2026 safe harbour interest rates

Note change interest rate in PLN

The Swiss Federal Tax Administration (SFTA) has published its updated 2026 circulars outlining safe harbour interest rates for shareholder and intercompany loans.

These rates provide taxpayers with a benchmark for compliance under Swiss tax law.

With increasing scrutiny on intra-group financing, these benchmarks offer clarity for domestic transactions while emphasizing the need for caution in international dealings. Here is an overview of the key rates and their implications.

Swiss Franc Loans: Safe harbour rules and calculations

The 2026 safe harbour interest rates for Swiss franc loans have been adjusted to reflect updated benchmarks. These rates differentiate between smaller loans (up to CHF 1 million) and larger loans (above CHF 1 million). They establish distinct thresholds for loans to and loans from shareholders and related parties, designed to reflect market conditions and compliance with the arm's length principle. These thresholds are:

Loans to shareholders and related parties

- **Loans financed through equity**: A minimum interest rate of 0.75% applies in 2026.
- **Loans financed through debt**: The interest rate must reflect self-cost plus a margin of 0.5% for loans up to CHF 10 million, with a minimum rate of 0.75% in 2026. For loans exceeding CHF 10 million, the applicable margin for debt financing decreases to 0.25%.

Loans from Shareholders and Related Parties

For loans received from shareholders and related parties, the applicable maximum rates differ based on the size and type of loan:

Operating loans

- **Up to CHF 1 million**:
    - Trading and manufacturing companies: Maximum 3.5%.
    - Holding and asset management companies: Maximum 3%.

- **Above CHF 1 million**:
  - Trading and manufacturing companies: Maximum 1. 5%.
  - Holding and asset management companies: Maximum 1.25%.

Real Estate loans

Safe harbour rates also apply to loans secured by real estate, depending on the type and purpose of the property:

- **Residential and agricultural properties**:
  - Up to two-thirds of the property's market value resp. the amount of the first mortgage: Maximum 1.25%.
  - Remaining credit amounts[1]: Maximum 2.0%.
- **Other types of properties, including commercial and industrial real estate**:
  - Up to two-thirds of the property's market value: Maximum 1.75%.
  - Remaining credit amounts: Maximum 2.5%.

➔ Please note that for the purpose of determining whether the applicable thresholds are met, loans of all shareholders and related parties must be aggregated.

[1] The maximum rates for external financing apply as follows: for undeveloped land, villas, condominiums, vacation homes, and factory properties up to 70% of the market value; for other properties up to 80% of the market value.

Foreign currency loans: 2026 benchmarks

The 2026 foreign currency safe harbour interest rates have also been updated to reflect global market conditions.

Currency	2024 Rate	2025 Rate	2026
USD	4.25%	4.25%	4%
EUR	2.5%	2.5%	2.5%
PLN	4.75%	5.5%	4.25%
GBP	3.75%	4.5%	4%
HKD	3.0%	3.5%	2.5%
JPY	0.5%	1.25%	2%
CNY	3.0%	2%	2.25%
BRL	10.25%	15.5%	13.5%

Cardinal rules:

Regarding loans to shareholders and related parties: If the foreign currency rate is below the updated Swiss franc minimum rate, the minimum CHF threshold applies.

Regarding loans from shareholders and related parties: For business loans, the same spread as for Swiss franc loans can be taken into account (up to the equivalent of CHF 1 million: 2.75% resp. 2.25%; above CHF 1 million: 0.75% or 0.50%).

What these safe harbour rates mean

The safe harbour rates published by the SFTA apply within Switzerland and cannot be automatically considered as safe harbour benchmarks in cross-border transactions. Companies operating internationally must carefully assess such transactions in light of local transfer pricing rules to ensure compliance with both Swiss and foreign regulations.

By adhering to these rates within Switzerland:

- **Simplified compliance**: Using the safe harbour rates minimizes the risk of disputes with tax authorities, as they are deemed acceptable without further justification.
- **Flexibility in structuring loans**: Taxpayers retain the option to deviate from these rates, provided that they can substantiate the applied rates with proper documentation (e.g., transfer pricing studies as explained below).
- **Protection against reclassifications**: Applying these rates helps avoid the reclassification of loans as hidden equity or profit distributions, thereby preventing adverse tax consequences.
- **Ease of audit process**: Adhering to safe harbour rates reduces the likelihood of intensive scrutiny during audits, streamlining compliance verification.

Tax implications of non-compliance

Failure to comply with these principles can lead to significant tax consequences, including:

Withholding tax risks

Interest rates that do not align with the arm's length principle can lead to significant withholding tax risks, as tax authorities may classify them as hidden profit distributions to shareholders or related parties. The key implications include:

- **Swiss withholding tax at 35% (or 54% grossed up)**: 35% withholding tax is levied resp. if not passed on to the recipient of approximately 54%. A grossed-up tax calculation assumes the payment received by the recipient already includes the tax, which inflates the overall cost for the payer.
- **International refund limitations**: Refund eligibility for withholding tax is determined by double taxation treaties and domestic rules in the recipient's jurisdiction. Depending on these rules, only partial refunds may be available, or in some cases, no refund at all.

Reclassification as hidden equity

Tax authorities may reclassify a loan or portions of it as hidden equity (so called thin capitalization rules). Thin capitalization occurs when the borrower's financial structure

relies too heavily on debt, leading to insufficient equity levels. Swiss and foreign tax authorities use standardized thin capitalization rules to assess whether a company is underfinanced. If the borrower's equity capital falls below the required minimum threshold, part of the loan may be reclassified as hidden equity. This can result in:

- **Non-deductibility of interest payments**: Interest paid on the reclassified portion is no longer deductible for tax purposes.
- **Treatment of interest as a dividend**: The reclassified interest is considered a dividend payment for tax purposes.

Mind the interest barrier rules

Interest barrier rules, implemented in jurisdictions such as Germany, impose additional limitations on the deductibility of interest expenses. These rules are designed to prevent tax base erosion by restricting the extent to which companies can deduct interest payments from taxable income. Key aspects of these rules include:

- **Deduction limitations**: Companies are generally allowed to deduct interest expenses up to a certain percentage of their EBIT(DA). This cap ensures that interest deductions are proportionate to the company's financial performance.
- **Applicability thresholds**: Some jurisdictions provide exemptions for smaller businesses or where interest expenses fall below a certain threshold. Companies exceeding these thresholds are subject to the full scope of the rules.
- **Impact on highly leveraged structures**: Businesses with significant intra-group financing or high debt levels may face increased tax liabilities due to limited deductibility of interest expenses.
- **Carryforward provisions**: In certain cases, unused interest deduction capacity can be carried forward to future tax years, although these carryforwards are often subject to strict conditions.

To mitigate the impact of interest barrier rules, companies should carefully structure their financing arrangements and consider their potential effect on overall tax efficiency, particularly when operating in jurisdictions where these rules apply.

Deviations are possible but require a transfer pricing study

When deviating from the SFTA's safe-harbour rates, it is important to demonstrate compliance with the arm's length principle. A transfer pricing study is often recommended as it provides a structured framework to substantiate deviations and avoid disputes with tax authorities. Note that these requirements primarily apply to long-term loans, as short-term loans typically do not fall under the same level of scrutiny. Key elements of such a study include:

- **Transaction Analysis**: Evaluating the loan's characteristics (e.g., term, currency, issue date, guarantees).
- **Credit Rating Assessment**: Analyzing the borrower's creditworthiness to establish risk-adjusted premiums.
- **Comparable Transactions**: Identifying third-party loans with similar terms and conditions.
- **Credit Ratings**: Differentiating between issuer and issue-specific credit ratings to reflect the transaction's risk profile.

A robust study reduces audit risks and ensures alignment with the arm's length principle.

Next steps

Taxpayers should review their shareholder and intercompany loan arrangements in light of the updated 2026 safe harbour rates. Key actions include:

1. **Aligning loan structures**: Ensure all shareholder and intercompany loan terms comply with the 2026 safe harbour rates for both Swiss franc and foreign currency loans. Adhering to these benchmarks minimizes risks of disputes with tax authorities.
2. **Documentation and substantiation**: Maintain robust documentation, including transfer pricing studies, to substantiate any deviations from the safe harbour rates. This is particularly critical for cross-border arrangements.
3. **Addressing cross-border transactions**: For transactions involving EU-based counterparties, taxpayers must evaluate disclosure obligations under the so-called DAC 6 regime (Directive on Administrative Cooperation in Tax Matters). This requires reporting cross-border arrangements that meet certain hallmarks, including those involving tax advantages.
4. **Monitoring regulatory changes**: Stay updated on changes in local and international tax regulations that could affect shareholder and intercompany financing structures. Ongoing compliance ensures protection against penalties and reassessments.

By proactively addressing these areas, taxpayers can mitigate risks and ensure compliance with the 2026 guidelines.

The official circulars can be retrieved here:

Intra-company loans in foreign currency

Intra-company loans in CHF