

## Frequently Asked Questions: Swiss Corporations

Based in the heart of Europe, Switzerland has a long tradition as an internationally respected finance and banking hub. Here are the key frequently asked questions on setting up a Swiss corporation answered...

By **Christine Breitler**, 18th July 2023

This article considers several questions that we are frequently asked regarding Swiss companies.

### 1. Why is Switzerland Such an Attractive Location for Corporates?

Switzerland is considered an attractive location for corporates for several reasons:

- **Strategic Location:** Centrally located in Europe with excellent transport links, including multiple international airports and efficient rail networks, making it an ideal hub for businesses aiming to access EU markets.
- **Innovation and Research:** Home to prestigious universities, research institutes, and multinational R&D centres, encouraging collaboration between academia and industry. Switzerland has been ranked the world's most innovative country since 2011 (World Intellectual Property Organization).
- **Stable Economy:** Low inflation, low unemployment, and a strong currency provide a secure environment for businesses.
- **Political Stability:** With over two centuries of neutrality and deeply rooted institutional stability, Switzerland offers a safe and predictable business base.

- **Strong Legal Framework:** A reliable legal system protects property, intellectual property, investor rights, and contract enforcement, providing businesses with a high level of security and confidence when conducting commercial activities.
  
- **Business-Friendly Regulations:** Low bureaucracy, efficient administration, and competitive tax policies, including R&D incentives and extensive double taxation agreements with numerous countries.
  
- **Skilled Workforce:** Highly qualified multilingual, and productive labour force supported by strong education and vocational systems.

Together, these factors make Switzerland an appealing location for corporates across industries including finance, pharmaceuticals, technology, manufacturing, and international organisations.

## 2. What Criteria do I need to meet to Establish a Swiss Company?

General criteria for setting up a Swiss company include:

- **Residence:** While it is not mandatory to be a Swiss resident to set up a Swiss company, you will need at minimum, a local representative who resides in Switzerland to act as director of the company.
  
- **Share Capital:** The share capital of the company has to be paid into a Swiss bank account when initiating the incorporation procedure. The share capital amount varies depending on the legal structure chosen. For a stock corporation (SA/AG), CHF 100,000 minimum is the minimum requirement. For a limited liability company (SARL/GmbH), the minimum capital is CHF 20,000.
  
- **Articles of Association:** Prepare the Articles of Association, which outline the purpose, capital, shareholder structure, and internal organisation of the company.

- **Shareholders and Directors:** Identify the shareholders and directors of the company. The shareholders can be individuals or legal entities, and there is no residency requirement for shareholders. However, at least one director must be a Swiss resident.
  
- **Bank Account:** Open a Swiss bank account in the company's name and deposit the required share capital
  
- **Permits and Licenses:** Depending on the nature of the business activities, you may need to obtain specific permits or licenses from federal or cantonal authorities. This requirement varies by industry and the location of your business.
  
- **Compliance:** Ensure compliance with Swiss laws and regulations, including tax laws, employment laws, and any business sector specific regulations.

It is important to note that the criteria and requirements may vary depending on the canton (state) in Switzerland where you plan to establish your company.

### **3. Does it Make a difference Which Canton I Establish my Company in?**

Yes, the canton in which you establish your company in Switzerland can make a difference in several aspects. Each canton has its own regulations, taxation system, business-friendly policies, and incentives, which can influence the attractiveness and feasibility of setting up a company.

Detailed below, are some factors to consider regarding the choice of canton:

- **Taxation:** Cantons have the authority to set their own tax rates, which can significantly impact your company's tax liabilities. Some cantons may have lower corporate tax rates, favourable tax advantages, or special tax regimes for specific industries. It is crucial to research and compare the tax systems of different cantons to determine which offers the most beneficial tax environment for your business.
  
- **Legal Framework:** Whilst Swiss federal law governs many aspects of business regulations, some areas, such as company registration

procedures, permits and administrative rules, may vary slightly at the cantonal level. It is important to be familiar with the specific legal requirements in the chosen canton.

- **Cost of Living and Business Expenses:** The cost of living and operating a business can vary from one canton to another. Expenses such as office space, salaries, utilities, and administrative costs may differ, and it is essential to consider these factors when choosing a canton.
  
- **Infrastructure and Accessibility:** Cantons may vary in terms of infrastructure, transportation networks, and access to markets. Some cantons may have better connectivity, proximity to international airports, or superior logistical infrastructures, which can be advantageous for certain industries.
  
- **Industry Focus:** Different cantons may have a particular focus or strength in specific industries. For example:
  - Zug - Low tax, blockchain and cryptocurrency hub.
  - Zurich - Major centre for finance and technology companies.
  - Basel - Home to global leaders in the pharmaceutical and life sciences industries.
  
  - Geneva - Key location for private banking, wealth management, diplomacy, and trusts industry. It is the international centre for multinational corporations and organisations.
  
- **Economic Stability and Support:** Economic stability, access to funding, and the availability of business support services can vary across cantons. Some cantons may have a more diversified economy, stronger entrepreneurial ecosystems, or specific support programmes for startups and foreign businesses.

We recommend conducting thorough research and seeking professional advice from local experts or business service providers, when considering your business's specific needs and objectives.

#### **4. I Anticipate that Swiss Corporation Tax is High – Am I Correct?**

Switzerland operates a federal tax system where both the federal government and the cantons levy corporate taxes. As mentioned above, Swiss corporation tax rates vary depending on the canton where the company is registered. It is important to research and compare the tax rates of different cantons to find the most advantageous option for your business.

Although corporate tax rates vary across cantons, many cantons in Switzerland offer tax incentives and special regimes for specific industries or activities. These benefits include reduced tax rates, tax holidays, or deductions for research and development (R&D) expenses. Taking advantage of these incentives can help mitigate the tax impact.

In summary, while Swiss corporation tax rates are competitive, the specific tax burden will depend on the canton and municipality in which the company is registered. In addition, Switzerland offers a favourable tax system, tax incentives, and opportunities for tax planning and optimisation, which can help mitigate the overall tax impact.

#### **5. What Asset Protection and Holding Advantages Does a Swiss Company Offer?**

Switzerland is widely recognised for its robust legal and financial framework, which provides strong protection for assets held both domestically and internationally. Swiss companies benefit from a stable, political and legal environment, strict property rights protection, and a reliable judiciary. These factors contribute to the long-term preservation and protection of assets held in Switzerland or through Swiss entities.

Switzerland is an attractive location for establishing holding companies. They benefit from significant tax advantages, including exemption from cantonal taxes on income derived from qualifying shareholdings and capital gains from the sale of such shareholdings, while federal income tax is effectively eliminated through the participation deduction. Switzerland's extensive network of double taxation treaties further helps prevent double taxation and reduces withholding taxes on cross-border dividends, interest, and royalties.

Taken together, these features make Switzerland a **highly favourable location for international group structures and cross-border investment planning**, combining tax efficiency with legal and political stability.

#### **Summary**

Having a Swiss company can enhance business reputation, as Switzerland is recognised worldwide for quality, precision, reliability, and innovation. Associating with the Swiss brand can offer a competitive advantage and build confidence with customers, partners, and investors.

Advantages will vary depending on industry, canton, and individual circumstances. Conducting thorough research and seeking professional advice will help assess how these align with business objectives and the feasibility of establishing a Swiss company.

Dixcart has had an office in Switzerland since 1997 and is well placed to provide advice regarding the establishment of companies here. Please contact Christine Breitler at the Dixcart office in Switzerland: [advice.switzerland@dixcart.com](mailto:advice.switzerland@dixcart.com).