



商業信託
Commercial Trust



Country Profile: Switzerland

The Facts

Location	West central Europe
Languages	4 official languages - German, French, Italian, Romansh
Nationality	Swiss
Religions	Roman Catholicism – 41.8% Evangelical Reformed – 35.3% Others – 22.9%
Government	Confederation
Head of Government	President
Legislature	The Government and the Federal Assembly of Switzerland
Constitutional Document	The Federal Constitution
Economy	Switzerland's economy relies on a highly qualified labor force performing highly skilled work. The main areas include micro-technology, biotechnology and pharmaceuticals, as well as banking and insurance.
Currency	Swiss Franc (CHF)
GDP (2011)	Total – CHF 567.23 billion Per capita – CHF 72,391 Real GDP growth – +1.9%
Population	7.78 million (approx.)
Percentage of population	Swiss – 77.6% Others – 22.4%
Area	41,285 km ²
Time zone	CET (UTC+1) CEST (UTC+2)
Public Holidays	National holidays – 11 Regional holidays – 10
Climate	Switzerland's climate is strongly affected by Atlantic Ocean. Cooling in the summer and warming in the winter, they also bring sufficient precipitation all year round in most areas



Source: Federal Department of Foreign Affairs Presence Switzerland, OSES Business Network Switzerland, Central Intelligence Agency

Switzerland

The highly competitive business environment these days requires careful evaluation of the location where one intends to do business. Not only should the location possess local and global business potential but should also be governed by lenient tax regulations and legalities. Switzerland is not only considered a prime location for investment in Europe but also possesses a stable economy with a strong currency and legal system. Situated in the heart of Western Europe, Switzerland offers world class infrastructure and immense growth opportunities for investors who wish to do business in the nation.

The Switzerland Business Climate

Switzerland is one country that is considered investor friendly and also known to have a business friendly government. Over the past few years, a number of large companies have started shifting their base to the region in view of its liberal trade environment. Here are some of the reasons why one should consider doing business in Switzerland.

- **Strategic location:** Located in the heart of Europe, not only does Switzerland enjoy close ties with the EU, it also opens a world of opportunities for businesses.
- **Low tax jurisdictions:** The nation levies low corporate tax rates and offers various tax planning opportunities for management, headquarters, finance companies, etc.
- **Efficient capital market:** It possesses a stable economy and strong currency, as well as a strong banking and financial system.
- **Trained workforce:** Switzerland was ranked Number 1 on the global competitiveness index in 2010/11 and as the most innovative country in 2009. The workforce is educated, multi lingual and the education system research oriented.
- **Government support:** The country has liberal trade laws and policies, and possesses a strong legal system. Economic freedom for foreign entities to do business in the country is an added bonus.
- **Hotspot for innovation:** The country houses some of the world's best universities and possesses an excellent educational structure. Three percent of country's GDP spent on research and development.

Along with all these advantages that the country offers for investors worldwide, another crucial factor that attracts businesses to this region is the incomparable quality of life. Whether it is healthcare, the education system, personal safety or housing, Switzerland is one location that ranks high on all these fronts.



Setting Up a Business in Switzerland

There are many ways in which you can do business in Switzerland and contribute to the ever growing business environment. Swiss law recognizes the following types of business entities:

Partnership type incorporated companies (limited partnership, sole proprietorship, general partnership etc.) and capital based companies (limited liability company, stock corporation etc.). As compared to other European nations, such as Germany, Italy, France and the UK, Switzerland offers minimum red tape in terms of business regulations and offers flexible financing options that make it a perfect place for business opportunities.

One of the first steps to take before you incorporate a company in Switzerland is jotting down your business plan and choosing the business structure (corporation, limited partnership, sole proprietorship, etc.) that suits your requirements. The next step is the preparation of memorandum and articles of association. According to Swiss law, one Swiss director is mandatory for any company. You can file with the Registrar of Companies to incorporate your company in any of the 26 different cantons where you intend to do business.

Joint Stock Company or Corporation

Joint stock company is one of the most common choices for foreign companies looking to form a base in Switzerland. The regulations that need to be followed for a joint stock company include:

- At the time of incorporation, you have to show 100,000 Swiss francs as registered capital, 50,000 of which have to be deposited at the time of incorporation.
- One founder or shareholder is mandatory; the shareholder can be an individual or a company. The shareholder can be of Swiss origin or a foreigner, in general nationality or point of residence is not an issue.
- For a joint stock company, one member of the board of directors must reside in the country.
- The shareholders cannot be disclosed in the register of companies.
- There is no liability of shareholders; liabilities are secured by the corporation's assets.

This type of company is formed by businesses irrespective of their size and sector. Limited liability for shareholders in sync with simple procedure for transferability of shareholding makes this the most popular business type in Switzerland. After the deposit of capital and once you have met all the essential requirements, your company can be incorporated in a time span of 1-2 weeks.

Limited Liability Company (GmbH)

A limited liability company is the most common form of capital based incorporated companies. According to the GmbH Act, which came into effect in 2008, a limited liability company is considered by Swiss law as a separate business entity. The regulations that need to be followed for the formation of a limited liability company include:

- Its stated capital has to be announced in advance and can be formed by one or more individuals or companies
- Every shareholder must have an interest in the capital of the company, in the form of shares.
- Only one founder is required and the cost of incorporation of this company is similar to the cost of registering a corporation.
- Does not have a board of directors, which means less structural costs but increased responsibility for the managing director.
- Are subjected to audit requirements depending on their size. However, compared to a corporation, they require less nominal capital (20,000 Swiss francs).
- All shareholders are publically disclosed.
- Must include a director that resides in Switzerland.

A limited liability company is more popular among small and mid size companies because of its less required share capital. The shares of the company can be easily transferred in writing, which also give it a personal legal personality.

General Partnership

This type of company falls under the partnership type incorporated companies. The regulations laid down for the incorporation of general partnership are:

- This type of partnership is formed between two or more individuals who operate under a trade name or carry a commercial business.
- Liabilities of the partners is unlimited, joint and several, to an extent where the partnership's assets are not enough to cover the liabilities.
- Identity of the partners must be disclosed in the commercial register.
- Acts as a legal entity towards third parties and defendant towards litigations.

This type of business is more suitable for small businesses, which have a few partners who can be trusted. Having few partners not only increases the creditworthiness of the company, it also takes care of the liability concerns.

Sole Proprietorship

Sole proprietorship is the name given to an individually owned enterprise and is most popular among small businesses. The regulations for formation of a sole proprietorship include:

- Exists legally whenever an individual conducts commercial activity alone or operates a business.
- The owner of the sole proprietorship bears the entire risk and is liable for that risk, with all his business and private assets.
- The owner maintains the sole power to take business decisions.
- There is no need for sole proprietorship to be registered in the commercial register, unless the annual sales exceed Swiss francs 100,000.

The advantage of sole proprietorships is the if they are successful they can be easily be made into a corporation, and in case of a failure, their liquidation is much easier than other legal forms.

Limited Partnership

This type of partnership is similar to a general partnership, except for the fact that here it is not compulsory for the partners to be involved in a commercial business. The regulations that need to be followed for this form of partnership are:

- Unlimited partners have unlimited liability (at least one), limited partners have limited liabilities that is up to a fixed amount, as registered in the commercial register.
- It is mandatory for unlimited partners to be individuals, however limited partners can be individuals, legal entities and general partnerships.
- Mostly favoured by small businesses who are looking for private investors.

Limited partnerships are more or less similar to general partnerships, except for the fact that limited partnerships are favoured when not all partners are willing to be actively involved in the business decisions.

Taxation

Corporate taxation is much lower in Switzerland, as compared to its European neighbours. Not only does Switzerland enjoy a favourable tax regime, the Swiss tax authorities are also considered to be cooperative and business oriented. Switzerland is divided into different cantons and each canton has its own tax laws, tariffs, regulations and exemptions.

How is Corporate Tax Applied?

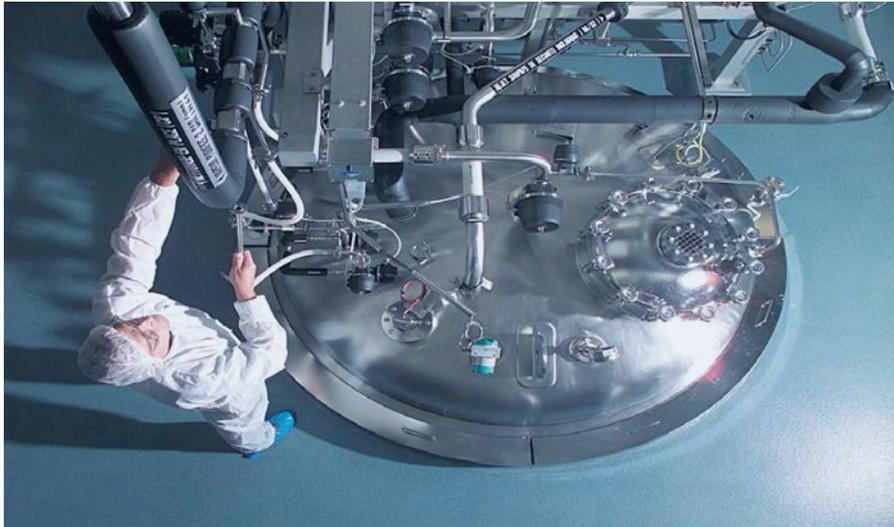
Businesses are taxed both on their income and capital. A general corporation is subjected to the following taxes in Switzerland.

- Depending on the canton, a combined federal, communal and cantonal tax ranging from 12% to 24% is liable.
- Capital tax is in the range of 0.01% to 0.5%, depending on the canton.
- Capital gains and dividends are exempt from income tax till the time they qualify for participation exemption.
- For a typical holding company, the tax rate is 7.8%, 1.5 % for a finance company, between 5% and 8 % for a principal company, and 8.5-10.5% for a mixed company.
- Companies that are resident through personal affiliation are subject to tax on worldwide income, whereas companies resident through economic affiliation are subject to tax on Swiss income.
- Expenses are deductible to an extent, where they can be justified. In general, bad debt provision (5%-10%) and stock provision (33.33%) is accepted as deduction for tax purposes.
- Corporations are taxed on net equity, represented by share capital, share premium and retained earnings.

Dividend income and capital gains are generally subject to tax. However, an exemption is possible under the following conditions:

- Investments amounting to at least 10% of equity, having a value of CHF 1 million.
- Investment sold amounting to at least 10% of equity, a minimum 1 year holding period applies.

Tax returns generally need to be filed 6-8 months after the financial year end, depending on the canton. However, in special cases, these deadlines can be extended. The taxing structure in Switzerland is not only transparent but profitable for businesses looking to form a base. In case you witness any discrepancy in the tax assessment, you can file an appeal within 30 days with the tax authorities. The tax authorities would not only reconsider all the taxable elements but provide you with a clearer picture of your return statements.



Immigration and Visa Requirements

Any individual, who wishes to enter Switzerland for business, trade, education, service or residential purposes, needs to take obtain the respective visa from the Swiss consulate. Under the Free Movement of Persons Act, any individual, irrespective of his qualifications, is entitled to a residence or work permit, provided he is employed by a Switzerland based company. Upon receiving his authorisation letter from the company, the individual can request for his visa from the canton's immigration authorities where he is supposed to work.

The type of visa and documents that one needs depends on the nature of stay. For business purposes, the following requirement needs to be taken care of:

- The Swiss consulate can only issue the visa once the canton immigration authority approves the application.
- Applicant must show enough funds necessary to pay the expenses and must have a solid business plan to back his corporate endeavour.
- The Swiss consulate also requires a letter of sponsorship from a Swiss resident.
- The criteria for admittance are contained in the Federal Assignment Act and priority is given to entrepreneurs and specialized professional.
- While submitting your visa application, you also have to include your travel documents and other papers requested for by the consulate. The homepage of the Swiss consulate contains information about the documents one has to include and all these documents have to submitted after translation.

The sponsor has to sign the application form of the applicant and the letter of sponsorship would be checked by the canton's communal authorities. The results of the check will be presented to the consulate, which will then decide whether to issue the visa or not.

Banking Requirements

According to the law of Switzerland, non-residents who wish to open a bank account in Switzerland must be at least 18 years of age. Although there is no minimum balance that you require to open an account, once you start depositing money in the account, there is a specific balance that you have to maintain at all times, depending on the bank. Your account can function in any currency and the bank you choose depends on the type of investments you make and also the type of account you want to have.

These are some of the regulations you need to fulfil before opening a corporate bank account in Switzerland.

- Minimum account balance for corporate bank accounts for non-residents stands at CHF 50,000. Those who plan to use extra services and discretion have to submit US \$100,000 as deposit
- To open an account you need to submit documents that show where your money is coming from, copies of passport, tax returns, licenses and company documents
- Banks also want to know what you intend to do with this money once you open an account
- Swiss bankers would meet the applicant in person and would follow a custom identification process to ensure the authenticity of your account

Once you have submitted all your essential documents, proofs and statements and submitted the initial deposit, your account would be opened as soon as possible pending verification from the authorities. \$800 is the fee for the opening of a corporate account. Remember, Swiss bankers believe in maintaining a long term relationship with their customers and like to know their customers well before they proceed with any financial relationship.

Switzerland is ranked the 4th largest trading partner with EU and also ranked 4th in terms of quality infrastructure by IMD World in 2011. With the strategic location that poses immense business opportunities and friendly tax and banking norms, businesses are fast realising the true potential that this land imparts. What needs to be appreciated is also the support government is providing in transforming the nation into a financial hub of Europe.

Stable political and economic system of the nation along with its skilled pool of talent make this destination a truly rewarding experience for corporate and entrepreneurs all over the world. This is one destination that certainly ranks high in terms of quality, returns, performance and reliability.

Reference

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OSSES Business Network Switzerland	Invest-in-switzerland.com
International Monetary Fund	www.imf.org
Central Intelligence Agency	www.cia.gov

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