

Hiring in Switzerland: Social Security, Payroll and Related Employer Obligations

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By **Christine Breitler**, 4th June 2025

Overview Of Swiss Social Security

Swiss Social security is financed through contributions based on an employee's gross salary, shared equally between employer and employee. Only the employee's share is deducted from their gross salary; the employer pays its share on top and remits both portions to the authorities.

The Swiss social security is structured into three pillars, each with distinct characteristics to support individuals in maintaining their standard of living after retirement.

Social Security Contributions

The First pillar amounts to 5.12% and the Second pillar is in average 9% of the employee's gross salary. Both pillars are mandatory.

The Third pillar is optional and typically paid by the employee only. Average contributions are around 7%, although employers may also contribute if agreed contractually.

Employment Structures: With Or Without A Swiss Entity

Whether the employer has a Swiss presence directly impacts how social security obligations are managed:

Employer with a Swiss entity

Where a Swiss entity exists, the Swiss-resident employee is employed through it, and the local entity assumes full responsibility for social security compliance, including registration and contributions.

Establishing a Swiss branch may be a suitable solution. A branch carries out the same activities as the head office but operates with commercial independence. It remains legally part of the parent company and can fulfil local social security obligations.

Employer without a Swiss entity

If the employer has no presence in Switzerland, the Swiss-resident employee operates under a self-employment status. This has significant consequences, including:

- The employee is fully responsible for all social security contributions.
- Additional administrative burdens apply, including registration with various Swiss authorities.
- The employment contract with the foreign company is generally not recognised by the Swiss unemployment insurance system.
- Certain benefits (e.g., occupational pensions or daily sickness benefits) may be limited or unavailable, unless covered voluntarily or through private arrangements.

Additional Employer Obligations

- **Accident insurance:** Mandatory for all employees, covering occupational and non-occupational incidents.

- **Daily sickness benefits insurance:** Not compulsory by law but common in practice. It typically covers 80% of salary for a defined period in case of extended illness.
- **Family allowances:** Mandatory, with eligibility based on canton and family situation. Employers handle registration and payments via cantonal funds.
- **Administrative and compliance costs:**
Including payroll setup, registrations, and ongoing tax and social security filings.

Taxation Of Swiss Resident Employees

Swiss-resident employees are subject to local taxation on their worldwide income. The treatment depends on the individuals' residence permit and nationality:

- Swiss resident employees holding a B permit and those who are cross-border commuters are subject to withholding tax which is deducted directly from their salary.
- Swiss nationals and holders of C permits file a standard tax return and pay directly their tax.

Tax rates and obligations may vary by canton. It is essential for both employer and employee to ensure compliance with local tax rules, particularly where international arrangements are involved.

Type of Contribution	Employer	Employee Total		Required?
First Pillar (AHV/IV/EO)	5.12%	5.12%	10.25%	Yes
Second Pillar (BVG/LPP)	~4.5%	~4.5%	~9%	Yes
Unemployment Insurance (ALV)	1.1%	1.1%	2.2%	Yes

Family Allowances	1-3% (by canton)	—	1-3%	Yes
Accident Insurance (non-work)	—	~1-2%	1-2%	Yes
Accident Insurance (work)	0.5-1%	—	0.5-1%	Yes
Daily Sickness Benefit Insurance	~1-2%	~1-2%	~2-4%	Usually

**Note: These rates may vary depending on the canton, sector, salary level, and insurance provider.*

Additional Information

If you would like additional information regarding Swiss Social Security, please contact [Christine Breitler](#) at the [Dixcart Office in Switzerland](#): advice.switzerland@dixcart.com.