

Switzerland

Switzerland is recognised for its economic and political stability and is one of the leading and most efficient financial centres in the world. Switzerland is divided into three main linguistic areas with a German, a French and an Italian area.

Taxation in Switzerland

Due to the federal structure of Switzerland there is no centralised tax system. Some taxes are levied exclusively by federal authorities and other taxes are levied at federal, cantonal or municipal levels. Although the rate of tax levied at a federal level is fixed, the rate of the tax levied at cantonal and municipal levels varies from canton to canton.

Corporate tax planning in Switzerland

One of the advantages of carrying on a business through a Swiss company or a Swiss branch is that, depending on the type of the activities carried out by the company or branch, there is the possibility to apply for favourable tax rulings according to required conditions and circumstances. This can be favourable for Swiss companies or branches which undertake the following activities:

- holding activities;
- commercial and trading activities; or
- patents and royalties exploitation.

Due to the significant differences which presently exist in the rates of cantonal taxes, the choice of canton is an important element in tax planning.

Furthermore, because Switzerland has signed double taxation treaties with 80 countries, the withholding tax on income dividend payments may, depending on the specific treaty terms, be decreased or reduced to nil in the country of source. Also, no Swiss withholding tax is levied on royalties paid to beneficiaries.

For Swiss branches, an additional advantage is linked to the fact that there is no withholding tax on funds remitted by the branch to its parent abroad.

Overview of all taxes in Switzerland

Federal Taxes

Individual income taxes
Corporate taxes
Withholding tax
VAT
Stamp duties
Military service
Exemption tax

Cantonal Taxes

Individual income and net wealth taxes
Corporate income and net wealth taxes
Real estate profit taxes
Real estate transfer taxes
Inheritance and gift taxes
Motor vehicle taxes

Municipal Taxes

Individual income and net wealth taxes
Corporate income and net wealth taxes
Real estate profit taxes
Real estate transfer taxes
Inheritance and gift taxes
Trade taxes

Countries with double-tax treaties with Switzerland as at 1 January 2009

Albania	Iceland	New Zealand
Algeria	India	Norway
Argentina	Indonesia	Pakistan
Armenia	Iran	Philippines
Australia	Ireland	Poland
Austria	Israel	Portugal
Azerbaijan	Italy	Romania
Bahrain	Ivory Coast	Russia
Belgium	Jamaica	Saudi Arabia
Belarus	Japan	Serbia
Bulgaria	Kazakhstan	Singapore
Canada	Kenya	Slovakian Republic
China	Kyrgyzstan	Slovenia
Congo	Korea (South)	South Africa
Croatia	Kuwait	Spain
Czech Republic	Latvia	Sri Lanka
Denmark	Lebanon	Sweden
Ecuador	Lithuania	Thailand
Egypt	Luxembourg	Trinidad & Tobago
Estonia	Macedonia	Tunisia
Finland	Malaysia	Turkey
France	Malta	Ukraine
Germany	Mexico	United States
Ghana	Moldova	Uzbekistan
Great Britain	Mongolia	Venezuela
Greece	Morocco	Vietnam
Hungary	Netherlands	

Types of Swiss corporate vehicles

There are a number of corporate business structures in Switzerland. However, the two most commonly used are the stock company "Société Anonyme (SA)" (the "Stock Company") and the limited liability company "Société à Responsabilité Limité (SàRL)" (the "Limited Liability Company"), both of which are regulated by the Swiss companies law ("Swiss Code des Obligations"). Another interesting vehicle is the Swiss branch of a foreign company.

The Stock Company

The Stock Company is a legal entity governed by the Swiss Code des Obligations.

Capital and shares: The statutory minimum capital is Swiss Francs 100,000. At least 20% of this must be paid up with a minimum of Swiss Francs 50,000 (in cash or in kind), being paid up prior to the incorporation meeting.

The capital is divided into shares which can be issued in bearer form or registered in the name of the shareholders. The bearer shares are easier to transfer but they have to be paid up in full. If the shares are registered, the company has to maintain a share register. The transfer of the registered share must be made in accordance with all applicable regulations.

Organisation: The bodies of the Stock Company are as follows:

- **The general meeting of the shareholders** is the supreme governing body of the Stock Company. The board of directors and the auditors are elected by the general meeting of shareholders. The general meeting of shareholders issues and changes the articles of incorporation, approves the financial statements and the annual report, and makes the decisions about profits allocation and dividend distributions. An ordinary general meeting of shareholders takes place every year within six months of the close of the financial year.
- **The board of directors** is the executive body and made up of one or more members. The main duty of the board of directors is to manage the Stock Company and to make all management decisions relating to matters which are not governed by law or by the shareholders according to the articles of incorporation. The names of the members of the board of the directors are registered and are shown in the public register of companies called the Register of Commerce. At least one member of the board of directors must be Swiss resident.

- **The auditors:** the auditors, if required, are appointed by the general meeting of the shareholders. The auditors have to be independent and qualified. Their role is to verify that the accounts, the financial statements, as well as the distribution of profits meet requirements of the law and of the articles of incorporation. The auditors have to submit a written report to the ordinary general meeting of the shareholders. At least one auditor must have his domicile, registered office or a registered branch office, in Switzerland.

There are two kinds of audit, the ordinary audit and the limited (restricted) audit. Further details on audits are provided below.

The setting up of a stock company must take place in front of a notary.

The Limited Liability Company

The Limited Liability Company is a legal entity governed by the Swiss Code des Obligations. The Limited Liability Company is formed by one or more individuals, or legal entities, i.e. companies who are the partners and who participate in the company with their capital contribution.

The minimum fixed capital of a Limited Liability Company is Swiss Francs 20,000 which has to be paid in full in cash or in kind. The minimum contribution required by each partner is Swiss Francs 100.

The names of the partners, and the nominal value of the contributions that they have made, are registered and publicly available at the Register of Commerce.

While the partners can allocate the management of the Limited Liability Company to third parties or managing officers ("gérants"), these officers must be individuals and at least one of them must be a Swiss resident. The partners and other managing officers can reside elsewhere.

The Limited Liability Company can appoint an auditor if required. In the same way as for the Stock Company, the auditors must be independent and qualified. There are two kinds of audit: the ordinary audit and the limited (restricted) audit. Further details regarding the audit requirements are provided below.

The setting up of a limited liability company must take place in front of a notary.

The Swiss branch of a foreign company

Foreign companies can set up a branch in Switzerland according to the Swiss International Law Act ("Droit International Privé"). A branch is an entity being economically distinct from, but legally part of, the parent company.

The registration formalities of a Swiss branch of a foreign company are held directly by the Register of Commerce and do not require the involvement of a notary. At least one of the branch managers must be Swiss resident.

For the establishment of a Swiss branch of a foreign company the following documentation and information must be provided by the parent company:

- the name and place of incorporation of the foreign parent company;
- the certificate of incorporation (duly legalised with apostille);
- an official translation in French (for French speaking cantons) or in German or Italian (for German or Italian speaking cantons) of the company's memorandum and articles of association;
- a statement of corporate purpose;
- the amount of the authorised share capital;
- the total number of shares;
- the types of shares (registered or bearer);
- the amount of paid up capital;
- the names, addresses and nationality of board members; and
- the minutes of a board meeting granting authority to establish a Swiss branch, designating the individual(s) who will manage and have the Swiss branch together with specific details of how their powers must be exercised (for example, individually or jointly).

Accounting and auditing roles

Accounting requirements

In accordance with the Swiss Code des Obligations, all registered business entities must keep fully maintained books of accounts which must reflect the up to date financial situation of the company. In this respect, all companies,

corporations, partnerships and branches must produce, on an annual basis: a balance sheet and a statement of income, together with notes to the accounting figures with all amounts expressed in Swiss Francs.

Audit requirements

The role of the auditors is to verify that the financial statements and the internal control systems, together with any distribution of profits, comply with requirements the Swiss Code des Obligations and the articles of incorporation.

Since 1 January 2008, there have been two kinds of audit available. First, the ordinary audit and, secondly, the limited or restricted audit. For a company liable to an ordinary audit the statutory auditor has to perform the audit procedures as specified in the Swiss Code des Obligations which include a verification that internal control procedures are in place. However, a company is required to have an ordinary audit only if two of the following criteria, linked to the size of the company, are met:

- a turnover of at least Swiss Francs 20 million; or
- a balance sheet total of at least Swiss Francs 50 million; or
- a total of at least 50 employees.

If none of the criteria for an ordinary audit are met a limited audit must be performed if the company has over of ten full time employees. For companies which have less than ten full time employees there is an option to waive the limited audit. Accordingly, such companies are subject to no requirement for audit.

Bedell Trust Suisse SA, Geneva

With an office in Geneva, Bedell Trust Suisse SA ("Bedell Suisse"), is ideally placed to assist with the planning, formation, administration and accountancy requirements of Swiss companies and Swiss branches. The activities of these vehicles can be holding, commercial, trading, consultancy, and the exploitation of patents.

Planning: depending on the business and personal circumstances of our clients, Bedell Suisse can assist them to find the best Swiss corporate vehicle solution, either in collaboration with our client's business advisors, or with our own advisors whom we work on an ongoing basis.

Company formation: in addition to the provision of nominee shareholders, company directors, and company registered office services, Bedell Suisse can also deal with the management of all of the administrative steps necessary to incorporate Swiss companies, such as arranging the escrow account deposit before incorporation, all requirements with a local notary and the Register of Commerce, and any other actions in connection with company formation.

Swiss branch establishment of a foreign company: Bedell Suisse can deal with all of the administrative requirements to establish and maintain a Swiss branch of a foreign company and can also provide the required Swiss resident branch members.

Daily administration: Bedell Suisse can perform all administrative tasks such as the opening of bank accounts, the monitoring of bank account transactions, the annual shareholders meetings, the company board meetings and any other daily actions in connection with the activities of Swiss corporate vehicles.

Accounting: Bedell Suisse can provide bookkeeping services as well as monthly, quarterly and annual accounts.

For further information in relation to the above, please contact:

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