Clarity on

August 2014

Investment in Switzerland

34

Your company
Adaptable rules, lean procedures and competitive taxation facilitate the successful set-up of a company.

70

Your workforce
High quality of life, top universities and Europe's most flexible labor law make it easy to attract and hire a qualified workforce.

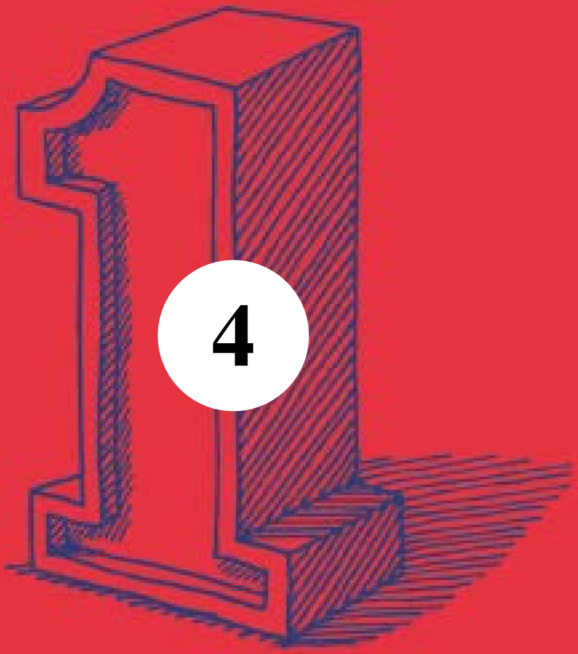
86

Your business
A practical guide to start, expand or consolidate business operations.

4

Your gateway to Europe

KPMG
cutting through complexity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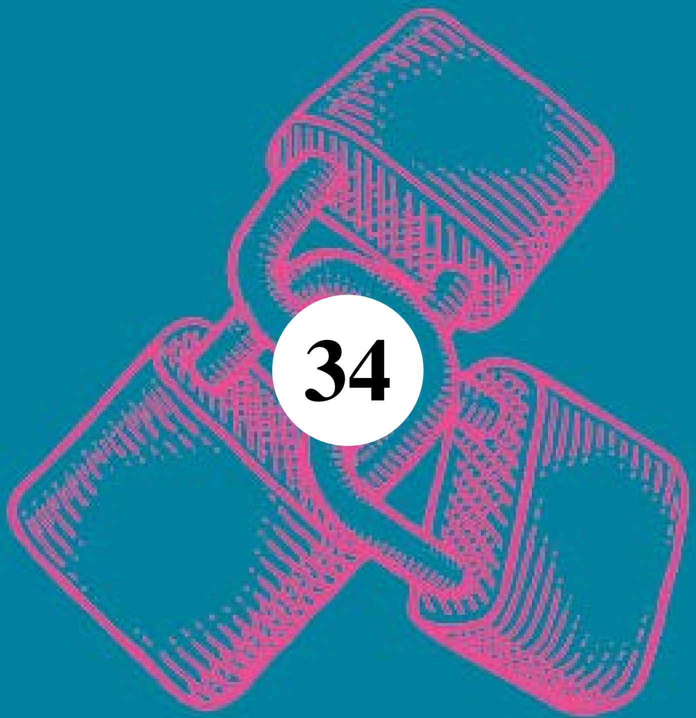
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Clarity on

Investment in Switzerland

OPEN

FOR BUSINESS

EDITORIAL

Peter Uebelhart
Managing Partner Tax, KPMG Switzerland

Welcome to Switzerland

In today's highly competitive, dynamic economic environment, few decisions are as critical to success as selecting your business location. Most entrepreneurs will at some point consider relocating to create fresh momentum and pursue new growth opportunities.

While cost is a factor, it is only one of many considerations that influence the choice of destination. An outstanding education system that yields a highly skilled workforce. High living standards and diverse culture. An extraordinary capacity for innovation. Modern infrastructure combined with a position in the heart of Europe. Switzerland is home to some of the most advantageous conditions in the world, making it an attractive location for all types of investors and companies.

This publication sets out insights and data relevant to planning investments or conducting business in Switzerland. Combined with KPMG's insights and expertise into relocation issues, we can help you determine if and why Switzerland is the right base for your business in Europe.

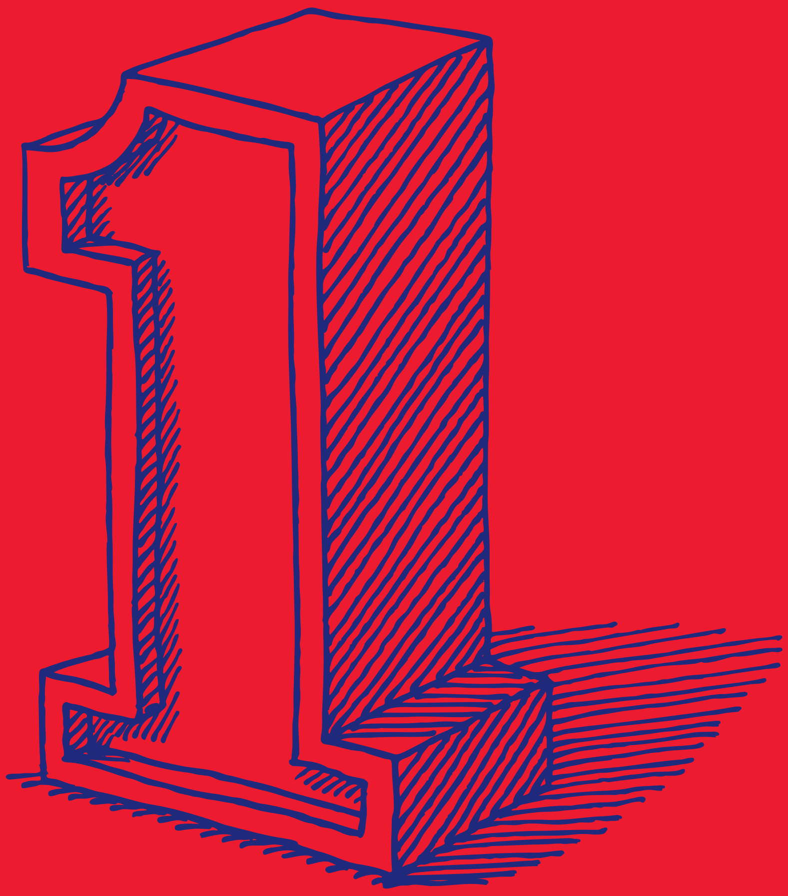
We look forward to assisting you with your investment in Switzerland.

Peter Uebelhart

CHAPTER I

Why Switzerland?

Switzerland is one of the world’s leading locations for international and regional HQs and shared service centers, manufacturing sites and R+D centers of multinational companies. The country serves as a gateway to Europe for many Fortune 500 companies as well as for small and midsized companies and start-ups from basically every industry sector.



Environmental protection

According to the 2014 Environmental Performance Index (EPI) of Yale University, Switzerland leads the world in addressing environmental challenges.

The EPI ranks how well countries perform on high-priority environmental issues in two broad areas: protection of human health from environmental harm and protection of ecosystems.

Source
www.epi.yale.edu/epi

Global competitiveness

According to the Global Competitiveness Report 2014 – 15 of the World Economic Forum, Switzerland leads in global competitiveness.

The Report series assesses the competitiveness landscape of 144 economies, providing insight into the drivers of their productivity and prosperity. The Report series remains the most comprehensive assessment of national competitiveness worldwide.

Source
www.weforum.org/reports/global-competitiveness-report-2014-2015

Best place to be born

According to the Economist Intelligence Unit, Switzerland ranks first for best place in the world to be born.

Switzerland's dynamic and innovative economy, good political governance, an excellent educational system, a strong social consensus on self responsibility and good citizenship gives children born and raised in Switzerland a solid basis for the future.

Source
www.economist.com/news/21566430-where-be-born-2013-lottery-life

Best place to work

According to the Global Talent Competitiveness Index 2013, Switzerland is the best place to work.

The report analyzed 103 countries based on a 48-variable system. Despite a strong education system, Switzerland has both a strong education system and a well-established apprenticeship program. As such, Swiss talents possess broad general knowledge as well as vocational skills which enable them to launch prosperous future careers.

Source
www.global-indices.insead.edu/gtci/gtci-2013-report.cfm

STEADY AS A ROCK
BUT
AT THE PEAK OF INNOVATION

MONTE ROSA MOUNTAIN SHELTER

Switzerland is at the top of the European Innovation Scoreboard. INSEAD and WIPO’s worldwide assessment of innovation forces across 141 economies also repeatedly puts Switzerland at the pinnacle.

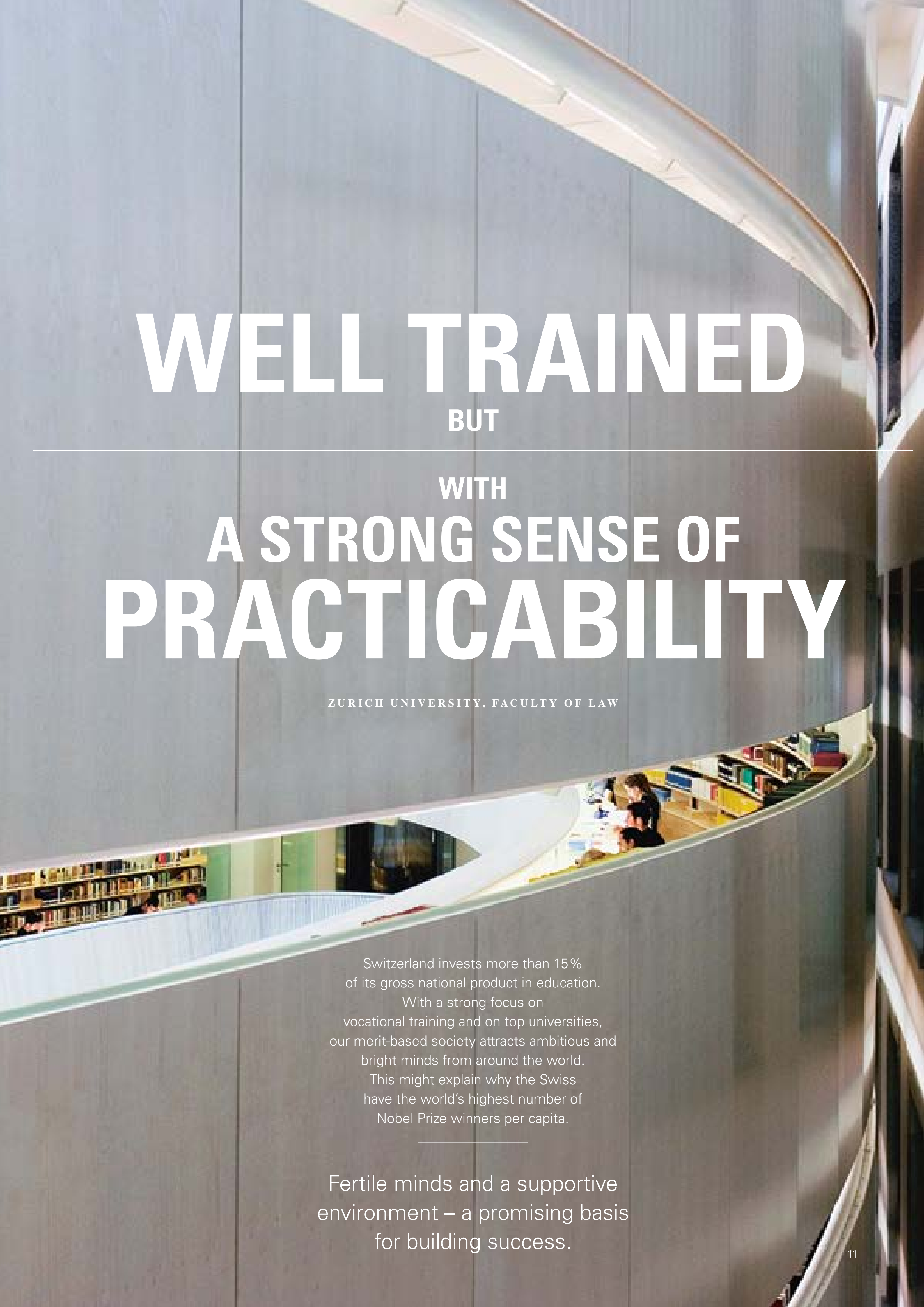
These calm mountain views hide a country bursting with activity.

NEUTRAL
BUT
COLORFUL

“BASEL CARNIVAL”

Four official languages. Three European cultures on your doorstep. A population that comprises 23% non-Swiss citizens. Switzerland is truly culturally diverse.

Integrating into this vibrant society is no problem. Understanding some of our stranger traditions, however, can take a little longer.



WELL TRAINED BUT WITH A STRONG SENSE OF PRACTICABILITY

ZURICH UNIVERSITY, FACULTY OF LAW

Switzerland invests more than 15%
of its gross national product in education.
With a strong focus on
vocational training and on top universities,
our merit-based society attracts ambitious and
bright minds from around the world.
This might explain why the Swiss
have the world's highest number of
Nobel Prize winners per capita.

Fertile minds and a supportive
environment – a promising basis
for building success.

THE CENTER OF
WATCHMAKING
BUT ALSO

A GLOBAL LEADER IN
PHARMACEUTICALS
BIOTECHNOLOGY
MEDICAL DEVICES
LUXURY PRODUCTS
ENGINEERING
COMMODITIES TRADING
BANKING AND INSURANCE
INFORMATION TECHNOLOGY
LOGISTICS
AND SO ON … AND ON

BASEL EXHIBITION CENTER

Fuelled by a globally-oriented domestic industry comprising large multinationals and hundreds of small and medium-sized businesses, the Swiss economy is among the strongest and most competitive in the world.

The diverse domestic industry is the backbone of the unique Swiss success story.

HARD WORKING
BUT
ENJOYING LIFE

MOIRY DAM , VAL D'ANNIVIERS, VALAIS

The highest number of working hours in Europe, but with enough energy to play hard too.

In Switzerland, the quality of life is as high as our mountains.

26
cantons

4
languages

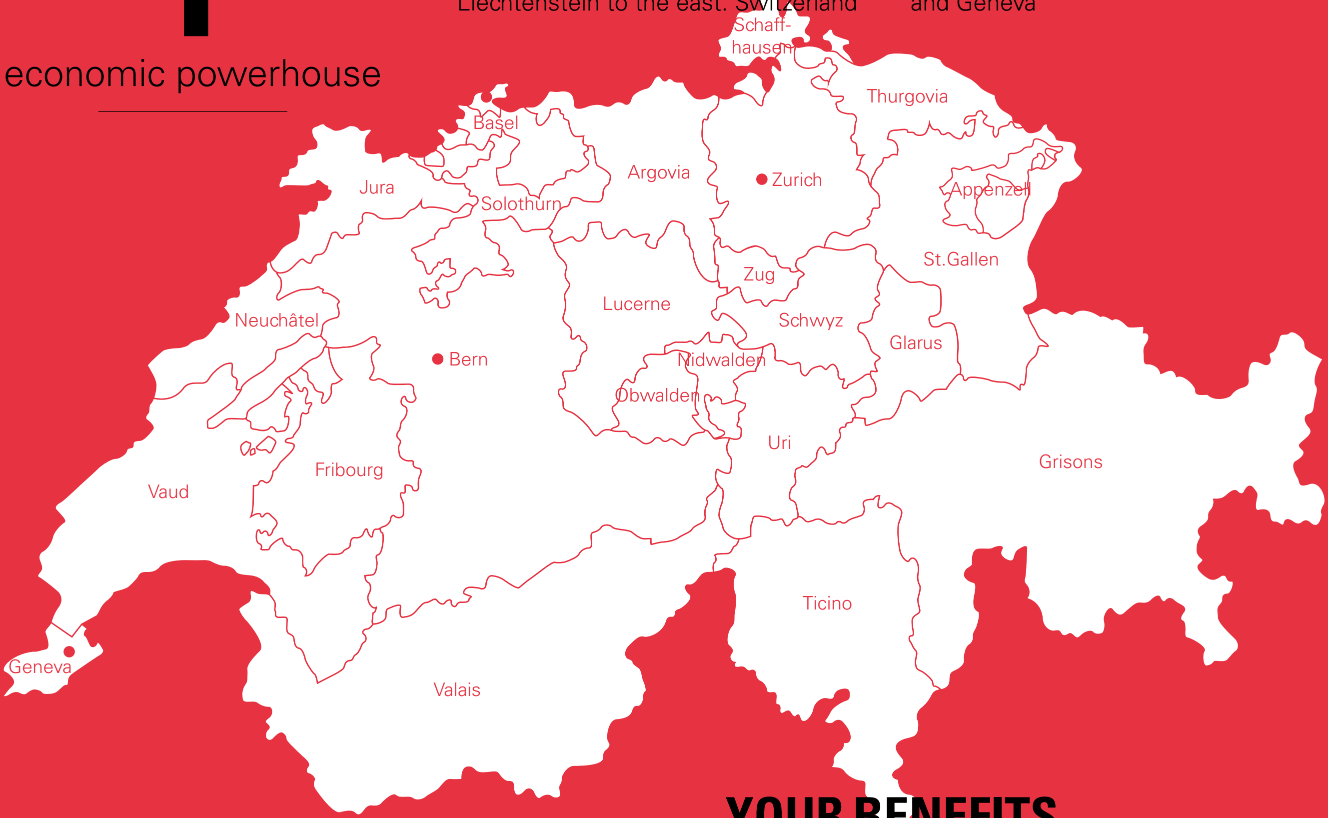
1
economic powerhouse

Etymology

Switzerland is officially called the Swiss Confederation (Latin: Confoederatio Helvetica, hence its abbreviation CH). It is a federal parliamentary republic consisting of 26 cantons, with Bern as the seat of the federal authorities, the so-called Bundesstadt.

The country is situated in the center of Europe, where it is bordered by Italy to the south, France to the west, Germany to the north, and Austria and Liechtenstein to the east. Switzerland is a landlocked country geographically divided between the Alps, the Swiss Plateau and the Jura, spanning an area of 41,285 km^2 (15,940 sq mi).

While the Alps occupy the greater part of the territory, the Swiss population of approximately 8 million people is concentrated mostly on the Plateau, where the largest cities are to be found. Among them are the two global cities and economic centers – Zurich and Geneva



YOUR BENEFITS

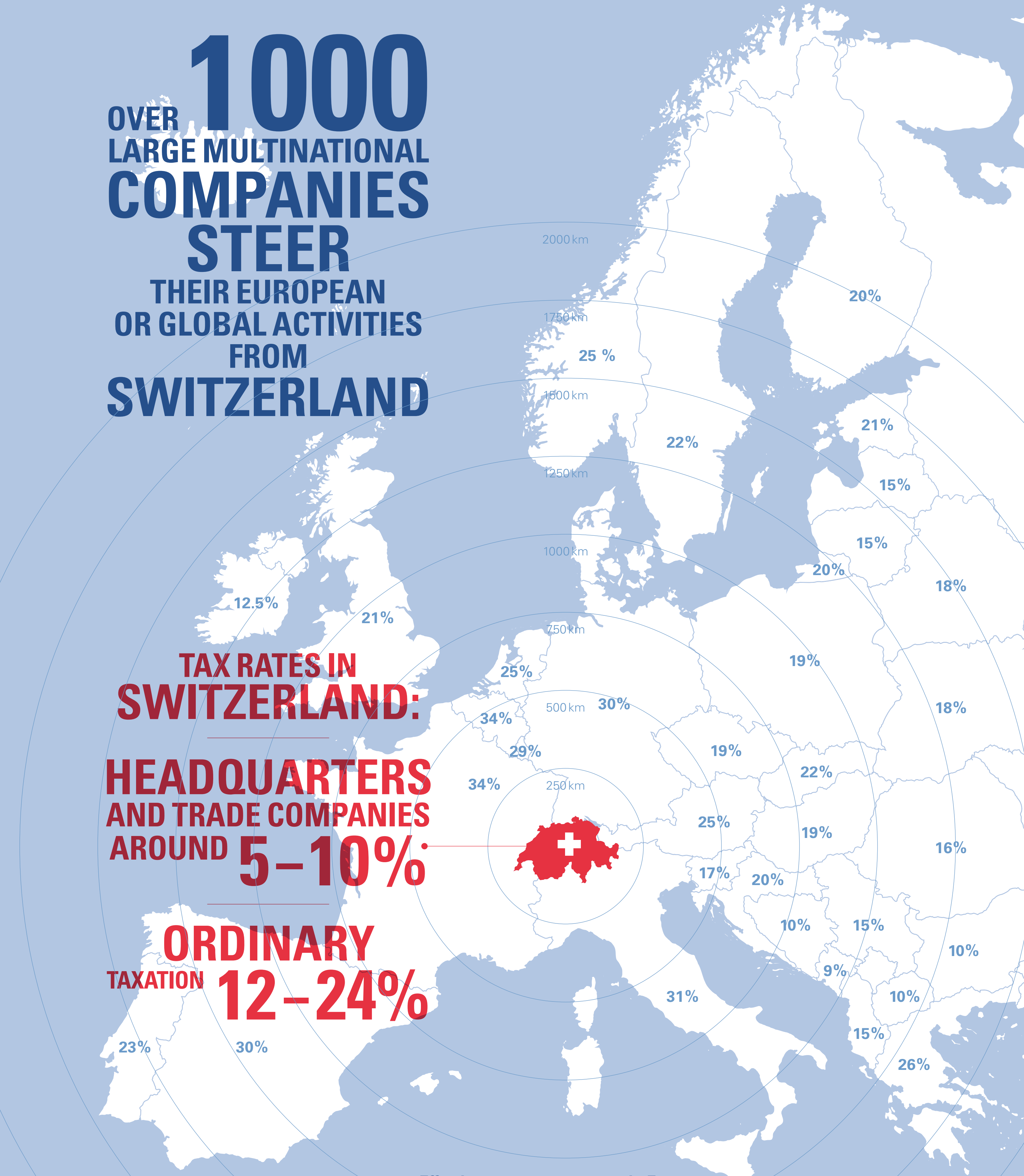
STRATEGIC LOCATION
HIGHLY SKILLED LABOR FORCE
WORLD-CLASS INDUSTRY CLUSTERS
EUROPE'S MOST FLEXIBLE LABOR LAW
STATE OF THE ART INFRASTRUCTURE
HIGH QUALITY OF LIFE
GLOBALIZED BANKING SYSTEM
COMPETITIVE TAX SYSTEM
SOLID CURRENCY
STABLE POLITICAL SYSTEM

OVER 1000 LARGE MULTINATIONAL COMPANIES STEER THEIR EUROPEAN OR GLOBAL ACTIVITIES FROM SWITZERLAND

TAX RATES IN SWITZERLAND:

HEADQUARTERS AND TRADE COMPANIES AROUND 5–10%

ORDINARY TAXATION 12–24%



Effective corporate tax rates in Europe

Source: KPMG's Swiss Tax Report 2014

Analyzing the social economic history of Switzerland, R. James Breiding aims to bust the myths and stereotypes about the country in his best selling book 'Swiss Made – The Untold Story behind Switzerland's Success'. In an interview he shares insights into what has made Switzerland successful and what many of us may not yet know about the country.

R. James Breiding

What's the story behind Switzerland's success?

R. James Breiding is founder and owner of Naissance Capital, a Zurich investment firm, and was formerly a managing director of Templeton Investment Management and director of Rothschild Corporate Finance. He has masters degrees from the Harvard Kennedy School and IMD in Lausanne. For several years he wrote for The Economist on Swiss issues, and with Dr Gerhard Schwartz he co-authored Wirtschaftswunder Schweiz ('The Swiss Economic Wonder'), published in Switzerland by NZZ Libro. He has been elected a fellow by Harvard University's Center for International Development in connection with his research on Swiss Made. He holds dual Swiss and US citizenship.

Writer
Céline Fontanive, KPMG Switzerland

KPMG *James, you have written "Swiss Made" about the untold story behind Switzerland's success. Tell us something that people don't know about the country.*

R. James Breiding In the typical perception of Switzerland, people think of banks, chocolate and watches. However, there is a lot more to the country. Switzerland has a huge variety of industries from capital goods to tourism, chemicals and pharmaceuticals to non-profit organizations. The range and extent of its industrial base is poorly appreciated. Familiarity gained from a few days at the World Economic Forum in Davos or on mountain holidays confers a false or superficial understanding. Swiss people are by nature discreet, not prone to boast about their success. Many of Switzerland's most successful businesses are so called 'B2B' – companies like ABB, Holcim, or Schindler – so they have no need to advertise to the public. Other businesses like Firmenich and Givaudan dominate the fragrance and flavors trade, but their recipes for say 'Chanel No. 5' are concealed for obvious reasons. SICPA has a virtual monopoly for inks used in banknotes, but does not broadcast this. These factors result in a scarcity of information that breeds misunderstanding.

KPMG *What else?*

RJB Swiss people are very proud while remaining quite modest. A survey showed that 80% of Swiss people are proud to be Swiss whereas only 68% of Americans answered similarly. It is a latent form of pride in which Swiss people don't display how proud they are. Their pride is key to the country's unique treasure, its form of government by direct representation where the people really feel sovereign. Swiss people are informed about political and economic matters; they care enough to vote on issues that impact their lives. I am astonished at how open and hard political discussions can be.

People think of watches, chocolate and cows when they think of Switzerland.

However, there is a lot more to Switzerland than that.

KPMG *What does "Swiss made" stand for, and what are the most spectacular Swiss successes?*
RJB Like any brand, "Swiss made" conveys expectations: it is trustworthy and reliable. It's not cheap and there's not much 'sizzle', but it delivers what it says. The most notable successes are probably in precision engineering such as watches. Its development marked the beginning of the industrial revolution: for the first time, people were remunerated by the hour rather than by the bushel – it was therefore essential to have an accurate timepiece. Imagine placing up to 400 pieces of metal in an area the size of a coin! What an engineering feat. Innovations in the watch industry spawned new products, such as tiny screws used in orthopedic prostheses or small batteries that power hearing aids. Without these innovations companies like Synthes, Straumann or Sonova (Phonak) would not exist.

KPMG *How innovative is Switzerland?*
RJB Innovation is a common theme underpinning Swiss corporate successes. According to the IMD World Competitiveness Report, Switzerland has the highest number of patents per head of population, and has won more Nobel Prizes per capita than any other country. The percentage of corporate revenues spent on research and development is higher than in most competitor economies, and Switzerland is the sixth-biggest spender on R&D as a percentage of GDP. This pro-innovation bias helps in the face of low-cost rivals, driving concentration on high value-added products where labor costs are less key.

If I had to choose one word that summed up the nature of free market capitalism, its DNA, it would be 'innovation'. It is those who are able to provide products or services that are better, different or cheaper who win this fierce and ceaseless contest. In a small country Swiss Inc. depends on exports. One should not underestimate that Swiss Inc. has had to fight with a shorter sword owing to the inherent preference for domestic products and the inexorable rise of the Swiss franc. For any Swiss company producing in Switzerland and exporters, this makes for a permanent fitness contest.

KPMG *What is the nature of innovation, and why is it so misunderstood?*
RJB Few among us, especially the media, have the disposition or patience to understand and report on innovation. First it is good news, and the media has a strong bias for the negative and the sensational. Second, the media prefers instant gratification, but good things take time. It takes around 14 years before a molecule goes from a scientist's head to a prescribed pill. Eric Favre filed his patent for Nespresso in 1976 – it was 20 years before the product became a success. The other misconception about innovation is that it usually comes from 'Nobel Prize' winners. Most innovation is marginal improvement to existing practice. The customer cares that a product is better, not that it is new. Radical improvements can be too foreign for customers' entrenched habits. Swatch's original mold injection technology was made possible by digging a 70-year old patent out of a drawer. Schindler's researchers knew for 40 years that great efficiencies were available if traffic could be redirected based on destination, but Paul Friedli was the one who came up with the right algorithm.

Probably the most challenging aspect about innovation is that it requires a leap in imagination. To be innovative involves an ability to imagine a different world, in many ways to predict the future.

KPMG *What differentiates Switzerland from other countries?*
RJB It was not so long ago that nations believed in a Westphalean notion that a country's strength is based on the size of its army, the extent of its colonies or natural resource base, or its population size. Switzerland has been at the front of the curve demonstrating that it is trade and talent that matters. No other country of its size has achieved such a high level of disposable income while maintaining a relatively equitable distribution of rewards. Few or no countries hold such leading positions in so many industries. No other developed country has so far avoided burdening future generations with large debts, fostering illusions among its people about meeting pension and healthcare costs. In no other country are individual citizens so powerful and so certain that their voices count. As public opinion of politicians and public sector bodies in most western democracies has fallen to an all-time low, the effectiveness of the Swiss system of governance is an enviable model of success.

> **IF I HAD TO CHOOSE ONE WORD THAT SUMMED UP THE NATURE OF FREE MARKET CAPITALISM IT WOULD BE "INNOVATION"**

KPMG *What role has the state played in the development of the Swiss industry?*
RJB The Swiss have managed to minimize government involvement in the economy. An important part of the Swiss recipe for success relies on strong industry and weak government. This is the opposite of say France, which manages affairs "top-down", deciding the automobile or nuclear industry is a priority, and allocating capital accordingly. The state is notoriously bad at allocating resources. What government could successfully develop the Swatch watch or Nespresso capsule?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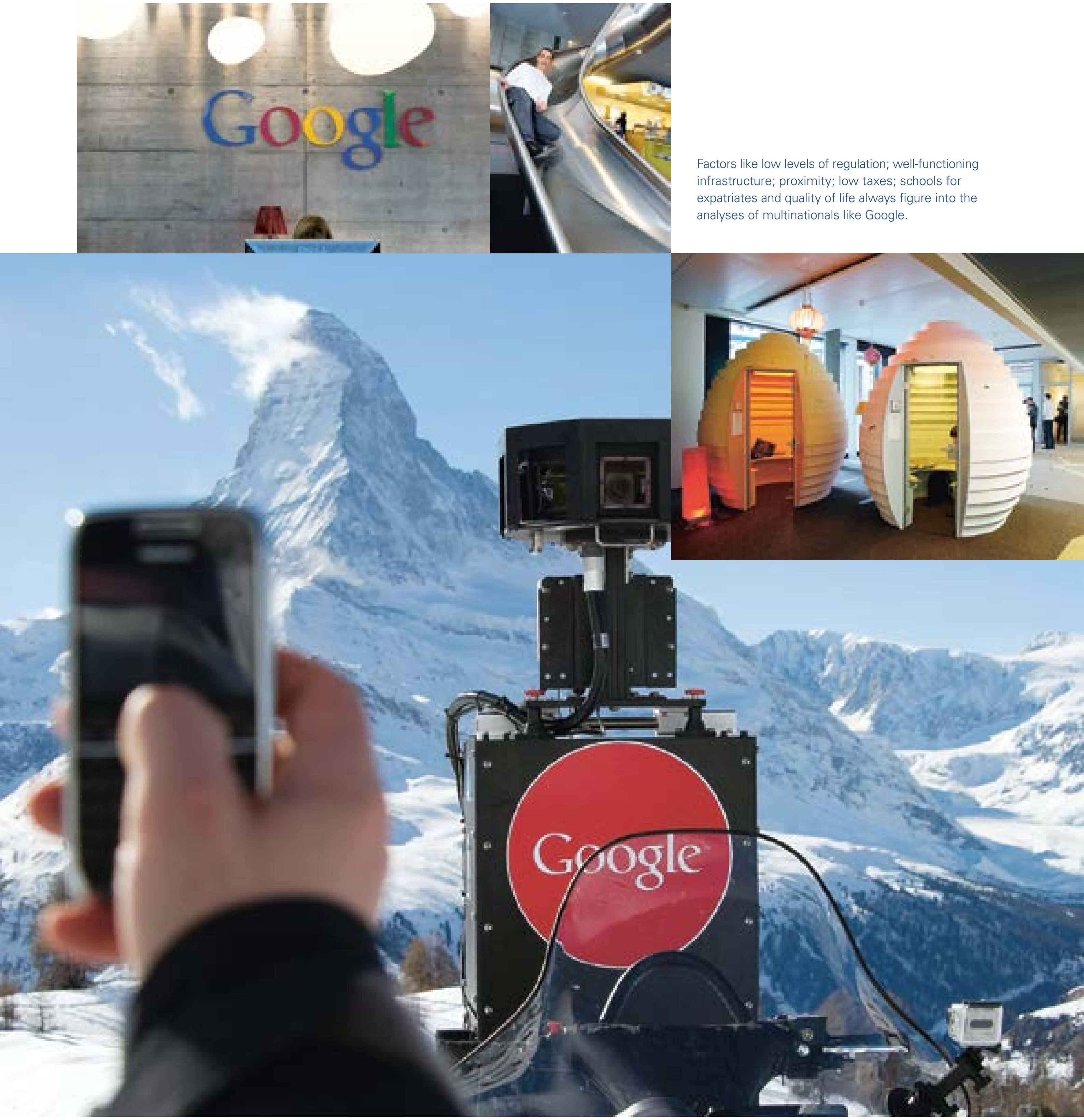


Factors like low levels of regulation; well-functioning infrastructure; proximity; low taxes; schools for expatriates and quality of life always figure into the analyses of multinationals like Google.

Swiss Made

THE UNTOLD STORY BEHIND SWITZERLAND'S SUCCESS

The timely book written by R. James Breiding appears amid change and uncertainty. The world today is beset with political unrest and dissatisfaction, far-reaching economic and currency crises, and out-of-control state finances with hastily constructed bailouts whose outcomes are impossible to predict. Economic growth is declining or stagnating in many parts of the world, and many currencies are losing their traditional value and strength. Politicians in most democratic societies are mistrusted and important problems are postponed to burden future generations. Against this relief, Switzerland remains healthy, even in these turbulent times. The book describes the Swiss journey in which the country's position on the international stage was achieved not with the weight of power and size but through pioneering spirit, a passion to perform and quality. Switzerland has known neither aristocracy nor autocracy. What counts are ability and performance, not background and position. What matters to Swiss is what works, rather then what is right.

'Swiss Made' is also available in French, and German. It is given as a diplomatic gift by 45 Swiss embassies around the world.

KPMG *How important is the educational system for Switzerland's success?*
RJB The Swiss educational system is critical to success. Teachers are well paid and valued in society. There is an ecosystem of commitment among students, parents, schools and the community. Companies like Google chose Switzerland because they felt the nearby ETH and EPFL - ranked among the world's best schools for computer engineering – provide a wealth of potential talent.

KPMG *Can Switzerland's success story last?*
RJB No pattern of behavior or model for success can remain unaltered indefinitely. However, the Swiss have a survival mindset. Small countries are more vulnerable than large ones. Steve Jobs once said that "only the paranoid survive", which might help explain the Swiss ability to transmute failure into success, and the willingness to let ailing businesses die an appropriate death (for example Swissair).

KPMG *An increasing number of foreign multinationals choose to install themselves on Swiss soil. Is this a new model for Switzerland?*
RJB Firms that have established their headquarters in Switzerland, such as Tetra Pak, Philip Morris, Dow Chemical or Google, represent 10 percent of Swiss GDP. If one adds in the Swiss multinationals like ABB, Nestlé and Novartis this amounts to 25 percent of GDP. This is important for the country's future. Google employees recently elected Zurich as the most attractive destination network of the company and their local employees are fondly called 'Zooglers'. Swiss cities are frequently at the top of international rankings for quality of life – a critical criterion for knowledge-based industries.

KPMG *Why do multinational corporations love Switzerland?*
RJB The decisive success factor for these companies is 'attraction' rather than 'innovation'. Multinationals increasingly allocate people, capital and technology to locations as if it were a chess board – based on where they believe they will achieve optimal returns. Each company weighs a cocktail of considerations differently, but factors such as low levels of regulation; well-functioning infrastructure; proximity; low taxes; schools for expatriates and quality of life figure in the analysis. Don't underestimate the impact of partners or children complaining each day about living in Dubai, Brussels or Singapore. Spouses like Swiss values as much as the Swiss do.

KPMG *What should you never say to a Swiss citizen?*
RJB Never criticize Roger Federer or ask them if it is hard to learn Swedish.

Switzerland Global Enterprise
Switzerland Global Enterprise has been commissioned by the Swiss government to gather the performance mandates of export, location and import promotion under one roof. Switzerland Global Enterprise provides support to Swiss SMEs who are interested in exporting and links companies, experts and organizations around the world.

→ **www.s-ge.com**

Global Citizen

Daniel Küng, CEO Switzerland Global Enterprise

> **"From an extraordinary innovative capacity,
> a modern infrastructure and
> a high quality of living
> to an excellent education system,
> a liberal labor market and diverse culture,
> Switzerland is an extremely attractive
> place to be – not only to do business,
> but also to live with a family."**

"When I first heard of the vacancy at Switzerland Global Enterprise, I didn't want to apply for the position as I wasn't ready to move back to Switzerland." Daniel Küng, CEO of Swiss service organization Switzerland Global Enterprise (formerly Osec - Office suisse d' expansion commercial) is, to the core, a global citizen. Swiss-born, he has spent more than 27 years abroad in the USA, Venezuela, Ecuador, Brazil and Portugal. While he struggles to choose his favorite place, he is clear on the fact that he loves living in Switzerland today.

From looking at Daniel, you wouldn't guess that after university he started his career in the farming industry. More precisely, in the Angora rabbit farming industry in Brazil. "I have always been an entrepreneur. It didn't really matter whether I worked in the field of farming or pharma. At that time, agriculture in Brazil was a very secure business and I thought why not seize the opportunity."

Daniel returned to Switzerland in 2004 and in his present role he is a true ambassador for the country. The move back was easier than he expected, although he had to get used to typical Swiss aspects again such as accuracy and punctuality. "You may not believe it, but I needed a budget for traffic fines when I came back."

When speaking about Switzerland's advantages, Daniel's flow is difficult to interrupt. "From an extraordinary innovative capacity, a modern infrastructure and a high quality of living to an excellent education system, a liberal labor market and diverse culture, Switzerland is an extremely attractive place to be – not only to do business, but also to live with a family." In addition, he highlights Switzerland's political stability and its people's adaptability, culture of dialogue and sense for the common good.

Be it running, cycling, mountain climbing, playing squash or stand-up paddling, Daniel likes to be on the move even in his spare time. He may not remain in Switzerland for the rest of his life, but he will almost certainly keep returning… hopefully with enough money to settle his traffic tickets.

A New Yorker in Geneva

Christine Breede-Schechter

> **“Pursue your own interests.
> Do not just meet other expats to commiserate
> about how different things are.
> Don’t just tolerate otherness, enjoy it.”**

“I miss New York a lot”. Christine Breede-Schechter, originally born near Krefeld, Germany, graduated at Columbia University and lived in the City for over 15 years. This is where she met her husband and gave birth to two sons. “In NYC, things happen in unexpected ways. At the same time, it’s a good place to become focused. Anything is possible.”

Christine started her life in Geneva in 2008, together with her family. “My husband was offered a position at the hospital in Geneva. The start was both difficult and adventurous. Things here in Geneva do not happen in unexpected ways. Here, I really had to work my way through the system. People are more reluctant to come forward with their ideas and, on the positive side, don’t hammer out an opinion about everything and nothing.” Christine and her husband decided that this was worth a try. She generally embraces change but also knew she would be able to continue her work as a speech therapist. After having worked in the City in a variety of settings including hospitals, she continued to work in private practice. Given the high number of Anglophone children whose parents are working for the many multinational companies and organizations in Geneva, she found a place with definite need.

Today, Christine has an established work environment and friends just around the corner whom she can meet often and spontaneously. She is part of the Geneva Writers Group and has begun to write regularly, mostly fiction. If she doesn’t work or write, she spends time with her family, goes out, or enjoys the offerings of nature all around. “I don’t lose so much time commuting. Everything is close. That is really a big advantage compared to New York.” Also her two children (8 and 13) have adapted quite fast to the new situation, learned the language and made new friends.

And what is her recommendation for expats? “Pursue your own interests. Do not just meet other expats to commiserate about how different things are. Don’t just tolerate otherness, enjoy it. Also, learn the local language.”

Potential Swiss Politician

Andrew Etkind, Vice President, General Counsel and Secretary of Garmin

> **“It was crucial for Garmin to find a location at the center of Europe with an excellent business climate and an attractive tax system. Switzerland was the best choice, not only geographically and financially, but also because of its efficient working culture and dependable legal and court system.”**

“This is a Vivofit, a fitness band that moves at the pace of your life. It tells you exactly how many steps you have taken each day and how many calories you have burned. The watch also tells you when it’s time for you to move if you sit too long in your office chair.” Andrew Etkind, Vice President, General Counsel and Secretary of Garmin gets very excited when he talks about the functionalities of his Garmin watch. But it is not only Garmin that gets Andrew animated, he is enthusiastic about Switzerland. “I love Switzerland because of its unique political system, fantastic transport system, highly skilled employees, and also the Swiss sense of humor.”

Andrew’s origins are in the UK, though he lived for more than 20 years in the USA, primarily in Kansas City where Garmin’s customer service center is located. Despite displaying some typical US-American characteristics – he misses the low prices and the shops that are open 24 hours – Andrew adapted very quickly to the Swiss culture. In some ways he already behaves like a typical Swiss person. He has a GA – a general subscription to travel by train – bundles his newspaper in line with the rules and on the weekend he goes grocery shopping in Konstanz, Germany. To improve their Swiss German, he and his wife attend language classes once a week.

Andrew has lived in Switzerland since 2011. As a member of Garmin’s leadership team, he was involved in the company’s relocation decision and got the opportunity to move to Switzerland when they decided to open a European office. “It was crucial for Garmin to find a location at the center of Europe with an excellent business climate and an attractive tax system. Switzerland was the best choice, not only geographically and financially, but also because of its efficient working culture and dependable legal and court system.” He can well imagine staying in Switzerland forever and he aims to obtain a Swiss Passport. “One day, I want to become a member of the Swiss Parliament.”

A multi-cultural Indo-Belgian citizen in Zug

Ajay Sahni, Director Wockhardt Bio AG

> **“You almost don’t notice the hurdles involved in opening an office in Switzerland. The country has such a flexible system to incorporate a company that I would say it is quite easy to do so. There is a low bureaucratic burden and the administration works swiftly and smoothly.”**

“With my roots being in India, the fact that I was born in such a large country has helped me to adapt wherever I am and to look beyond the immediate.” Ajay Sahni manages Wockhardt’s International headquarters in Zug, Switzerland. Wockhardt Bio AG is a global pharmaceutical and biotechnology company providing affordable, high quality medicines for a healthier world. Wockhardt Bio AG is active in the development, manufacturing, and marketing of pharmaceutical and bio-pharmaceutical formulations, and caters primarily to markets in the United States, the United Kingdom, Ireland, France and Latin America.

Ajay is a living example of this multi-cultural and international business. He speaks Hindi, French, English and Flemish. The list of places he has lived stretches from India to Belgium, from France to the USA, and from Singapore to Switzerland. “I joined Wockhardt in Switzerland in 2007 and live in the greater Zurich area.” Ajay brings with him 26 years of experience in the consumer goods sector and in the pharmaceutical industry, in the areas of financial management, business development (M&A), and ultimately his current position of Head of Operations. He was instrumental in establishing the international headquarters in Switzerland. “It was a challenging task, but the local administration in Zug was very helpful. In fact you almost don’t notice the hurdles involved in opening an office in Switzerland. The country has such a flexible system to incorporate a company that I would say it is quite easy to do so. There is a low bureaucratic burden and the administration works swiftly and smoothly.”

– IN A NUTSHELL –

Switzerland is open for business and welcomes companies of any origin, size and industry to explore one of the world’s most vibrant economies in order to use it as a base for accessing the markets of Europe and the world.

The unmatched advantages of having a very strong domestic industry and being a truly global hub for large multinational companies creates an ideal environment for

Managing regional and international business through HQ operations

Designing and manufacturing complex and innovative products

Conducting R&D and managing intellectual property

Branding services and goods

Trading and shipping commodities of all sorts

Financing international operations

CHAPTER II

Your company

CHAPTER III

Your workforce

CHAPTER IV

Your business

Your company

A large variety of legal forms exist in Switzerland contributing to a flexible business environment. Swiss company law is based on many non-mandatory provisions which provide adaptability to specific needs and circumstances. Competitive corporate taxation and incentives complete the picture.

Company law and business set-up

Legal forms

Depending on the purpose and function of a company, the most suitable legal form must be chosen in order to support an efficient business set-up. The most common legal forms used for business purposes are the corporation and the limited liability company.

Overview of company types for variable use
Diverse company types for variable use exist in Switzerland.

Company type and main characteristics	Main use
Simple partnership Einfache Gesellschaft	
• Contractual relationship between two or more individuals or companies to pursue a joint purpose with joint endeavors or means but without carrying on a business in a commercial manner • Partners jointly own the partnership's assets and are jointly and severally liable for liabilities or claims resulting from acting as a valid representative on behalf of partnership • No entry in commercial register • Basic and subordinate company type	• Joint ventures • Consortiums in the construction or banking industry • Shareholders under a shareholders' agreement • Founders of a company until the company has been duly established
General partnership Kollektivgesellschaft	
• Partnership between two or more individuals, acting under a trade name and carrying on a commercial business • Operates like a legal entity towards third parties, entering into agreements, assuming rights and duties and acting as claimant or defendant in litigation • Partners' liability is unlimited, joint and several, if and to the extent that the partnership's assets are not sufficient to cover its liabilities • Partners' identity must be disclosed in the commercial register	• Small family businesses or businesses run by a few trusted partners (might achieve better credit-worthiness than legal persons due to partners' liability)

Company type and main characteristics	Main use
Limited partnership Kommanditgesellschaft • Essentially like a general partnership, except: – commercial business not compulsory – unlimited partners with unlimited liability (at least one) and limited partners with limited liability up to the fixed amount as registered in the commercial register (at least one) – unlimited partners must be individuals, limited partners may be individuals, legal entities or general or limited partnerships	• Similar use as with general partnerships, used in situations where not all partners are willing or able to be actively involved in business • Small businesses in the form of general partnerships looking for private investors
Corporation Aktiengesellschaft, AG/Société anonyme, SA • Legal entity with own trade name • Liabilities are secured by the corporation's assets only (no liability of shareholders) • Transfer of shareholding simply by transfer of shares unless the articles of association provide for restricted transferability • Shareholders are not disclosed in the commercial register	• Used in any sector and independent of size of business for small and large trading companies, operating or holding companies, listed or privately held companies • Limited liability and anonymity for shareholders in conjunction with simple transferability of shares make this the most popular company type in Switzerland
Limited liability company Gesellschaft mit beschränkter Haftung, GmbH/Société à responsabilité limitée, S.A.R.L • Legal entity with own trade name • Liabilities are secured by the company assets only (no liability of company members) • Possibility to impose obligations on company members to make additional contributions or to provide ancillary performance • Transfer of capital shares by way of assignment in writing and upon approval of members' general meeting unless the articles of association provide otherwise. Articles of association may even exclude assignment of a capital share • Company members must be disclosed in the commercial register	• Typically used for smaller and midsized companies which are not listed (cannot issue tradable equity securities, no authorized or conditional capital)

Company type and main characteristics	Main use
Cooperative Genossenschaft • Legal entity with own trade name without pre-determined capital • Liabilities are secured by the cooperative's assets only (no liability of members unless provided otherwise in the articles of association) • Main purpose is to advance or ensure specific economic interests of its members through their own common action • Profit not to be distributed to members but used for price reductions or improvement of cooperative's products, unless provided otherwise in the articles of association • Members must safeguard interests of the cooperative in good faith. The articles of association may provide for additional duties, such as making contributions in money, or even for personal liability of members if, and to the extent that, the cooperative's assets are not sufficient to cover its liabilities • Cooperative may admit new members at any time • Members are not disclosed in commercial register	• Agricultural and large retail organizations, although the latter are often no longer fully consistent with the ideal of the cooperative (to encourage common action in the interest of its members)
Association Verein • Legal entity engaged in political, religious, scientific, artistic, charitable, social or similar activities • Liabilities are secured by the association's assets only (no liability of members unless provided otherwise in the articles of association) • May either carry on a commercial business or pursue a business purpose but not both; distribution of profit to members not possible • No need of registration in commercial register as long as no commercial business and not subject to an audit requirement • Members are under duty of loyalty vis-à-vis association. The articles of association may provide for additional duties or even for personal liability of members for the association's liabilities • Very flexible legal framework (most provisions are non-mandatory) enabling consideration of individual needs	• Trade unions, industry organizations, sport unions, non-governmental organizations • Other entities whose aim is the pursuit of common objectives in a non-commercial setting

Overview of investment companies

Specifically for investment companies, two additional legal forms are available.

Company type and main characteristics	Main use
Investment company with variable capital (SICAV)	
• Legal entity with variable share capital divided into shares (units) held by company shareholders (sponsors) and investor shareholders (investors) • Liabilities are secured by the corporation's assets only (no liability of shareholders) • Sole object is collective capital investment • Investors may request redemption of their units and their repayment in cash at any time • Sponsors must contribute minimum investment upon establishment and are solely responsible for deciding upon dissolution of company • Provisions regarding corporation generally apply with certain important exceptions • Requires license from Swiss Financial Market Supervisory Authority (FINMA) and must appoint auditors recognized by FINMA	• Open-ended collective investment schemes (only use)
Limited partnership for collective investment	
• Partnership between at least one general partner bearing unlimited liability and limited partners who are only liable up to a certain amount (limited partner's contribution) • Sole object is collective capital investment • General partners must be Swiss corporations and may only be active as a general partner in one limited partnership for collective investment • Limited partners (at least five one year after establishment) must be qualified investors within meaning of Collective Investment Scheme Act • Provisions regarding limited partnership apply with certain important exceptions • Requires a license from the Swiss Financial Market Supervisory Authority (FINMA) and must appoint auditors recognized by FINMA	• Closed-end collective investment scheme (only use)

Comparison of major features of corporations and limited liability companies
The most common legal forms used for business purposes are the corporation and the limited liability company. Their major features are similar, but their detailed provisions can differ substantially.

Corporation (AG/SA)	Limited liability company (GmbH/SARL)
Share capital	
Minimum CHF 100,000 of which at least 20% or CHF 50,000 must be paid up	Minimum CHF 20,000 fully paid-up
Share capital payment upon establishment of the company can be made in cash, by way of contribution in kind and by way of offsetting claims	Capital contribution payment upon establishment of the company can be made in cash, by way of contribution in kind and by way of offsetting claims
Capital increase	
There are three types of capital increase: • ordinary capital increase (capital is increased based on a resolution of the shareholders' meeting) • authorized capital increase (capital is increased based on a resolution of the board of directors upon authorization by the shareholders' meeting) • conditional capital increase (capital is increased step by step based on the exercise of conversion or option rights and fulfilment of obligations to contribute by offsetting or payment based on a corresponding resolution of the shareholders' meeting).	The only possibility to increase the capital of a GmbH is through an ordinary capital increase (capital is increased based on a resolution of the members' general meeting)
Capital increases may be effected in the same ways applicable at establishment as well as by way of conversion of freely disposable equity	Capital increases may be effected in the same ways applicable at establishment as well as by way of conversion of freely disposable equity
Minimal nominal value of shares	
CHF 0.01	CHF 100.00
Share types and classes	
The law provides for two types of shares, i.e. bearer shares and registered shares, which may also exist alongside one another	The law provides only for capital shares
It is possible to create shares with different nominal values but with the same voting power (notional voting shares). Moreover, the law permits the creation of preference shares which rank above ordinary shares in terms of property rights	The rules in relation to the creation of capital share contributions with different nominal values and preferential capital shares contributions are the same as for corporations

Corporation (AG/SA)	Limited liability company (GmbH/SARL)
Transfer of shares	
Shares are generally transferred by simple hand-over/ endorsement. Special rules apply to transfers of shares in the form of intermediated securities (Bucheffekten)	Capital shares are transferred by assignment in writing
Transferability of registered shares can be restricted to a limited extent in the articles of association	The assignment of a capital share requires consent of the members' general meeting which may refuse consent without stating reasons. More restrictive rules (up to prohibition of transfer) and less restrictive rules (up to free transferability) may be provided for in the articles of association
Right of first refusal, preemptive rights and acquisition rights in respect of shares	
Right of first refusal, pre-emptive rights, or acquisition rights to the shares may not be included in the articles of association	The articles of association may include provisions relating to company members having right of first refusal, pre-emptive rights, or acquisition rights to the shares
Only contractual agreements (shareholders' agreements) outside the articles of association are permitted	
Disclosure rules	
Names of shareholders and number and amount of their shares need not be publicly disclosed in the commercial register	Names, addresses and place of origin of company members and amount of their capital shares must be disclosed in the commercial register, including any changes in these details
Special disclosure rules apply to listed corporations. In particular, corporations with registered offices in Switzerland which have shares listed in Switzerland or abroad must publish in an annual compensation report specific data, namely regarding compensation of as well as loans and credits to members of the board of directors, the advisory board and executive management	
Obligations of shareholders	
The only obligation of shareholders is to pay their contribution to the share capital	Apart from the obligation to make a payment corresponding to the issue price of their capital shares, the articles of association may impose obligations on company members to make additional contributions and to provide further material contributions
Exceptions to this principle are the reporting requirements and obligations in relation to takeover offers imposed on major shareholders under the Federal Act on Stock Exchanges and Securities Trading	Moreover, company members have a duty of loyalty. Engaging in competing activities is per se prohibited for company members managing the company and may be prohibited in the articles of association for company members not managing the company

Corporation (AG/SA)	Limited liability company (GmbH/SARL)
Shareholders' rights to information and access	
Shareholders' right of access to the company's books and information is limited	Company members have unlimited right of access to the company's books and information where the company has no auditors. Where the company has auditors, the right to information only exists to the extent that there appears to be a legitimate interest to be protected
Shareholders' meetings	
Postal voting or voting by circulation of documents is not permitted (but proxies are allowed)	Decision-making by circulation of documents is permitted
No veto rights are possible	Veto rights are possible if provided for in the articles of association
Decisions of the board of directors may not be referred to the general meeting	The articles of association may stipulate that certain management decisions must or may be referred to the general meeting for approval
Composition and election of the board of directors and management	
Only individuals may be elected as members of the board of directors. The board of directors has to comprise at least one member. Members of the board of directors are elected and dismissed from office by the general meeting. The corporation must be able to be represented by a person domiciled in Switzerland. This requirement may be satisfied by a member of the board of directors or an officer.	Only individuals may be elected as members of the board of directors. The board of directors has to comprise at least one member. Company members are entitled and obliged to manage the company without being appointed (principle of self-management). The articles of association may provide that the managers are appointed and dismissed from office at the members' general meeting. The limited liability company must be able to be represented by a person domiciled in Switzerland. This requirement may be satisfied by a member of the board of directors or an officer

Corporation (AG/SA)	Limited liability company (GmbH/SARL)
Duties of the board of directors and management	
The board of directors/management of a corporation has the following non-delegable and inalienable duties: • the ultimate management of the company and issuing of the necessary instructions • the determination of the organization within the framework of the law and the articles of association • the structuring of the accounting system, the financial controls, and – to the extent this is necessary for the management of the company – the financial planning • the ultimate supervision of the persons to whom parts of the management of the company have been delegated, in particular, with regard to compliance with the law, the articles of association, regulations, and instructions • the preparation of the annual report as well as the preparation of the general meeting and implementation of its resolutions • the notification of the court in the event of over-indebtedness • the appointment and dismissal of persons entrusted with the management and representation of the company. The members of the board of directors and any third parties who are involved in the management of the company must carry out their responsibilities with due care and loyally protect the interests of the corporation. They must treat shareholders in the same circumstances equally The principle of non-delegable and inalienable duties of the board of directors is strictly observed. Decisions may not be presented to the shareholders' meeting for approval. Shareholders' meetings may however pass consultative resolutions which may serve as an additional element in the decision-making process. These are, however, not binding The so-called Minder Initiative implemented by the implementing ordinance of the Federal Council with effect as of 1 January 2014 has brought about some changes in the competencies as far as listed corporations with registered offices in Switzerland are concerned. The shareholders meeting is now competent to vote annually on the total amount of the compensation of the board of directors, the management and the advisory board.	The board of directors/management of limited liability companies have the same non-delegable and inalienable duties as the directors/management of a corporation except for the appointment and dismissal of management The principle of non-delegable duties of the management may be overridden as the articles of association may provide for a mandatory or optional presentation of certain decisions for the approval of the members' general meeting

Corporation (AG/SA)	Limited liability company (GmbH/SARL)
Withdrawal / Expulsion	
Right of withdrawal A shareholder has no right of withdrawal and may exit the investment only by transferring ownership of his shares.	Right of withdrawal A company member may for good cause bring an action in court for permission to withdraw from the company. The articles of association may grant company members the right to resign and make this subject to certain conditions.
Right of expulsion As a matter of principle, a shareholder cannot be expelled for any reason other than failure to meet his obligation to provide his contribution or because of special squeeze-out provisions of the Federal Act on Stock Exchanges and Securities Trading and the Merger Act.	Right of expulsion Where there is good cause, the company may apply to the court for the exclusion of a company member. The articles of association may go further and provide that the members' general meeting may exclude members from the company on specific grounds. The special squeeze-out provisions of the Merger Act also apply to limited liability companies

Branches to suit different purposes

Swiss companies registered in the commercial register as well as foreign companies may establish branches in Switzerland enabling the conduct of business with a certain degree of economic and commercial autonomy.

A Swiss branch has no assets on its own and cannot enter into legal transactions with its head office. Branches have to be registered in the commercial register and the trade name of the branch must contain the complete trade name of the head office.

The following requirements additionally apply to Swiss branches of foreign companies:

- The trade name of the branch must contain the place of the registered offices of the head office and the designation as branch.
- The branch has to appoint a Swiss-based representative with signatory power for the branch.

Application to the commercial register requires additional documentation regarding the head office (such as extracts from the commercial register and articles of association).

Company law and business set-up

Setting up a company

Flexible rules and lean procedures

Swiss company law is based on many non-mandatory provisions which provide flexibility and adaptability to specific needs and circumstances. The procedures for corporate transactions are straightforward and quick.

Establishment procedure

Establishment of a partnership only requires an informal agreement among the partners and, in the case of the general and limited partnership, registration in the commercial register.

The following steps are required to set up a legal entity:

- The founders have to draw up articles of association in writing.
- The articles need to be approved at the founders' meeting.
- The payment of the company capital, where applicable, must be evidenced by a bank certificate (cash payment) or by a corresponding agreement or a founders' report and an accompanying auditors' confirmation (contribution in kind and/or acquisition of assets).
- Involvement of a notary public is required for the notarization of the resolutions of the founders' meeting of corporations and limited liability companies.
- In order to come into existence, corporations, limited liability companies and cooperatives must file the articles of association, minutes of the founders' meeting and other documents with the commercial registry.

These establishment rules principally also apply to investment companies, although there is no need of a founders' report and an auditors' confirmation for the incorporation of an investment company (commonly referred to as a "SICAV"). Instead, both the SICAV and the limited partnership for collective investment require a license from the regulatory authority ("Finanzmarktaufsicht" or "FINMA").

If a company wants to set up a branch it merely has to file an application to the commercial register with the minutes of the corresponding resolution, including the details of the persons representing the branch. Foreign companies have to file some additional documents evidencing their existence.

Founders' meetings can be held by a proxy, so that there is no need for the founders to appear at the meeting. The documents to be filed with the commercial register must generally be in one of the official languages of the relevant canton (German, French, Italian; depending on the canton).

No business license required

Except where a business falls under the scope of a specific oversight body such as banks, investment and insurance companies, newly established companies do not need a business license.

No nationality or residence requirements for board members and management

There are no requirements regarding nationality or residence for members of the board or the management. The law only requires that corporations, limited liability companies and cooperatives are able to be fully represented by one or several Swiss residents, which do not need to be members of the board or the management, but may also be directors.

Sole shareholder companies possible

Corporations and limited liability companies may be established and held or administered by one or more individuals, partnerships (no simple partnerships) or legal entities. Cooperatives require at least seven, associations and partnerships at least two founders and members or partners, respectively. Investment companies must have at least five investors or limited partners one year after establishment.

Flexible share classes

Corporations may issue bearer shares, registered shares with or without restricted transferability, voting shares and/or preference shares.

Time frame for establishment

The establishment of a company other than an investment company does not – as a rule – take more than a couple of days. More time may be necessary in case of contributions in kind and/or acquisition of assets due to the need for an auditors' confirmation. The process to set up investment companies may take between two and six months due to the requirement of a license from FINMA.

Costs for establishment

Typically, the following establishment costs are incurred:

- fees for drafting necessary documents
- costs for auditors' confirmation, where applicable
- notary public fees
- commercial registry fees
- Fees for procuring a license from a supervisory authority, such as FINMA, where applicable.

Company law and business set-up

Maintenance of a company

Annual general meeting

An ordinary general meeting must take place every year within six moths of the end of the financial year. At the general meeting the resolutions required every year (e.g. approval of the financial statements, taking cognizance of the audit report, granting of discharge to the members of the board of directors, allocation of the balance sheet profit, if any) are taken.

Elections

The members of the board of directors of a corporation are elected for a term of office of three years unless the articles of association provide otherwise. The term of office may not, however, exceed six years. Re-election is possible. Special rules apply for corporations which have shares listed in Switzerland or abroad. Such corporations must yearly elect the following positions (re-election is possible):

- the chairman of the board of directors out of the members of the board of directors
- the members of the board of directors (each member must be elected separately)
- the members of the compensation committee to be chosen from the board of directors (each member must be elected separately)
- the independent representative of the voting rights (must fulfil analogous independence criteria as the company's auditors).

The auditor is appointed for a period of one up to three financial years. Its term of office ends on the adoption of the annual accounts for the final year. Re-appointment is possible. In the case of an ordinary audit, the person who manages the audit may exercise his mandate for seven years at the most. He may only accept the same mandate again after an interruption of three years.

Representation by Swiss resident(s)

Corporations, limited liability companies and co-operatives must make sure all the time that they are able to be fully represented by one or several Swiss residents, which do not need to be members of the board or the management, but may also be directors.

Costs for annual administration

Annual administration costs typically include the following items:

- costs for premises and other infrastructure as well as staff, or for provision of domicile
- costs of preparing annual accounts
- costs for audit (if no option out possible and declared)
- cost for tax compliance.

Company law and business set-up

Accounting standards and audit requirements

Accounting standards

Companies in Switzerland are generally only required to follow the statutory accounting provisions of the Swiss Code of Obligations (OR). However, a second set of standards, Swiss GAAP FER, providing more detailed guidance, exists for companies listed on the Domestic Standard or the Standard for Real Estate Companies of the SIX Swiss Exchange or on the Berne eXchange. All companies listed on the Main Standard of the SIX Swiss Exchange have to prepare their consolidated financial statements in accordance with IFRS or US GAAP.

IFRS is typically used by international companies in Switzerland, however, all companies have to prepare Swiss statutory accounts in line with OR for tax purposes.

While Swiss GAAP FER provides users with a framework within which to prepare true and fair accounts, similar to IFRS, the accounting provisions of the OR are mainly geared to protecting the creditor and also permitting the formation of hidden reserves.

The main advantages of using Swiss GAAP FER, compared to IFRS, are that updates of the standards are rare and therefore usually less cumbersome to maintain and that there are fewer disclosure requirements, thus making financial statements easier to prepare. On the other hand, some topics are not addressed under Swiss GAAP FER, making financial statements less comparable and a listing on the Main Standard of the SIX Swiss Exchange is not possible unless IFRS or US GAAP accounts are prepared.

Flexible audit rules

In Switzerland, size and economic relevance of a company are relevant for the audit rules rather than legal form.

With regard to the audit requirements, companies are divided into the following four categories:

1. Public companies, i.e. companies
   a. whose equity securities are listed on a stock exchange, or
   b. which have bonds outstanding, or
   c. which account for at least 20 percent of the assets or revenues in the consolidated financial statements of a company as per a. or b. above.

2. Economically significant companies, i.e. companies which exceed two of the following thresholds in two consecutive financial years:
   a. balance sheet total of CHF 20 million,
   b. revenues of CHF 40 million,
   c. annual average of 250 full-time employment positions.

4. Small and medium-sized enterprises, i.e. companies which do not qualify as public companies, economically significant companies, or micro-enterprises and which are not subject to any consolidation obligation.

5. Micro-enterprises, i.e. small and medium-sized enterprises which do not have an annual average of more than 10 full-time employment positions.

The law provides for two types of audit: the ordinary audit and the limited statutory examination. Public and economically significant companies are subject to an ordinary audit by a state supervised audit firm (public companies) or a licensed audit expert (economically significant companies). Other companies are generally subject to limited statutory examination by a licensed auditor. These companies (by far the largest proportion of companies) benefit from various options:

- Small and medium-sized enterprises may opt up for an ordinary audit.
- Micro-enterprises may – in addition to an opting up – opt out (no audit at all), or – after an opting out – opt down to a modified limited statutory examination (such as laymen audit), or opt in (back to limited statutory examination).

Partnerships are not required to have their accounts audited. Investment companies are subject to specific audit rules and must appoint auditors recognized by FINMA.

Company law and business set-up

Domestic reorganizations

Mergers, demergers and transfer of assets between companies and company transformations are all regulated by the Merger Act.

Mergers

Swiss merger law follows the principles of universal succession and continuity of membership. A transferring company in a merger will be dissolved, not liquidated. The entirety of its assets, liabilities, and legal relationships will be transferred into the acquiring company without the requirement of any specific legal acts causing such transfer. As a rule, the shareholders of a transferring company receive participation rights of the acquiring company in exchange for their respective rights in the transferred company.

Exceptions to these principles are the possibilities of equalization payments for fractional interests and the so-called squeeze-out merger, where the minority shareholders of the transferring company only receive a compensation payment (where the acquiring company holds at least 90% of shares in transferring company).

Under certain conditions, even companies in liquidation and those with negative retained earnings or net liabilities may be merged.

The ordinary merger procedure includes the following steps:

- execution of a merger agreement and issuance of merger reports
- merger examinations by auditors.
- granting of inspection rights to the shareholders/ members
- employee information and consultation.
- merger resolutions by the shareholders/ members
- filing of the resolutions with the commercial registry
- call to the creditors, which may – upon publication of the call – require that their claims be secured unless the company shows that the merger will not jeopardize the satisfaction of such claims.

The law provides specific reliefs from these rules, particularly in the case of group internal mergers (parent-subsidiary and brother-sister-mergers), where no merger reports, no merger examination, no granting of inspection rights and no merger resolutions are required. To a lesser extent, relief is also granted to small and medium-sized enterprises. Moreover, the call to the creditors may be dispensed with if a licensed audit expert confirms that there are no known or expected claims which cannot be satisfied by the freely available assets of the companies involved.

Demergers

A demerger is the mirror image of a merger since a company transfers all or parts of its assets and liabilities to one or several other companies which in turn grant shares to the shareholders of the transferring company. Related contractual relationships and the ensuing rights and obligations which are listed in the demerger inventory are also transferred in a demerger.

Thus, a demerger entails both, a re-allocation of assets, liabilities, and related contractual relationships (principle of partial universal succession) and a re-allocation of membership rights (principle of continuity of membership).

There are various types of demergers:

- split-off and spin-off demergers
- symmetrical and asymmetrical demergers
- demergers into an existing company and demergers into a new company.

The formal requirements in respect of demerger procedure are:

- demerger agreement or plan
- demerger reports
- demerger examinations by auditors
- granting of inspection rights to the shareholders/ members
- employee information and consultation
- calls to the creditors (which may require security under analogous conditions as in a merger procedure)
- demerger resolutions of the shareholders/ members
- filing of the resolutions with the commercial registry

The companies involved are jointly and severally liable – without any limitation in time – for all their creditors' claims existing on the date the demerger entered into force.

Relief to a certain extent is granted to small and medium-sized enterprises (no need of demerger report, demerger examination and granting of inspection right).

An alternative to the demerger procedure pursuant to the Merger Act is the two step demerger based on provisions of the Code of Obligations by which the transferring company transfers parts of its assets and liabilities into a subsidiary and then distributes the shares in such subsidiary to its members.

Transfer of assets

Companies may transfer their assets ordinarily via singular succession or alternatively in line with a special procedure contained in the Merger Act. Thereby companies may transfer their assets and liabilities in full or in part as one transaction (uno actu) into another company without observing the formal transfer requirements of each individually transferred item.

The transfer of asset procedure pursuant to the Merger Act includes the following steps:

- preparation of the transfer of assets agreement
- employee information and consultation
- filing with the commercial registry.

During the three years following the transfer, the transferring companies and the acquirer are jointly and severally liable for transferred obligations arising before the transfer of assets.

The provisions under the Merger Act provide significant flexibility in relation to the assets transferred. Particularly, the transferred assets and liabilities need not be connected within a business or business part and a company may transfer both assets and liabilities or only assets. Subject to the prohibition against abuse of law, it is even possible to transfer just one asset item.

Whereby the procedure under the Merger Act has its advantages compared to the traditional transfer via singular succession in the easy uno actu completion of the transfer irrespective of the number and types of transferred items, it suffers from the disadvantage that all relevant documents (particularly the transfer agreements) must be filed with the commercial registry and thereby become publicly available. No such filing is required in case of a traditional transfer via singular succession.

Transformation

Companies may be transferred without liquidation into certain other company forms by way of a specific procedure stipulated in the Merger Act.

The transformation procedure contains the following steps:

- preparation of a transformation plan
- preparation of a transformation report
- examination by auditors
- granting of inspection rights to the shareholders/ members
- transformation resolution of the members/ shareholders
- filing with the commercial registry.

Reliefs are, to a certain extent, granted to small and medium-sized enterprises (no need to prepare transformation reports, to have transformation examinations or to grant inspection rights).

Company law and business set-up

International reorganizations

Transfer of a company from abroad to Switzerland

Cross-border reorganizations usually involve the transfer of the registered office, a merger, a demerger or a transfer of assets.

A foreign company may, without liquidating and reincorporating, be transferred to Switzerland and thereby become subject to Swiss law if:

- the governing foreign law permits the transfer
- the company satisfies the requirements prescribed by the foreign law
- the company is able to adopt one of the forms of organization of Swiss law.

The law applicable to the foreign company determines whether a transfer of a foreign company to Switzerland is permitted and whether the foreign company meets the requirements of the foreign law.

Both legal systems (also Swiss company law) must be consulted when considering the question whether the foreign company may be adapted to one of the Swiss forms of organization.

Transfer of a company from Switzerland abroad

A Swiss company may be transferred to a country abroad by submitting itself to a foreign law without liquidating and reincorporating if:

- it continues to exist under foreign law
- the requirements under Swiss law are fulfilled
- the creditors are requested to file their claims in a public notification announcing the impending substitution of the law applicable to the company.

The continuance of the company under foreign law requires that the latter permits immigration without re-establishment on the one hand and that the specific requirements of Swiss law are fulfilled on the other. Therefore, the main question to be answered in the beginning is whether the foreign law provides an equivalent legal form of organization for the company concerned.

Cross-border merger

There are two forms of a cross-border immigration merger to Switzerland:

- A foreign company may form a new Swiss company together with a Swiss company (immigration merger by combination).
- A Swiss company absorbs a foreign company (immigration merger by absorption).

Under Swiss international private law, an immigration merger is admissible if the following conditions are met:

- the foreign law applicable to the foreign company as well as Swiss law principally permit the immigration merger
- the corresponding requirements of the relevant foreign law are fulfilled
- the application of Swiss law to the merged company can be reconciled with the fulfilment of the requirements of the relevant foreign law.

A foreign company may absorb a Swiss company (emigration merger by absorption) or may combine with a Swiss company to form a new foreign company (emigration merger by combination), provided that:

- upon merging, the Swiss company's assets and liabilities will be transferred to the foreign company
- the equity or membership rights of the Swiss company will be adequately protected in the foreign company
- the Swiss company complies with all of the requirements of Swiss law that apply to the transferring company
- the creditors of the Swiss company are requested to file their claims in a public notification announcing the impending merger and substitution of the applicable law.

Cross-border demerger

A demerger from abroad to Switzerland may occur:

- in the form of a split-off, whereby a foreign company is dissolved and thereby transfers all of its assets into at least two acquiring companies whereof at least one is a Swiss company
- in the form of a spin-off, whereby a foreign company transfers one or several parts, but not all of its assets, to at least one Swiss acquiring company, and continues to exist thereafter.

With regard to the admissibility of an immigration demerger under Swiss international private law, the provisions concerning the immigration merger apply by analogy.

As in the case of the immigration merger, the mandatory provisions of both the law applicable to the foreign transferring company and Swiss law must be observed. An emigration demerger from Switzerland abroad may occur vice versa in the same forms (split-off and spin-off) as an immigration demerger. With regard to the admissibility of an emigration demerger under Swiss international private law, the provisions concerning the emigration merger apply by analogy.

Transfer of assets

A transfer of assets from abroad to Switzerland covers the case where a foreign company transfers all its assets and liabilities or parts thereof to an existing Swiss company. With regard to the admissibility of a transfer of assets from abroad to Switzerland under Swiss international private law, the provisions concerning the immigration merger apply by analogy. As in the case of the immigration merger, the mandatory provisions of both the law applicable to the foreign transferring company and Swiss law must be observed.

The transfer of assets from Switzerland abroad covers the case where a Swiss company transfers all its assets and liabilities or parts thereof to an existing foreign company. With regard to the admissibility of a transfer of assets from Switzerland abroad under Swiss international private law the provisions concerning the emigration merger apply by analogy, however, with two exceptions regarding the protection of equity or membership rights and the protection of creditors.

Corporate taxation and incentives

Overview on corporate income taxation

In addition to Switzerland's central location and highly competitive business environment, international corporations are attracted to Switzerland's favorable tax regime. The competitive corporate taxation as well as available tax holidays generally represent significant incentives for businesses. Furthermore, the Swiss tax authorities are known to be cooperative and business orientated and tax rulings can be obtained within weeks, providing corporations with certainty on the tax treatment prior to their investment.

Corporate tax rates

Corporations are taxed on both their income and their capital. The Confederation and each canton and commune all have taxing jurisdictions.

Ordinarily taxed Swiss corporations are therefore subject to the following taxes:

- effective combined federal, cantonal and communal income tax rates ranging from 11.5% to 24.4% depending on the canton (based on 2014 rates)
- capital tax: depending on the canton, ranging from 0.01% to 0.5%.

Dividends and capital gains are exempt from income tax to the extent they qualify for the participation exemption. Also, favorable tax regimes, which are based on statute and also available to Swiss companies, are in place for different types of activities.

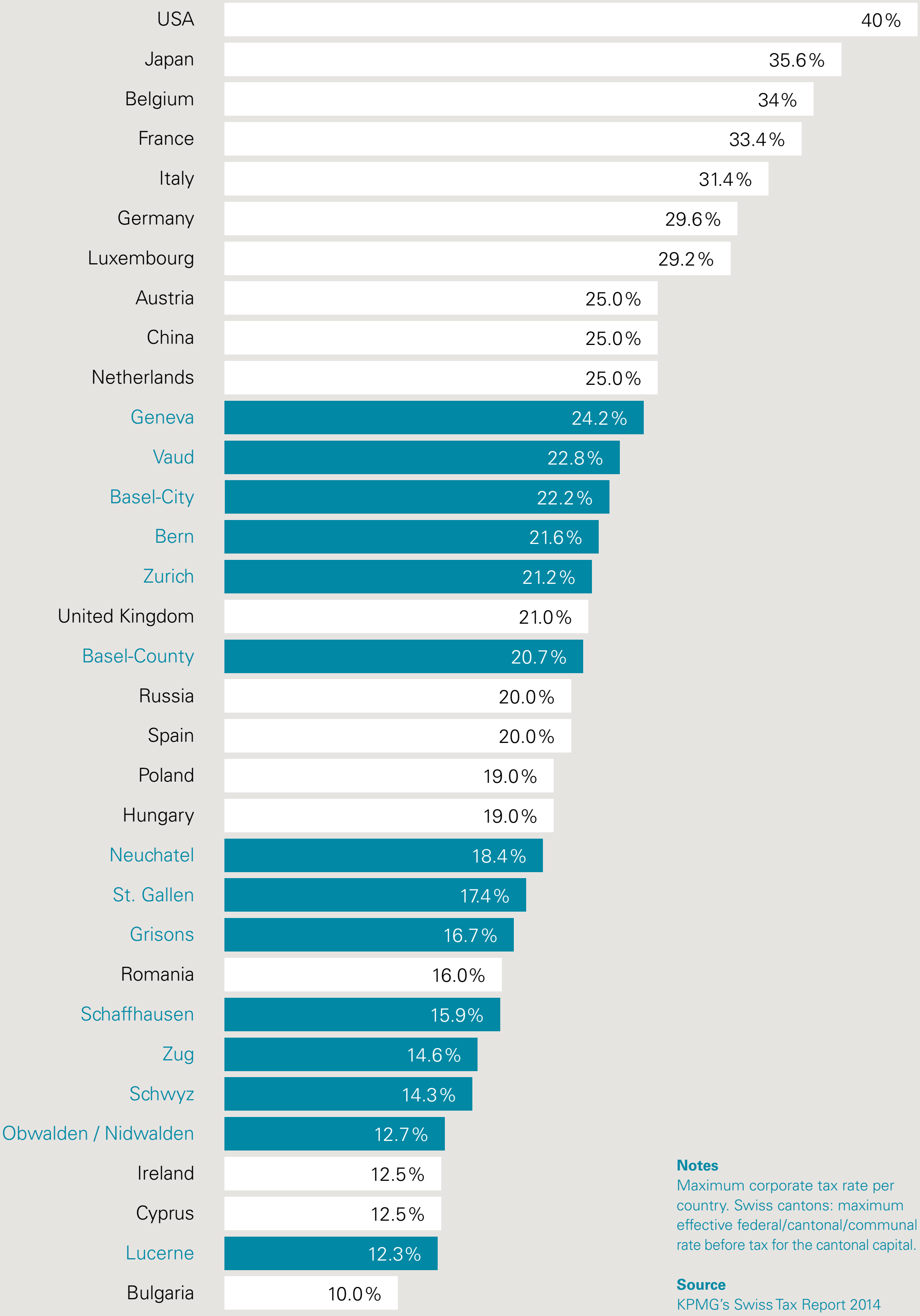
As a result, significantly lower tax rates can be achieved for different types of business activities.

Effective tax rates of companies with special tax status

Type of company	Approximate effective tax rate
Holding company	7.8%
Mixed company	8.5 – 10.5%
License box (canton of Nidwalden)	8.8%
Finance company/finance branch	1.5%
Principal company	5.0 – 8.0%
Captive insurance company	8.5 – 10.5% on minimum profits

Comparison of ordinary corporation tax rates across different cantons to other European countries

Switzerland's tax rates are highly competitive, which is particularly due to the high tax competition between different regions in Switzerland. This has also led to tax rates decreasing over the recent years.



Notes
Maximum corporate tax rate per country. Swiss cantons: maximum effective federal/cantonal/communal rate before tax for the cantonal capital.

Source
KPMG's Swiss Tax Report 2014

Because income tax and tax on equity are tax-deductible in Switzerland, the effective tax rate, expressed as a percentage of pre-tax income, is lower than the statutory rate. For example, a statutory tax rate of 14.5% results in an effective tax rate on profit before tax of about 12.7%.

Example tax calculation Canton of Obwalden

	Tax rates	
	Federal income tax rate	8.50%
	Cantonal & communal income tax rate	6.00%
a	Total statutory tax rate	14.50%
b	Capital tax	0.20%
	Example	
A	Profit before tax	2,000,000
B	Taxable capital	500,000
	Tax computation	
C	Income tax [(A – E) × a]	253,148
D	Taxable capital [B × b]	1,000
E	**Total tax**	**254,148**
	Effective income tax rate [C / A]	**12.71%**

Tax residency

Who is liable to corporate income tax?

Except for certain exempt organizations, all resident corporations, public or private, are subject to corporate income tax in Switzerland. Corporations which are incorporated or have their effective place of management in Switzerland are resident in Switzerland through personal affiliation. Non-resident corporations with a permanent establishment or real estate in Switzerland are deemed resident for tax purposes through economic affiliation.

Every company is taxed as a stand-alone entity. There are no tax groups or tax consolidations in Switzerland.

Tax base

What income is a company taxed on?

Companies resident by personal affiliation are subject to corporate income tax on their worldwide income. Income of permanent establishments abroad and foreign real property is however exempt from Swiss taxation.

Companies resident through economic affiliation are only subject to tax on Swiss income e.g. income of a Swiss permanent establishment or income derived from Swiss real estate.

Swiss corporations are assessed income tax on their net profit after tax as shown in the statutory financial statements prepared in accordance with the statutory provisions contained in the Swiss Code of Obligations (OR).

As the tax treatment generally has to follow the accounting treatment (“Massgeblichkeitsprinzip”), no separate tax accounts have to be prepared and there are generally few tax adjustments, if any, to be considered in the tax return. Thus, the importance of the statutory accounts cannot be underestimated.

Expenses are tax deductible to the extent that they are commercially justified and at arm's length. To assist the taxpayer, the Swiss tax authorities publish safe haven rates in relation to depreciation, interest expenses and movements in bad debt and stock provisions. In particular, a general bad debt provision of 5%/10% on Swiss/ international debtors and a stock provision of 33.33% are generally accepted as deductions for tax purposes. The safe haven interest rates for related party debt are published annually for different currencies.

How is taxable equity calculated?

Swiss corporations are assessed to tax on net equity as shown in the statutory financial statements prepared in accordance with statutory provisions.

Net equity is generally represented by nominal share capital, the share premium account and retained earnings.

Tax on equity also applies on so-called hidden equity (see thin capitalization section on page 56).

Participation income generally exempt

Dividend income and capital gains on participations are generally subject to Swiss tax. However, an exemption is available, which could be up to 100% of the income from participations exempt from Swiss tax. For the participation exemption to apply, the following requirements have to be met:

- Dividends: Investment must amount to at least 10% of equity or have a market value of at least CHF 1 million.
- Capital gains: Investment sold must amount to at least 10% of equity and a minimum one year holding period must apply.

The participation exemption applies irrespectively of the nature of the underlying income, i.e. there are no subject-to-tax rules or restrictions for passive income. This exemption among other attributes makes Switzerland a very attractive holding location.

No separate tax on capital gains

Capital gains are included in the ordinary income of a corporation and are fully taxable. There are no separate rates applicable to capital gains.

The only exceptions to this are capital gains on real estate on which a real estate capital gains tax may apply on a cantonal level instead.

The same may apply to the sale of shares in qualifying real estate companies unless an applicable double tax treaty prevents the taxation in Switzerland.

Furthermore, a transfer tax may also apply on the sale of real estate companies.

Flexible loss carry forward rules

Losses can be carried forward for a maximum period of seven years.

Losses of foreign permanent establishments can also be offset with Swiss income if there are no foreign profits to offset the losses. If profits are realized in the foreign permanent establishment within the following seven years, a claw-back of tax losses utilized occurs.

In contrast to many other countries, in Switzerland there is no restriction on the carry forward and use of losses where direct or indirect ownership of a company changes ("change in ownership rules").

Thin capitalization rules

Thin capitalization rules are only relevant where a company is financed by related party debt. Third party debt financing is never restricted.

The rules in place are safe haven rules. If it can be shown and documented that a debt/equity ratio exceeding the safe haven rules is at arm's length, the thin capitalization rules will not apply.

The allowable debt ratio under the safe haven rules is calculated as the sum of underlying debt accepted for single asset categories. For example, trade receivables and stock can be 85% debt financed, participations 70% and machinery 50%. If the effective debt exceeds the sum of the acceptable underlying debt, the excess will be treated as equity for tax purposes ("hidden equity"), but only to the extent related party debt exists.

The tax consequences are:

- Capital tax is payable on this proportion of the related party debt which is considered hidden equity.
- Interest paid on hidden equity is added back to taxable income, increasing the corporate income tax charge.
- Interest on hidden equity is considered to be a deemed distribution and is subject to withholding tax.

Financing companies are subject to different capitalization rules, allowing for attractive financing schemes.

Assessment of corporate income taxes

The tax compliance obligations in Switzerland are fairly straight-forward and very moderate in amount.

Filing of corporation tax returns

The Swiss federal tax year covers one year and coincides with the calendar year, however, companies are free to choose a different financial year. Tax returns generally need to be filed six to eight months following the company's financial year end (depending on the canton) but extensions can usually be obtained.

The tax return is reviewed by the tax authorities and upon completion a final assessment is issued.

In situations where a taxpayer believes that the assessment received is not in accordance with applicable law, an appeal may be filed within thirty days. The tax authorities must then reconsider all taxable elements, which may also result in other items being reconsidered.

Tax audits may be initiated from time to time, however there are no fixed intervals for such audits and there is no requirement for all companies to receive a tax audit. Furthermore, there are no e-audits in Switzerland.

Functional currency

While tax returns must be filed in CHF based on Swiss franc statutory accounts, other functional currencies can be used for reporting purposes. Any profit or losses resulting from the mandatory conversion between the functional currency and CHF will be disregarded for income tax purposes (according to a verdict of the Federal Supreme Court).

Tax payments

Procedures differ depending on the canton, but cantonal corporate income taxes are generally payable by instalments during the financial year (based on the tax charge in the prior year) and based on a final assessment after the year end. Interest accrues on overdue tax. The due date is usually in quarter three or four of the current financial year.

Federal corporate income tax is due on 1 March following the end of the financial year and payable within 30 days.

Flexible reorganization rules

Corporate reorganizations such as mergers, demergers, hive downs, transformations and group-internal asset transfers are generally tax-neutral. The main requirements are that the liability to Swiss taxes must continue post-reorganization, and assets and liabilities have to be transferred/acquired at their tax book value.

Furthermore, subject to the same conditions, no restrictions are generally imposed on reorganizations between unincorporated businesses (sole traders or partnerships) and corporate bodies.

For mergers and demergers, there are no minimum holding periods for tax neutrality to apply. However, transformations of an unincorporated business into a corporate body are subject to a five-year holding period following the transformation.

Five-year holding periods also apply on hive downs and group-internal asset transfers at book value.

Rules for tax neutrality

	Tax-neutral reorganization possible	Does blocking period apply?
Merger	Yes	No
Demerger	Yes	No
Hive down	Yes	Yes
Share for share exchange	Yes	No
Group-internal transfer of assets	Yes	Yes
Transformation (unincorporated to corporate)	Yes	Yes

Transfer pricing

Under the general tax provisions, related party transactions must be at arm’s length and commercially justified. Switzerland does not have specific transfer pricing legislation and there are no particular documentation requirements in relation to transfer pricing other than the standard tax declaration requirements. In cases where information on intercompany relationships are requested, transfer pricing documentation might be advantageous.

The tax authorities accept the OECD Transfer Pricing Guidelines for Multinational Enterprises and these guidelines are therefore typically used by the Tax Authorities as guidance on interpreting transfer pricing arrangements for all companies. In relation to thin capitalization (see left page), guidance is issued by the tax authorities which can be used to establish the amount of intercompany loans which would be deemed equity (“hidden equity”) and interest which would be deemed to exceed the arm’s length amount.

Unlike other countries, Switzerland does not have specific penalties relating to transfer pricing, in particular penalties for non-compliance with documentation requirements. Unlike many other countries, Switzerland does not have any CFC rules.

No controlled foreign company (CFC) rules

Unlike many other countries, Switzerland does not have any CFC rules.

Corporate taxation and incentives
Tax structuring options

Flexible tax environment and incentives

Switzerland provides a very flexible tax environment for a range of different companies. Swiss holding companies and companies with predominantly international business can benefit from tax reliefs at the cantonal and federal level, which are based on statute and can result in significant reductions in income tax as well as tax on equity. Binding confirmation (ruling) of the applicability of the law in specific scenarios is usually issued within weeks.

Special tax status

The tax base of companies with a special tax status can be further reduced e.g. by debt financing, IP amortization or branch profit allocations. Accordingly, the effective tax rate of these structures can be further reduced.

	Main requirements	Main reliefs (exceptions can apply)	Income tax rate (best canton)
Holding companies	Long-term management of participations • No commercial activity in Switzerland • 2/3 of total assets are qualifying shareholdings or 2/3 of income is derived from qualifying shareholdings	Full exemption from cantonal/communal income tax and reduced tax on equity	7.8%
Mixed companies	• Limited trading activities in Switzerland (i.e. mainly active abroad). • Administrative functions and minor commercial activities may be performed in Switzerland (generally less than 20% of the company's income and expenses)	Income derived from outside of Switzerland is only partially taxable for cantonal/communal income tax purposes. Reduced tax on equity	8.5–10.5% (depending on canton)
License box (canton of Nidwalden)	• IP company located in the canton of Nidwalden receiving license income • Definition of IP according to Art. 12 OECD model treaty	The cantonal tax rate on net license income is reduced by 80%.	8.8%
Finance branches	• Financing function, mainly for related companies • Total assets of at least CHF 100 million • Loans to Swiss group companies do not exceed 10% of the total assets of the branch	Notional interest deduction	1.5%
Principal companies	Companies which centralize the functions and risks of an international group and do business through contract manufacturing and limited risk distributor agreements (VCM)	Reduced effective income tax, depending on the international income allocation	5–8% (depending on canton)
Captive insurance companies	Insurance companies which provide insurance services to group companies (regulated by FINMA)	Qualification as mixed company with minimum profit ruling	8.5–10.5% (depending on canton) on minimum profits
Tax holidays / business incentives	Newly established companies with an investment and headcount which is substantial for the specific region. Additional requirements apply and vary from canton to canton	Up to ten years tax holiday on income tax and reduction of tax on equity (up to 100%)	0%

Holding companies

Given the excellent tax treaty network, a tax system with competitive tax rates and the tax status of a holding company being available for companies which hold substantial investments in the capital of other companies, Switzerland is a very attractive location for holding subsidiaries.

As described above, companies holding qualifying investments will generally benefit from the participation exemption on dividend income or capital gains from participations.

Additionally, companies qualifying as holding companies according to statute are also exempt from cantonal/communal income tax on any other income (except for Swiss real estate income) and subject to a reduced tax on equity rate. Accordingly, only other income (e.g. interest, royalties or management fees) is subject to federal income tax at an effective tax rate of 7.8%. The cantonal holding company regime is granted if the following three requirements are met:

- the main purpose of the company is to hold and manage long term investments in affiliated companies
- the company has no commercial activities in Switzerland and
- at least two thirds of the company's total assets consist of qualifying shareholdings or two thirds of the company's total gross income is derived from qualifying shareholdings (dividends and capital gains).

Further very important reasons for Switzerland being an attractive holding location are that there are no CFC rules and no 'subject to tax requirement' or 'active business tests'. The benefits of a holding company therefore apply to both active and passive income. Furthermore, the holding status can also be applied to branches of foreign companies.

Functions that may be performed by a qualifying holding company in Switzerland include finance and treasury, HR, legal, asset and IP management.

Mixed companies

Companies domiciled in Switzerland and branches of foreign entities located in Switzerland which mainly engage in business activities abroad may benefit from the tax status of a mixed company. The mixed company status is a multi-purpose status but typical examples include international trading activities (purchase and sale of products/services), management and exploitation of IP and administrative functions.

This status is generally granted if the commercial activities in Switzerland do not exceed 20% of the company's income and expenses.

Income of a mixed company which is derived from non-Swiss sources is only partially taxable in Switzerland and can be subject to an income tax rate of approximately 8.5 to 10.5% (including federal income tax), whereas Swiss-source income is fully taxable. Mixed companies also benefit from a reduced tax on equity rate.

License box in the canton of Nidwalden

The Canton of Nidwalden introduced a "license box" system which entered into effect on 1 January 2011. With this currently unique system in Switzerland, IP companies located in Nidwalden benefit from a cantonal tax rate on net license income reduced by 80%. The effective corporate income tax rate (including federal tax) amounts to 8.8%. The reduced tax rate applies to net license income from both 'old' IP (held prior to 1 January 2011) and 'new' IP, as well as to self-developed IP and to IP acquired from third parties or group companies. Capital gains on IP assets also qualify as license income.

Finance branches

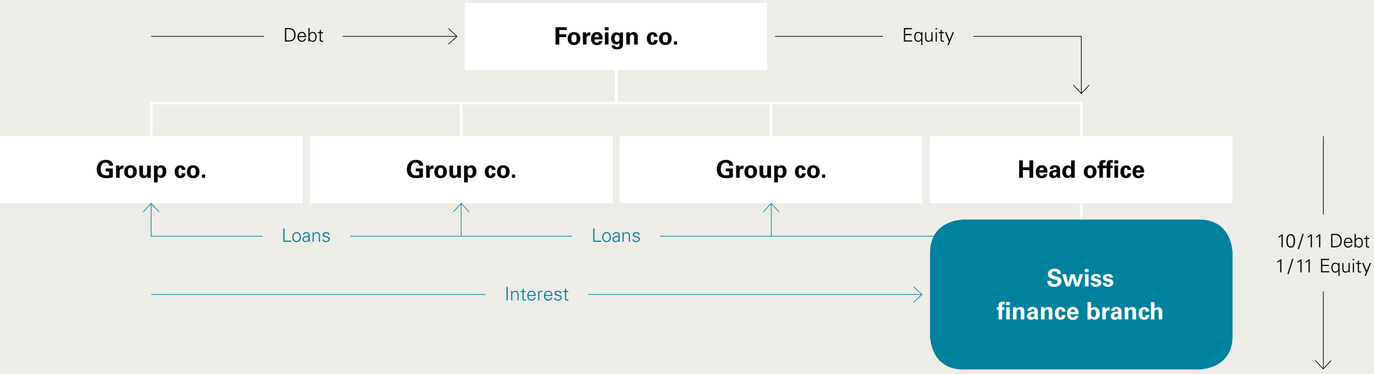
A Swiss branch of a foreign company whose main purpose is to finance group companies may benefit from tax treatment as a finance branch.

The main requirements to qualify as a finance branch are:

- minimum balance sheet total of CHF 100 million
- at least 75% of its activities (such as granting loans, cash management and cash pooling) are finance-related activities, mainly for group companies and
- loans to Swiss group companies do not exceed 10% of the total assets of the branch.

Finance branches benefit from a notional interest deduction on interest earned. Considering this notional interest deduction, the overall Swiss income tax rate on profits of its financing activities may be reduced to about 1.5%.

Typical Swiss finance branch structure



Principal companies

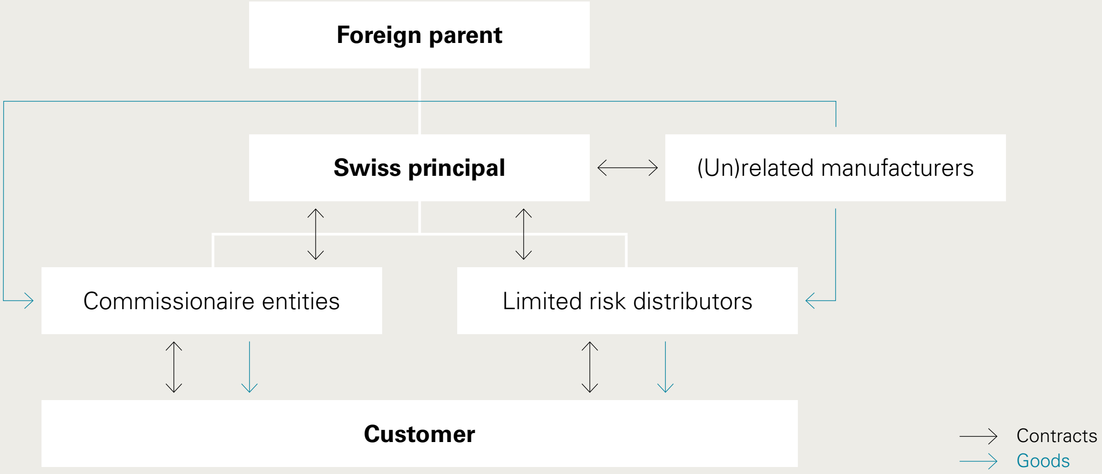
Switzerland's flexible tax environment makes it an ideal location to establish a so-called "principal" company of the group as part of its value chain management (VCM) system.

The basic concept of principal company structures is the transfer of functions, risk and intellectual property rights of a group to the Swiss principal company.

There are generally two 'types' of principal companies: 'trading principals' which centralize sales and distribution functions by means of limited risk distributor agreements with dependent foreign group companies; and 'manufacturing principals' which also manage the contract manufacturing side of the value chain.

A typical example of such a structure would be a Swiss company which centralizes all the main functions and risks and outsources the production of goods to a foreign entity as contract manufacturer and sells these goods mainly abroad through dependent limited risk distributors or commissionaires. As a result of a foreign branch exemption for income related to dependent foreign sales entities, the profits are taxed at an effective corporate income tax rate as low as 5–8% in a principal structure.

Principal company structure



To achieve such a structure, it is important that
- the structure meets the requirements of the business and
- functions, risks and IP are effectively re-allocated into Switzerland.

Properly implemented, principal structures are supported by the tax authorities and cause the groups to re-engineer their value chains resulting in permanent cost reductions and corresponding tax savings.

Captive insurance companies

Captive insurance companies provide insurance services to group companies.

A Swiss reinsurance captive has to meet the minimum requirements in relation to share capital (CHF 3 million fully paid up) and the organization fund (CHF 0.3 million) as well as having the legal form of a corporation or cooperative association. Furthermore, the captive requires approval from FINMA.

From a tax perspective, captives are generally likely to meet the requirements of a mixed/domiciliary company and therefore benefit from the reduced effective income tax rates described above.

Additionally, the tax authorities generally accept the creation of technical reserves as long as this does not lead to insufficient profits. Such a minimum profit is generally calculated as the average Swiss bond yield plus 2% times the average equity of the business year.

The effective tax burden of a captive can therefore be significantly reduced through the combination of such technical reserves as well as the application of the reduced effective tax rate for mixed/domiciliary companies.

Tax holidays/business incentives

New businesses which serve the economic interest of Swiss cantons and create new jobs may be granted business incentives and tax holidays from cantonal taxes for a period of up to ten years following establishment or relocation. Companies with a significant modification of their current activities may also qualify for such benefits.

At federal level, (partial) tax holidays may also be available if the company is domiciled in a particular region, i.e. a region considered to be economically challenged.

Typically, tax benefits are granted in the form of reduced income and tax on equity rates. Up to 100% of tax can be mitigated for a period of up to 10 years with a tax holiday.

Furthermore, the cantons may grant financing at preferred conditions, contribute to the relocation costs, grant a fixed amount per employee or provide other benefits. Subsidies might be available – depending on the business activity – at the cantonal and federal level.

The requirements for such benefits vary. Typically, companies are required to demonstrate substance in Switzerland with a specified number of employees and base the application on a sound and detailed business plan. Overall, the investment should be substantial and important for the region and should not compete with existing businesses.

Outlook: Corporate Tax Reform III

Since 2007, Switzerland's privileged taxation of holdings, mixed and domiciliary companies has been under increasing international pressure, in particular from the European Union. The federal and cantonal governments have reacted and are currently reshaping the Swiss tax legislation: After having published its final report on "measures to strengthen the competitiveness of the Swiss tax system" in December 2013, the Federal Council released a legislative draft for a tax reform on 22 September 2014 for consultation purposes.

To assure the competitiveness of Switzerland, the Swiss Federal Government proposed replacing the holding, mixed and domiciliary company regime in the next five to seven years with a series of measures. The propositions outlined in the report are to be grouped in three areas:

- introduction of new regulations for mobile earnings (i.e. IP box and notional interest deduction)
- step-up mechanism to reveal hidden reserves
- lowering of cantonal tax rates
- abolishment of certain tax burdens to enhance the general business location attractiveness.

It is expected that new provisions would not enter into force before 2018 and that for existing rulings some grandfather clauses would be introduced. However, the developments around the Swiss Corporate Tax Reform III and discussions at the OECD level about base erosion and profit shifting (BEPS) should be monitored closely in order to secure the best available tax benefits for a specific business set-up in Switzerland.

Corporate taxation and incentives

Withholding tax

According to Swiss domestic legislation, there is a 35% Swiss withholding tax (WHT) on:

- dividends paid by a Swiss corporation
- payments of interest in respect of Swiss bonds, cash bonds, money market instruments and any client deposits at Swiss banks; (please note that WHT does not generally apply to intercompany interest)
- the distribution (including the reinvestment in the context of non-distributing funds) of income from Swiss funds.

There is also a special tax which has to be withheld on interest in respect of loans having a Swiss real estate collateral. The tax rate depends on the canton where the real estate is located.

WHT may also be due on deemed dividend distributions from Swiss corporations e.g. where a payment made to a related person or company does not meet the arm's length test, or where the amount received by the Swiss corporation from a related person or company is lower than the arm's length price. In case of a deemed dividend, the actual amount of the benefit which accrues to the recipient (the difference between the actual amount and the arm's length amount) is regarded for WHT purposes as a net 65% dividend after deduction of WHT, unless the WHT is actually borne by the recipient.

Income is not subject to WHT

Repayment of direct shareholder contributions

There is no WHT on the repayment of share capital or capital contribution reserves.

Intercompany interest

There is no WHT on arm's length intercompany interest paid provided the payer does not qualify as a bank for WHT tax purposes.

Royalties, management and service fees

There is no WHT liability on the payment of royalties, technical assistance fees, management fees or service fees in Switzerland.

Branch profits

No WHT is due on the remittance of profits by a Swiss branch to its foreign head office.

Foreign source income

There is no WHT on the payment of fund distributions if more than 80% of the income generated by the fund is from foreign sources and the unit holder is resident outside Switzerland and this is evidenced (i.e. the so-called "Affidavit Procedure").

Fees and payments related to non-funded derivatives

There is no WHT liability on the payment of arm's length fees (including lending fees) and the payment related to any non-funded derivatives (e.g. swaps).

Relief at source or refund of Swiss WHT

Generally, Switzerland operates a refund procedure in relation to withholding tax which enables Swiss individuals, Swiss resident entities and foreign individuals to obtain a full refund of WHT or a full credit against income tax.

Applications for full or partial relief at source using a notification procedure instead can also be made in some circumstances including:

- full relief at source for Swiss resident entities in relation to qualifying investments
- non-resident corporate recipients of Swiss dividends and interest can benefit from a full or partial relief of the tax according to the provisions of the applicable double tax treaty (if any) or an exemption under the EU-Swiss Savings Agreement.

It should be noted that foreign intermediary holding structures are generally accepted by the Swiss tax authorities if the intermediary holding company is sufficiently equity financed.

Additional WHT on certain foreign source income

Swiss custodian banks apply an additional WHT on the payment of certain foreign sources of income made to non-Swiss resident clients. The investor can claim a relief from this tax under the applicable treaty between the country of the source of the income and the country of residence of the client.

EU-Swiss Savings Agreement

The EU-Swiss Savings Agreement provides for withholding tax on interest payments, commonly referred to as EU savings tax, made by Swiss paying agents (e.g. Swiss banks) to individuals residing in a member state of the EU.

Customers of Swiss banks can choose between deduction of EU savings tax and voluntary disclosure of income subject to the deduction.

For individuals who have expressly opted for voluntary disclosure, the Swiss paying agent declares the interest payments covered by this agreement to the Swiss Federal Tax Administration. The Swiss Federal Tax Administration will then send this information to the tax authorities in the individuals’ country of residence.

EU savings tax is withheld at the following rates:

- interest paid between 1 July 2008 and 30 June 2011: 20%
- interest paid from 1 July 2011 onwards: 35%.

Corporate bodies (companies, associations, foundations, etc.) are not subject to such EU savings tax.

Furthermore, this agreement affects only interest payments; it does not apply to dividends or capital gains. The interest payments which are subject to EU savings tax are defined in the relevant regulations and do not include e.g. interest from debtors resident in Switzerland or interest on private loans.

Rubik Agreements

Switzerland entered into a final withholding tax agreement with the UK and Austria (“Rubik Agreements”). Under the Rubik Agreements, Swiss paying agents (e.g. banks in Switzerland) have to withhold a withholding tax on income and gains on bankable assets of relevant clients resident in the UK or Austria. Relevant clients also have the option of applying for a notification procedure.

Corporate taxation and incentives

Double tax treaties

Switzerland has a number of unilateral provisions which eliminate double taxation. In particular, income from permanent establishments and real estate abroad is not taxed in Switzerland. Where no unilateral provisions are in place, Swiss companies can generally rely on double tax treaties or other international treaties to reduce or eliminate double taxation.

Extensive treaty network

Switzerland has concluded tax treaties with over 100 countries and this network of tax treaties is constantly being expanded and updated.

Swiss corporations are generally eligible for treaty benefits if they are resident in Switzerland and are the beneficial owner of the income. From a Swiss perspective, the beneficial owner usually corresponds to the legal owner.

Switzerland's tax treaties generally convey the following benefits:

- for certain items of income, exemption from Swiss tax, with taxation in country of source (exemption method)
- reduction or elimination of foreign and Swiss withholding tax
- ability of Swiss corporations to claim a credit for foreign withholding taxes against Swiss income taxes payable.

All new treaties negotiated will include Art. 26 of the OECD (exchange of information) as a standard clause. From late 2010 to late 2013 Switzerland already concluded 34 new double tax treaties or amended existing ones.

EU-Swiss Savings Agreement

In addition to double tax treaties, Swiss companies can benefit from the EU-Swiss Savings Agreement in relation to dividends paid and interest and royalty payments made between associated companies. In essence, the Savings Agreement grants Switzerland access to the EU Parent/Subsidiary and the EU Interest/Royalty directives.

Under this agreement, dividends paid by a subsidiary to a parent company are exempt from withholding tax in the country of source if

- the parent company has held a direct minimum holding of 25% of the capital of the subsidiary for at least two years
- one company is tax resident in a member state and the other company is tax resident in Switzerland
- neither company is tax resident in a third state for the purpose of any other double tax agreement and
- both companies are subject to corporate tax without being exempted and both adopt the form of a limited company.

Interest and royalty payments made between associated companies or their permanent establishments are not subject to withholding tax in the country of source if the above conditions apply. Furthermore, the withholding tax exemption in relation to interest and royalty payments is also available for indirect holdings.

The table below sets out the rates of Swiss withholding tax under tax treaties and the EU-Swiss Savings Agreement.

Restrictions

Switzerland has unilaterally taken measures against the improper use of tax relief under tax treaties in the so-called 'Anti-abuse Decree'. As a result of these provisions, tax deductible expenses such as interest, royalties or management fees paid to non-residents may not exceed 50% of gross income benefiting from treaty/EU Savings Agreement reliefs. The restriction does not apply for quoted companies, genuine holding companies and any active IP, management or other active companies. Also, the rules are intended to be further relaxed in the near future.

Furthermore, special anti-abuse clauses apply in the tax treaties with the US, Belgium, France and Italy.

Treaty withholding tax rates

	Dividends (%) Qualifying companies	Interest (%)	Royalties (%)
Domestic rates			
Companies	35	0/3/35	0
Individuals	n/a	0/3/35	0
EU-Swiss Saving Agreement			
Austria	0	0	0
Belgium	0	0	0
Bulgaria	0	0	0
Croatia	0	0	0
Czech Republic	0	0	0
Denmark	0	0	0
Estonia	0	0	0
Finland	0	0	0
France	0	0	0
Germany	0	0	0
Greece	0	0	0
Hungary	0	0	0
Ireland	0	0	0
Italy	0	0	0
Latvia	0	0	0
Lithuania	0	0	0
Luxembourg	0	0	0
Malta	0	0	0
Netherlands	0	0	0
Poland	0	0	0
Portugal	0	0	0
Romania	0	0	0
Slovak Republic	0	0	0
Slovenia	0	0	0
Spain	0	0	0
Sweden	0	0	0
United Kingdom	0	0	0
Double tax treaties			
Albania	5	5	5
Algeria	5	0/10	10
Anguilla	n/a	n/a	n/a
Antigua	n/a	n/a	n/a
Argentina	10	12	0/3/5/10/15

	Dividends (%) Qualifying companies	Interest (%)	Royalties (%)
Armenia	5	0/10	5
Australia	15	10	10
Azerbaijan	5	5/10	5/10
Bangladesh	10	0/10	10
Barbados	n/a	n/a	n/a
Belarus	5	5/8	3/5/10
Belize	n/a	n/a	n/a
British Virgin Islands	n/a	n/a	n/a
Canada	5	10	0/10
Chile	15	5/15	5/10
China	10	10	10
Colombia	0	0/10	10
Dominica	n/a	n/a	n/a
Ecuador	15	10	10
Egypt	5	0/15	12.5
Faroe Islands	0	0	0
Gambia	n/a	n/a	n/a
Georgia	0	0	0
Ghana	5	10/0	8
Grenada	n/a	n/a	n/a
Hong Kong	0	0	3
Iceland	5	0	0
India	10	-/10	5/10
Indonesia	10	10	10
Iran	5	0/10	5
Israel	5	5/10	5
Ivory Coast	15	15	10
Jamaica	10	0/5/10	10
Japan	0/5	0/10	0
Kazakhstan	0/5	10	10
Korea	5	5/10	5
Kuwait	15	10	0/10
Kyrgyzstan	5	5	5
Liechtenstein	n/a	0/-	n/a
Macedonia	5	0/10	0
Malawi	n/a	0	0/-
Malaysia	5	10	10
Mexico	0	5/10	10
Moldova	5	0/10	0
Mongolia	5	0/10	0/5
Montenegro	5	10	5
Montserrat	n/a	n/a	n/a
Morocco	7	10	10
New Zealand	15	10	10
Norway	0	0	0
Pakistan	10	10	10

	Dividends (%) Qualifying companies	Interest (%)	Royalties (%)
Peru	10	10/15	10/15
Philippines	10	10	15
Qatar	5	0	0
Russia	0/5	0	0
St. Kitts and Nevis	n/a	n/a	n/a
St. Lucia	n/a	n/a	n/a
St. Vincent	n/a	n/a	n/a
Serbia	5	10	0/10
Singapore	5	0/5	5
South Africa	5	5	0
Sri Lanka	10	5/10	10
Taiwan	10	10	10
Tajikistan	5	10	5
Thailand	10	10/15	5/10
Trinidad and Tobago	10	10	10
Tunisia	10	10	10
Turkey	5	5/10	10
Turkmenistan	5	10	10
Ukraine	5	0/10	0/10
United Arab Emirates	5	0	0
United States	5	0	0
Uruguay	5	10	0
Uzbekistan	5	0/5	5
Venezuela	0	5	5
Vietnam	7/10	10	10
Zambia	n/a	0	n/a

Corporate taxation and incentives

Customs duties

Switzerland is one of the last countries where customs duties are based on the weight, not on the value. Tariff classification follows the rules of the WTO (Harmonized System).Customs is ruled by federal law only, the Federal Customs Authority is the responsible government agency.

Goods must be announced at customs at the time of entrance into Switzerland or when changing the customs status. Simplified electronic procedures or inland customs clearance are possible with special authorization. There is a joint liability for customs duties for the importer, the customs agent and the shipper and – in certain cases – for the recipient of the goods.

Swiss customs law includes the usual customs procedures like importation, bonded warehouses, inward and outward process relief, temporary importation etc. As a member of the WTO, Switzerland uses the General System of Preferences (GSP) which leads to lower customs rates for many developing countries. Furthermore, there are a lot of Free Trade Agreements with industrialized countries (see page 94).

Corporate taxation and incentives

Value added tax

Switzerland introduced a value added tax system in 1995. After a total modification, the current Swiss VAT Act came into effect on 1 January 2010. Although Switzerland is not a member of the EU, the Swiss VAT system is principally in line with the EU VAT system.

Current VAT rates

Standard rate	**8.0%**
Reduced rate (e.g. food, medicine, newspapers, books)	2.5%
Special rate for lodging services	3.8%

Taxable transactions

In general, the following transactions of taxable persons are subject to VAT:

- supply of goods and services in Switzerland
- purchase of certain services from non-Swiss domiciled businesses (“reverse charge mechanism”)
- purchase of goods from a foreign supplier who is not registered for VAT, if goods are not linked with import into Switzerland (intra-Swiss supply).
- import of goods
- supply of telecommunication or electronic services by foreign domiciled businesses to recipients in Switzerland who are not Swiss VAT registered.

General remarks

The Swiss VAT Act aims to minimize the administrative burden and to reduce restrictions in input tax recovery (“shadow tax”).

In particular, the following items shall highlight some of the significant developments under the Swiss VAT Act:

- Every enterprise will in general be entitled to claim back the full input tax on costs incurred in connection with its business activity (also holding companies).
- A reduction of the input tax only has to be made in respect of exempt turnover and certain “non-turnover” (e.g. subsidies).
- In principle, holding companies are considered as carrying on a business activity and therefore benefit from the possibility to reclaim input tax without reduction.
- The VAT grouping (i.e. possibility to treat closely associated entities with their place of business or permanent establishment in Switzerland as one single taxable person), may be handled individually and based on the respective business needs.
- In Switzerland, the new company identification number (“UID”), available since 1 January 2011, will replace the existing registration numbers of Swiss registered business (e.g. the previous six digit VAT number) from 1 January 2014.
- Swiss HQ and foreign branches (or vice versa) are deemed to be different entities from a VAT point of view (contrary to EU legislation). VAT optimization is possible with certain group structures.
- Leasing and rental transactions are deemed to be supplies of goods. If goods are outside of Switzerland, no Swiss VAT is levied.

Furthermore, the Swiss VAT Act offers many options, in particular with regard to voluntary VAT registration opportunities.

Corporate taxation and incentives

Stamp duty

Stamp issue tax

A 1% stamp issue tax applies on the issue of shares of a Swiss company exceeding CHF 1 million.

Stamp issue tax also applies to contributions in cash and in kind from the shareholders unless the contribution relates to a transaction which qualifies for an exemption. Qualifying transactions include most of the mergers and spin-offs of Swiss companies as well as the transfer of business assets. The recapitalization by shareholders of a company which is over-indebted may also qualify for an exemption if certain requirements are met.

In September 2011, the Swiss parliament decided to abolish stamp issue tax on bonds, cash bonds and money market instruments; this decision came into effect on 31 March 2012.

Securities transfer tax

Scope

Stamp transfer tax applies on the transfer of ownership (i.e. purchase, sale or exchange), other than by way of a gift, of Swiss and foreign taxable securities where a Swiss bank or another Swiss securities dealer (as defined in the legislation) acts as a counterparty or an intermediary in such a transfer.

The taxable securities include Swiss and foreign shares, bonds and units in funds. Interest in a partnership is not a taxable security unless the partnership has most of the features of a fund (e.g. most of the private equity funds).

Swiss securities dealers for stamp transfer tax purposes are in particular:

- banks and bank-like financial institutions subject to Federal Banking Law as well as the Swiss national bank
- Swiss companies and Swiss pension funds whose assets include taxable securities with a book value of more than CHF 10 million
- Swiss individuals, corporate entities, partnerships as well as branches of foreign enterprises whose activities exclusively or substantially encompass the trading of securities on third party accounts or brokering such securities as portfolio managers.

Rates

The basis of assessment is generally the consideration paid or received for the transfer of the taxable securities. Stamp transfer tax is due at a rate of 0.075% (i.e. 7.5 bp) for Swiss securities and 0.15% (i.e. 15 bp) for foreign securities.

Exemptions

There are numerous exemptions from stamp transfer tax. In some cases, certain transactions are exempt, while in other cases, certain counterparties to the transactions are exempt.

The main exempt transactions are:

- the acquisition and disposal of securities as part of the trading portfolio of a Swiss bank or a Swiss professional securities dealer
- the issue of Swiss and foreign securities (except the issue of units in foreign funds and the like which is subject to tax at 15 bp)
- the redemption of securities
- the purchase and the sale of foreign bonds to foreign counterparties
- the transfer of taxable securities in connection with a qualifying restructuring (merger, demerger or qualifying transformation).

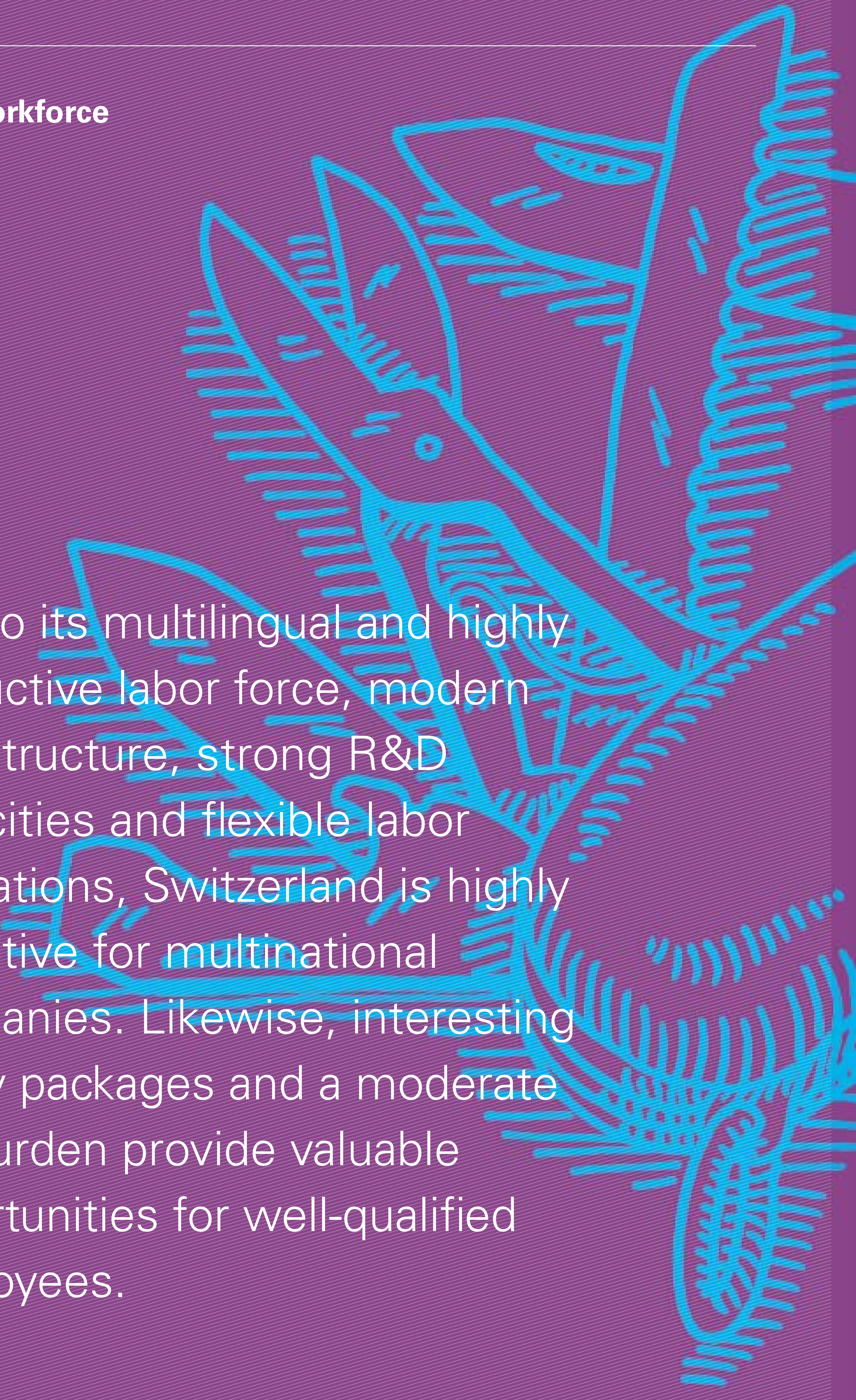
The following Swiss counterparties are exempt counterparties:

- Swiss securities dealers acting in their function as Swiss securities dealers
- Swiss investment funds.

The following foreign institutional investors are also exempt:

- foreign banks and regulated brokers
- foreign investment funds
- foreign pension funds
- foreign life insurance companies
- foreign governments and central banks
- foreign listed companies and their affiliates.

Your workforce



Due to its multilingual and highly productive labor force, modern infrastructure, strong R&D capacities and flexible labor regulations, Switzerland is highly attractive for multinational companies. Likewise, interesting salary packages and a moderate tax burden provide valuable opportunities for well-qualified employees.

Mobile workforce and labor market

Employment law

According to the IMD World Competitiveness Yearbook 2014, Switzerland was ranked number 1 in flexibility of labor regulations. Well known as a hub for talents, Switzerland is a highly attractive location for employers and employees alike.

Attractive conditions for employers and employees alike

Swiss labor law as laid down in the Code of Obligations and the Labor Act provides for significantly fewer mandatory requirements than employment law in other EU states and therefore provides for a very large contractual freedom. Moreover, although Swiss labor law is famous for its employer friendliness, in particular because of the simple termination rules, Switzerland constantly has one of the lowest unemployment rates in the world.

Individual employment agreements

Individual employment agreements may generally be concluded orally, however, some types of employment contracts (apprentices, commercial agents) and some specific clauses, mainly in relation to remuneration, termination and non-competition, must be in writing. For evidence-related reasons, however, it is generally recommended to conclude employment agreements in writing.

Most important elements of employment agreements under Swiss Law

Description	Source and further information
Normal working time A normal workweek for employees usually amounts to 40 – 44 hours (current average at around 41.5 weekly hours).	Federal Statistical Office (2013) The working hours are generally agreed in the employment contract (if not determined by potentially applicable labor agreements).
Salary payment continuation duty An employer must continue to pay an employee in case of illness, accident, fulfillment of statutory duties, exercise of public office or pregnancy. During illness or confinement, payment of salary must be continued for at least three weeks during the first year of service and for an adequately longer period thereafter, depending on the length of service and the particular circumstances.	Swiss Code of Obligations (art. 324, 324a). Since the statute does not define the terms "adequately longer period", "length of service" and "particular circumstances", it was left to the courts to establish guidelines. An employer is required to supplement an employee's sick pay from the compulsory insurance system, so that the employee receives 80% of his normal pay (art. 324b).
Overtime hours The difference between normal working time and the effective working hours is referred to as overtime. Overtime hours are basically to be paid at a (minimum of) 25% premium or compensated by additional free time, unless otherwise agreed upon in writing or fixed by standard employment contracts or collective labor agreements. For instance, overtime hours can be deemed fully compensated by the fixed salary provided the relevant salary is high enough.	Swiss Code of Obligations (art. 321c)

Description	Source and further information
Allowed maximum weekly working time 45 hours per week for employees of industrial companies as well as for office personnel, technical and other staff, including sales forces of large firms in the retail industry. 50 hours for all other employees.	Swiss Labor Act (art. 9) The maximum working time may be exceptionally exceeded for specific reasons (e.g. urgency) up to certain levels as provided for by the law. Authorizations are necessary for night or Sunday work. Further restrictions as provided for by the Labor Act are to be considered.
Excess hours If the weekly maximum working hours are exceeded, this is referred to as excess hours. Excess hours may not exceed two hours per day for an individual employee. In total, the excess hours may not exceed 170 hours per year for employees with a weekly maximum working time of 45 hours, or 140 hours for employees with a weekly maximum working time of 50 hours. Unless compensated by an equal amount of time off, as of the 61st excess hours per calendar year excess hours must be mandatorily paid at a premium of 25%. Other than overtime hours, this compensation duty cannot be validly waived by contractual agreement (exception: senior managerial staff)	Labor Act (art. 13) Consent of the employee representative committee is not required.
Vacation At least four weeks' paid leave per year (for employees under the age of 20 even five weeks)	Swiss Code of Obligations (art. 329a) Longer entitlements are customary in collective labor agreements and 25 days per year are usually granted to employees over the age of 50. Anyway, 25 days have more and more become standard in most non-industrial sectors during the past years. Additionally, mandatorily paid legal (public) holidays amount to 9 – 15 days per year, depending on the canton of work.
Termination An employment agreement can be terminated during the (voluntary) probationary period (of max. three months) with a notice period of seven days. After the probationary period it can be terminated as follows: during the first year of service, with a notice period of one month, from the second to the ninth year of service with a period of two months and from the tenth year of service onwards with a period of three months. The notice period can be changed in writing but may not be shorter than one month; however, notice periods shall not differ for the employee and the employer. Further requirements apply for mass dismissals.	Swiss Code of Obligations (art. 334 ff.) Basically no specific reason is required to justify an ordinary termination. However, a termination must not be abusive. For valid reasons, the employer, as well as the employee, may at any time terminate the employment relationship without notice and with immediate effect. Employees are protected against dismissal during certain times (related to pregnancy and maternity leave, sickness and accident, military service, civilian service or aid campaigns abroad).
Staff lending and agency Direct as well as indirect staff lending and/or agency of employees employed outside of Switzerland in general is prohibited and therefore penalized under Swiss law. According to steady practice of the competent authorities, however, a general exception applies to assignments within a group.	Swiss Act on Staff Agency and Lending.

Collective employment agreements and standard employment contracts

A collective employment agreement (German: Gesamtarbeitsvertrag; GAV) may generally be concluded between employer associations and labor unions and usually includes provisions concerning the conclusion, content and termination of individual employment agreements of the participating employers and employees as well as regarding the duty to implement employee representative committees.

There is no general duty for an employer to join existing collective employment agreements. However, in certain industries (e.g. construction, hotel and restaurant, metal, security services, staff lease and agency, cleaning industry) parts of the provisions of the relevant collective employment agreement – usually relating to minimum salaries, work time, holiday claims, etc. – are generally binding to the whole industry.

Standard employment contracts are official standard contracts that apply to certain types of professions (e.g. retail traders, engineers, architects, etc.) in certain cantons or at the federal level. Such contracts specifically determine the conclusion and the termination of the employment contract, as well as the applicable terms of employment unless the parties have reached a different agreement on those issues.

Some collective or standard employment contracts stipulate minimum salaries. Such minimum salaries may therefore be relevant for the determination of the salaries customary in a place and industry as applicable to foreign employees who are employed in or assigned to Switzerland. Most of the trade unions in Switzerland are members of one of two umbrella organizations, the Swiss Trade Union Federation and Travail Suisse. One of the most important responsibilities of the unions is their role as a contractual party in collective employment agreements. Their other duties include playing an active part in basic and advanced vocational training and offering their members legal advice in connection with employment matters.

Employee representation and labor unions

Works councils in the EU have significantly more powers than employee representation committees under Swiss law. Swiss employee representative committees do not have an entitlement to force a decision.

The Co-Determination Act governs the participation of employees in a company and applies to all private companies in Switzerland. Employers must inform employees of all significant circumstances and new developments and changes. While there is no general duty to have a committee, under certain conditions, employees may demand a consultation as to whether a committee is to be established.

Employers basically only need to inform or consult the affected employees in matters relating to work safety and worker protection, on the transfer of operations and in the event of mass redundancies. The committees' rights are limited to being informed and to provide their views and input.

Mobile workforce and labor market

Immigration law

Being a very renowned business center located in the heart of Europe, Switzerland is attracting a large immigration population every year. Companies from all over the world and all kinds of industries bring their workforce to Switzerland for temporary, short or long-term stays.

Switzerland has a dual system for granting foreign nationals access to the Swiss labor market. Under the "Agreement on the Free Movement of Persons", EU-25/EFTA nationals regardless of their qualifications are entitled to a Swiss residence and work permit provided that they are employed by a Switzerland-based employer. Hence, instead of filing a formal work permit application, they may simply register with their Swiss residence community.

On the other hand, employees from all other states, independent of whether locally employed or assigned, as well as assigned EU/EFTA nationals, have no entitlement to be granted permits and therefore basically have to formally apply for a residence and work permit (incl. entry visa, if required), whereas admittance is basically given only to senior managerial staff and highly qualified and/or specialized professionals. In case of non-EU/EFTA nationals to be locally employed, evidence of unsuccessful recruiting efforts on the domestic and EU labor market is required in addition.

As an exception to the formal application procedure, employers being domiciled in an EU/EFTA country may under certain circumstances register their assignees through a rather simple online registration procedure for up to 90 days per employer/employee and calendar year.

Significant differences may apply in all 26 Swiss cantons with regard to applicable numerical limits as well as to the concrete application procedure and/or requirements. The relevant canton is basically the canton where the work shall be primarily performed.

Minimum salary requirements must be met in all sorts of assignments and to a certain extent – mainly in case of applicability of a collective labor scheme – also local employments.

Taking up work prior to obtaining the appropriate residence and work permit is considered illegal and therefore penalized under Swiss law, whereas both the employee and the employer may be held liable.

Mobile workforce and labor market

Social security

Social security system

Social security in Switzerland is governed partly by federal and/or cantonal law and partly by collective employment agreements. Participation in the federal social security program is compulsory for all persons, whether employed or self-employed.

With regards to retirement benefits, it is customary in Switzerland to speak of a three pillar system. The first pillar refers to Federal Old Age and Survivors (AHV) and Disability Insurance (IV), the second to the occupational retirement and disability pension schemes (BVG), and the third to the employee's own savings efforts (life insurance or bank savings).

Additionally, these forms of insurance are supplemented by accident insurance, unemployment insurance, health insurance and the so-called income replacement order and maternity benefits (EO) as well as family allowances.

Switzerland has concluded social security treaties with many countries. Providing certain conditions are met, exemption is available for a certain period from the Swiss social security system if an employee continues to contribute to his/her home social security system. Please note that special regulations apply to individuals from countries from the European Union.

Most important types of social insurance

<table>
<tr><th>Description</th><th>Contributions 2014</th></tr>
<tr><td>

Federal Old Age and Survivors, Disability Insurance and the income replacement order and maternity benefits (AHV/IV/EO)

The Federal Old Age and Survivors insurance provides old-age benefits or benefits to dependents. The benefits depend on the previous income level and the amount of time for which contributions were made.

The disability insurance aims to help integrate/re-integrate persons to the workforce who are disabled due to birth defects, illness or accidents.

The EO covers maternity benefits and also compensates part of an employee's salary during military service or civil defense.

All persons are obliged to contribute as of 1 January following the year of their eighteenth birthday.

</td><td>

Basis
Earned income

The maximum rates apply for an annual income of at least CHF 56,200 and amount to:

<table>
<tr><th></th><th>Employer</th><th>Employee</th><th>Self-employed</th></tr>
<tr><td>AHV</td><td>4.20%</td><td>4.20%</td><td>(max.) 7.80%</td></tr>
<tr><td>IV</td><td>0.70%</td><td>0.70%</td><td>(max.) 1.40%</td></tr>
<tr><td>EO</td><td>0.25%</td><td>0.25%</td><td>(max.) 0.50%</td></tr>
<tr><td>**Total**</td><td>**5.15%**</td><td>**5.15%**</td><td>**(max.) 9.70%**</td></tr>
</table>

Pensions
The old age pension varies between CHF 14,040 and CHF 28,080 for singles and between CHF 21,060 and CHF 42,120 for married couples.

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<tr><td>

Occupational Retirement and Disability Pension Schemes (BVG)

The Occupational Pension Funds are additional to the Federal Old Age and Survivors Insurance.

All persons are obliged to contribute towards death and disability insurance as of 1 January following the year of their eighteenth birthday; retirement savings required for all persons as of 1 January following the year of their twenty-fifth birthday.

</td><td>

The total costs (premium) depend on the insurance provision and is based on coordinated income. This amounts to a maximum of CHF 59,670 and a minimum of CHF 3,510.

The contribution of the employer is min. 50% of the total costs. The contribution of the employee is max. 50% of the total costs.

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</table>

Description	Contributions 2014		
Unemployment Insurance (ALV) Unemployment insurance intends to ensure the continuation of partial salary payments upon unemployment for a limited amount of time.	Basis Insured annual salary (up to a maximum of CHF 126,000):		
All persons insured under the Federal Old Age and Survivors Insurance are obliged to contribute.	**Employer** 1.10 %	**Employee** 1.10 %	**Self-employed** not insurable
Unemployment Insurance ALV For salaries over CHF 126,000 per year, employer and employee each pay half of the total ALV solidarity contribution	0.5 %	0.5 %	no contributions due
Accident Insurance (UVG) Accident insurance covers all persons employed in Switzerland in case of accidents in the workplace, occupational illnesses and, in principle, against non-occupational accidents. All employed persons including trainees, apprentices etc. are obliged to contribute.	Basis Insured annual salary (up to a maximum of CHF 126,000). For higher salaries, supplementary insurance policies are available:		
	Employer Occupational accidents: as a percentage of the insured salary. The contribution varies from company to company	**Employee** Non-occupational accidents: as a percentage of the insured salary. The contribution varies from company to company	**Self-employed** Voluntary, insured under mandatory health insurance
Health insurance Mandatory health insurance covers illness, pregnancy and accidents, where the accident insurance does not provide insurance coverage.	**Employer** None	**Employee** Per capita	**Self-employed** Per capita
Salary continuation insurance Many employers take out daily sickness benefits for their employees. Maternity and accident/illness benefits are treated equally when salary payments are continued. If a pregnant woman cannot attend work for health reasons, she is entitled to her full salary for a certain period of time.	The contributions depend on the occupational classification. The employee may bear part of the premium costs.		
Family allowances Family allowances include child and education allowances, as well as birth and adoption allowances mandated by the individual cantons. All cantons require a minimum allowance per child per month of CHF 200 to CHF 250.	**Employer** 1 – 2 % of salary	**Employee** None only	**Self-employed** Mandatory in a few cantons

Individual taxation and incentives

Overview on personal taxation

As well as having a very competitive tax environment for corporations, the tax burden for individuals can also genuinely be considered to be moderate by European standards. The healthy competition between the cantons with respect to tax advantages positively influences effective income tax rates and numerous mutual agreements also prevent international double taxation.

Individual tax rates

The ordinary tax rates applicable are approximately:

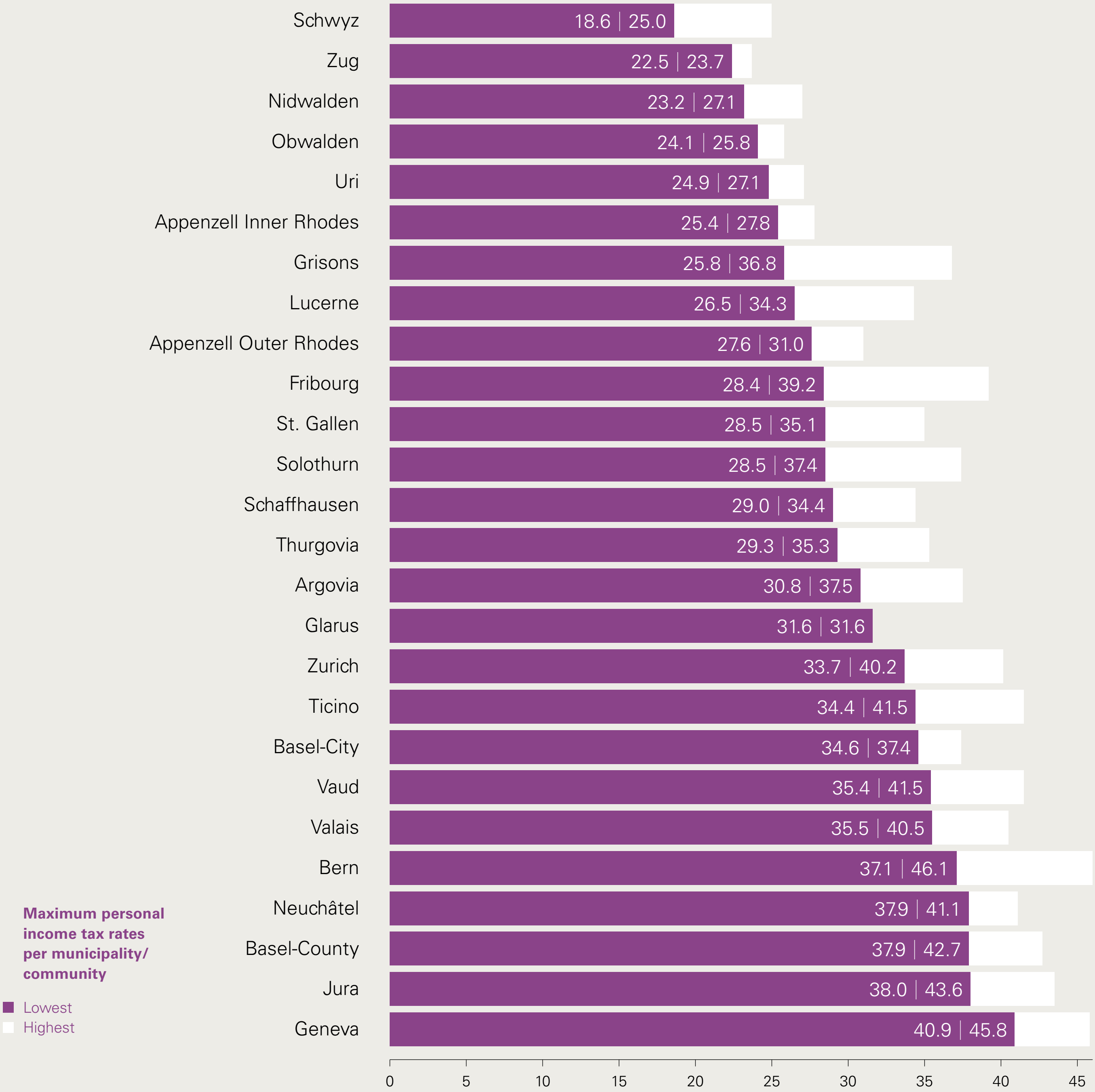
- federal tax rates: maximum rate of 11.5% for income above approximately CHF 750,000 (single taxpayer)
- cantonal + communal income tax rates for income over approx. CHF 500,000: 7.2–30%
- wealth tax: 0.1–1%.

Individuals are taxed on both their income and their net wealth. Taxes are levied at three different levels, namely at the federal, cantonal and communal tax level.

Both federal tax rates and cantonal and communal tax rates applicable to individuals are progressive. Furthermore, cantonal income tax rates are a composite of base tax and surtax. In addition to the base tax, the cantons and communities generally levy a surtax expressed as a percentage of the base tax.

Additionally, in most cantons a church tax is imposed on individuals belonging to one of the three recognized churches, being the Protestant, the Roman Catholic and the Christ Catholic churches. For federal tax purposes, no church tax is levied.

Personal income tax rates



Maximum personal income tax rates per municipality/community

Source
KPMG's Swiss Tax Report 2014

Tax residency

An individual becomes fully liable to pay Swiss income tax, if he/she is

- living and earning an income in Switzerland for a period exceeding 30 days; or
- living in Switzerland without earning an income for a period exceeding 90 days.

Tax base

What income are individuals taxed on?

Individuals fully liable to pay Swiss tax are taxed on their worldwide income. Taxable income includes the following:

Employment income

Employment income includes any compensation received (in cash or in kind).

Income from Swiss employment is confirmed in a salary statement (Lohnausweis, certificat de salaire) provided by the employer. Foreign source earned income must also be reported in the Swiss return. If a tax treaty specifically provides for taxation by the country of source, the income is exempt but taken into consideration for purposes of determining the progressive tax rate applied to non-exempt income.

Income from self-employment

Income from self-employment comprises any fee or trading income and also includes profits from agriculture.

A partnership is not a taxable entity in Switzerland, so that each partner is taxed on the share of partnership profits as part of his self-employment income.

Investment income

Swiss source investment income, such as bank and bond interest, dividends, and investment fund distributions are generally subject to a 35% withholding tax, which is offset in full against Swiss tax on income and net wealth due by a Swiss resident.

When dividends and interest are received from a country with which Switzerland has concluded a tax treaty, the income should be reported gross. A special credit (pauschale Steueranrechnung, imputation forfaitaire) against Swiss income tax payable is available in certain situations for that part of any withholding tax, which is not recoverable under tax treaty provisions.

Rental income

Swiss source rental income is taxable as ordinary income in Switzerland. Many foreign nationals living in Switzerland own real estate in their home country and, during their period of Swiss residence, this real estate may be rented and may produce foreign source rental income. This income is not taxable in Switzerland. It is, however, taken into account for the determination of the applicable tax rate. A resident taxpayer owning and living in a house or apartment in Switzerland will generally be taxed on the deemed rental value of the property.

Pensions and annuities

Pensions, annuities and other income of this type are generally fully taxable at the federal and cantonal/communal level. Lump-sum pension payments are taxable at favorable tax rates.

Tax calculation

What deductions are available?

Social security

Social security and unemployment contributions paid by the employee are fully deductible. Special deductions are usually granted for children and disabled dependents.

Business expenses

The reimbursement of properly substantiated and documented business expenses is not income to the employee; conversely, an employee in receipt of expense reimbursements is not allowed to take a deduction for the expense.

Business expenses not reimbursed are deductible from the employee's income to the extent that such expenses are incurred for a clear business purpose and properly documented. It should be noted, however, that Swiss employers have a legal duty to reimburse all business expenses incurred by their employees in the accomplishment of their professional duties; it is, therefore, rare for genuine business expenses not to be reimbursed.

Interest expense

Debt interest on movable and non-movable property is deductible. However, if interest expense is incurred to finance both taxable and tax exempt property (for example, mortgage interest on foreign property) only the proportion allocable to financing taxable property is allowable as a deduction.

Relief on income from substantial investments

If a taxpayer owns more than 10% of the shares of a company, the individual receives tax relief in the form of a percentage reduction of the taxable dividend income from this company or a reduction of the tax rate applicable for this dividend.

The dividend relief is applicable at the federal tax level where the tax base is reduced to 60% and at the cantonal/communal level. Whereas some cantons reduce the applicable tax rate on qualifying dividends by 40% to 80%, other cantons reduce the taxable income by 30% to 60%.

Capital gains

Capital gains on the sale of movable property

Capital gains on the sale of movable property are generally tax free. However, if a taxpayer is engaged in a trade or business and is, therefore, required to keep accounting records, any gain on the disposal of business assets forms part of the taxable income.

Individuals who frequently buy and sell movable property may under certain circumstances be regarded as carrying out a commercial activity and, therefore, be taxed. Consequently, such transactions are not considered tax free capital gains.

Gains on the sale of real estate

Such gains are subject to a separate real estate gains tax (the so-called immovable property gains tax) at a cantonal level only. The tax rates are generally degressive the longer the individual holds the real estate.

Furthermore, a transfer tax may also apply on the sale of real estate.

Wealth tax

Wealth tax is levied at a cantonal/communal level.

Foreign real estate and foreign permanent establishments are exempt from tax but are taken into consideration for the determination of tax rates, which range from approx. 0.1% to 1% per annum of taxable net wealth.

The wealth tax is assessed with the income tax and is payable at the same time.

Income taxes on non-residents

A non-resident individual may be subject to limited taxation if he/she

- receives employment income from Swiss sources
- owns a house or any other immovable property situated in Switzerland
- has the right to use immovable property in Switzerland
- maintains a permanent establishment in Switzerland
- holds a partnership in a Swiss enterprise
- receives directors' fees or similar remuneration from a Swiss resident corporation.

A non-resident is taxed on the following:

Income derived from Swiss real estate

Income derived either from Swiss real estate, or from loans secured by a mortgage on Swiss real estate, is subject to ordinary taxes.

Investment income from Swiss sources

A 35% withholding tax is imposed on Swiss source dividends (including distributions of investment funds), interest on Swiss bonds and bank deposits with Swiss resident banks. The tax may be partially recoverable depending on the terms of any relevant tax treaty.

Directors' fees from Swiss companies

Non-resident individuals receiving directors' fees from a Swiss resident corporation are subject to federal source taxes (5%) on such income and cantonal tax at a special rate. The Swiss corporation is required to file, together with the tax return, a special information return indicating all the directors' fees paid during the year, with the recipients' names and addresses.

Income from Swiss partnerships

Non-resident partners of a Swiss partnership are subject to ordinary taxes on their share of the partnership's profits and equity. For the determination of the tax rate, worldwide income and wealth are taken into account.

Assessment of income taxes

Individual taxpayers are required to file a tax return and to report their net income and net wealth. Tax is assessed on the basis of the return filed and is collected subsequently.

Certain specific categories of taxpayers are subject to a salary withholding tax, which represents either:

- a final tax, with dispensation of subsequent filing of a return, and no formal assessment or
- an estimated tax, with the requirement to file a tax return at year-end, subject to final assessment as it is the case for ordinary taxpayers.

Filing of returns by ordinary taxpayers

Filing date and extensions

For most cantons, a tax return must be filed every year normally within three months after the end of the tax period (the tax year corresponds to the calendar year, thus the tax year-end is 31 December). These returns cover the federal, cantonal and communal income and wealth taxes.

Filing extensions are granted upon special request, usually up to the end of November following the end of the tax year.

Assessment and payment of tax

The tax authorities normally estimate the taxable income (based on the former tax period and information provided by the taxpayer) of the actual year, and the taxpayer has to make an on account payment. After the filing of the tax return for the respective tax year, the final assessment is made.

Tax withholding on wages and salaries

Many cantons require withholding taxes with respect to:

- resident foreigners during their early years of employment in Switzerland (B permit holders)
- cross-border workers in certain cantons
- non-resident individuals receiving directors' fees from Swiss corporations
- non-resident athletes and entertainers performing in Switzerland.

In most cantons, tax is withheld irrespective of the level of income; however, individuals with a high salary must also file an ordinary tax return at year-end. In this situation, tax withheld is regarded as a prepayment.

Tax withheld includes all ordinary taxes: Swiss federal, cantonal and communal. Tax is withheld monthly by the employer.

Penalties, interest, automatic taxation

If a taxpayer fails to file a tax return on time, automatic taxation applies.

In this case, the authorities assess the taxpayer on the basis of what they consider to be a reasonable estimate. Such an assessment is usually substantially higher than the actual basis and is, therefore, expensive for the taxpayer. No appeal is available if action is not taken within 20 or 30 days (depending on the canton) of the issue of this final assessment.

Late filing penalties may also be issued.

Prime location for individuals

- Moderate income tax rates, low VAT rates
- Beneficial treatment of dividend income from substantial investments
- Extensive treaty network
- Special tax regime available for resident aliens (so called “lump-sum” tax regime)
- No capital gains tax on the disposal of investments
- No gift and inheritance tax for transactions between spouses and from parents to children
- Possibility of setting up internationally active tax-free charities
- Deductibility of contributions to recognized charities
- Solid, predictable legislation
- Moderate and manageable compliance processes
- Responsive, reliable and reasonable tax authorities

Dividend income

Dividend income from qualifying Swiss and foreign participations (i.e. participation of at least 10% in the distributing company) is favorably taxed at federal level and in all cantons. At federal level, the dividends distributed are taxed to the extent of only 60% if the shares are held as private assets. Also at cantonal level, generally only dividends resulting from participations of at least 10% are taxed favorably. Whereas some cantons reduce the applicable tax rate on qualifying dividends by 40% to 80%, other cantons reduce the taxable income by 30% to 60%. The effective tax rate on such dividends is, therefore, substantially less than the maximum ordinary statutory rate and can be – for example for a taxpayer resident in Wollerau SZ receiving a dividend of CHF 1m – as low as 8.5%.

Example:
tax calculation of qualifying dividend in the Canton of Schwyz, Commune of Wollerau (2013)

Based on
CHF 1,000,000
dividend being
only income

Marginal tax rate	
Federal	11.50%
Cantonal/communal	7.10%
Total	18.62%
Percentage of qualifying dividend taxed	
Federal	60.00%
Cantonal	25.00%
Effective tax rate	
Federal	6.70%
Cantonal/communal	1.80%
Total	**8.50%**

Lump-sum taxation (Pauschalbesteuerung/Impôt à forfait)

This special income tax system uses a surrogate tax base determined according to a taxpayer's lifestyle. The term "lump-sum" refers to the simplified alternative of determining the deemed taxable income. This special tax regime is available to resident aliens who are not gainfully employed in Switzerland.

The tax finally due is determined in three steps:

a. The deemed taxable income is equivalent to five to 10 times the rental expense for the principal residence in Switzerland. In most cantons a minimum tax basis applies that can be higher than five to 10 times the rental expenses.

b. This tax base must be at least equivalent to the actual lifestyle expenses (rent, staff, vehicles etc.). This is the so-called "tax base test".

The determined tax base (the higher of "a" and "b" above) is then subject to ordinary income tax rates.

c. Finally, the tax amount determined above must be equivalent to at least the ordinary tax payable on Swiss-situs assets and respectively derived Swiss source income (mainly from Swiss real estate, securities issued by Swiss entities, Swiss source pensions or royalties). This is the so-called "tax amount test"

Example: lump-sum taxation in the Canton of Zug, Commune of Zug

Assumptions

Annual rent	CHF	100,000
Lifestyle expenses	CHF	450,000
Income from Swiss sources	CHF	200,000

Determining the tax burden

a. Lump-sum tax base (5×100,000)	CHF	500,000

b. Tax base test: lifestyle expenses are lower than lump-sum
→ Lump-sum prevails as tax base

c. Tax on CHF 500,000 (lump-sum) is higher than tax on Swiss source income (CHF 200,000)
→ Ordinary tax computed on deemed income of CHF 500,000 is final tax burden

The system also enables the taxpayer to retain eligibility for treaty benefits, provided such income is correctly reported, added to Swiss source income and thus included in the "tax amount test" which is subject to full Swiss tax rates (for practical purposes typically the maximum rate).

The taxpayer may, however, opt to ignore treaty country income for Swiss tax purposes, such income thus remaining subject to full foreign withholding tax.

The special tax regime described above is part of all cantonal tax laws with the exception of the cantons of Appenzell Ausserrhoden, Basel-City/Country, Schaffhausen and Zurich.

Flexible estate planning

Gift and estate taxes are only levied at cantonal/communal level although this is also not the case in all cantons. There is no gift tax and no estate tax at the federal level.

The following transfers are potentially subject to tax:

- gifts by Swiss resident donors
- gifts of Swiss real estate, irrespective of the donor's residence
- estates of persons resident in Switzerland at the time of death
- transfer of Swiss real estate upon death, irrespective of the deceased's place of residence at the time of death.

Tax rates depend on the degree of relationship between beneficiary and donor or deceased and the amounts involved. Maximum rates for transfers to unrelated parties may reach 55%.

However, it is important to note that transfers between spouses and in most cantons transfers to descendants are tax exempt.

The taxing jurisdiction, from a Swiss perspective, is the canton where the donor resides or where the deceased had his or her last residence. The taxpayer is the beneficiary, but in many cases, there is a joint liability of the donor respectively the estate in order to ensure collection.

Whereas there are a number of double tax treaties dealing with estates, gifts are never covered by such treaties.

Switzerland can, therefore, be an ideal location to retire or to implement estate planning steps, provided the jurisdictions where the beneficiaries reside do not tax gifts or inheritances received.

CHAPTER IV

Your business

Setting up a business in Switzerland in order to start, expand or consolidate European or international operations involves many planning stages. It also requires an in-depth understanding of the regulatory environment, the business needs and the possible practical challenges of doing business in Switzerland. Let us guide you through this process by our unique step-by-step approach!

Practical guide

What business are you in?

Switzerland welcomes businesses of any origin, size and industry. It is a truly global hub for multinational companies. That's why the list of successful business operations in Switzerland is long and diverse.

Managing regional and international business through HQ operations

With a population that is 23% non-Swiss, four national languages plus English and an open employment market for EU citizens, Switzerland is the most international country in Europe and an ideal location to attract and retain qualified personnel from all over the world due to the high quality of life. Due to its strategic location in the heart of Europe, top infrastructure and world class flight connections, Switzerland is the perfect location for HQ operations.

HQ companies generally benefit from holding, mixed company or principal company rulings with an effective corporate tax rate of 5% – 10%, resulting in competitive tax advantages for multinational companies.

Designing and manufacturing complex and innovative products

Innovation is a central source of economic growth and prosperity in Switzerland. As the country is too small to be a production location for mass products and has no raw material reserves, it can only be successful if it develops innovative new products, processes and technologies. Ranging from microelectronic mechanical systems to payload systems for the aerospace industry to the newest generation of business jets and complex defibrillators, it is always possible to find the right workforce with the appropriate skills. Due to top technical universities and the ambitions of Swiss people always striving for more efficiency, Switzerland is a leader in innovation.

For substantial investments in production facilities in Switzerland that create a considerable number of new jobs, tax holidays of up to 10 years are available in certain regions.

Conducting R&D and managing intellectual property

Leading universities and R&D centers in the ICT, life sciences and micro-electromechanical industries provide for a steady stream of top researchers. Specific models support collaboration between the private sector and academia.

Attractive solutions for taxation of revenues from IP support efficient exploitation of IP whether it was developed in Switzerland or imported from abroad. Generally, IP companies benefit from the holding, mixed company or principal company rulings or are subject to the license box model in the canton of Nidwalden, securing an effective tax rate of 5% – 10%.

Branding services and goods

"Swiss Made" is a brand with global recognition, particularly for pharmaceutical, beauty, fashion, watches and other luxury products. But also other industries such as food and nutrition manufacturers, financial service providers or medical device companies benefit from the "Swiss Made" label which is, by the way, strictly controlled by the Swiss government.

Trading and shipping commodities of all sorts

Switzerland is a globally leading center for the entire commodities industry. Soft commodities, oil and gas products or mining products are traded mainly in Geneva or in Zug. The entire value chain from service providers to commodities traders, from specialized trade finance houses to shipping companies or inspection providers form one of the largest trading clusters in the world.

Trading and shipping companies are generally subject to the mixed company or principal company rulings with an effective tax rate of 5 – 10%.

Financing international operations

Whether a company is using Switzerland as a center to set up its internal financing or treasury operations or is looking to finance its activities through external sources, Switzerland offers attractive fiscal and commercial solutions including the possibility of being listed on the Swiss Stock Exchange.

For intercompany financing, finance branch, holding and mixed company rulings are available, resulting in an effective tax rate of 1% – 10% on financial income.

Practical guide

Step-by-step approach

Multinational enterprises are generally organized on the basis of a business model which has some form of vertical integration transcending national boundaries. Despite the international dimension, certain fundamental activities such as research and development (R&D) are mainly performed in just a few locations, often also in the country of origin. On the other hand, the manufacturing of finished products generally takes place in more locations. And finally, the distribution of the products developed and produced must be carried out through affiliates all over the world. Local sales organizations offer the advantages of understanding the local marketplaces and satisfying individual countries' regulatory and quality requirements. In order to organize and optimize such a regional footprint, regional HQs are established. In Europe, Switzerland has emerged as the ideal location for such HQ operations due to its favorable business and tax environment.

Recognizing this trend, a dedicated team of operational, supply chain, site selection, tax, legal, IT, HR and advisory professionals has developed a unique step-by-step approach in order to help companies make the right decisions and take the right steps at the right time, resulting in a sustainable and efficient set-up of HQ operations and a network of subsidiaries and branches across Europe.

Experienced project managers should coordinate the entire process. They are responsible for leading the key activities required and ensuring that all steps are well coordinated and compliant with local requirements. This results in a significant reduction of time, risks and cost and frees resources which can focus on the fast and sustainable growth of your business.

Let us guide you through this process step-by-step to successful implementation! The main topics to consider are:

Site selection and office space

- Comparison of different locations
- Selection of state/canton, commune and domicile
- Search for office space, incl. lease negotiation, etc.

Legal aspects

- Incorporation of legal entity
- Obtaining work and residence permits
- Negotiating and drafting of employment, lease and other contracts
- If necessary, finding outside directors/partners for domiciliation and director services

Staff and infrastructure

- Starting hiring process
- Set-up office infrastructure, including facility management, IT and communication services, etc.

Particularly if the new entity plans to take over HQ or shared service operations, it is additionally necessary to quickly define clear governance, finance, HR and supply chain models:

Corporate governance model

Establishing manuals/guidelines and governance models based on tax rulings and transfer pricing workflows for compliance with statutory and legal requirements

HR service model

Drafting of HR processes, i.e. for recruiting and hiring candidates, relocation of expatriates, career development, talent management, compensation and benefits

Finance operation model

- Defining of charts of account, cost center structures, VAT set-up, reporting structure, audit guidelines, set-up of transfer pricing structure, etc.
- Support for accounting and financial reporting focusing on local and international accounting standards (IFRS and US GAAP)

Supply chain model

- Design and implementation of fully integrated cross-border supply chain management and procurement models including optimization of customs, VAT and corporate tax
- Evaluation of third party service providers for i.e. inspection, warehousing, logistics, etc.

Only with these clearly defined models is it possible to also tackle important **tax aspects** such as

- defining international tax strategies and designing appropriate international structuring (e.g. tax efficient supply chain management, ownership structures, cross-border financing and trading)
- obtaining tax rulings in order to mitigate risks
- putting a transfer pricing model in place
- introducing tax and cash-flow efficient management of indirect tax and customs issues
- fulfilling tax compliance requirements
- starting individual tax planning for executives and provide support for their compliance.

Please note that this is only a selection of necessary steps to be taken. Every project must be analyzed individually to define the specific set-up plan.

KPMG's one-stop-shop services

KPMG Switzerland's experienced multidisciplinary start-up teams can assist you in basically every step of setting up your operations in Switzerland either through our own service lines or by coordinating with our outside service partners.
If you plan to expand in Europe or overseas we can design the roll-out plan and coordinate the implementation.

This frees your resources to focus on your core business: generating fast and sustainable growth!

Practical guide

Other business aspects

Other important aspects which need to be taken into consideration when starting operations in Switzerland are investment incentives and certain governmental controls.

Investment incentives

Switzerland has both federal and local government programs to attract industrial investment in order to create jobs for people living in economically troubled regions. Both Swiss and foreign firms are eligible for the benefits available through these programs.

Assistance is for example given through federal government guarantees for bank facilities, interest rate subsidies, tax holidays, sale or rent of land below market rates for specific projects and retraining programs for workers.

Few restrictions on investment

In general, no approval from the authorities, chambers of commerce or professional associations is required to establish a business. However, to personally conduct a business on a permanent basis, a work and residence permit is required. The practice of certain professions or the establishment of specific businesses may also require special licenses or diplomas. Foreigners who do not have a residence permit may have their business operated by a Swiss resident.

All business sectors are open to foreign investment. It is not a requirement that Swiss individuals hold a certain percentage of the equity. Foreign corporations may invest in the same industries as those open to private Swiss corporations, except for utilities and certain other public services controlled by the government.

For some professions and for certain businesses, the federal government or the cantons impose rules. A special license or permit is needed in such cases. This applies to activities for which a recognized diploma is required, such as:

- banks, insurance companies and investment brokers
- hotels and restaurants (only in certain cantons)
- physicians, dentists, pharmacists and attorneys
- certain mercantile and services businesses (e.g. wine merchants, private employment agencies, temporary employment services).

Acquisition of Swiss real estate

Federal law restricts the acquisition of real estate in Switzerland by persons resident abroad.
In principle, all foreigners who wish to acquire Swiss residential real estate must obtain approval prior to their purchase, which will otherwise be invalid.

Such restrictions apply to both the acquisition of real property situated in Switzerland as well as to participations in Swiss real estate companies and Swiss real estate investment funds.

For foreigners holding a Swiss residence permit it is, however, possible to acquire real estate for their own personal use. Also, the acquisition and holding of purely commercial real estate by foreigners is no longer restricted in Switzerland.

Other exemptions apply to:

- legal heirs under Swiss law, if real estate is acquired as part of an estate
- relatives in line of ascent or descent of the person disposing of the property
- brothers/sisters of the person disposing of the property, who are already coowners or joint owners of the real estate
- condominium owners for the exchange of their apartments in the same building or housing development
- a buyer who acquires a small area to complement the real estate he already owns
- foreign countries and international organizations, which acquire real estate for their representations
- EC and EAFE commuters across borders for the acquisition of a secondary residence in the area of their workplace.

In relation to commercial property, the following requirements must generally be met in order to protect the intended use of the property:

- The property may not be resold for 10 years and the purchaser must make a commitment to use the real estate for a genuine business purpose.
- In the case of land with no buildings, the purchaser must start building within a given period (generally within one or two years) and complete the project as scheduled.

Anti-trust legislation

Swiss anti-trust legislation includes:

- direct sanctions
- a bonus regulation
- a registration procedure.

Cartels, referred to as ‘agreements relating to competition’, are presumed to be illegal, if they:

- set prices, directly or indirectly
- restrict the quantity of goods or services produced or
- allocate exclusive distribution territories.

Anti-competitive behavior of ’enterprises that dominate the market’ includes activities such as discriminatory pricing, artificial limitation of production, and blacklisting of customers or suppliers.

Exchange controls

There are no exchange controls in force in Switzerland, except for certain capital export regulations applicable to the financial sector.

The National Bank has authority to introduce measures concerning minimum reserve requirements, foreign currency position, foreign source funds and a calendar for public issues of bonds and shares, but these are intended for use only to counter exceptional circumstances, such as massive speculation resulting in permanent overvaluation of the Swiss currency, causing significant problems for the Swiss export industry.

Bank accounts may be maintained in local or foreign currencies either in or outside Switzerland without restriction.

International business relations

Free trade agreements

Switzerland‘s exceptionally strong participation in international business is reflected in its strong network of multinational and bilateral treaty agreements, the most important being the free trade agreements with the European Union, China, Japan and many other countries.

Country	Active since
Europe (in force)	
Albania	01.11.2010
Austria	01.01.1973
Belgium	01.01.1973
Bulgaria	01.01.1973
Croatia	01.01.1973
Cyprus	01.01.1973
Czech Republic	01.01.1973
Denmark	01.01.1973
Estonia	01.01.1973
Faroe Islands	01.03.1995
Finland	01.01.1973
France	01.01.1973
Germany	01.01.1973
Great Britain	01.01.1973
Greece	01.01.1973
Hungary	01.01.1973
Iceland	03.05.1960
Ireland	01.01.1973
Italy	01.01.1973
Latvia	01.01.1973
Lichtenstein	03.05.1960
Lithuania	01.01.1973
Luxemburg	01.01.1973
Macedonia	01.05.2002
Malta	01.01.1973
Netherlands	01.01.1973
Norway	03.05.1960
Poland	01.01.1973
Portugal	01.01.1973
Romania	01.01.1973
Serbia	01.10.2010
Slovakia	01.01.1973
Slovenia	01.01.1973
Spain	01.01.1973
Sweden	01.01.1973
Turkey	01.04.1992
Ukraine	01.06.2012

Country	Active since
Non-European countries (in force)	
Botswana	01.05.2008
Canada	01.07.2009
Chile	01.12.2004
China	01.07.2014
Colombia	01.07.2011
Egypt	01.09.2008
Hong Kong	01.10.2012
Israel	01.07.1993
Japan	01.09.2009
Jordan	01.09.2002
Lebanon	01.01.2007
Lesotho	01.05.2008
Mexico	01.07.2001
Montenegro	01.09.2012
Morocco	01.12.1999
Namibia	01.05.2008
Palestine	01.07.1999
Peru	01.07.2011
Singapore	01.01.2003
South Africa	01.05.2008
South Korea	01.09.2006
Swaziland	01.05.2008
Tunisia	01.06.2006

Pending, in confirmation procedure	
Bahrain	
Bosnia-Herzegovina	
Costa Rica	
Kuwait	
Oman	
Panama	
Qatar	
Saudi Arabia	
United Arab Emirates	

International business relations
Investment promotion and protection agreements (BITs)

For further information and a list of treaties:

www.seco.admin.ch/themen/00513/00594/04638/index.html?lang=en

Switzerland has signed over 120 BITs. After Germany (135) and China (125), Switzerland has the world's third largest network of such agreements. With each BIT, Switzerland improves the general conditions and hence its appeal as a location for international investments. Switzerland has a particularly strong network of treaties with the emerging markets in Africa, Asia, Latin America and the countries of the former Soviet Union and Ex-Yugoslavia.

BITs aim to grant protection under international law against non-commercial risks associated with investments made by Swiss nationals and Swiss-based companies in partner countries – and, inversely, investments made by the nationals and companies of partner countries in Switzerland. Such risks include state discrimination against foreign investors in favor of local ones, unlawful expropriation or unjustified restrictions on payments and capital flows. To these provisions have been added obligations on the part of the contracting country to treat investments made by investors in the other signatory country 'fairly and equitably'. In addition, contracting countries are required to respect state commitments made to specific investors in relation to corresponding investments.

International business relations
Swiss Export Risk Insurance (SERV)

Applications can be submitted online at www.serv-ch.com.

Swiss exporters can take out insurance through SERV against political risks, transfer risks, del credere risks, force majeure, insolvency risks, cancellation costs and risks arising from guarantees (bonds). Products are

- supplier credit insurance
- pre-shipment risk insurance
- counter guarantee insurance
- contract bond insurance
- confiscation risk insurance
- service insurance.

Maximum coverage is up to 95%. SERV insurance is not conditional upon a particular minimum order volume or company size. The applicant must be based in Switzerland, and the export transaction must contain a certain proportion of Swiss added value.

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