PRIME ADVISORY
NETWORK

COUNTRY REPORT SWITZERLAND

YOUR WEEKLY REPORT
ON BUSINESS OPPORTUNITIES
ACROSS THE GLOBE
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IN THIS NEWSLETTER

Prime Advisory Network Ltd of London




Prime Advisory Network is an international and highly professional network, made up of expert accountants, auditors and lawyers qualified to provide a complete consultancy service to companies and groups operating in several fields.

Thanks to a completely innovative communication technology for the management of the client, Prime Advisory Network represents the first “digital” global network of the accountant offices in the world.

Professionals can cooperate worldwide with each other in an integrated way, by managing their clients all over the world and expanding their services and of course growing the number of their customers.

SWITZERLAND IN A NUTSHELL

Geography

Switzerland is situated in Western-Central Europe, and is bordered by Italy to the south, France to the west, Germany to the north, and Austria and Liechtenstein to the east.
it is a landlocked country geographically divided between the Alps, the Swiss Plateau and the Jura, spanning an area of 41,285 km2.

Economy

Swiss economy has minimal barriers to entrepreneurial growth and that makes it one of the most competitive and innovative in the world. Macroeconomic stability and a highly developed financial sector reinforce the country's position as a global financial hub.

Tourism

Many tourist choose Switzerland for its beautiful landscapes, the mountaints, the lakes and the alpine climate. Mosto visitors come from Germany, United Kingdom, United States, France, Cina and Italy.

GENERAL INFORMATION

Switzerland is a landlocked country geographically divided between the Alps, the Swiss Plateau and the Jura, spanning an area of 41,285 km2. While the Alps occupy the greater part of the territory, the Swiss population of approximately eight 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 Zürich and Geneva.

About 2/3 of the area of Switzerland is covered with forests, lakes and mountains. Services are the most important part of the economy for Switzerland, for example banking, assurances and tourism, because Switzerland has no mineral resources, so it must import, process and resell them as products.

Farming is also an important part of the economy. But the production of the Swiss farmers does not fulfill the needs of all people, so Switzerland must rely on imported goods from other countries.

ECONOMICAL BACKGROUND

Switzerland is open to foreign trade and investment, so it continues to stimulate a dynamic and resilient economy.

Well-secured property rights, including intellectual property rights also promote entrepreneurship and productivity growth, together with flexible labor regulations and the absence of corruption. Inflationary pressures are under control. The legal system, independent of political influence, ensures strong enforcement of contracts and judicial effectiveness.

Switzerland's federal system of government disperses power widely, and executive authority is exercised by the seven-member Federal Council. Switzerland has a long tradition of openness to the world but jealously guards its independence and neutrality. It did not join the United Nations until 2002, and two referenda on membership in the European Union have failed by wide margins.

Membership in the European Economic Area was rejected by referendum in 1992. The Eurosceptic Swiss People's Party, which favors tight controls on immigration, gained the largest number of seats in October 2015 parliamentary elections. In addition to banking, the economy relies heavily on precision manufacturing, metals, pharmaceuticals, chemicals, and electronics.

Open Markets

Trade is extremely important to Switzerland's economy; the value of exports and imports taken together equals 115 percent of GDP. The average applied tariff rate is 0.0 percent, but agricultural imports face barriers.
In general, Switzerland's economy is open to foreign investment. The modern and highly developed financial sector provides a wide range of financing instruments. Banking remains well capitalized and sound.

ECONOMY SECTORS

The economy in Switzerland is divided into three sectors:

1. **Agriculture**
2. **Industry**
3. **Services**

Less than 10% of the population is employed in the agriculture sector, also considered the primary sector. This sector is strongly supported by the government.

About 40% of the population is employed in the Industry sector (industry, trade and handicraft), considered the secondary sector. This sector includes the machine and metal industry, watch industry and the textile industry. All of these sectors export much of their products to foreign countries and suffer a lot because of the expensive Swiss Franc. The fact that Switzerland does not belong to the European Union additionally slows down the Swiss exports.

More than 50% of the population is employed in the sector of the services, also considered the tertiary sector. This sector includes banking, assurances, tourism and so on. Banking is one of the most important businesses in Switzerland.

FOREIGN TRADE

Switzerland is one of the countries with the highest contribution of the foreign trade to the gross inland product. The most important trade partners are the so called "industrialized countries". In particular, 60.3% of the goods were shipped to and 81.7% of the imported goods came from countries which belong to the European Union (EU).

TAXATION IN SWITZERLAND

Which Swiss taxes are applicable?

Switzerland places taxes on income and wealth (direct taxes), as well as on goods and services (indirect taxes, through VAT in Switzerland). In addition, most cantons levy inheritance and gift taxes in Switzerland (although spouses and direct descendants are typically exempt), which is a tax on gains derived from the sale of immovable property, and certain other taxes and dues.

On an international scale, taxes in Switzerland are relatively moderate, although there are considerably different Swiss tax rates between the various cantons and municipalities.

Types of tax in Switzerland

To understand the Swiss tax system, it is important to understand there are different tax levels. Swiss taxes are levied by the confederation, the 26 cantons and approximately 2,300 municipalities.

The delimitation of Swiss taxation powers is governed by the federal and cantonal constitutions. However, the cantons exercise all the rights of a sovereign state.

They are authorized to levy any type of tax as long as the Federal Constitution does not reserve a certain right for the confederation.

There are only a few types of Swiss taxes for which the confederation claims exclusive taxation authority, including:

- Swiss VAT
- Special excise duties
- Withholding tax
- Custom duties.

Consequently, the cantons are given wide latitude in the creation of their own tax legislation. The municipalities are empowered to only levy taxes that are authorized by the constitution of their respective canton.
In addition, the parishes of the three national churches (Roman Catholic, Protestant or Christian Catholic) levy a church tax on their members in almost all cantons, and usually also on the legal entities liable for tax in the canton.

Thus the levels of Swiss tax authorities are:

1. Federal – governed by the Federal Constitution
2. Cantonal – governed by the canton
3. Municipal – governed by the commune, the town you live in
4. Church – members of one of the three national churches (Roman and Christian Catholic, as well as Protestant) are taxed in almost all cantons.

Swiss corporate taxes

Any company with a registered office or administration in Switzerland are liable for unlimited Swiss tax, while foreign companies abroad are liable for limited taxation if they hold real estate or a permanent establishment in Switzerland.
The international comparison shows that Switzerland is a very attractive location for corporate tax payers.

Swiss income taxes and wealth tax

Swiss residents or temporary residents performing gainful activities in Switzerland are subject to unlimited (worldwide) tax liability, with tax treaty provisions prevailing. Limited tax liability applies to non-resident individuals having specific economic relations with Switzerland. In such cases, the tax is not levied on an international basis but only on specific items of income having their source in Switzerland (eg. property, permanent establishments, etc.)

It is important to note that Swiss tax laws are based on the principle that the income and wealth of a family represents an economic unit and is taxed together. In other words, one tax return is submitted per household. Consequently, the income and wealth of both spouses in a joint household (and, as a rule, also the income and wealth of under-aged children) are combined with the income of the person who exercises parental authority.

High income earners tax assessment

Foreign employees residing in Switzerland whose gross salary exceeds CHF 120,000 per year (CHF 500,000 in Geneva) are obliged to file a tax return for their worldwide income and assets. The tax withheld from salary is credited interest-free against the assessed tax.

Assets tax assessment

Foreign employees residing in Switzerland whose gross salary does not exceed CHF 120,000 per year (CHF 500,000 in Geneva) but who have additional sources of income or additional assets (eg. income from securities or real estate property) are also obliged to file a tax return. However, in most cantons this is only for the additional income or assets.

Foreign employees: Withheld income tax

Foreign employees (without a C permit) have the fiscal amount deducted directly from their salary each month by their Swiss employer. The rates are lower than the rates of the assessed income taxes because they apply to the gross income. All typical deductions and allowances are standardized and directly included in the tariffs. The tariffs are generally progressive (the more you earn, the higher the tax rate) and take into account whether you are married or single, living with children or subject to church tax.
The tax withheld at source does cover taxes of all tax levels – see the levels of taxation table.

Correction of withholding tax

If you are a foreign employee with tax deducted from your salary and if you are not required to file a tax return, you could eventually reduce your tax burden by submitting a claim for the correction of withholding tax. This may lead to a partial tax refund.
The correction claim can be submitted for the following items:

- Cost of international weekly residence
- Debt interest (consumer loans and credit cards)
- Further education and retraining costs
- Health and accident costs
- Costs associated with disability
- Support payments
- Alimony payments
- Contributions in recognized forms to own pension provisioning (pillar 3a)
- Purchases of contribution years in a pension fund (2nd pillar)
- Exceptional travel expenses (over 10,000km per annum)
- Childcare costs
- Donations.

Such a claim can be submitted in most of the cantons. Usually the cantons provide a special form that needs to be completed and the additional deductions must be properly evidenced.
Some cantons require completion of a full tax return in order to have these deductions taken into account.
If a correction of withholding tax is applied for, the application has to be submitted by 31 March of the following year. In most cantons, this is a fixed deadline, which cannot be extended.

Filing a Swiss tax return as an expat

Swiss citizens, foreigners with a permanent residence permit C, or foreigners married to a Swiss citizen, need to file a tax return each year. Some cantons have incorporated additional criteria in their tax laws that require an ordinary tax assessment of foreign residents in Switzerland, eg. if real estate is owned in the canton.

An annual tax return is also due if you are working as a self-employed person or as an employee of a foreign employer.
In Switzerland, the tax year corresponds to the calendar year. Thus the tax year-end is 31 December. For most cantons, a tax return must be filed normally within three months after the end of the tax period. Most cantons allow one free deadline extension but any additional extension requests will cost you extra.

If the taxpayer fails to file his/her tax return on time, he/she may be subject to default taxation. In such a case, the tax authorities will assess the taxpayer on the basis of a reasonable estimate.
This tax base would usually be substantially higher than the actual tax base and is likely to be more 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. Penalties for non-filing may also be issued.

Investing in Switzerland

Strong Points

Strong points for Switzerland include:
- Its strategic location offers a gateway to European, African and Middle-Eastern markets.
- World class infrastructures and a highly skilled and educated workforce.
- Business friendly legal and regulatory environment.
- Home to the highest global per-capita spending on IT products. As such, it is a great testing ground for the introduction of high technology and high-end products.
- One of the most advanced countries for research and development activities; presents excellent bio and nano-technology partnership opportunities.

Weak Points

Weak points for Switzerland include:
- The Swiss market is very competitive and is an epicenter of European and global competition.
- Companies face tough European Union regulations and standards, related to product quality and packaging. Moreover, there are unique Swiss requirements for medications, cosmetics, detergents and chemical products, which need to be met.

Government Measures to Motivate or Restrict FDI

The Swiss government welcomes foreign direct investment and is not hampered by any kind of barrier. The federal government allows all the 26 cantons (states) to set their own foreign investment attraction policies. Many cantons offer foreign investors tax exemptions and other tax incentives. For example some cantons offer ten years of tax exemption to new firms. Furthermore, there is no surveillance or screening done on foreign investments except in certain sectors like telecommunications where certain levels of performance are required in order to qualify for tax reductions. For companies working in the banking and insurance fields, government authorization is required in order to invest in the country.

Investment Aid

Forms of Aid

Investment incentives are offered at the federal and canton levels, which could include: Tax holidays or reduced tax rates up to 10 years. Subsidies on interest of bank loans, offering loan guarantees.
The incentives as well as the regions for which incentives are available are specified in the so called “Lex Bonny Decree”.

Privileged Domains

Large scale investments in manufacturing and service sectors with potential for job creation are preferred.

Privileged Geographical Zones

There are warehouses in the country where goods can be imported duty-free as long as these goods are subsequently re-exported. Moreover, Swiss international airports have stores offering duty free shopping.

Investment Opportunities

The Key Sectors of the National Economy includes:

- Travel & Tourism,
- Medical and security equipment,
- Scientific and educational equipment & instruments,
- Aircraft and automobile spare parts,
- Electricity generation and distribution,
- Information Technology & Telecommunication,
- Agriculture.

High Potential Sectors

- Bio- and nano- technology,
- venture capital funds,
- IT & telecommunication,
- High-tech equipment.

Privatization Programs

Privatization programs are going on slowly but surely in sectors like railways, post office, telecommunication and power. This is taking place mainly due to pressure from market globalization and European integration.

The right partners for you in Switzerland
Meet our members!

Barandun von Graffenried AG

Barandun von Graffenried is a dynamic international law firm and tax advisory services with offices in Zurich, Berne and Altendorf.
Their ability to advise clients from a legal and tax perspective – from the very start – ensures a comprehensive and efficient approach to the matter at hand. As part of their core service, they analyse your business and private legal and tax situation, while keeping your individual needs and objectives top of mind.

Their sophisticated clients include domestic and international companies, ranging from start-ups to publicly-listed firms; as well as individuals with complex financial situations. The firm's extensive experience with regulations and legislation both inside and outside Switzerland has given them a deep understanding of diverse legal systems and cultures.

Barandun von Graffenried have a team of highly-qualified, experienced lawyers and tax advisors committed to the highest level of quality and client service. With their expertise and entrepreneurial mindset, they focus on bringing clients innovative, custom tailored and effective solutions. The studio offers legal and tax solutions for both businesses and individuals.

Help us create a bigger community!

By joining Prime Advisory Network, you open to the world your own studio. It means choosing to operate globally. Without distinction of flag, religion or culture.
Together with accountants and lawyers from around the world can help create a more united world.

If you have colleagues interested to expand internationally, send us their contact details and we will explain them how Prime Advisory Network can be a powerful tool for their growth.

Our Growth

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Our network is growing rapidly. Coverage shown is from August 2017.

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