



## **DOING BUSINESS IN SWITZERLAND**

When setting up a company, foreign nationals can select from the available forms of legal entities:

- 1- **Branch:** There are no formal restrictions on operating as a branch of a foreign company in Switzerland. At least one of the directors needs to be resident in Switzerland (Swiss or EU citizen). Principally, the same tax provisions apply to branches and corporations and the same rates are applied to both entities. However, no withholding tax is due on profits distributed by a branch.
- 2- **Stock Corporation (SA / AG):** The minimum statutory capital is CHF 100'000. Shares can be registered or bearer shares. One or more members compose the Board of Directors; at least one must be Swiss or EU citizen resident in Switzerland. Accounts need not to be filed.
- 3- **Limited Liability Company (SAGL /GMBH):** One or more members compose the Board of Directors; at least one Director must be Swiss or EU citizen resident in Switzerland. Accounts need not to be filed.

### **TAXATION**

Taxes may be levied at three different levels:

- 1- Federal (income taxes)
- 2- Cantonal (income and net worth taxes)
- 3- Community (expressed as a percentage of the Cantonal taxes).



**Corporate Income Tax:** Federal income tax is due at the nominal rate of 8.5%. Cantonal income tax rates can either be progressive or fixed, depending on the Canton, and the rates may vary substantially. Community income tax is always expressed as a percentage of the cantonal tax, where the percentage can vary for each Community even within the same Canton. All income taxes are however deductible from the taxable income, reducing therefore the effective tax rate. The effective



maximum total income taxes (incl. Federal, Cantonal and Community) vary between 13% and 33% on income before taxes.

**Capital tax:** Capital tax is usually calculated on share capital and reserves. There is no Federal capital tax, Cantonal capital tax vary between 0.1% and 0.3%. Community capital tax is calculated as a percentage of the Cantonal tax.

### **WITHOLDING TAX**

The standard withholding tax rate is 35%. This rate is applicable only to dividends (including liquidation surplus), to interests earned on bank accounts and to interests on bonds. There is no withholding tax on interests paid by private companies or on royalties and licence fees.

The withholding tax retained by a foreign country in application of a Tax Treaty can usually be compensated with income tax due in Switzerland.

### **COMPANIES WITH SPECIAL FISCAL STATUS**

**Holding Company:** The holding privilege is granted when at least 2/3 of the assets are participations or when at least 2/3 of the revenues are derived from participations. The holding is required to hold at least 10% of the share capital of each participation or alternatively the value of each participation needs to be in excess of CHF 1'000'000. No commercial or industrial activity is allowed; it is however allowed to have passive economic activity (income from licences, interest income, real properties, trademarks, securities, etc.). Dividend income is exempted (no minimum tax is required in the country of the dividend paying company), income from passive economic activity is taxed only at federal level (nominal rate 8.5%). Capital gains are not taxed.

**Domiciliary Company:** This company can be used to administer own assets abroad (licences, real property, loans etc), either directly or as a trustee. Usually it cannot have a commercial activity and should not have its own premises or personnel. Income tax is only due at federal level. At the Cantonal level, a domiciliary company may pay a tax of up to 15% of the regular Cantonal income tax. The domiciliary company may be controlled by either Swiss or foreign nationals.



**Auxiliary Company:** Auxiliary companies can be used for commercial activities “from abroad to abroad”, for the exploitation of immaterial rights, as factoring companies, etc. The effective applicable income tax rate depends on the activity in Switzerland and could be as low as 8%.

**Service Company:** Service companies can be used for rendering services within a group (marketing, accounting, administrative / technical / commercial / financial coordination). Services can be invoiced to any company of the group.

**PLEASE FEEL FREE TO CONTACT US WITH ANY QUESTIONS OR QUERIES.**

TRUST 4 TRUST GROUP  
EMAIL: [INFO@TRUST4TRUST.COM](mailto:INFO@TRUST4TRUST.COM)  
PH.: +41 91 220 4710  
FAX: +41 91 220 4711