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## Tax exemption of charitable foundations – the canton of Zurich on the fast lane ?

Charitable foundations make a substantial contribution to the attractiveness of Switzerland. This applies to Switzerland both as a financial centre as well as a centre of innovation and research. Philanthropy is part of Swiss society, given that there are six times as many foundations per capita in Switzerland than e.g. in the USA or Germany. In 2024, a total of 298 new charitable foundations were formed in Switzerland. Unfortunately, it must also be noted that 268 foundations were liquidated during the same period. From the overall Swiss perspective, growth was therefore only moderate. However, certain cantons have increased in attractiveness: the cantons of Zug, Ticino and Grisons were at the top in net growth.

The canton of Zurich is home to more than 2,200 charitable foundations. They manage assets worth more than 18 billion Swiss francs. The canton of Zurich is therefore the largest foundation centre in Switzerland. However, the canton noted that it had lost attractiveness over the last few years. For this reason, the canton government decided to liberalise the rules for tax exemption in particular.

The most dramatic event was that effective 1 February 2024, new Practice Guidelines were added to the Zurich *Steuerbuch* (Tax Guidelines) concerning the tax exemption of charitable foundations.

It is obvious that the new rules are not just new wine in old skins; rather, the canton of Zurich has laid an important cornerstone to becoming "location number one for foundations in Europe" in the future (Carmen Walker Späh, Minister of Economic Affairs, NZZ, 10 February 2024).

So, what is inside these new cantonal liberalisation rules?

### Remuneration of foundation council members

So far, it has been a requirement for tax exemption that the members of governing bodies work in an honorary capacity. Now, it is possible that members of governing bodies are adequately remunerated. Thus, this outdated rule has been done away with<sup>1</sup>. This change will certainly make a contribution to being able to find suitable and qualified foundation council members. The question of what is adequate remuneration will be primarily decided by the Foundation Supervisory Authority. In the individual case, adequacy of remuneration

will depend on various factors such as the assets of the foundation, the concrete duties and functions of the foundation council, time spent, etc. Over time, the authorities will develop a practice on the question of adequacy.

### Activities abroad

Charitable activities abroad are now assessed by the same standards as activities in Switzerland. This means that charitable activities in industrial states are now also considered worth promoting (provided that Swiss society will as a whole consider such activities worth promoting). Here, special emphasis should be placed on transparency and the complete documentation of money flows. This measure will enable the canton of Zurich to increasingly attract foundations working on an international level, too.

### Entrepreneurial promotion models

Another new aspect is that promotion activities are now no longer limited to a-fonds-perdu contributions; now, impact investments are also possible (loans, including social impact bonds, development impact bonds, convertible loans, and participations). In this case, it is required that there must be no market situation (yet), meaning that there must be no competition with profit-oriented investors that are not exempt from taxation. Of course, any returning funds must once again be used for charitable purposes. A leading case last year was about the "Charitability Cycle" of USZ Foundation; this new entrepreneurial promotion model was agreed with the Zurich Tax Office in the light of the new practice.<sup>ii</sup> It is interesting to see that the new Guideline of the Liechtenstein Fiscal Authority includes almost identical rules on entrepreneurial promotion models.<sup>iii</sup>

In addition to tax measures, the canton of Zurich took additional measures to strengthen Zurich as a foundation centre as early as in 2023. For example, a contact and coordination office was established, and an information platform was created on the internet (<https://foundations.zuerich>).

What is highly anticipated is the latest *Stiftungsreport 2025* on 27 May 2025,<sup>iv</sup> which will once again provide up-to-date figures, facts, and trends from the domestic and foreign foundation sector. The report will also include a survey carried out in mid-2024 among all cantons on their practice as to tax exemption. It can already be noted here that the impact on other cantons is not (yet) unequivocal, and that the practice of the cantons has remained heterogeneous. It therefore remains to be seen whether a domino effect will occur among the cantons. It will also be interesting to see whether all these measures by the canton of Zurich are already bearing the first signs of fruit and whether the objective to "become number one in Europe" can be reached within a reasonable time. What will certainly be useful here is the new association "Stiftungsstandort Zürich", in which the cantonal government of Zurich will participate together with its partners.<sup>v</sup> According to Minister of Economic Affairs Carmen Walker Späh, "It is the objective of the new association to make us even more attractive as a foundation centre and to increase networking within the sector and with business and administrative authorities" (media information by the canton of Zurich of 6 March 2025).

Development of the foundation sector in 2024:

Canton	End 2024 total	Newly established	Liquidated	Net growth	Growth, adjusted
AG	499	5	5	0.0%	0
AI	38	0	0	0.0%	0
AR	116	2	2	0.0%	0
BE	1,424	25	17	0.6%	8
BL	323	9	3	1.9%	6
BS	876	11	16	-0.6%	-5
FR	402	4	10	-1.5%	-6
GE	1,373	43	42	0.1%	1
GL	116	1	2	-0.9%	-1
GR	548	13	3	1.8%	10
JU	122	3	0	2.5%	3
LU	545	10	11	-0.2%	-1
NE	297	5	0	1.7%	5
NW	88	3	1	2.3%	2
OW	80	1	1	0.0%	0
SG	540	14	6	1.5%	8
SH	112	1	0	0.9%	1
SO	260	2	2	0.0%	0
SZ	199	2	7	-2.5%	-5
TG	262	4	7	-1.1%	-3
TI	847	24	7	2.0%	17
UR	58	3	2	1.7%	1
VD	1,333	14	42	-2.1%	-28
VS	595	13	14	-0.2%	-1
ZG	457	42	21	4.6%	21
ZH	2,212	44	47	-0.1%	-3
<b>Swiss total</b>	<b>13,722</b>	<b>298</b>	<b>268</b>	<b>0.2%</b>	<b>30</b>
Source: <i>Schweizer Stiftungsreport 2025</i> / CEPS database					

If you require any further information, please do not hesitate to contact the author of this article, Dr. Jürg P. Brinkmann, [juerg.brinkmann@atu-ch.com](mailto:juerg.brinkmann@atu-ch.com).

Yours sincerely,

**Allgemeines Treuunternehmen**

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<sup>i</sup> Opel Andrea, "Ehrenamtlichkeit als Voraussetzung der Steuerbefreiung – ein alter Zopf?" StR 74/2019, p. 84 et sqq.

<sup>ii</sup> <https://usz-foundation.com/2024/10/22/zusaetzliche-medizinische-innovationen-dank-gemeinnuetzigkeitskreislauf/>

– This was the result of a tax ruling procedure of approx. 7 months (supported by the law firm of Bär & Karrer, Zurich). The ruling was obtained specifically for the Charitability Cycle as a supplement to the existing tax exemption of USZ Foundation.

<sup>iii</sup> *Merkblatt betreffend die Voraussetzungen für die Befreiung von gemeinnützigen juristischen Personen und besonderen Vermögenswidmungen ohne Rechtspersönlichkeit von den direkten Steuern*, July 2024. – For more information on charitable Liechtenstein foundations in general, see also issue 4/2023 of *Private-Magazin*.

<sup>iv</sup> Schweizer Stiftungsreport is jointly published each year by the Center for Philanthropy Studies (CEPS) of the University of Basel, SwissFoundations (the association of the Swiss grant-making foundations), and the Center for Foundation Law at the University of Zurich.

<sup>v</sup> The Ministry of Economic Affairs will take part in the formation of the association together with SwissFoundations (the association of the Swiss grant-making foundations), proFonds (umbrella organization of charitable foundations in Switzerland), the Center for Foundation Law (which belongs to the University of Zurich) and *ZKB Philanthropie Stiftung*, which was formed last year.