

How to Become Swiss Resident by Working in Switzerland

How to become Swiss resident? Find out how to become Swiss resident by moving to and working in Switzerland and the tax benefits available.

By **Christine Breitler**, 17th May 2024

Switzerland is a popular destination for non-Swiss nationals wishing to become Swiss resident.

Working in Switzerland is often overlooked as an option, in terms of being able to move to this country.

Why do Individuals Choose to Live in Switzerland?

There are many reasons why Switzerland is a desirable country to live in.

These include:

- A high standard of living with excellent working conditions and business opportunities.
- Beautiful scenery and an active outdoor lifestyle.
- A central location within Europe, with flight connections to over 200 international locations.

- Many of the world's largest international organizations have their headquarters in Switzerland.
- Switzerland is not part of the EU but one of 29 countries making up the 'Schengen' area. An area which enjoys a number of travel rights.

Additional important information regarding this jurisdiction:

- Switzerland, together with, Iceland, Liechtenstein and Norway, forms the European Free Trade Association (EFTA).
- Switzerland is divided into 26 cantons, each currently with its own basis of taxation.

Non-Swiss nationals are allowed to stay in Switzerland as tourists, without registration, for up to three months. After three months, anyone planning to stay in Switzerland must obtain a work and/or residence permit, and formally register with the Swiss authorities.

When applying for Swiss work and/or residence permits, different regulations apply to EU and EFTA nationals compared to other nationals.

How to Become Swiss Resident?

Residence – Working in Switzerland

The acquisition of a Swiss work permit allows a foreigner to become legally Swiss resident.

They are three ways to be entitled to work in Switzerland:

- a. Being hired by an existing Swiss Company.
- a. Forming a Swiss Company and becoming a director or an employee of the Company.

- a. Investing in a Swiss Company and becoming a director or an employee of the Company.

A. Being Hired by an Existing Swiss Company

The individual will need to find a job and the employer register the employment, before the individual actually starts work.

It is straightforward for EU/EFTA citizens as they enjoy priority access to the labour market in Switzerland.

Non-EU/EFTA nationals, however, are only allowed to enter the Swiss labour market if they are appropriately qualified, for example if they are managers, specialists and/or with higher education qualifications. They also need to meet a higher level of due diligence criteria, compared to EU/EFTA nationals.

The employer needs to apply to the Swiss authorities for a work visa, while the employee must apply for an entry visa from his/her home country. The work visa will allow the individual to live and work in Switzerland.

B & C. Forming or Investing in a Swiss Company and Becoming a Director or an Employee of the Company

Procedures for both EU/EFTA and for non-EU/EFTA nationals are easier, if the new resident forms a Swiss company and is employed by it.

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. The owner of the company is eligible for Swiss residence as long as he/she is employed by the company.

In principal, non-EU/EFTA nationals can 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 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.

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.

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, put forward, will also need to offer greater potential.

Taxation

Individuals

Each canton sets its own tax rates and generally imposes the following taxes: income, net wealth, real estate, inheritance and gift tax. The income tax rate varies by canton and is between 21% and 46%.

In Switzerland, the transfer of assets, on death, to a spouse, children and/or grandchildren, is exempt from gift and inheritance tax, in most cantons.

Capital gains are generally tax free, except in the case of real estate. The sale of company shares is classified as an asset, which is exempt from capital gains tax.

Swiss Companies

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

Operative 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 regarding moving to Switzerland to work, or have any other questions about this jurisdiction, please contact the Dixcart office in Switzerland: advice.switzerland@dixcart.com. Alternatively, please speak to your usual Dixcart contact.