

Formation Of A Swiss Company and The Ability To Become Resident in Switzerland

By **Christine Breitler**, 12th May 2023

Background

Switzerland is an attractive jurisdiction for the location of a company for several reasons, as detailed in the Dixcart Swiss Company Jurisdiction Note.

Forming or Investing in a Swiss Company and Becoming a Director or an Employee of the Company

The establishment of a Swiss company is also one of the routes to be able to move to Switzerland.

EU/EFTA and non-EU/EFTA nationals can form a Swiss company, be employed by it and reside in Switzerland.

Any foreign national can form a company and therefore potentially create jobs for Swiss nationals. The owner of the company is eligible for a residence permit in Switzerland, as long as he/she is employed by the company in a senior capacity.

What are the Criteria?

In principal, non-EU/EFTA nationals need to form a company which must generate an annual minimum turnover of CHF 1 million, and create new jobs exploiting new technologies and/or the development of the region and contribute to the economic development of the country.

The company must generate a business plan detailing how the amount to be invested will generate a turnover of CHF 1million or more per annum, in the 'near' future. The business plan needs to show that the company will achieve this turnover in a specified number of months, not necessarily in the first year, particularly if the company is a start-up.

The types of economic development objectives for the company, which are regarded positively in Switzerland, include: opening up new markets, securing export sales, establishing economically significant links abroad, and the creation of new tax revenue. Precise requirements vary by canton.

Investment in a Swiss Company

Alternatively, EU and non-EU/EFTA applicants can choose to invest in a company which is struggling to expand, as it lacks the necessary funding.

This new funding should then enable the company to create jobs and assist the Swiss economy to expand. The investment must add economic value to a particular Swiss region.

Non-EU/EFTA Nationals

A higher level of due diligence criteria must be met by non-EU/EFTA nationals, in comparison to EU/EFTA nationals, and the business proposition, will also need to offer greater potential.

Taxation

Swiss companies can enjoy a zero-tax rate for capital gains and dividend income, depending on the circumstances.

Trading companies are taxed as follows:

- The effective cantonal and federal corporate income tax rate (CIT) is between 12% and 14% in most cantons. The Geneva corporate tax rate is 13.99%.

Swiss Holding Companies benefit from a participation exemption and do not pay tax on profits or capital gains arising from qualifying participations. This means that a pure Holding Company is exempt from Swiss tax.

Withholding Tax (WHT)

- There is no WHT on dividend distributions to shareholders based in Switzerland and/or in the EU (due to the EU Parent/Subsidiary Directive).
- If shareholders are domiciled outside Switzerland and outside of the EU, and a double tax treaty applies, the final taxation on distributions is generally between 5% and 15%.

Double Tax Treaties

Switzerland has an extensive double tax treaty network, with access to tax treaties with over 100 countries.

Additional Information

If you require additional information relating to Swiss companies and the advantages they can offer, please speak to Christine Breitler at the Dixcart office in Switzerland: advice.switzerland@dixcart.com.