF is a new type of investment fund (introduced on 1 March 2024), that does not require FINMA approval.
- Asset Management services provided to Swiss collective investment funds, which are being charged to and paid by the investors, assume the VAT qualification for asset management services towards a Swiss collective investment fund pursuant to Art. 21 (2) no. 19 lit. (f) VATA.



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