

An aerial night view of a Swiss city, likely Zurich, with a network overlay of white lines and dots. The city is illuminated with warm lights, and a prominent church spire is visible in the background. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The network overlay is composed of white lines connecting various points, creating a complex, interconnected pattern that covers the entire scene.

DOING BUSINESS IN SWITZERLAND

ABL

LEGAL SOLUTIONS
ACROSS BORDERS

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Foreword

This guide has been prepared by DGM Avocats, an independent member of Alliance of Business Lawyers. It has been designed to answer many of the questions foreign businesses and entrepreneurs have when making their first venture into the Swiss market. DGM Avocats is an independent ABL member, providing a full range of legal services on behalf of both private clients and companies worldwide. DGM is associated with MD Services S.A., which provides accounting, administrative and management services to foreign and Swiss companies.

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1. Switzerland – Country Profile

1.1. History, Geography, Population and Languages

The Swiss Confederation is born on the 1st of August 1291 by the alliance of three cantons (Uri, Schwytz, Unterwald) and has its present form since 1979, when the Canton of Jura became part of the Confederation.

Switzerland is situated in the centre of Europe, where it is bordered by Italy to the South, France to the west, Germany to the north and Austria and Liechtenstein to the east. The greater part of its territory of 41'285 square kilometers is occupied by the Alps.

The capital of Switzerland is Bern, but the main cities and economic centres are Zurich, Geneva, Basel and Lausanne.

Switzerland is not part of the European Union, but it has concluded multiple bilateral agreements with it on various topics, including participation in the Schengen and Dublin conventions, the free movement of assets, persons and services, common research and education programs, pensions, competition law, etc...

The Swiss population numbers approximately 8'320'000 people, more than 25% of it is of foreign nationalities, mostly from European countries (15 % from Italy, 15 % from Germany, 13 % from Portugal, 12 % from former Yugoslavian countries, 6 % from France, 4 % from Spain, 3 % from Turkey, 2 % from UK, etc...).

There are 4 official coexisting languages: German (63% of the population), French (23%), Italian (8%) and Romansch (0.5%) and English is a widely used language.





1.2. Political and Legal System

The Swiss Confederation is divided into 26 autonomous cantons, each with its own Parliament and Government with their own laws and tax legislations. The Swiss Parliament, which is the national legislative authority, consists of 2 chambers : the National Council, which through its 200 members represents the Swiss population as a whole and the Council of State with an equal number of representatives for each canton. Both Chambers are elected by the people, although through different rules.

The Executive authority consists of seven members of the Federal Council, which are elected by the Parliament for a four-years term. The President of the Confederation is elected each year and is deemed as the "first among equals" during that time. He chairs the sessions of the Federal Council and undertakes special ceremonial duties.

The highest rulings in Switzerland are made by the federal Supreme Court in Lausanne. Besides, as federal first instance courts, the Federal Criminal Court in Bellinzona, the Federal Administrative Court and the Federal Patent Court in St. Gallen are worth mentioning.

Swiss Civil and Criminal Law is unified at the national level, but each canton has its own judiciary system that applies both national and cantonal laws and that shall provide for at least one appeal court before the case can be submitted to the Swiss Supreme Court.

According to the Federal Constitution, the Swiss people are sovereign and ultimately the supreme political authority.

As a consequence, there are very few countries in which people has such far-reaching rights of co-determination as in Switzerland. These include a "Compulsory Referendum" by the citizens on all amendments to the Constitution and on membership to some international organizations ; a "People's Initiative" right, where citizens may seek a vote on an amendment that they want to make on the Constitution if they can obtain the signature of 100'000 voters within 18 months ; an "Optional Referendum" right against the laws issued by the Parliament, that can be applied for by a minimum of 50'000 voters, whose signature must be collected within 100 days after the decree's publication and a "Petition Right" allowing any person capable of forming judgment to address written requests, suggestions or complaints to any authorities.

Similar people's rights apply to the activities of each canton as per rules which may however differ from one canton to the other.



2. Economy and Investment

Switzerland benefits from a stable and reliable economic situation due to its strategic position in the centre of Europe, proximity infrastructures, high skilled labour force, liberal labour law, competitive tax system and substantial investments in research and developments during the last decades.

It has the second highest gross domestic product (GPD) per capita of the world reaching USD 80,945.00 at the end of 2015, which is mainly generated from the service sector (73,8 %) and the industry (25,5 %). The public debt-to-GDP ratio has decreased considerably in the recent years to 34 % at the end of 2015.

Although some of the larger multinational enterprises steer their global or European activities from Switzerland, over 99 % of the Swiss registered firms are still qualified as small- and medium-sized enterprises with less than 250 employees. The diversity of its domestic industry has helped to keep a low level of unemployment rate, which reaches 3,5 % at the end of 2016 and which remained below 4,5 % since 2000.

Switzerland leading industries range from biotechnology, chemicals and pharmaceuticals, watches and jewellery, machinery and electronics, as well as medical devices and engineering to commodities trading, banking, insurances and tourism.

A large variety of legal forms exist in Switzerland with many non-mandatory provisions which allows investors to choose between different options according to their specific needs, the number of persons or entities that would be involved, the risks that they want to assume and the level of taxation.

Beside the common legal forms addressed in the next chapter, the Law on Collective investment schemes provide for different types of investment funds admitted in Switzerland, from contractual open-ended funds or Investment companies with variable capital (SICAV), to closed-ended funds such as the Investment company with fixed capital (SICAF) or the Limited partnership for collective investment, in which one or more companies (the "general partners") bear unlimited liability, while "limited partners" also take part, but with a liability limited to a certain amount.





3. Conducting Business (Overview of the Business Entities)

To run their business in Switzerland, individual investors can of course directly act on their own and in their own name. To limit their responsibility, they may as well choose to found or buy an existing company limited by shares ("Société Anonyme" or "SA"), which is undoubtedly the most convenient and versatile type of company existing in Switzerland, or a Limited Liability Company ("Société à Responsabilité Limitée" or "SARL"), which are reserved most of the time to very small businesses. Besides, other forms of legal structures exist, from different types of "Partnerships" to the "Cooperative Company".

Foreign companies can enter the Swiss market either by creating a new legal entity or by setting-up a branch. Other types of arrangements are also to be considered, for example the creation of a joint-venture or selling activities through dependant or independent commercial agents or distribution agreements.

3.1. The Company Limited by Shares ("Société Anonyme (SA)")

The Swiss Company Limited by Shares is a legal entity having its own trade name and which liabilities are only secured by the corporation's assets. The minimum share capital is CHF 100,000.00 but the contributions to the share capital upon incorporation, which can be made in cash or in kind, have to reach at least 20 % of the par value of each share, for an aggregate amount of at least CHF 50,000.00.

The shareholders exercise their rights at the General Shareholders Meeting. Actual management of the company is the sole responsibility of the Board of Directors and the officers, if any, appointed by the Board. Middle sized companies are subject to a "limited audit", whereas, the shareholders of small businesses may waive the obligation to go through audits subject to certain conditions.

3.1.1. Corporation Shares

The articles of incorporation determine the type of registered or bearer shares.

Bearer shares do not mention the name of the shareholder and are transferable through a mere delivery of the certificate. However, the holder of a bearer share must communicate his name to the Board of Directors and such shares can only be issued if entirely paid in.

Registered shares mention the name of the shareholder. They are transferable by way of delivery of the certificate, endorsed to the name of the new shareholder or in blank. A registered shareholder may also be just a nominee for the beneficial owner of the shares. The transferability of the registered shares, especially when not fully paid-in, can be subject to legal or statutory limitations.

Any person or legal entity acquiring on his own or with third parties shares of a non-listed corporation (specific rules apply for listed companies) and who, after this operation, owns more than 25 % of the share capital or voting rights must disclose to the Board of Directors the name of the final beneficial owner for whom he is acting. This being said, in Switzerland, as opposed to many other countries, the shareholders ledger is not a matter of public record. Shareholders are allowed to consult it only to obtain information as far as they are concerned and not to obtain information about other shareholders.

The share capital may as well partly be represented by so-called "participations certificate" which can be deemed as a kind of shares without voting rights, since shares without voting rights are as such prohibited by Swiss laws.

3.1.2. Incorporation Procedure and Cost

The name of the company can be freely chosen and can be either a fantasy name or reflect the business of the company, but must differ from any already registered company. As a prerequisite, the amount of the paid-in share capital must be deposited into an escrow account opened in the name of the company to be incorporated.

One person – either an individual or a legal entity – must appear before the notary public in order to incorporate the company and declare to subscribe the share capital, being understood that he can act on a fiduciary basis in his name, but for the account of the actual shareholders. The first directors and, if applicable, the first auditor must be nominated in the incorporation deed. At least one director having its registered address in Switzerland must be able to represent the corporation.

Immediately after signature of the incorporation deed, all the shares can be transferred to one shareholder without affecting the existence of the company.

The Company must then be registered with the Commercial Register, which usually takes a few days. Only through such registration, the Company can be regarded as legally incorporated and be in a position to withdraw the amount of its share capital put in escrow.

Apart from the fees of the lawyer who will have to prepare the company registration, which vary with the amount of work involved, the registration and notary fees depend on the canton where the company is to be registered, but usually amounts approximately to CHF 4,000.00 for the incorporation of a company with the minimum share capital of CHF 1,000,000.00 and to CHF 7,000.00 for a corporation with a share capital of CHF 1,000,000.00. A stamp duty of 1 % is levied upon incorporation on the registered capital,

but it does not apply up to the first CHF 1'000'000.00 invested in the company when created or through a following capital increase.

3.1.3. Organization of the Corporation

The Shareholders Meeting is the governing body. It has to be convened at least once a year and has essentially the power to amend the articles of association, approve the annual financial statements, decide on the allocation of losses/profits, and grant the discharge to the directors. It also appoints the Board of Directors as well as the auditors, if applicable. Extraordinary shareholders meetings can be called at any time by the Board of Directors, or shareholders holding a minimum of 10% of the share capital or shares with a nominal value of at least CHF 1 million.

A special quorum or a qualified majority of the outstanding shares is required by the law for certain fundamental decisions, such as change of the purpose of the company, dissolution of the company without liquidation, etc. The articles of incorporation may provide that a qualified majority is also required for other types of important decisions and may, to a certain extent, waive the principle of proportionality between voting power and par value of the shares, for example through privileged shares with increased voting rights.

The Board of Directors, which must consist of physical persons, manages the SA and has by law not assignable duties, such as the key management of the company, the supervision of employees having management powers, the preparation of the annual reports, etc... It can delegate some of its powers, which it is allowed to delegate by law, to some of its members or even to third parties, for example, to managers. In any cases, the persons having the right to represent the company towards third parties have to be registered with the Commercial registry as such with the mention of whether they can



sign singly or jointly. At least one person entitled to sign on behalf of the company must be a Swiss resident.

The auditors, if any, are responsible to ascertain that the accounts as well as the annual financial statements and the recommendation to the General Meeting of Shareholders relative to the allocation of the losses and/or profits are in accordance with the laws and the articles of association of the Corporation.

3.2. The Limited Liability Company ("Société à Responsabilité Limitée" or "SARL")

Similarly to the Company Limited by Shares, the Limited Liability Company has the legal personality with its own trade name and the shareholders, designated as "associates", can either be natural or legal persons and are only liable up to the amount of their contributions. However, the articles of association of the Limited Liability Company can provide that the associates have the duty to make additional contributions or provide ancillary performance.

The SARL is intended to be used by smaller or midsized companies which are not listed. Its minimum share capital is CHF 20,000.00 divided into shares ("parts sociales") of a minimum amount of CHF 100.00. The names of the company members have to be disclosed with the Commercial register.

The transfer of the shares is to be made by way of assignment in writing and requires the approval of the associates' assembly. As it is the case for the Company Limited by Shares, many non-mandatory provisions allow the investors to draft the articles of association according to their specific needs.

For instance, it is possible to provide that the transfer of the share capital is not subject to the assembly approval or to simply prohibit the transfer of capital shares. Furthermore, it is possible to provide for a veto right concerning certain decisions to the benefit of one or more of the associates.

3.3. Partnerships

The most practical form of partnership under Swiss law is the « Simple Partnership » ("Société Simple"), which is used as for example for joint ventures or construction or banking consortiums. It is defined as a contractual relationship between two or more individuals or companies with joint endeavors or means to pursue a common purpose. The Simple Partnership is not considered as a legal entity on its own and its setting-up does not require an entry in the Commercial register. Unlike the SA or the SARL, the partners are indefinitely and jointly liable.

Beside the Simple Partnership, close individuals or family investors can choose to conduct their business activity as a "General Partnership" ("Société en Nom Collectif" or "SNC"), which has to be registered with the Commercial Register with the names of the partners. The SNC is entitled to operate under its own name towards third parties and enter into agreements or raise claims as such.

The company law also provides for a "Limited Partnership" ("Société en Commandite"), which features are similar to the General Partnership, but which is composed of at least one individual with unlimited liability and one or more other partners, who can be individuals, legal entities or general or limited partnerships, with a liability limited to the amount of their contributions as registered in the Commercial register.

3.4. The Cooperative Company

The Cooperative company is founded by at least seven individuals or commercial enterprises who join together for the primary purpose of promoting or safeguarding specific economic interests of its members. Profits are in general not to be distributed among the members but used for price reductions or to permit the use of facilities for its members. Each member has an equal voting right.

The entry of new members may be subject to the approval of the administrative body or the general assembly and specific conditions to join the Cooperative can be provided for in the articles of association.

The Cooperative is to be registered in the Commercial register but without the mention of the member names. It is a legal entity with its own trade name without a predetermined capital, which liabilities are only secured by the cooperative assets, unless otherwise provided by the articles of association.

3.5. Branches of Foreign Companies

Instead of entering the Swiss market with a Swiss subsidiary company, foreign companies can set-up one or more branch offices in Switzerland, which have the capacity to conduct their own transactions, rent offices, hire staff, etc. A branch office must register with the same name as its head office in the commercial register (additional wording is possible) and have a representative residing in Switzerland with full power to represent the branch office.

The choice between conducting business in Switzerland through a subsidiary or a branch office must be assessed on a case by case basis, depending among others on taxation, liability and operational factors. Generally speaking, the setting-up of a branch office is simpler and less costly, as it does not require the involvement of a notary public and separate equity to be issued. But, contrary to a subsidiary corporation, where the liability is in principle limited by the amount of the share capital, the foreign main company is fully and jointly liable for the debts of its branch office.

Of course, a foreign business can also extend its activities to Switzerland through other types of arrangements, for example through a dependant or independent commercial agent or through distribution agreements.





4. Taxation

As a result of the country's federal structure, the Swiss tax system is rather intricate. There are three levels of taxation: the Confederation, the Cantons and the municipalities are empowered to levy taxes, the main fiscal burden been the cantonal one.

4.1. Taxation of Corporations

4.1.1. The Swiss Tax System

On the federal level, the profit tax is levied at a fixed rate of 8.5% on the taxable current business year profit. In the Cantons, the structures and rates of cantonal taxes are very different. However, as a rule, cantonal taxes are based on the same principles as the federal tax, except that the capital tax has not been abolished in cantons.

At the present time, the total federal, cantonal and communal profit tax reaches roughly 32% of the taxable net profit of a company based in Geneva for example. Being understood that the taxes paid are deductible from its taxable profit, the effective total net tax rate on the profit rounds up to approximately 25%. The capital tax rate varies from 0.05 % or less to a maximum of 0.52 % in the Canton of Basel for a taxable capital of CHF 5,000,000 or more. Furthermore, losses can be carried forward during 7 years and offset against a future taxable profit.

A "participation exemption" regime applies at the federal and cantonal level allowing companies to deduct their income related to dividends received from companies that they own for more than 10 % or from participations with a value of at least CHF 1 million. On the federal level and in most of the cantons, capital gain on the sale of participations of at least 10 % of the share capital of another company is also exempted, provided that the concerned shares have been held for at least one year. Exemptions and reductions also apply for individual shareholders (see chap. 4.2.1 below).

In addition, newly created enterprises or enterprises that went through a substantial reorganization can benefit from tax holidays in most of the cantons, for a duration of a maximum of 10 years, if they serve the economic interests of the canton where they want to establish, for example by creating jobs or being innovative.

4.1.2. The Ongoing Tax Reform

Switzerland has been under international pressure during the last decade because of the privileged tax status it was granting to certain types of companies, notably holding or service companies. It is now taking part in the OECD / G20 project against Base Erosion and Profit Shifting (BEPS), which is leading to a complete reform of its corporation taxation, the 3rd federal companies' tax reform.

A project has been adopted by the Swiss Parliament on 17 June 2016. Beside the abolition of the privileged tax status, the new legislation provided for a set of measures in order to keep the attractiveness of Switzerland as a central business location, including, among others, the introduction of a "patent box" regime, which would allow enterprises to deduct from their taxable base up to 90 % of their profits from intellectual property (I.P.) rights, such as patents, provided that these profits are attributable to research and development (R & D) activities that mainly took place in Switzerland (output incentive). The level of the reduction would depend on the cantons legislation. In addition, the cantons could also provide that R & D expenses can be deducted up to 150 % of the effective amount of expenses (input incentive).

Some other tax incentives were adopted, as the possibility to deduct up to a certain extent notional interests (deemed interests on the share capital) from the taxable profits. Furthermore, the cantons would be able allow their enterprises to deduct from the taxable capital the intra-group participations and loans, as well as the value of their I.P. rights.

Since the adoption of the project by the parliament, the cantons have started to discuss on how they would implement the new legislation, especially the future corporate tax rate they will apply to maintain their enterprises and attract new ones. According to the latest developments, the average effective net tax rate in Switzerland would be reduced to around 14 %, which would keep Switzerland very attractive compared to the surrounding countries. Geneva would apply a total effective net tax rate on the profit of a maximum of 13.5 % and Vaud has already confirmed the progressive reduction of the present net tax rate to 13.8 % in 2019 (federal, cantonal and municipal taxes included).

The reform, as adopted by the parliament on June 2016, was however rejected by people's referendum on 12 February 2017.

As a consequence, the political parties will have to agree on a new draft, which will hopefully enter into force in the beginning of 2019. At the present time, it seems that the main features of the tax reform as decided by the parliament will be maintained, including the abolition of the privileged tax status and the general reduction of the corporate tax rate. On the other hand, the extent of the R & D incentives will probably be reduced and the possibility to deduct notional interests withdrawn.

4.2. Taxation of Individuals

4.2.1. Income Tax

Any resident in Switzerland is subject to income tax on its worldwide income, under reserve of the application of international tax treaties (see below, chap. 4.6). Expenses incurred in the course of earning income are deductible from the gross taxable income. In addition, general deductions, as well social deductions, are available to a certain extent.

The income tax rate is progressive, that is the tax rate rises as income increases until a certain ceiling is reached. On the Federal level, the maximum rate of the income tax amounts to 11.5% (for an annual taxable income of CHF 755,530). In addition, the cantons also levy a general income tax, computed more or less in the same way as the federal tax, but which includes also a municipal tax generally being a mere multiple of the cantonal tax.

The intensity and impact of the progressiveness of rates vary from canton to canton. For example, in the city and canton of Geneva, the maximum global tax rate reaches about 39 - 42% depending upon the personal status of the taxpayer and in which municipality he is domiciled.



Income derived from dividends or liquidation proceeds of a corporation in which the taxpayer holds at least 10 % of the share capital is taxed only up to 60 %, whereas capital gain on the sale of shares or other movable assets is totally exempted from tax, provided that these assets do not belong to the taxpayer's commercial wealth, which is the case when the taxpayer is not acting as a professional securities trader. In that latter case, generally only 50 % of the income and capital gains (on participations held during one year at least) from such movable assets are taxed.

As an exception to the ordinary individual tax system, most cantons provide for a lump-sum taxation for wealthy foreigners becoming residents in Switzerland for the first time or after an absence of at least 10 years and who do not intend to work in Switzerland, that allows them to opt for the payment of a tax based on the amount of their yearly expenditures negotiated with the relevant cantonal tax authorities, with some minima fixed by law and depending on the cantons, such as a minimum tax base amount (i.e. CHF 400,000 at the federal level) or 7 times the annual rent or the deemed rental value of their home. The taxpayers subject to that type of taxation do not have to report their actual worldwide income and assets.

4.2.2. Wealth Tax

Contrary to the Confederation, almost all cantons and municipalities levy a tax on wealth of individuals, which as a general rule apply on the total worldwide assets owned or used by each individual, computed at market values, less total proved debts, the provisions of any applicable tax treaty being of course reserved.

For example, in Geneva, the maximum is just over 1% per year on the net assets value. In that case also, the municipality tax is a mere multiple of the cantonal tax, which varies from one commune to the other.

The rates are generally progressive and foreigners who pay taxes based on expenditure are not required to pay a separate tax on wealth.

4.2.3. Inheritance Tax and Gift Taxes

Only the cantons are entitled to levy inheritance and gift taxes and not the Confederation. Except the Canton of Schwytz, and Lucerne for gifts, all the cantons levy such a tax. However, most of them have exonerated tax on inheritance or gift if done in direct lines, i.e. in favour of the wife or husband, descendants and sometimes in favour of the parents, which is the case in Geneva (except in the case where the deceased person was subject to lump-sum taxation, in which case the rate is 6% between direct heirs).

4.2.4. Withholding Tax

The income earned by foreigners working temporarily in Switzerland and not in possession of a permanent residence permit (C permit) is taxed at source.

A withholding tax is also charged on income from capital (interests, dividends, ...), income from collective investment schemes, annuities and pensions, lottery winnings.

Swiss residents can get a refund after they declare the income for which the withholding tax has been paid or they can set off the withholding tax paid against the tax due. Foreign residents from a country with which Switzerland has signed a double tax treaty can reduce the withholding tax or obtain a partial or full refund of it in certain cases.

4.2.5. VAT

The supply of goods and services within Switzerland is subject to a VAT levied by the Swiss Confederation exclusively, provided that the total domestic gross sales of the taxpayer reaches at least CHF 100,000.00 per year.

The normal rate is only 8 %, some goods and services being taxed at a reduced rate of 2.5 % (newspapers, food and drinks, medicine etc...). In the hotel industry, a special rate of 3.8 % is applied for lodging services, including breakfast.

4.2.6. International Tax Treaties

Switzerland has signed a wide range of Double Tax Treaties with most of the countries in the world, which are designed to prevent double taxation. As a general rule, the treaties signed by Switzerland provide that individuals or companies residing in Switzerland are exempt from Swiss tax on foreign sourced income, including income from foreign real estate and foreign permanent establishments and income from employment in a foreign country over 183 days. The foreign sourced income is however taken into consideration to assess the applicable progressive tax rate. Swiss residents also get a credit against the tax paid abroad on foreign dividends, interests or royalties.

The major part of the Double Tax Treaties signed by Switzerland also exempt Swiss residents from wealth tax on items that are subject to a foreign wealth tax, such as foreign real estate or property belonging to a permanent establishments situated abroad.

Switzerland has also signed Double Tax Treaties to avoid double inheritance tax with a few countries, including UK and Northern Ireland, Netherlands, Austria, Germany, Denmark, Sweden and Finland.







5. Employment and Social Security

5.1. Work and Residence Permit

5.1.1. EU / EFTA Nationals

According to the bilateral agreement with the EU on the free movement of persons, EU nationals and their close relatives (in principle the spouse and children under 21 years old) have almost a legal access to the Swiss employment market and may apply for a residence permit. EFTA countries nationals and their close relatives have the same rights.

Therefore, EU and EFTA nationals can apply for a renewable short term residence permit (L Permit) if a valid employment agreement for a period of less than one year is concluded, being understood that no authorization is needed for an employment agreement not exceeding 90 days per calendar year, as a simple declaration is in that case sufficient.

A residence working permit EU / EFTA (B Permit) may be granted when a valid employment agreement has been concluded for at least one year. This permit is generally issued for a period of 5 years and can be extended upon presentation of a confirmation of the continuation of the employment relationship.

Residence permit for self-employment (up to 5 years) are issued for a five years period against the remittance of the proof of an effective self-employed activity in Switzerland.

Besides, EU and EFTA residents who are working in Switzerland and returning at least once a week to their domicile may receive a cross-border commuter permit (G Permit) which is valid up to 5 years renewable.

EU / EFTA nationals without activity may apply also receive a residence permit (B Permit) against the remittance of the evidence that they have

sufficient means to secure them and their family a safe and normal existence and an adequate health and accidents insurance coverage.

The permanent residence permit (C Permit), which is valid for an unlimited period of time and is subject to no specific conditions, can be obtained by EU / EFTA citizens after 10 years of regular and uninterrupted sojourn in Switzerland.

German, Austrian, Belgian, Danish, Spanish (incl. Andorra), French (incl. Monaco), Greek, Italian (incl. Vatican and Saint-Marin), Dutch, Portuguese, Lichtenstein, Finnish, UK, Irish, Icelandic, Luxembourg, Norwegian and Swedish nationals may be granted a C permit after only 5 years of regular and uninterrupted stay in Switzerland.





5.1.2. Non EU citizens

The conditions for non EU / EFTA nationals to obtain residence and work permits in Switzerland have become more strict and difficult, since preference must be given to EU / EFTA nationals.

In particular, the employer wishing to hire a non EU/EFTA citizen must show among others that the professional profile or the specific know-how of the concerned person could not be found on the local employment market including EU and EFTA countries.

Entrepreneurs, investors, students, retired persons or persons in a situation of extreme gravity or in case of public interest, may obtain the right to stay in Switzerland on an individual basis subject to certain conditions.

Close relatives of Swiss nationals or residents may also obtain a residence permit.

With regard to permanent residence permit, as a general rule, it may be obtained after an uninterrupted stay of 10 years or, in some cases, after 5 years for nationals of certain countries including USA and Canada.

5.2. Employment Law

Switzerland's employment law is more liberal than the regulation applicable in most of its neighbouring European countries. It contains relatively few compelling regulations in particular with regard to the termination of employment agreements.

Swiss employment law is also providing rules more favourable to employers regarding employee's inventions and development of commercial designs and models.

No minimum wages is imposed by the Law, but such standards can apply on the basis of collective employment agreements between Employees and Employers associations in some sectors and/or regions.

As a general rule, employees are under a probation period of one month that can be extended up to three months, in which each party may terminate the contract at any time with a seven days prior notice.

After the probation period, the employment relationship may be terminated with a one month prior notice for the end of a calendar month during the first year of employment and a two months prior notice during the second to the ninth year. If the employment relationship has lasted for 10 years or more, a three months prior notice is required.

Employment agreements can also be terminated by both parties at any time and without prior notice for a “justified” reason. Such reasons mostly appear in the case of a serious breach of the contractual obligations.

5.3. Social Security

Social security in Switzerland is based on a 3 pillars principle covering old age, death and invalidity. The basic state insurance (1st pillar: 10.3% of salary half of it paid by each the employer and the employee) is supplemented by the compulsory welfare fund (2nd pillar: depending upon the age of the employee and paid by equal contributions of the employee and the employer) and can be complemented as well by tax-privileged individual pension plans (3rd pillar: payable by the employee only)

In addition, the employer must insure its employees for accidents and illness incurred at work, the premiums for accidents outside work being usually payable by the employee.

Every resident in Switzerland must underwrite a health insurance with a private Swiss insurance company, which is generally not paid by the employer.

The employment social costs in Switzerland (Geneva) for an employer/employee can be summarized as follows:

	Total	Employer	Employee
Old age and surviving insurance Defecy duty compensation (AVS/AI/APG):	10.30%	5.15%	5.15%
Unemployment insurance:	2.20%	1.10%	1.10%
Maternity insurance:	0.082%	0.041%	0.041%
Family allowances:	2.45%	2.45%	-
Accident insurance (average)	2.10%	(professional)	(non professional)
Welfare fund: (average)	12%	half	half





6. Purchase of Real Estate by Non-Swiss Citizens

Since 1961, the purchase of real estate properties by non-Swiss residents has been strictly regulated and a general prohibition to buy either directly or indirectly real estate or rights onto real estate has been enforced.

With regard to EU / EFTA nationals, those rules have however been amended so that they can buy their main place of residence in Switzerland as the Swiss citizens.

Nationals of other countries or those of EU / EFTA who do not have their main place of residence in Switzerland, can purchase real estate property in Switzerland but at certain strict conditions.

On the other hand, all restriction on the purchase of commercial premises have been cancelled and no permit is required anymore for any foreigner (either EU / EFTA national or not) to buy any kind of commercial properties even if they are not used by the purchaser itself, but rented or leased.



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