DATA GUARD
CONSULTING

Switzerland Company Formation – Ultimate Guide by DataGuard Consulting (2025)

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1. Switzerland Company Formation | Ultimate Guide 2025 – Swiss Business Setup & Tax Rates etc.

Comprehensive 2025 guide on Switzerland company formation – covering Swiss company types (AG (SA), GmbH (SARL), sole proprietorship, etc.), legal requirements, incorporation steps, Switzerland tax rates (federal vs cantonal), VAT, bank accounts, shareholder implications, and more. Ideal for foreign entrepreneurs, SMEs, and corporations planning a Swiss business.

Note:

- ***"GmbH" is Gesellschaft mit beschränkter Haftung (German) and "Sàrl" is Société à responsabilité limitée(French) – both mean Limited Liability Company in English.***
- ***"AG" is Aktiengesellschaft (German) and "SA" is Société Anonyme (French) – both mean Stock Corporation or Public Limited Company***.

(We will use the terms interchangeably in this guide.)

2. Introduction

Switzerland consistently ranks as one of the best countries for business, attracting entrepreneurs and corporations from around the globe. Its stable economy, investor-friendly legal system, and competitive tax environment make Swiss company formation an effective choice. In particular, Switzerland has favorable tax rates and extensive network of tax treaties have positioned it as a strategic hub for international operations. Whether you are a **foreign entrepreneur**, a **small business owner**, or a **large multinational corporation**, understanding how to form a company in Switzerland is necessary to leverage these advantages.

This **ultimate guide** provides a step-by-step blueprint for opening a company in Switzerland. We will explore all available **types of company structures** (from the flexible GmbH/Sàrl to the prestigious AG/SA, including sole proprietorships and branch offices), and delve into the **legal frameworks** behind company formation. You will learn the **registration and incorporation procedures** in detail – from drafting statutes to getting listed in the Commercial Register. Crucially, we will cover **Swiss taxation and compliance** obligations, explaining federal vs cantonal corporate taxes (and how "**Switzerland tax rate**" varies by canton), VAT registration, and ongoing legal duties. We also discuss how to set up a Swiss **bank account** and establish your financial infrastructure, which is an essential step in incorporation.

For company owners and shareholders, this guide examines the impact of Swiss company formation on personal taxation and social contributions – including strategies like taking dividends vs salary to legally **reduce social security payments**. We highlight **common legal pitfalls** (and how to avoid them) that newcomers often face – such as meeting the Swiss resident director requirement and understanding local regulations. Additionally, we provide **sector-specific tips** (covering industries like fintech, trading, pharma, real estate, and more) since certain sectors in Switzerland have unique considerations or licensing requirements. Throughout the guide, we include practical **case studies** illustrating how different types of businesses successfully established a Swiss company, providing real-world context.

By the end of this guide, you will have a clear roadmap for Swiss company formation. Let us begin your journey into the world of Swiss business incorporation, ensuring you set up your new Swiss company correctly, efficiently, and in full compliance with all legal and tax obligations.

3. Why Choose Switzerland for Company Formation?

Switzerland offers a uniquely attractive environment for establishing a company. Before diving into the mechanics of **how** to form a company, it is important to understand **why** so many entrepreneurs and corporations choose Switzerland as their base of operations:

- **Political and Economic Stability:** Switzerland is a country with a highly stable government and a robust economy. The country has low inflation, a strong currency (Swiss franc CHF), and prudent fiscal management. This stability provides certainty for long-term business planning, protecting companies from volatile swings and political risks that might be present elsewhere.
- **Favourable Tax Environment:** Swiss corporate taxes are competitive. The federal corporate tax rate is a flat 8.5% on profits (after tax), and each canton levies its own cantonal and communal taxes, leading to varying combined effective rates. In practice, **tax rates in Switzerland** for companies range roughly from **~11% to ~21%** depending on the canton (with some of the lowest rates in cantons like Zug, and higher rates in places like Geneva or Zurich). This can be significantly lower than the corporate tax rates in many other developed countries. Moreover, Swiss tax law offers incentives such as participation relief (for holding companies receiving dividends) and, since recent reforms, additional deductions (e.g. patent boxes and R&D super-deductions in some cantons) which can

further reduce the effective tax burden for qualifying businesses. For individual business owners, personal tax rates are moderate to low in many cantons, and there is no tax on private capital gains (e.g. selling shares of your company is tax-free for a Swiss resident individual under most conditions). These tax advantages, combined with the Swiss extensive network of **double taxation treaties**, help prevent being taxed twice on cross-border income and make Switzerland a tax-efficient location for international business.

- **Reputation and Credibility:** A Swiss company carries global prestige. The “Made in Switzerland” brand is synonymous with quality, precision, and financial soundness. Incorporating in Switzerland can enhance a credibility of your business with partners, investors, and customers. This is particularly helpful for startups looking to attract international investors – a Swiss AG or GmbH often appears more stable and trustworthy than a company from less established jurisdictions.
- **Strategic Location in Europe:** Situated in the heart of Europe, Switzerland has excellent access to EU markets while not being an EU member. It maintains numerous bilateral agreements with the EU to facilitate trade, labor mobility, and more. A Swiss company can easily serve customers in Germany, France, Italy, Austria (which all border Switzerland) and beyond. Major European hubs are a short flight or train ride away. This central location is ideal for companies that want a base in continental Europe to manage regional operations or logistics.
- **Highly Skilled Workforce:** Switzerland is home to a multilingual and highly educated workforce. The country has world-class universities and technical institutes (like ETH Zurich and EPFL Lausanne) producing skilled graduates in engineering, finance, life sciences, and more. Workers in Switzerland are known for productivity and precision due to the high competition on the Swiss labour market. Additionally, immigration system in Switzerland may even allow companies to hire foreign skilled workers where needed (though with some quota restrictions for non-EU nationals). For businesses in specialized sectors (such as pharmaceuticals, finance, or IT), being in Switzerland means access to deep pools of talent and expertise.
- **Infrastructure and Ease of Doing Business:** Switzerland offers developed infrastructure – from reliable utilities and telecommunications to a superb transportation network. The banking system is among the best in the world, providing companies with sophisticated financial services. The country consistently ranks high in **Ease of Doing Business** indices. Setting up and running a business is relatively simple: commercial laws are clear, the

bureaucracy is efficient, and corruption is virtually non-existent. Most government services can be accessed in multiple languages (German, French, Italian, and often English) and many processes (like filing taxes or registering for VAT) can be done online once you have been established.

- **Innovation and Industry Clusters:** Switzerland invests heavily in research and development, which supports innovation. It has numerous industry clusters and networks – for example, **Zurich and Zug for fintech and crypto/blockchain**, **Geneva for commodity trading and wealth management**, **Basel for pharmaceuticals and life sciences**, and **Bern and Zurich for advanced engineering**. Companies in these sectors benefit from local networks, events, and sometimes government-supported innovation parks or incubators. If you are in a high-tech or specialised field, forming a Swiss company can give you a good posibility to have a quality networking within these vibrant ecosystems.
- **Quality of Life:** While not directly a business factor, exceptional quality of life in Switzerland is attractive for entrepreneurs and expats. Low crime, clean cities, beautiful nature, and excellent healthcare and education make it easier to attract top talent to relocate here. Business owners often choose to reside in Switzerland themselves to enjoy the lifestyle (pending obtaining the necessary permits). Cantons like Zug and Schwyz not only have low taxes but also picturesque landscapes, making them appealing places to live and work. Each part of Switzerland is attractive with different opportunities.
- **Legal Certainty and Asset Protection:** Swiss law provides strong protections for property rights and contract enforcement. The court system is efficient and impartial. This legal certainty is important for businesses seeking a safe harbor for assets or intellectual property. Additionally, Switzerland has a tradition of financial privacy (though it complies with international transparency standards today) and robust asset protection laws. Forming a holding company in Switzerland to hold international assets or subsidiaries can be part of a strategy to protect those assets under Swiss law and courts.

In summary, Switzerland offers a combination of **tax efficiency, stability, and prestige** that few other jurisdictions can match. Companies formed here benefit from a pro-business climate and an environment that supports innovation and growth. Of course, these advantages come alongside higher operating costs (Swiss wages and living costs are high) and strict regulatory compliance expectations – factors which we will address throughout this guide. Nonetheless, for many foreign entrepreneurs the **benefits of Swiss company formation** far outweigh the costs. By proceeding with a clear understanding of the requirements and careful planning (with expert legal and tax guidance), you can join the ranks of successful businesses in Switzerland.

3.1 Types of Companies in Switzerland

One of the first steps in setting up a business in Switzerland is choosing the appropriate **legal structure** for your company. Swiss law provides for several types of business entities, each with its own characteristics, requirements, and ideal use cases. The main types of company structures available include: **sole proprietorships**, **general or limited partnerships**, **limited liability companies (GmbH / Sàrl)**, **stock corporations (AG / SA)**, and **branch offices** of foreign companies. We will also briefly mention other forms like associations and foundations, which, while not typical for commercial enterprises, are part of the Swiss legal landscape.

Choosing the right structure is crucial, as it affects your liability, tax situation, administrative burden, and even how clients perceive your business. Below is an **overview table** of the key Swiss business entity types and their main features for a quick comparison:

Comparison of Swiss Business Structures:

Entity Type	Legal Personality	Liability	Mini-mum Capital	Founders / Owners	Swiss Residency Require-ment	Ideal For
Sole Proprietorship	No (owner = business)	Unlimited personal liability (owner liable with all personal assets)	None (no capital required)	1 individual (the proprietor)	Owner must be Swiss resident or have Swiss work permit	Small personal businesses, freelancers, locals

					(to operate locally)	starting alone
General Partnership	No (partnership is not a separate legal entity; it's a collective of partners)	Unlimited joint & several liability of all partners	None legally required (partners contri-bute as agreed)	2 or more individuals (or companies in some cases) as partners	At least one partner typically resident in Switzerland (practical for administ-ration)	Small businesses with multiple owners who trust each other; professional firms
Limited Partnership	No (similar to general partnership in legal status)	General partner(s): unlimited liability; Limited partner(s): liable up to their specific contribu-tion amount	None fixed by law (limited partner's contribution often serves as capital)	2 or more individuals/ entities (at least one general and one limited partner)	General partner ideally Swiss resident for practical purposes (if all foreign, need local represen ta-tive)	Investment projects or family businesses where one party is passive investor
Limited Liability Company	Yes (separate legal entity)	Liability limited to company's	CHF 20,000 minimum share capital	1 or more individuals or legal	**Yes – At least one manager**	Small to medium businesses

(GmbH / Sàrl)		assets; members' liability limited to capital contribution (fully paid-in capital)	(fully paid-in)	entities (members/ share-holders). Can be 100% foreign-owned.	**(with signatory authority) must be domiciled in Switzerland.**	, local or foreign owners, startups, subsidiaries. Most popular for SMEs due to low capital requirement and limited liability.
Stock Corporation (AG / SA)	Yes (separate legal entity)	Liability limited to company's assets; share-holders not personally liable beyond share capital	CHF 100,000 minimum share capital (at least CHF 50,000 paid-in)	1 or more share-holders (individuals or entities). Can be 100% foreign-owned. Shares can be transferred freely (with some restrictions if privately held).	**Yes – At least one board member or director with sole signatory (or two joint) must be resident in Switzerland.**	Larger businesses, companies seeking investment or prestige, holdings. Ideal for enterprises needing share issuance, anonymity of share-holders, or aiming to go public.

Branch Office	No (legally part of the foreign parent company, but registered in Switzer- land)	Liability rests with the foreign parent (no separate liability shield)	No capital required (capital comes from parent allo- cation)	Foreign parent company (no separate share- holders for branch)	**Yes – A branch represen tative who is Swiss resident is required to represen t the branch** (similar to director require- ment).	Foreign companies expanding to Switzerlan d without creating a subsidiary. Allows local presence with simpler setup than a new AG/GmbH.
Association (Verein)	Yes (separate entity, typically non-profit)	Associa- tion's assets liable; members not personally liable (unless specified)	No capital requirement (membershi p fees or funds as per by- laws)	2 or more individuals or entities (members). Often used for clubs, NGOs.	No statutory residenc y rule, but practical manage- ment in Switzerla nd needed if Swiss associati on.	Non-profit, trade groups, clubs, sports, or even some inter- national NGOs (e.g., FIFA is a Swiss associa- tion). Not typically for profit- seeking ventures.

Foundation	Yes (separate legal entity)	Assets of foundation liable; no members, only a purpose and bene-ficiaries.	Typically CHF 50,000 or more initial endow-ment recom-mended (not a legal minimum but practice)	Created by a founder (individual or company) by dedicating assets to a purpose. Board of trustees manages it.	No residenc y require-ment, but must have a Swiss-based administr a-tion for a Swiss foundati on.	Charitable founda-tions, family trusts, asset protection vehicles. Not used for trading business.

As the table shows, Swiss law provides a suitable structure for nearly every need – from a one-person freelance activity to a large multinational subsidiary. Below, we describe each of the main company types in detail, including their formation requirements, advantages, and drawbacks:

3.2 Sole Proprietorship (Einzelfirma/Entreprise Individuelle)

A **sole proprietorship** is the simplest form of doing business in Switzerland. It is an **unincorporated business owned and operated by a single individual**. Legally, there is no distinction between the owner and the business – the business has no separate legal personality. This means the owner **bears full personal liability** for all business debts and obligations, with no liability shield.

Key features of a Swiss sole proprietorship:

- **Formation & Registration:** Establishing a sole proprietorship is straightforward. There is no formal incorporation deed or minimum capital required. If you are doing business under your own name (e.g., consulting as “John Doe Consulting”) and you have a permission to work in Switzerland, you can start operating immediately. However, if you choose a business name that does not clearly include your surname (e.g., “Alpine Consulting Services”), you are generally required to register the business name in the commercial register to give the public clarity about ownership (the owner's last name must typically be part of the business name to register a sole proprietorship). Registration in the cantonal Commercial Register is *mandatory* once the business reaches an annual revenue of CHF 100,000 or more; below that threshold, registration is optional but often done for credibility. Registration involves filling out a form and providing proof of Swiss residence, and is relatively quick and inexpensive.

- **Ownership & Residency:** Only individuals (not legal entities) can be sole proprietors. The owner should be a Swiss resident (citizen or holding a residence permit) because running a business implies you have the right to reside and work in Switzerland. Foreigners without residency cannot simply set up a sole proprietorship in Switzerland unless they obtain the necessary work permit or are EU/EFTA nationals taking advantage of bilateral agreements. Essentially, as a foreign entrepreneur, if you plan to use a sole proprietorship, you would need to already legally reside in Switzerland or plan to relocate with proper immigration status.
- **Liability:** The owner has **unlimited liability**. All personal assets (like your savings, house, car, etc.) can be used to satisfy business debts if the business assets are insufficient. This is a major risk factor – and one big reason many entrepreneurs incorporate a company (GmbH/AG) once the business grows or if undertaking anything beyond low-risk activities. There is no protection of personal wealth in a sole proprietorship structure.
- **Capitalisation:** There is no formal capital requirement – the business capital is essentially the money the owner decides to invest. The proprietor may contribute personal funds or assets to the business. These contributions are not tracked as shares or equity in the way they would be for a company; it is just the owner's funds. Banks may be reluctant to give significant business loans to an unincorporated sole proprietorship unless the owner has substantial personal collateral, given the lack of separate entity.
- **Taxation:** For tax purposes, a sole proprietorship is **not taxed separately** at the corporate level. Instead, the owner's business profits are simply treated as part of the owner's personal income. The proprietor will file an individual tax return declaring the business income (and can deduct business expenses) by the end of year beginnign of the next year. This means profits are taxed only once (unlike the double taxation in a corporation where the company pays corporate tax and then the owner pays income tax on dividends). Swiss personal income tax rates vary by canton and municipality; they are progressive. Depending on profit levels and canton, the tax could range from low (e.g. if in Zug, low

personal tax canton) to relatively high (e.g. city of Zurich or Geneva have high marginal personal tax rates in the 30-40% range for high incomes). Still, for modest incomes, the sole prop may enjoy lower taxes than a corporate double-tax scenario. One should note that **social insurance contributions** (AHV/IV – old age and disability insurance, etc.) must be paid on the sole proprietor's earnings as well after the income reaches a certain amount(depends on the canton)(as self-employed, around 10% of profits). We will cover tax and social security in depth later.

- **Management & Flexibility:** The sole proprietor has full control and decision-making power. There are no statutory governance requirements like boards or shareholder meetings. This makes it very flexible and simple to run – less paperwork and formality. Accounting requirements are also lighter: small sole props (under CHF 500k turnover) can keep simpler accounts (cash accounting) and are not obliged to follow strict accounting standards that companies do. There is also no audit requirement.
- **Continuity:** Legally, the sole proprietorship is tied to the owner. If the owner dies or quits, the business effectively ends (although a successor could take over assets and possibly continue operations, it would be a new business or require new registration). You cannot sell a sole proprietorship as an entity – you can only sell the business assets/goodwill. Many sole proprietors who want to bring in partners or sell the business will incorporate a company and then transfer the business into it for these purposes.

Pros of a sole proprietorship: Easy and cheap to start, minimal formalities, full control by owner, no double taxation (profits taxed only as personal income), privacy (no need to publish financial statements, though the name of owner is public in register).

Cons: Unlimited personal liability (huge risk), can be harder to raise capital, business ends if something happens to owner, cannot have partners as co-owners (aside from informal arrangements), and less prestige – some clients or suppliers prefer dealing with a registered company (GmbH/AG) than an individual. Also, certain industries or contracts might require a company form (for example, big corporations might not contract with an unincorporated entity for compliance reasons).

Use cases: Sole proprietorships are common for **small businesses and professionals** – such as independent consultants, freelancers, tradespeople, sole traders, local retail shops or restaurants owned by one person, etc. If you are starting a low-risk activity and want to test the waters, a sole prop is the quickest way to start. Many Swiss businesses begin as sole proprietorships and later **convert to a GmbH or AG** as they grow or if they need liability protection or to bring in partners.

3.3 General Partnership (Kollektivgesellschaft)

A **general partnership** is a business formed by two or more individuals (or even companies, though typically individuals) who carry on a business together with the intent of making a profit, without forming a separate legal entity like a corporation. In Swiss law, a general partnership (Kollektivgesellschaft in German, Société en nom collectif in French) does not have legal personality separate from its partners, but it can act under its partnership name to a certain extent (e.g., it can sue or be sued in the partnership name, and it can appear in the commercial register as an entity). Still, the key aspect is that **the partners have unlimited liability** for the debts of the partnership, and this liability is joint and several.

Key features:

- **Formation:** A general partnership is formed by a partnership agreement between at least two partners. While it can be formed verbally or implicitly, it is highly recommended to have a written partnership agreement defining each contributions of the partners, profit sharing, decision-making process, etc. To be recognized as a general partnership, the enterprise typically should be entered into the Commercial Register of the canton where it is based, especially if it is a commercial business. If the annual revenue is ≥ CHF 100,000, registration is mandatory (similar to the sole proprietorship rule). Even below that, registration is common to formalize the business. The partnership must operate under a company name, usually containing one of the partners' surnames or a fantasy name plus an indicator (like "& Co"). For example, "Müller & Meier Architects Kollektivgesellschaft."
- **Legal Status:** The partnership itself is not a corporation and thus not a separate legal person fully distinct from the partners. However, it can acquire rights and obligations under the partnership name and is treated somewhat as an entity for certain purposes (it files its own tax return for partnership income, but income is then allocated to partners).
- **Liability: All partners in a general partnership have unlimited personal liability**, and importantly, **joint and several liability**. This means a creditor of the partnership can claim the entire debt from any one partner if the partnership's assets are not sufficient. Typically, partnership creditors must first go after the partnership's assets, but if there is a shortfall, personal assets of each partner are on the line. Partners are **jointly liable**

(collectively) and **severally liable** (each can be held for the full amount). For this reason, general partnerships require a high level of trust between partners. It is critical to choose partners carefully and perhaps insure against certain liabilities.

- **Capital:** There is no minimum capital requirement by law. Partners contribute whatever they agree – this could be cash, equipment, or even just expertise and labor. The partnership agreement should detail initial contributions and how new contributions or withdrawals are handled. The partnership may keep a capital account for each partner in the books. Since it is not a company, you cannot "issue shares" or easily bring in investors – a new partner can be admitted by amending the partnership agreement, but then they become fully liable too (which is a deterrent for passive investors). Thus, partnerships are usually small and comprised of active members only.
- **Management:** By default under Swiss Code of Obligations, each partner has the right to manage and represent the partnership, unless the partnership agreement provides otherwise. Often, partnerships designate one or more managing partners or set rules that certain decisions need unanimous agreement. This flexibility allows partners to arrange governance as they see fit. There is no board or statutory audit requirement (unless the partnership becomes very large, but typically such large ventures would incorporate anyway).
- **Taxation:** The partnership itself is **not taxed on income** as an entity (it may be taxed on capital in some cantons at a minor level, but essentially it is fiscally transparent for income). Instead, like a sole proprietorship, the profits of the partnership **flow through** to the partners and are taxed as part of personal income of each partner. Each partner will pay income tax on their share of the partnership profits (as allocated by the partnership agreement). The partnership usually still files an informational tax return or provides financial statements to show total profit and allocation. Social insurance: partners are considered self-employed in terms of AHV contributions, meaning each partner pays contributions on their share of earnings (similar ~10% rate as sole proprietor self-employment contributions). This avoids corporate double taxation but means high earners in high-tax cantons could pay significant personal taxes. We we will go in depth about these aspects later.
- **Advantages:** General partnerships are relatively simple to establish and operate (compared to a corporation). They work well when a small number of people want to collaborate without the formality of an AG/GmbH. There is no capital requirement or

audit. The lack of double taxation on profits is an advantage for partners (taxed only at personal level). Partnerships allow pooling of skills and resources – for example, two professionals (like two lawyers or two consultants) might partner to offer combined services.

- **Drawbacks:** The unlimited liability is the biggest drawback – personal assets of each partner are at risk not just from their own actions but also those of their partners. This is a serious concern, especially if the business has potential for large liabilities (like contracts, debts, or risks of lawsuits). Also, because of liability and the informal nature, partnerships might find it harder to raise capital or get bank loans except based on personal credit of partners. If a partner leaves or new one joins, it can technically dissolve the old partnership and form a new one – continuity is an issue. And if partners quarrel without an agreement in place, there is potential for messy situations (though the law provides some default rules).

Use cases:

General partnerships in Switzerland are often used by small professional firms or family businesses. For example, a husband and wife running a business together might do so as a partnership. Small law firms, architectural bureaus, consultancies sometimes start as partnerships before later incorporating. Because all partners are liable, typically all are actively involved in the business (unlike a corporation where investors can be passive). Foreign entrepreneurs rarely choose a general partnership unless they are partnering with a Swiss individual in a small venture, since if you are going through the trouble as a foreigner, you might prefer the liability shield of a GmbH/AG. Also, all partners ideally should be Swiss residents (or at least one partner who is, to handle local matters), otherwise running it from abroad could be tricky and might end up being seen as a foreign entity (which could require a branch registration anyway).

If you do consider a partnership, having a **comprehensive partnership agreement** is vital, covering profit split, decision making, dispute resolution, and what happens if one partner exits or if the business winds up. In absence of such, default law applies (e.g., equal profit share by default if not specified).

3.4 Limited Partnership (Kommanditgesellschaft)

A **limited partnership** in Switzerland (Kommanditgesellschaft in German, Société en commandite in French) is similar to a general partnership, but it introduces two classes of partners: **general partner(s)** and **limited partner(s)**. This structure allows for some partners to limit their liability to a predefined amount (their **capital contribution**), while at least one partner retains unlimited liability.

Key characteristics:

Partner Roles:

- **General Partner:** At least one general partner is required. General partner(s) have **unlimited personal liability** for the debts of the partnership (just like in a general partnership). They also usually have management control. General partners must be individuals in Switzerland (a Swiss company *cannot* be a general partner in a Swiss limited partnership; however, in practice, sometimes a corporation might be used via a workaround of having an individual represent it – but generally, the law expects a human with unlimited liability).
- **Limited Partner:** At least one limited partner is required. Limited partners are typically investors who **contribute a certain amount of capital** to the partnership, and their liability is limited to that amount (provided they do not take part in management). The name of the limited partner should generally not appear in the partnership name (or else they risk being treated as a general partner by creditors). Limited partners are often more passive.

- **Liability:** The general partner(s) have the same unlimited joint and several liability as in a general partnership. Limited partners, on the other hand, have liability capped at their registered contribution (called "Kommanditsumme"). Example: If a limited partner contributed CHF 50,000, they can lose that CHF 50000 and any additional promised amount, but their personal assets beyond that are protected *as long as* they do not engage in managing the business in a way that makes third parties think they are general partners. If a limited partner starts acting like a manager or is formally given signatory power, they could be treated as a general partner (losing their liability protection). So limited partners should remain mostly in the background or advisory role.
- **Formation & Registration:** A limited partnership is formed via a partnership agreement between the parties (like general partnership, it's best in writing). It must be registered in

the Commercial Register. The registration will state who the general partner(s) are and who the limited partner(s) are, including the amount of each limited partner's liability contribution. The name of the partnership usually includes the surname of at least one general partner (or a fantasy name) and an indicator of the partnership form. It should not include a name of the limited partner (to maintain the distinction). For example: "Meier & Co Kommanditgesellschaft" where Mr. Meier is the general partner and "& Co" indicates others including limited partners.

- **Capital:** There is no fixed minimum capital, but the limited partner(s) will commit a certain amount. This type of structure essentially allows raising capital from investors without giving them direct management powers or exposing them to full liability. It is somewhat analogous to how a limited liability company might get investors, but done in a partnership style. Typically, the contributions of limited partners form the capital base while general partners might contribute less capital but contribute their full liability and know-how.
- **Management:** Only general partners may manage and legally represent the partnership (unless a limited partner is explicitly given power, which again is not typical as it undermines their limited liability status). Limited partners are generally excluded from day-to-day management by law, though they can have certain oversight or consent rights depending on the partnership agreement (like approving annual accounts or extraordinary decisions). This structure thus allows limited partners to be more like silent investors.
- **Taxation:** Tax-wise, a limited partnership is treated similarly to a general partnership. It does not pay income taxes as an entity; instead, the general and limited partners each pay income tax on their share of profits. The division of profits between partners is governed by the partnership agreement. Limited partners will be taxed on their portion (and if a limited partner is a company, that company would include it in their corporate income; if an individual, in personal income). General partners pay on their portion as personal income. Social insurance: general partners will pay self-employment AHV contributions on their income share. Limited partners who are individuals likely also considered self-employed in this context and pay AHV on their partnership income share, even if not active (if they are just investors and not working, this could be a nuanced case – they might be seen as passive investors which is unusual for AHV, but typically any income from partnership is treated as self-employed income for individuals).

- **Uses and Advantages:** The limited partnership is not extremely common in modern use, but it can be useful for **certain investment structures**. For example, if a few people want to start a business but one person is willing to be the general partner (with unlimited liability) and the others just want to invest money, this form allows that without immediately establishing a corporation. It was used historically for family enterprises where one family member ran the business and others invested. It is also conceptually similar to the structure used by some private equity or venture funds (in other countries, think of how many investment funds are LP structures with a general partner and limited partner investors). In Switzerland, larger investment funds would usually use corporate structures or be organized under specific fund regulations, but a limited partnership could serve a small private investment deal.
- **Drawbacks:** From a perspective of foreign entrepreneur, a limited partnership still requires someone to take on unlimited liability. Foreigners likely would not want that role unless they really trust the situation or perhaps they set up a Swiss corporation to act as general partner (though by law a corporation cannot be a general partner, some might attempt to use a Swiss LLC as general partner in substance, but typically not allowed – Switzerland does not have the concept that some countries do of an LLC as GP). As such, limited partnerships are relatively rare compared to GmbH/AG which offer full limited liability for all owners. If the aim is to have investors, usually forming an AG or GmbH is simpler and provides limited liability to everyone.

Another drawback is that, similar to general partnerships, the partnership can be dissolved by a change in membership or if a partner withdraws, unless agreed otherwise. Also, transferring a limited partner interest is possible (like selling your stake) but not as straightforward as transferring shares in a company.

Use cases:

Limited partnerships might be seen in niche scenarios, such as joint ventures between Swiss and foreign parties where the foreign party might be the limited partner investor and the Swiss party is the general partner running it. Or in certain artistic or film productions, maybe one partner takes liability and others invest. They are also occasionally used as legacy structures in longstanding family firms. However, they are much less common than the primary forms (GmbH and AG) for new businesses today.

(Note: For simplicity going forward, our guide will focus more heavily on the dominant corporate forms – the GmbH and AG – as these are the ones most foreign entrepreneurs and companies choose for Swiss company formation. Sole proprietorships and partnerships, while important, are usually only suitable for smaller, local endeavors or specific situations.)

3.5 Limited Liability Company (GmbH / Sàrl)

The **Limited Liability Company**, known as *Gesellschaft mit beschränkter Haftung (GmbH)* in German or *Société à responsabilité limitée (Sàrl)* in French (and sometimes **LLC** in English contexts), is one of the most popular business forms in Switzerland, especially for small and medium-sized enterprises (SMEs). A GmbH combines elements of a corporation and a partnership – it has a separate legal personality like a corporation, and offers liability protection to its owners, but it is often more flexible and personal in nature (the identity of owners is less anonymous than in an AG).

Key features of a GmbH:

- **Separate Legal Entity:** A GmbH is a **separate legal person** under the law. It can own property, enter contracts, sue and be sued, all in its own name. The company's existence is distinct from its owners (called "members" or "quotaholders"). This provides the fundamental benefit of **limited liability**.
- **Limited Liability:** The members of a GmbH are **not personally liable** for the company's obligations. Their risk is generally limited to the capital they contributed. Creditors can only claim against the company's assets, not the personal assets of the owners, except in very rare cases of proven abuse (e.g., fraud or if personal guarantees were given). This protection is a huge advantage over sole proprietorships or partnerships. It encourages entrepreneurship by capping potential losses.
- **Capital Requirements:** To form a GmbH, Swiss law requires a **minimum share capital of CHF 20,000**. This capital must be fully paid in at the time of incorporation (unlike an AG, where you can pay 50% initially). The capital is divided into **shares (quotas)** which are not freely tradable on a stock exchange, but rather privately held. Each member holds a certain nominal amount of capital (often all shares together total 20000 or more). For example, one person can own 100% of a GmbH with CHF 20,000 capital, or two people could split (say one contributes 12000 and the other 8000, and own 60%/40%

accordingly). Contributions can be in cash or, with extra procedures, in kind (assets like equipment, at appraised value). The capital provides a level of assurance to creditors that the company has some minimum funding (though CHF 20000 is relatively low). Many businesses choose to start with higher capital if needed for operations, but 20k is the legal floor.

- **Founders and Owners:** A GmbH can be formed by **one or more persons or companies**. You can have a single-member GmbH (one person owns 100%, acting as sole member and usually also a managing director). There is no upper limit to the number of members, but typically GmbHs have a smaller number of shareholders (since if you plan to have many shareholders or go public, an AG is more suitable). Notably, **the identities of GmbH owners (members) are public** – they are listed in the commercial register. The Swiss commercial register entry for a GmbH shows the name, location, and often the amount of each member's contribution. This is a difference from the AG where shareholder identities are not publicly listed (only the directors/board are public). GmbH members cannot remain anonymous. For some, this transparency is fine; for others seeking privacy, AG might be preferable.
- **Management Structure:** The highest authority in a GmbH is the **members' meeting** (like a shareholders meeting) which makes major decisions (approving accounts, amendments, etc.). Day-to-day management can be entrusted to one or more **managers (directors)**. By default, each member of a GmbH also has the right to manage and represent the company, unless the articles of association or the members decide to appoint non-member managers. In practice, many GmbHs appoint one or several managing directors (Geschäftsführer) who may or may not be shareholders. It could be the founders themselves or external professionals.
- **Important:** Swiss law requires that **at least one manager (or director) with signatory authority is a resident of Switzerland**. This is the famous "Swiss resident director" rule. It means if all the owners are foreigners living abroad, they must appoint at least one person locally (could be a Swiss citizen or a foreigner with Swiss residency) to be involved in management and able to sign on behalf of the company. This person often acts as a local representative for legal purposes. Many foreign-owned GmbHs fulfill this by hiring a trust company or lawyer to act as a nominal director, or by having an employee in Switzerland join the board. We will discuss this requirement more later, but it is a crucial compliance point.

- **Company Name:** A GmbH can choose almost any name as long as it's not misleading or already in use. It can be a fanciful name (like "AlpTech GmbH") or include the owner's name, but it **must include the suffix "GmbH" (or Sàrl)** in the name to indicate the legal form. This informs the public that it's a limited liability entity. Name availability can be checked with the commercial register; it's wise to have a unique name.
- **Founding Process:** Founding a GmbH involves preparing **Articles of Association (Statutes)**, a **public deed of formation** (executed by a notary with the founding members or their representatives signing), depositing the share capital in a Swiss bank (the bank issues a certificate of deposit), and then registering the company with the Commercial Register. The notary will verify all requirements (capital, identities, etc.) and apply for registration. The process is formal but can be completed in a matter of weeks if all paperwork is in order. We detail the step-by-step in a later section.
- **Transfer of Ownership:** GmbH "shares" are technically called capital contributions or quotas. They can be transferred to new owners, but unlike an AG's shares, transfers of GmbH stakes often require the approval of the members' meeting (unless articles say otherwise). Also, a transfer must be in written form (and often notarized). The relatively restricted transferability means that GmbH ownership is somewhat "locked in" to the existing members unless they collectively agree to a change. This protects remaining members from unwanted outside investors coming in, but also means it's a bit less flexible to sell your stake. Many GmbH articles give existing members a **right of first refusal** if one member wants to sell their part.
- **Taxation:** A GmbH is taxed as a corporate entity. It must file its own tax return and pay **corporate income tax** on its profits at the federal, cantonal, and communal levels (combined rate depends on canton, as discussed – e.g., ~12% in Zug, ~19% in Zurich, etc.). After-tax profits can be distributed as dividends to members, and those dividends are then taxed in the hands of the members (with partial taxation relief if the member owns at least 10% of the company. Additionally, a 35% withholding tax is levied on dividends when paid, which Swiss resident members can reclaim or offset, and foreign members can reclaim partially via treaties. We will elaborate on these tax mechanics later. The key is that there is potential **double taxation**: once at company level, once at owner level, though mitigated by policy (partial dividend taxation) and treaty benefits. GmbH profits retained in the company are just taxed at company level; owners aren't taxed on retained earnings until distributed or when they sell the business (selling the quotas might yield a

capital gain, which for a Swiss individual could be tax-free as a private capital gain if it's a non-professional investment).

- **Social Security (for owners):** If a GmbH owner also works in the company (common for small businesses), they usually take a salary as an employee (even if they're the only person). That salary is subject to normal Swiss social contributions (AHV/IV, etc.) and the company must register as an employer. Dividends paid to owner-shareholders are not subject to social security contributions, which can make dividends an attractive way to take income for the owner (we'll discuss the balance of salary vs dividends in the shareholder implications section). The company itself pays half of the social contributions for salaries, the employee pays the other half (withheld from pay).
- **Audit and Accounting:** A GmbH is required to maintain proper double-entry accounts and prepare financial statements (balance sheet, profit & loss, etc.) each year in accordance with the Swiss Code of Obligations accounting standards. However, **auditing requirements** depend on the size of the company. If a GmbH is relatively small (fewer than 10 full-time employees on average), the owners can unanimously opt out of having an auditor (called the "opting-out"). If it is bigger, a **limited (review) audit** is required by default, and a **full (ordinary) audit**is required if the company exceeds two of the following: CHF 20 million balance sheet, CHF 40 million turnover, 250 employees (which typically applies to larger companies only) or if it's publicly traded or so. Most new SMB GmbHs opt out of audit to save costs, meaning no external auditor checking the books. This is acceptable as long as all members agree and thresholds allow it.
- **Pros of GmbH:** It offers the crucial limited liability while having a modest capital requirement (20000 is accessible for many startups). It's simpler and cheaper to incorporate and maintain than an AG in general (lower capital, slightly lower fees and flexibility with single-member structure). The more personal nature (public ownership records, possible restrictions on transfers) can also foster trust among partners and stability. It's well-suited for family businesses and closely held companies. Also, it's fully acceptable for any kind of business – you can hire employees, engage in international trade, etc., just as an AG could.
- **Cons of GmbH:** The names of the owners being public is sometimes seen as a downside for those who want privacy. Also, because each member is registered, adding new investors formally requires updating the register (some paperwork). If you plan to have many investors or venture capital funding, they might prefer shares of an AG which are

easier to transfer and can be kept anonymous if needed. Additionally, some larger counterparties perceive an AG as more prestigious than a GmbH (though this is subjective and has lessened over time). Another consideration: if a single-member GmbH is owned by you and you're also the managing director drawing a salary, you're effectively both an employer and employee to yourself, which has some administrative overhead (payroll filings, etc.), whereas a sole proprietorship might be simpler in that regard. However, the liability shield often makes that overhead worthwhile. Finally, liquidation or changes in a GmbH require formal procedures (e.g., if you want to dissolve a GmbH, you need a liquidation process through the register which takes time).

Use cases:

The GmbH is often the default choice for **foreign entrepreneurs establishing an SME in Switzerland**. For example, a consultant from abroad starting a Swiss consulting practice, a small e-commerce business, a restaurant, a tech startup with a small founder team, etc., all frequently choose GmbH. It's also common for **subsidiaries of foreign companies** – e.g., a German mid-size company opens a Swiss sales office as a GmbH. Many **trading companies, local services, professional firms** (accounting, IT services) use the GmbH form. It's suitable up to fairly large sizes, but if the business grows and plans to raise significant capital from many investors or go public, a transformation to an AG can be done later (you can convert a GmbH to an AG by essentially restructuring capital, which some companies do when scaling up).

3.6 Stock Corporation (AG / SA)

The **Stock Corporation**, called *Aktiengesellschaft (AG)* in German and *Société Anonyme (SA)* in French, is the **most prestigious and flexible company form in Switzerland**. It is comparable to a standard **"corporation" or "Ltd."** in other jurisdictions. The AG is often the go-to structure for larger businesses, startups seeking significant investment, or any company that desires **share capital divided into freely transferable shares** and maximum anonymity for investors.

Key features of an AG:

- **Separate Legal Entity:** Like the GmbH, an AG is a separate legal person. It bears its own rights and liabilities. An AG can do all legal acts in its own name, completely independent of its shareholders. This separate personality and continuity (the AG continues even if shareholders change or die) is a cornerstone of the corporate form.

- **Limited Liability:** Shareholders of an AG are only liable up to the amount they invest (i.e., the share capital they subscribe). They are **not personally liable** for the company's debts. Creditors can only seek repayment from the assets of AG. This limited liability makes the AG a favored vehicle for any enterprise involving financial risk.
- **Capital and Shares:** The minimum share capital for an AG is **CHF 100,000** . Upon incorporation, at least **20% of nominal value of each of the shares must be paid in**, with a minimum paid-in capital of **CHF 50,000**. In other words, you can incorporate with as little as 50k cash (which represents 50% of a 100000 capital), but you still have to declare 100k as the capital and you remain liable to pay the remaining 50% if called upon (for instance, if the company issues a call for the rest, or in bankruptcy the liquidator can ask the shareholders for the unpaid capital). In practice, many just pay the full 100k upfront unless they want to keep some capital uncalled for flexibility.

  The capital is divided into **shares**. These shares can be in either **registered form** (names of owners recorded in share register) or **bearer form**. However, due to changes in law to increase transparency, **bearer shares are now largely abolished** (except for publicly listed companies or in dematerialized form). Most new AGs issue registered shares. The nominal value of a share can be as low as a tiny fraction of a centime now (after the 2023 reform, even values below 1 centime are allowed, as long as it is more than 0), giving great flexibility in how many shares to create. For example, you could have 100,000 shares of CHF 1.00 each, or 1,000,000 shares of CHF 0.10 each, etc., as long as total is at least 100k. This allows fine granularity for ownership, making it easier to distribute equity among many shareholders or to denominate capital in a useful way. **Important**: Swiss law as of 2023 also allows the share capital to be denominated in a foreign currency (like EUR or USD) if that currency is important for the business – e.g., a multinational might have an AG with capital of USD 100k or EUR 100k instead of CHF. This is a new flexibility introduced by a law revision to help companies who operate primarily in other currencies.

- **Shareholders and Privacy:** An AG can be founded by one or more persons or entities (even a single shareholder can form an AG). Unlike GmbH, the shareholders' identities are **not publicly disclosed in the Commercial Register**. The only public individuals associated with an AG are the board members and auditors. The shareholders themselves remain private, known only in the company's internal share register (which for registered shares, the company must maintain and record any transfers). This affords a degree of privacy. For instance, a foreign investor can own a Swiss AG through nominees if desired, and only the nominee director is visible publicly. Secrecy is not as absolute as it once was (since companies must know their beneficial owners under anti-money-laundering rules and report shareholders with 25%+ holdings to the company, and bearer shares are gone), but still, **the AG is often chosen when confidentiality of ownership is desired**.

- **Management Structure:** Swiss AGs have a **two-tier structure** somewhat like other European corporations:
  - **Shareholders Meeting:** The supreme body of the AG is the general meeting of shareholders. They elect the board, approve major decisions, the annual accounts, etc.
  - **Board of Directors:** The AG is managed by a Board of Directors (*Verwaltungsrat*). By law, even a single person can constitute the board (so a one-person AG is possible where that person is the sole director and sole shareholder). The Board has authority to manage or delegate management to executives. Often, in small AGs, the board members also act as managers. In larger AGs, the board sets strategy and oversees, while day-to-day operations are handled by an executive management team (CEOs, etc.) appointed by the board. The Board must consist of at least one member. **Swiss residency requirement:** At least one board member (or a director or manager with signatory authority) must be domiciled in Switzerland – this is the same rule as for GmbH, to ensure local representation. If the board has multiple members, you can fulfill it by having one Swiss-resident director. If the board is one person and that person is foreign, you will need to appoint a Swiss-resident authorised signatory (like a director with limited power or a manager) so that someone on the Swiss soil can legally represent the company.
  - **Auditor:** An AG is generally required to appoint an **auditor** (Revisionsstelle) unless it is small enough to waive it. The rules are similar to GmbH for audit: mandatory ordinary audit if large (meets 2 of size criteria or listed), limited audit by default for medium companies, and possible *opting-out* of audit completely if very small (under 10 FTEs and shareholders agree). The auditor (if any) must be a licensed audit firm or auditor and is listed in the register.
- **Flexibility in Capital Changes:** The AG structure allows more sophisticated capital structuring:

- You can raise capital by issuing new shares (capital increase) relatively easily (requires shareholder resolution, and notary for amendment of articles).
- You can also reduce capital if needed (with certain creditor safeguards).
- The new law (2023) introduced the concept of a **Capital Band** – which allows the shareholder meeting to authorize the board to increase or decrease the capital within a certain range (up to +50% or -50% of original capital) over a period up to 5 years. This is somewhat like having an authorized capital or treasury shares concept. It gives flexibility to the board to issue new shares or buy back and cancel shares without constantly going back to shareholders for approval, as long as it's within the band authorized. This is useful for companies anticipating multiple investment rounds.

- **Transferability of Shares:** Shares of an AG are meant to be **easily transferable**. Registered shares can be transferred by endorsement and notifying the company (the board can refuse to register a transfer in some cases if the articles allow, but usually in an AG that wants free transferability, one doesn't include restrictive clauses). If shares are issued in a certain form, they might even be in a securities account. If it were listed on the stock exchange, they trade freely. For private AGs, they often still allow relatively easy transfer, making it simpler to bring in new investors or change ownership compared to a GmbH (where all changes go through notary and register update). One caveat: If the AG's shares are not publicly listed, the company can have in its articles a clause allowing the board to refuse to register a shareholder without giving reasons (often used to keep undesirable parties out). But typically, startup AGs avoid heavy restrictions to keep investors comfortable that they could sell their shares.
- **Taxation:** An AG is taxed in the same manner as a GmbH for corporate tax purposes. It pays corporate income tax on profits at federal + cantonal/communal levels, and shareholders are taxed separately on dividends (with partial relief for substantial participations). We will detail Swiss corporate tax rates and examples in the tax section, but as an example, if an AG in Zug earns CHF 1,000,000 profit, it might pay ~11.8% (~118000) in corporate tax, and if it distributes the remainder as dividends, those dividends would have withholding tax 35% applied (which Swiss shareholders get refunded by declaring, or foreign ones reclaim via treaty). Swiss individual shareholders then include only 70% of that dividend in their income tax, etc. All those mechanisms apply equally to AG and GmbH (Swiss law doesn't differentiate in taxation of GmbH vs AG – both are capital companies).

AGs also are subject to **capital tax** (net worth tax) at the cantonal level annually, like GmbHs (a small percentage on equity, often offset by income tax paid if the company isn't a pure holding – more on that later).

- **Pros of AG:**
  - Enhanced credibility: Many view AGs as more "serious" companies, suitable for larger ventures. In fact, Swiss public perception often equates AG with a larger enterprise and GmbH with smaller, although this is not a strict rule.
  - Ability to **raise capital and accommodate investors** easily: You can issue shares, including different classes of shares (with or without voting rights, preference shares, etc. – allowed within some limits). Also easier to sell or transfer shares.
  - **Investor privacy:** As noted, shareholders can remain out of public records.
  - Suitable for **IPO or going public** if that ever happens; an AG can list on stock exchanges, a GmbH cannot without converting.
  - If you plan on international expansion or being part of a global structure, foreign partners sometimes insist on AG because it aligns with structures in other countries (e.g. a U.S. Inc. might prefer to own a Swiss AG subsidiary rather than a GmbH, though legally both are fine).
  - **Prestige for certain sectors:** For example, financial institutions, insurance companies, etc., will always be AGs by law or practice; if you aspire to be, say, a bank or a large trading house, you'd likely use an AG.
- **Cons of AG:**
  - Higher formation cost: you need at least 50k CHF in cash tied up (though you can use it for business right after incorporation, it's still initial funding needed). Not everyone has that readily.
  - Slightly more complex administration: although GmbH and AG are similar in many compliance aspects nowadays, an AG historically had stricter rules (like mandatory shareholder meetings, minutes, etc.). In practice a small AG is manageable but it is still a notch more formal than a GmbH. Changes like transferring shares or amending articles might require more process (but nowadays both require notary for major changes).
  - If you are a very small startup, an AG might be overkill initially compared to GmbH (just in terms of locking 100k capital and extra efforts to maintain).

- Double taxation issue is same as GmbH (not a disadvantage vs GmbH, but compared to sole prop, there is that tax consideration).

Use cases:

AGs are used by **larger SMEs and big companies**, as well as startups that plan to seek venture capital. If you intend to have numerous shareholders, or foreign corporate shareholders, AG is ideal.

Holding companies are commonly set up as AGs to manage subsidiaries or investments (the term "holding company" often implies an AG). Many foreign multinationals set up their Swiss subsidiary as an AG – for example, "XYZ Switzerland AG" – to align with global standards. Also, if you want to have equity incentive plans like stock options for employees, an AG with many shares might facilitate that (issuing new shares to employees etc.).By number of entities, there are more GmbHs than AGs in Switzerland (GmbH overtook AG a few years back in count), but by economic weight (capital, turnover), AGs dominate since they include all the big players.

3.7 Branch Office of a Foreign Company

A **branch office** (in German *Zweigniederlassung*) is an extension of a foreign company operating in Switzerland. It is **not a separate legal entity**, but rather a registered operation of an existing company incorporated abroad. Branches allow foreign companies to have a presence in Switzerland (to carry out business, hire staff, etc.) without creating a new Swiss company.

Key points about branch offices:

- **Legal Status:** A branch is legally part of the parent company. The foreign parent remains fully liable for the debts and obligations of the branch. The branch does not have limited liability separate from the parent. In essence, the assets and liabilities of the branch are a subset of the foreign company's assets/liabilities.
- **Registration:** Even though a branch is not a separate legal entity, it **must be registered in the Swiss Commercial Register** if it is doing business in Switzerland.

The registration will list:

- The name of the branch (usually the parent company name with an addition like "Zurich Branch").
- The place of the branch in Switzerland (city/canton).

- The purpose of the branch (usually same as parent's purpose in Swiss context).
- The foreign parent company's details (name, legal form, seat, directors).
- A person who is the branch manager/representative in Switzerland.

Essentially, the branch gets a Swiss register number and is somewhat visible as an entity to the outside, even though legally it's not independent.

- **Swiss Resident Representative:** Similar to the requirement for companies, a branch must have at least one individual in Switzerland who is authorized to represent the branch (typically the **branch manager**). This person will appear in the register. The representative can be a Swiss citizen or foreigner with Swiss residency, as long as domiciled in Switzerland. The branch manager acts like the local director ensuring compliance and representing the foreign company on Swiss soil.
- **Name:** The branch will usually carry the same name as the parent, but if that name is not unique in Switzerland or could confuse, they might require an addition. Often it is "XYZ Corp, Anytown, Delaware, Branch Schlieren" or something including the parent domicile. The branch's correspondence can use that name.
- **Activities:** A branch can carry out commercial activities just like a company – it can make sales, sign contracts, hire employees, etc., in Switzerland. However, legally all those actions are on behalf of the foreign parent. From a Swiss perspective, though, the branch is subject to Swiss law for the operations here (e.g., employment law for local employees, local regulatory requirements for its business, etc.).
- **Taxation:** A branch of a foreign company in Switzerland will be taxed in Switzerland on the profits attributable to the Swiss branch (essentially as if it were an independent entity for tax purposes). The branch must maintain accounts for its Swiss operations. Swiss authorities treat it as a **permanent establishment** of a foreign entity. It will be subject to Swiss corporate income tax on branch profits at the usual rates, and possibly branch-specific taxes (for example, Switzerland doesn't levy a branch profits tax like some countries do; it just taxes the branch profits similarly to a company). The parent company abroad may get tax credit in its home country for Swiss taxes via treaty (if a treaty exists, often they allocate profits to branch by transfer pricing rules).

VAT: The branch, if doing taxable supplies, might need to register for Swiss VAT as a Swiss business. **Social insurances:** it will have to register employees for AHV, etc., just like a Swiss company would.

- **No Capital Requirement:** There is no Swiss capital requirement for a branch. The foreign company may allocate some internal funds to the branch, but legally you do not have to deposit any fixed capital locally like you would for a GmbH/AG. This can be an advantage for companies that do not want to lock funds in Switzerland. However, from a **credit perspective**, sometimes customers or suppliers might prefer dealing with a Swiss company that has its own capital rather than a branch which is just an extension of a foreign firm (especially if the foreign firm is in a far jurisdiction).
- **Simplicity vs Independence:** Setting up a branch is often simpler than incorporating a subsidiary:
  - There is no need for a new incorporation deed, just registration.
  - Corporate decisions remain centralized at the parent, so you do not have to maintain separate board meetings and shareholding structure.
  - It can be closed more easily (deregister the branch) than liquidating a company.

However, a branch is not fully independent. The foreign parent might find it convenient in terms of control, but it also means **any liabilities incurred by the branch are directly liabilities of the parent**. Some parent companies may be uncomfortable with that if the branch could incur significant obligations.

- **When to use a branch:**
  - Branches are common as an initial presence – for example, a foreign company wants to test the Swiss market or have a small sales office. They might start with a branch to avoid the formalities of incorporation. If things go well, they might later convert that branch into a subsidiary (by incorporating an AG/GmbH and transferring the operations).
  - Sometimes branches are used for regulatory reasons: e.g., a foreign bank or insurance company might operate in Switzerland as a branch if that is allowed, rather than incorporate a separate bank. This often depends on agreements (some foreign banks have Swiss branches rather than separate Swiss banks).
  - If a company wants to unify profits/losses, a branch is part of the same legal entity so profits and losses are consolidated automatically in the head office accounts, which could be good for internal accounting or for offsetting losses in one country with profits in another (subject to home country tax rules).

- Branch might be beneficial in terms of **withholding taxes**: If the foreign parent is the entity doing business, dividends are not being paid to it, rather profits are just its own profits. For instance, if an American company has a Swiss branch, the profits can be repatriated to the US without Swiss dividend withholding tax (since it is not a dividend, it is just a transfer of funds internally). However, note that if the US-Swiss tax treaty is in place, a subsidiary's dividends to US parent would be 5% withholding only – not huge. But for some countries with less favorable treaties, a branch may avoid WHT. This is a tax planning consideration sometimes.

- **Drawbacks of a branch:**
  - Lack of separate liability means the foreign company is directly exposed to Swiss liabilities. For example, if the branch is sued in Switzerland and owes a large sum, the foreign HQ must pay; Swiss creditors could pursue the parent's assets (though practically cross-border enforcement depends on treaty/jurisdiction, but in principle).
  - It might be less perceived as "local". Some Swiss customers prefer dealing with a Swiss AG/GmbH – a branch with a foreign name might raise questions (Will they stay long? What if the foreign parent goes bust? etc.). For marketing, a local AG might inspire more confidence.
  - Certain permits or licenses might require a locally incorporated entity. E.g., to get certain government contracts or to obtain certain regulatory approvals, a Swiss-incorporated company might be required or at least advantageous.
  - If the foreign parent ever sells the Swiss operations, you can not sell the branch by itself easily – since it is part of the company, you would have to carve it out or sell the whole company. A subsidiary can be sold as a package.
- **Conversion to subsidiary:** It is possible down the road to transform a branch into a subsidiary by contributing the branch's assets and liabilities to a newly formed Swiss company (via a kind of quasi-merger or spin-off) – there are legal procedures for that. Or simply close branch and start a company and move contracts.

In conclusion, a branch is an **extension of an existing company**, good for initial expansion or specific purposes, but not providing the separation of risks that a subsidiary would. Many foreign businesses ultimately choose to form a **subsidiary (a Swiss GmbH or AG)** if they have a long-term commitment in Switzerland, but using a branch can be a stepping stone or appropriate in certain strategic scenarios.

3.8 Other Forms: Associations and Foundations

While the focus of this guide is on business-oriented entities, it is worth briefly mentioning two other forms recognized under Swiss law: **Associations (Verein)** and **Foundations (Stiftung)**. These are typically used for non-commercial purposes, but foreign entrepreneurs occasionally inquire about them for specific cases (for example, an association for an industry group, or a foundation for holding assets or performing philanthropy).

- **Association (Verein):** An association is basically a group of people (or companies) united for a non-commercial common purpose (social, scientific, cultural, etc.). Under Article 60 of the Swiss Civil Code, an association can be formed by at least two persons adopting bylaws and registering if it conducts a commercial operation or is subject to auditing. Many clubs, NGOs, trade organizations, sports federations (even the International Olympic Committee and FIFA are Swiss associations) operate this way. **Associations can engage in commercial activities** (e.g., selling products, running conferences) as long as profits serve the association's purpose and are not distributed to members (no dividends). They have legal personality once bylaws are adopted and if they register (registration required if they are "pursuing commercial aims" or if they are tax-exempt might also register to prove status).
- ***Relevance:*** For someone looking to do business, an association is usually not suitable because members cannot draw profits – any surplus stays in the entity for the mission. However, if you plan something like a **non-profit venture or an industry collective** (say a consortium of companies forming an association to lobby or set standards), then a Swiss association is an easy and flexible vehicle. There is no capital requirement, and it is relatively easy to set up (just need statutes and perhaps registration). Liability: Generally, the assets od assosiation are liable for obligations; members are not personally liable (unless bylaws say otherwise). If an association starts doing major commercial business, tax authorities might treat it like a company for tax (unless it clearly remains non-profit).
- **Foundation (Stiftung):**

  A foundation is created when a person (founder) dedicates a **pool of assets** for a specific purpose, and this entity gains legal personality. Foundations typically have no members or shareholders – they are governed by a board of trustees who must use the assets for the defined purpose. Common purposes are charitable (charity foundation, research funding, etc.), or family patrimony (to hold family assets, though Switzerland does not allow pure private interest foundations except maybe pension funds or the "family foundation" only for education/care of family members). Some foundations are used in business contexts like corporate foundations for philanthropy, or foundations holding shares of companies to ensure stability (example: some Swiss companies are majority-owned by a foundation to keep them independent, e.g., Rolex is owned by a foundation).

Relevance: As a foreign entrepreneur, you would not use a foundation to conduct active business; rather you might use it to hold assets or for non-profit projects. A foundation requires initial assets (commonly at least CHF 50,000 or 100,000 to make sense), and you relinquish control over those assets – the board is then obliged to follow the charter's purpose. It is more rigid and heavily regulated if charitable (supervised by state authorities to ensure they follow their mission). Some international families use Swiss foundations in estate planning, but those are special cases. Switzerland also has a concept of **Trusts** , but that is separate from foundation.

In summary, **associations and foundations** serve special purposes and are not vehicles for typical commercial profit-driven operations. They are included here for completeness and for those considering a presence in Switzerland for **non-commercial or altruistic reasons**. If your goal is to simply open a business and make profits, stick to the primary forms (AG, GmbH, etc.). If your goal is to create a non-profit organization or a structure to hold and manage assets for beneficiaries, then exploring associations or foundations with legal counsel would be the way to go.

Now that we have covered the landscape of Swiss legal entities, you should evaluate which structure best fits your needs:

- **Solo entrepreneur wanting simplicity?** – Sole Proprietorship (if you reside in Switzerland and accept liability) or single-member GmbH for liability protection.
- **Small team launching a startup?** – Likely a GmbH for ease, unless planning for big fundraising (then AG).
- **Large investment or international shareholders?** – Consider an AG for flexibility and credibility.
- **Existing foreign company expanding?** – Decide between a Branch (quick start, no new entity) or a Subsidiary (GmbH/AG) for liability isolation and local identity.
- **Non-profit or association of firms?** – Possibly an Association (Verein).

- **Holding company for assets?** – Often an AG (or perhaps a foundation if for charitable/family purpose, but that's very case-specific).

Choosing the type is a foundational step – it will dictate the process and requirements moving forward. Once the decision is made, the next step is to navigate the legal framework and specific requirements for setting up that entity in Switzerland, which we will cover in the following sections.

4. Legal Framework and General Requirements for Swiss Companies

Swiss business entities are governed by a well-defined legal framework that ensures companies operate transparently and responsibly. Before diving into the incorporation steps, it is important to understand the **laws and requirements** that apply to forming and running a company in Switzerland. This section outlines the key legal provisions (mainly from the Swiss Code of Obligations and related regulations) and general prerequisites you must meet when setting up a Swiss company.

Governing Laws and Regulations

The primary law governing company formation and corporate operations in Switzerland is the **Swiss Code of Obligations (CO)**, particularly:

- Articles 552–593 CO for partnerships (general and limited).
- Articles 594–619 CO for limited partnerships.
- Articles 772–827 CO for GmbH (LLC).
- Articles 620–763 CO for AG (corporation).
- Additionally, the **Commercial Register Ordinance** and **Federal Commercial Registry Act** provide rules for the registration process.
- The **Swiss Civil Code** covers associations (Art. 60-79 CC) and foundations (Art. 80-89 CC).
- **Tax laws** (federal and cantonal tax codes) apply after formation for taxation aspects.
- **Special laws** might apply depending on sector (e.g., Banking Act if forming a bank, Insurance Act, Anti-Money Laundering Act for financial intermediaries, etc.) – sector-specific compliance is covered later in sector-specific section.

Swiss legal system is federal – company law is federal (uniform across cantons), but aspects like cantonal taxes and some procedural details can vary by canton. The commercial register is organized by canton (each canton maintains a registry and has an official gazette for publications), but all connect to a central federal registry system (ZEFIX).

Recent reforms: The company law was **modernized effective 1 Jan 2023**, introducing changes such as:

- More flexibility in share capital currency and structure.
- Clearer rules on shareholders' rights and corporate governance (like gender guidelines for boards of listed companies, though not mandatory for private).
- The ability to hold virtual or remote general meetings, etc. These reforms aim to keep Swiss law attractive and aligned with modern needs. All new companies must adhere to the current law (older companies have transition periods to adapt some provisions).

5. Key Requirements for Incorporation

Regardless of entity type, some general requirements include:

- **Founders/Shareholders:** You need the minimum number of founders as per the entity (one for GmbH/AG, two for an association, etc.). Founders can be individuals or legal entities. Foreigners can be founders; there is **no requirement that an owner be Swiss**. For example, a foreign corporation can be the sole shareholder of a Swiss AG, or a foreign individual can be the sole member of a Swiss GmbH – that's allowed. However, for the company to be validly formed, any **individual founders must have legal capacity** (18+ years old and not incapacitated). If a founder is a foreign company, it must provide documents proving its existence and who can sign on its behalf (often legalized/apostilled).
- **Registered Office (Seat):** Every Swiss company must have a **registered office address in Switzerland**. This is the official domicile of the company (usually the place where key documents are kept or the main office is located). You cannot register a company without providing a Swiss address. This address will be public in the commercial register. Many foreign entrepreneurs use the address of a law firm or fiduciary (accounting firm) as the initial registered office if they do not have premises yet – that is allowed (often called a c/o address). But note, you might need to show you have permission to use that address (e.g., a landlord letter or contract if it is an office rental, or an agreement with the fiduciary allowing their address).

- **Swiss Resident Director/Representative:** As mentioned earlier, Swiss law requires domestic representation:
    - **For GmbH:** at least one **managing director** (or director) who is a Swiss resident.
    - **For AG:** at least one **board member or director** who is Swiss resident.
    - **For Branch:** at least one **branch manager** Swiss resident.
    - **For associations and foundations:** usually also require a Swiss resident person in charge (practical if not strictly required by law, the registry often insists on a local contact).

    This does not mean a Swiss citizen necessarily – a foreign national living in Switzerland with a valid residence permit qualifies. The rationale is to have someone within jurisdiction for legal notices and accountability. If you, as a foreign entrepreneur, do not plan to move to Switzerland, you will need to appoint someone. This could be:

    - A trusted individual (friend or associate in Switzerland).
    - A professional **nominee director service** (many fiduciary firms offer this service for a fee).
    - Or you might hire an employee in Switzerland who could take on a directorship.

    The role comes with responsibility – e.g., that person could be on the hook for certain compliance matters (like if the company does not pay social security or taxes, authorities might approach the local director). So nominee services charge significant fees to manage that risk and they will expect to be kept in the loop on company activities to ensure nothing illegal is done under their name.

- **Notarization:** Incorporating an AG or GmbH **requires a notary public** in Switzerland. The formation documents (articles of association, and the incorporation deed) must be executed as a **public deed**. The founders (or their authorized representatives via power of attorney) appear before a notary to sign. The notary will check that share capital is paid (for AG/GmbH) by requiring a capital deposit confirmation from a Swiss bank. Notary fees vary but are often around a few hundred to a couple thousand CHF depending on canton and complexity. In some cantons the notary is a state official (like Zurich, public notaries), in others private notaries provide services (like Geneva).

Exception: Sole proprietorships, partnerships, associations typically do **not** need a notary for formation – they can be created by simple agreement and then you file for registration. But GmbH/AG definitely require notary involvement.

- **Capital Contribution Verification:** For capital companies (AG, GmbH), you must show the capital has been contributed:
    - If in **cash**: the usual method is to open a special **capital deposit account** at a Swiss bank. This is a temporary account where you deposit the capital (say CHF 20000 or CHF 50000). The bank then issues an **Attestation** that CHF XX is on deposit for the purpose of forming XYZ company. That attestation is given to the notary. Once the company is registered, the account is unfrozen and converted to a normal business account or the money is transferred to the company's new account.
    - If in **kind (apport en nature)**: you need a detailed audit report (by a licensed auditor) validating the value of assets contributed (e.g., you contribute a vehicle, equipment, or an existing assets of the business instead of cash). The value must equal the required capital. These contributions in kind must be enumerated in the articles or incorporation deed. This route is more complicated and costly (auditor + notary still), so usually only done if you have a very good reason not to contribute cash.

    Capital must be in an accepted currency (CHF by default, or now possibly EUR/USD if you justify that). If foreign founders cannot easily open a Swiss account to deposit before formation, some fiduciaries or banks have procedures to assist. Occasionally, people deposit capital with the notary's trust account.

- **Articles of Association (Statuten):** The foundational charter of the company. For AG and GmbH, the articles must contain certain info: company name, purpose of business, registered office, share capital and division (for AG: number of shares & par value, for GmbH: amount of capital and each quota, plus any special rules on transfer or notices), governing bodies, and the requirement of Swiss representation, etc. Swiss company purpose can be broad (many include a generic "the company may engage in any lawful activity…" clause after specifics). If you want to allow a **"capital band"** for AG (as introduced in 2023) or create different share classes, those must be in the articles. The notary typically prepares a draft for you based on standard templates and your inputs.
- **Company Name Restrictions:** The name must be unique nationwide at least in the same industry field. You can't use a name that's misleading (e.g., calling yourself "Swiss Bank

Ltd" if you're not a bank licensed), nor can you use certain protected terms without permission (like using "Red Cross" or "Olympic" would violate protected names). For GmbH/AG, the legal form must be included ("XYZ GmbH" or "XYZ AG"). Switzerland allows you to use names in any language/script, though Latin script is easiest for registration. Most choose either the English or local language names. You can search name availability on the ZEFIX website (central register search). Trademarks: Registering a name doesn't give trademark rights, so if you plan to use the name as a brand, consider checking trademarks separately.

- **Purpose and Permissibility:** The intended business activities must be legal. Some activities might require prior authorization – e.g. if you want to start a private security firm or a financial advisory, you might need special permits or meet conditions after forming the company. But for the purpose of formation, usually no one will bar you from registering (except obvious illegal purpose). **However**, if the purpose is regulated (like "the company will operate as a bank or insurance"), the commercial register will likely demand to see proof of regulatory approval before registering that purpose. So often, if you plan a regulated business, the purpose is drafted carefully (e.g., "providing financial services (except activities requiring a banking license)" to avoid trouble at registration stage).
- **Commercial Register Application:** The notary usually coordinates submission of all required documents to the Cantonal Commercial Registry.

This includes:

- The public deed of incorporation.
- Articles of Association.
- Signatures of the directors/managers (they must provide notarized signature samples for the registry).
- Declaration of acceptance by appointees (directors, auditors).
- A form concerning beneficial owners (for GmbH or non-listed AG: who are the ultimate beneficial owners with >25% of equity or voting rights, as per Anti-Money Laundering Ordinance, needs to be recorded internally and sometimes declared).
- Attestation of capital deposit.
- If any founder is a foreign company, extracts from foreign register and apostille on them, etc.

The registry officials review and, if all in order, enter the company into the register. At that moment, the company officially comes into existence (for AG/GmbH, legal personality starts upon registration, not at signing). The entry is published in the Swiss Official Gazette of Commerce (SOGC). You receive a registration excerpt, which is like the birth certificate of the company, showing registration number (UID – unique ID number), date, etc.

- **Timeline:** Typically, if all docs are ready, a straightforward GmbH/AG incorporation can be done in 1-2 weeks (some cantons faster, some slower). If complications or backlog, up to 3-4 weeks. Branch registrations often similar timeline once docs are ready. So, plan a few weeks lead time. You cannot legally conduct business in the name of the company (like sign contracts as "AG in formation") except within limits – it is common to include a clause "subject to formation of the company" if you must sign something before the company exists. Once the company is registered, it can retroactively assume those obligations.
- **Cost:** Starting a company has costs: Notary fees (CHF 500 to CHF 2,000 typically), Commercial register fees (perhaps CHF 600 to CHF 800 for an AG, less for GmbH, varying by canton and capital amount), any advisory fees (lawyer or fiduciary assisting will charge a service fee), plus if you hire a nominee director, there is an annual fee for that. These costs are often outweighed by the benefits but should be budgeted. After formation, there are annual costs: possibly an annual cantonal fee (some cantons charge a small fee to maintain registration), plus costs for accounting, auditing (if required), etc. We will cover ongoing compliance later.
- **Substance and Permits:** While not a requirement to **form** the company, it is worth noting: if you are a foreigner who intends to **relocate to Switzerland and work at your company**, just forming the company is not enough to get a residence permit. You would need to apply for a work permit – if from the EU, often easier (freedom of movement, though quotas for some types), if non-EU, you must usually prove the business will benefit Switzerland significantly (investment, jobs) to get a permit as a self-employed entrepreneur. This is a separate immigration process. Many foreign owners run their Swiss companies from abroad without residing in Switzerland, which is fine legally for the company (just ensure the Swiss director requirement is met). But note, if *all* strategic decisions are made abroad and the Swiss entity is just a shell, foreign tax authorities could question where the company is really managed (concept of place of effective

management could, in some countries, make them try to tax the company as resident there). However, Switzerland itself will consider a company Swiss-resident if registered and a Swiss director is present, etc., but double-tax treaty partners might look at management & control test. So ensure the company has enough Swiss presence (board meetings in Switzerland, etc.) if that could be an issue.

- **Anti-Money Laundering (AML) Considerations:** If the company's purpose involves activities like financial intermediation (e.g., money handling, asset management, crypto trading platform, etc.), you will fall under Swiss AML laws. That means upon or after formation, you must either be directly supervised by FINMA or (more common for small firms) join a self-regulatory organization (SRO) for AML and put in place due diligence procedures. This is not part of the formation perse, but immediately after you must comply. Also, banks will perform rigorous **KYC (Know Your Customer)** checks when you open accounts, especially if all owners are abroad – you will need to provide passports, corporate documents, proof of business plan, etc., to satisfy their anti-money laundering requirements. This can sometimes be a hurdle or cause delays (we discuss banking in detail in the banking section).
- **Intellectual Property Registration:** Not a legal requirement for the company formation, but if you have a brand name or logo, you might want to file a trademark with the **Swiss Institute of Intellectual Property**. If you have patented technology, consider how to structure ownership (some hold IP in a separate entity or directly in the Swiss company). Switzerland, being small, is often covered in a broader European trademark or patent strategy (through WIPO or EPO systems).
- **Data Protection:** Swiss companies must abide by the Swiss Data Protection Act (which as of 2023 is revised to align more with GDPR principles). If you handle personal data of customers, ensure compliance (this may come later, but good to be aware from the start, especially for tech businesses).

In essence, **forming a Swiss company is a formal but straightforward process** if requirements are met:

1. Prepare necessary documents (IDs, addresses, etc., and coordinate with a notary).
2. Fulfill capital requirements.
3. Ensure you have a Swiss address and representative.
4. Sign notary deed and submit to registry.

5. Get the company registered and then proceed with setting up operations (bank accounts, registrations, etc.).

Swiss efficient bureaucracy means if everything is in order, you won't face arbitrary delays. However, any missing piece (like not having a local director, or a slight error in documents) can cause back-and-forth, so attention to detail is key. Many entrepreneurs hire a **local incorporation specialist** or attorney to handle the process – this can smooth out any issues and navigate language if you are not comfortable in German/French (most registries can work with English documents to some extent, but official filings will be in an official language).

Now that we have an understanding of the legal groundwork and requirements, let's move on to a practical walkthrough: **how to actually register a company step by step in Switzerland**.

6. Step-by-Step Company Registration Process in Switzerland

Forming a company in Switzerland involves a series of well-defined steps. While the exact sequence can vary slightly depending on your circumstances (e.g., whether you are physically present in Switzerland or doing it remotely, whether you use professional help, etc.), the following is a comprehensive **step-by-step guide** that covers the typical process for setting up a Swiss company (specifically a GmbH or AG, since those are common; sole proprietorships and partnerships have fewer steps).

For clarity, we will assume you are forming either a **GmbH or an AG** as a foreign entrepreneur – noting where something is specific to one or the other. We will outline each step:

Step 1: Develop a Business Plan and Choose the Right Structure

Before the formal process, ensure you have a solid **business plan and have chosen the appropriate legal form**. We have done the structure selection in earlier sections. Confirm aspects like: who will be the shareholders/founders, how much capital you will allocate, and who will act as the Swiss resident director. Also decide the canton in which to establish (often where your physical operations will be or, if not sure, many opt for business-friendly cantons like Zug, but note you should have an address there). Having clarity on these points is crucial as they feed into the next steps.

Step 2: Choose a Company Name and Check Availability

Selecting a unique company name is an early task. Brainstorm a suitable name that meets Swiss requirements (includes the suffix GmbH or AG, no conflicts or illegal usage). Then, **check availability**:

- Use the online ZEFIX database or cantonal register search to see if the name is free. The search should cover similar names too, to avoid confusion.
- If the exact name is free, it is a good sign. If a similar name exists (like "ABC Consulting AG" exists and you wanted "ABC Consulting GmbH"), the registry might reject it for being too similar in the same field. Aim for distinctiveness.
- You can also **reserve a name** in some cantons by writing to the registry, but this is usually not necessary if you are moving quickly to incorporate. If you have a long lead time, a name reservation (for a few months) might be possible for a fee.
- Ensure the name does not infringe trademarks: a quick check at the Swissreg database for trademarks is wise if you plan to use it as brand.

Once you have an available name, you are ready to proceed. Often this name is inserted in all draft documents going forward.

Step 3: Prepare the Incorporation Documents

- **Articles of Association (Statutes):** Draft the articles with all required info (name, purpose, capital, etc., as discussed). If using a notary, they often have templates and will customize them. You should provide:
  - **Company purpose:** Write a clear description. It can be broad. Example: *"The purpose of the company is to provide [IT consulting services], trade in related software and hardware, and engage in any other activities related to this purpose. The company may establish subsidiaries, participate in other businesses, acquire, hold and sell real estate and intellectual property rights, and engage in all business which is directly or indirectly related to its purpose."* – This kind of broad language is common.
  - **Registered office:** Which city/canton in Switzerland.
  - **Capital:** For GmbH, the amount (min 20000) and division (could just say one quota or multiple quotas per member). For AG, the total capital, share denomination (e.g., 100000 divided into 1000 shares of CHF 100 each), whether shares are registered (likely yes), any special share classes, and how much is paid in (if not fully, mention e.g. 50% paid).

  - **Founders' contributions:** If cash, simply stating the cash contributions. If in-kind, must detail the contributed assets in an annex and include auditor's report.
  - **Governing bodies:** State that the company shall have a general meeting of members/shareholders, one or more managing directors or a board, and an auditor (or explicitly mention opting out of audit if applicable for GmbH).
  - **Optional provisions:** transfer restrictions (for AG, maybe right of first refusal; for GmbH, often by law transfers need approval of members anyway), arbitration clause for disputes (some companies include a clause that internal disputes go to arbitration), etc. Many small companies keep it basic.
- **Incorporation Deed (Public Deed):** This is essentially minutes of the founders' meeting executed before the notary. The notary will prepare a document that typically states:
  - Who are present (founders or representatives via POA).
  - That they resolve to form a company of X type, approve the articles attached, appoint the first directors/managers and auditors (or note audit opt-out).
  - Acknowledge capital is fully subscribed and paid.
  - Possibly a declaration that no contributions in kind except as stated, etc.
  - This document is signed by the founders and the notary.
- **Power of Attorney (if needed):** If you as the founder cannot be present at the notary in person (e.g., you are abroad), you can appoint someone (like a lawyer or even a colleague) to act as your proxy to sign. You would need to sign a power of attorney and often get it notarized/apostilled in your country to be accepted. Alternatively, some cantons allow formation by correspondence where you sign documents abroad and mail them in legalized form.
- **Signature specimens:** Prepare signature samples for each person who will have signing authority in the company (directors, managers). They will sign a card or form, which the notary certifies. On the commercial register, you can specify how they sign (singly or jointly by two, etc.). Most small companies allow a single managing director to sign alone. You might also have two sign jointly for extra security. For the Swiss resident director, if they are the only one, they likely need single signatory to satisfy representation (or if two sign jointly, both might need to be residents, which complicates meeting the law – so usually one local with single sign authority is the straightforward route).
- **Acceptance letters:** Each person taking a role (director or manager, and auditor if any) should sign an acceptance declaration that they accept their appointment. This is often

done on the same page as their signature specimen or a separate form. The auditor (if a firm) will provide a letter confirming they accept the mandate.

- **Declaration of compliance (Stampa Declaration):** Founders must declare certain things, e.g., that the contributions are not from illegitimate sources, that there are no hidden contributions in kind not disclosed, etc. The notary often has a combined form for this (called "Stampa and Lex Friedrich declaration" historically).
- **Beneficial Owner Declaration:** If any shareholder (for AG) or any quotaholder (for GmbH) will own 25% or more of the capital or voting rights, the company must record their details as beneficial owner. The founders usually sign a form to be kept by the company (not necessarily filed publicly, but the notary/registry may ask for confirmation that this obligation is acknowledged). The company then has to keep an internal register of beneficial owners.

At this stage, it is crucial to also **set up a Swiss bank account for capital** if required (see next step). Some of the above documentation might be contingent on confirming capital deposit, which is next.

Step 4: Open a Capital Deposit Account and Deposit Capital

For AG or GmbH, *before the notary can complete the process*, you need to deposit the required capital:

- Approach a Swiss bank (UBS, Credit Suisse (now merged into UBS), Cantonal banks, or smaller banks). Many banks have a standard procedure for opening a **founders' account** (Gründungskonto). This is a temporary account solely for capital deposit.
- Due to anti-money-laundering rules, banks will ask for quite a bit of information even for this initial step: copies of founders' IDs, potentially business plan summary, and the draft articles or name of new company. Some banks might require an in-person meeting or a relationship manager process, while others handle it by correspondence if a local notary or lawyer coordinates. There are also fintech services nowadays that assist in this step if big banks are slow.
- Once the account is ready (could be a few days to arrange), the founder transfers the capital (e.g., CHF 20,000) into it. If you are abroad, this means an international wire transfer to the account details the bank gives.

- The bank then issues a **Capital Deposit Confirmation Letter** (usually addressed "To whom it may concern" or to the founders/notary) stating that account number X contains CHF [amount] which is reserved for the capital of [company to be named XYZ GmbH] and will be released upon presentation of the excerpt of the commercial register showing the company's formation. Essentially, it vouches the money is there.
- Give this letter to the notary. The notary uses it to confirm in the incorporation deed that capital is paid.
  (If you are doing a contribution in kind, instead of a bank letter, you'd have the auditor's report on the contribution value to present to notary.)
- **Tip:** If using cash deposit, deposit slightly more than required (like CHF 20,100 instead of exactly 20k) to cover any bank fees, so the net amount does not drop below the minimum. Some banks deduct fees from that account which could technically drop the balance; notaries prefer a buffer or for fees to be billed separately.

This step can sometimes cause delay if banks are slow to respond, so initiate it early. Alternatively, some notaries or lawyers have client accounts and can temporarily provide the capital (like they deposit their own funds and you reimburse) as a service, but that incurs fees. Many formation agents offer a package including "capital introduction" if needed.

Step 5: Execute the Public Deed of Incorporation

Now that drafts are ready and capital is in place, the **founders meeting with the notary occurs**:

- If you are present in Switzerland: You (and any co-founders, or their proxies) go to the notary's office. Bring your ID (passport). The notary will verify identities, then everyone signs the incorporation deed and articles in front of the notary. The notary signs and stamps as well. Congratulations – the company is technically founded as "in formation".
- If you are *not* present: Your appointed proxy (with a notarized PoA you provided) will attend and sign for you. Or in some cases, documents can be pre-signed and mailed in, depending on arrangements.
- The notary will also have the directors sign their acceptance and signature specimens (if they are there or done in advance). If your Swiss resident director is someone other than you, ideally they attend or have gone separately to the notary to do their part.

- If opting out of audit (for a small GmbH), all shareholders must sign the opting-out declaration (usually included in the deed or a separate statement). If you are sole shareholder, that is just you; if multiple, everyone must agree.

After this step, the documents are official. The company exists “in organization” but is not yet a full legal entity until registration. The notary typically will now handle submitting everything to the Commercial Register, but sometimes the founders/attorney do it.

Step 6: Register the Company with the Commercial Register

The notary (or you/your representative) submits the incorporation packet to the Cantonal Commercial Registry office:

- This includes the notarized deed, articles, capital confirmation, signatures, etc., as described earlier.
- The registry examiners will check all details. If something is missing or unclear, they will inform you or the notary to correct it (for example, if a purpose sounds like a regulated activity, they might ask for clarification or a license; if a name is too similar to existing, they might raise an issue).
- Assuming all is in order, they will proceed to **register the company**. The processing time can range from a few days to a couple of weeks.
- Once registered, the registry will issue a **Commercial Register Excerpt** for your company and publish the key details in the **Swiss Official Gazette of Commerce (SOGC)**. The excerpt lists: company name, number (UID and CH-Number), date of registration, address, purpose, share capital, directors/managers (with their names and citizenship and place of residence), and any signatory powers, and auditor if any.
- At this point, the company is fully incorporated as a Swiss legal entity. Its **date of incorporation** is the registration date.
- If you had a capital deposit account, you can now take the register excerpt to the bank to free the funds into a normal account (see next step for banking).
- Tip: If you plan to use your company immediately in transactions, you might expedite the registry by paying an extra fee for fast processing – some cantons offer an express service.

Step 7: Post-Incorporation Tasks – Setting Up Operations

Congratulations – your company is now officially registered! However, a few critical steps remain to ensure your Swiss business is fully operational and compliant from day one:

- **Open the Company Bank Account:** Take your registration documents (the Commercial Register excerpt and ID) to the bank to convert the capital deposit account into a regular business **current account**. The bank will lift the freeze on the funds and you can start using the money for business expenses. If you did not use a capital account (e.g., for a branch or sole proprietorship), you should still open a Swiss business bank account at this stage. Ensure that authorized signatories (as per the register) are present or have provided resolutions so the bank knows who can operate the account. Swiss banks may require a board resolution authorizing the account opening – if so, have the board of directors or managing directors sign a simple resolution to that effect. With the account active, you can now pay bills, receive customer payments, and manage finances. Swiss business accounts often offer multi-currency facilities, online banking, etc., which is useful if you deal internationally.
- **VAT Registration (if applicable):** Determine if you need to register for **Value Added Tax (VAT)**. If you expect your company's revenue to exceed CHF 100,000 per year from taxable goods/services in Switzerland, you must register for VAT with the Federal Tax Administration. Even if below that threshold, you can choose to register voluntarily to reclaim input VAT on purchases. After incorporation, you can submit a VAT registration form (online or paper) – you will need to provide your company details and start of activities. The VAT office will issue you a VAT number (which is actually the same as your business UID with "MWST/TVA" suffix). If your business is purely export or certain exempt services, you might not register, but most businesses dealing in Switzerland do. Additionally, **other tax registrations**: Typically, you do not separately "register" for corporate income tax – the cantonal tax office will automatically be notified of the new company and will send you an initial questionnaire to gather information (like expected income, opening balance sheet, etc.). But you should note deadlines: Swiss companies usually must file an income tax return annually in the canton of domicile (the first one often covering the partial year from incorporation to year-end). We will cover tax filing in the tax section.
- **Obtain Required Business Licenses/Permits:** If your company's activity requires a **special permit**, now is the time to secure it. For example, if you opened a restaurant or a fintech business or a recruitment agency, there may be cantonal or federal authorizations needed. Verify industry-specific requirements:

- For instance, a restaurant needs a hospitality permit and compliance with food safety regulations.
- A financial services company might need FINMA authorization or entry into a self-regulatory body if it will manage client assets or deal with cryptocurrencies (due to Anti-Money Laundering laws).
- An engineering firm might need professional accreditations, etc. Contact the relevant authorities or consult a legal advisor to ensure you have all necessary permits **before** commencing the regulated activity. Operating without a required license can lead to fines or closure, so this step is vital for compliance.

- **Register for Social Insurance (AHV) and Employee Benefits:** If your company will have employees – including yourself if you plan to draw a salary as the owner-manager – you must register as an **employer** with the local AHV compensation fund (**social security office**) **at the time of company formation**. This registration triggers the issuance of social security numbers for employees (if they do not have one) and ensures you will pay the required contributions for:
  - **AHV/IV/EO** (old-age, disability, maternity insurance) – combined ~10.6% of salary, split half-half between employer and employee.
  - **ALV** (unemployment insurance) – 2.2% on incomes up to a certain cap, split half-half.
  - You will periodically report wages and pay these contributions to the compensation office (usually quarterly). Registering is straightforward – you contact the cantonal compensation fund (or an association fund if your company is affiliated with a trade group) and fill out an employer registration form with your company info and employee list. In addition, arrange **Accident Insurance** for employees (mandatory coverage through a private insurer – often a policy from SUVA or private insurance; this covers workplace accidents and non-work accidents for those working 8+ hours/week). If you or employees will earn above a certain threshold (CHF ~21,510/year), you also need to **enroll in a Pension Fund (BVG)** scheme to provide occupational pension coverage. Many small companies join a collective pension foundation to fulfill this. You have a few months from incorporation to set this up if applicable. If you are initially the only person and not drawing a salary (perhaps living off savings and only taking dividends), you might hold off on some of these, but as soon as any salary is paid, even to yourself, these obligations kick in. It is wise to consult a payroll specialist or fiduciary to set up your payroll and social contributions

properly. **Tip:** Many cantons provide new businesses with guidance on social insurance registration, and some notaries even forward your details to the AHV office. Do not assume it is automatic – actively ensure you are registered to avoid back-dated contributions.

- **Organize Accounting and Bookkeeping:** Swiss law requires companies to maintain proper accounts and supporting documentation. Set up an **accounting system** (using software or hiring an accountant/fiduciary) to record all transactions from day one. You'll need to prepare annual financial statements. Decide on your financial year (many choose calendar year). If you plan to hire an external fiduciary for bookkeeping or payroll, engage them now. Also, be aware of Swiss GAAP requirements – for most small companies, Swiss Code of Obligations accounting standards are sufficient (you don't need IFRS unless you choose or are big/public). Establishing good bookkeeping early will make tax filing and VAT returns much easier.
- **Internal Corporate Housekeeping:** After incorporation, hold an initial **Board of Directors meeting** (for an AG) or a **Managers meeting / Members meeting** (for a GmbH) to take care of any remaining formalities. Typical actions:
  - Adopt any needed organizational regulations or assign roles (e.g., appoint a managing director or chairman if not already clear).
  - Pass a **banking resolution** if required, authorizing certain persons to manage the bank accounts (often already handled by the register's listed signatories, but some banks want an explicit resolution).
  - If an AG, create the **share register** listing all shareholders and their holdings. If a GmbH, create the **quotaholder register**. These are internal documents but legally required. Also record the **beneficial owners**(anyone owning ≥25%) in a separate register for that purpose (per AML law).
  - If share certificates are to be issued (optional for AG with registered shares, often omitted for simplicity), arrange to print and distribute them. Most small AGs do not issue paper shares anymore and just rely on the share register.
  - Plan for the **annual general meeting** (AG) or members meeting (GmbH) – by law these should happen within 6 months after year-end to approve accounts, etc. Mark it on your calendar.
  -

- **Prepare for Taxes:** While we will detail taxation next, as a post-incorporation practical matter, be ready for the **cantonal tax authority's questionnaire**. Shortly after registration (weeks or a few months), the cantonal tax office usually sends a form asking for information to set up your corporate tax account: opening balance sheet, expected profits, whether you want to be on a provisional tax installment plan, etc. Fill this out accurately (your accountant can help) and return it. The authorities use this to issue provisional tax bills (in Switzerland, companies often pay estimated tax advances during the year, with final settlement after the tax return). Also note, if your company will pay royalties or interest abroad, you may need to consider withholding tax setups (35% WHT on certain payments) – but those typically become relevant later, not immediately at startup.
- **Miscellaneous Setups:** Activate your **company domain and website** (if you have not already). Order a **company stamp** (chop) if you like – not legally required, but some businesses use a rubber stamp for official documents as a tradition. Update your email signatures and business cards to include the company legal name and perhaps register number. If you plan to hire staff, prepare employment contract templates in line with Swiss labor law. Ensure you have mandatory workplace postings (e.g., Swiss work safety or labor law summaries if you have an office, though small offices have minimal requirements).

By completing these post-incorporation tasks, you are ensuring your Swiss company is not only formed on paper but fully ready to operate within the legal framework. Skipping any of these could lead to problems (for example, failing to register for AHV could lead to backdated contributions with interest, or not registering for VAT when required could result in penalties). It is often efficient to engage a **fiduciary (Treuhand)** service in Switzerland to handle many of these ongoing administrative and compliance tasks, especially if you are new to the Swiss system or not physically present. Many legal consulting firms, like DataGuard Consulting, offer pre- and post-incorporation support to help new companies get on their feet.

With the company set up and initial compliance in place, you have built a solid foundation. The next major aspect to understand is **taxation and ongoing compliance** in Switzerland – knowing your company's tax obligations and opportunities (like Swiss tax rates and potential savings) is crucial for successful operation and strategic planning. We will cover Swiss corporate taxes, shareholder taxation, and compliance requirements in detail in the following sections.

7. Corporate Taxation and Compliance in Switzerland

One of the most significant aspects of running a company in Switzerland – and a major reason many choose Switzerland – is the **tax regime**. Switzerland's tax system is business-friendly, but also multilayered, with taxes levied at the federal, cantonal, and communal levels. In this section, we provide detailed insights into **taxation** for companies in Switzerland, including corporate income tax, capital tax, **VAT**, and withholding taxes, as well as key compliance requirements (accounting, reporting, audits). We will also highlight the important **cantonal differences in tax rates** – as the phrase "Switzerland tax rate" can vary widely depending on whether you are in low-tax Zug or higher-tax Zurich, for example.

7.1 Corporate Income Tax (Profit Tax) – Federal and Cantonal Levels

Every company in Switzerland is subject to **corporate income tax** on its profits. The taxation occurs on two levels:

- **Federal Corporate Tax:** The Swiss federal government imposes a flat tax of **8.5%** on a company's **net profit after tax**. This is specified in the federal tax law. However, because it is charged on profit *after* tax, the effective rate on pre-tax profit is a bit lower (8.5% of after-tax equates to about 7.83% of pre-tax profit). Many times, to avoid confusion, people just quote 8.5%. Federal tax is uniform for all companies across Switzerland.
- **Cantonal and Communal Corporate Tax:** In addition to the federal tax, each of the 26 cantons (and the municipalities within them) levy their own corporate income taxes. **Cantonal tax rates vary significantly**. Typically, a canton sets a base cantonal tax rate on profit (some use a linear rate, some had progressive scales in the past, though after recent reforms most use a flat or near-flat rate), and then communal multipliers or surcharges apply. The result is often expressed as a combined canton+commune rate. For simplicity, we often speak of a combined cantonal/communal rate for the main city in a canton.
- **Combined Effective Tax Rate:** When we talk about "the corporate tax rate in X canton," we usually mean the combined effective rate including federal, cantonal, and communal portions on pre-tax profit. These combined rates range roughly from **around 11% at the low end to about 21% at the high end**, depending on location.

For example:

- **Zug** is famous for low taxes: The combined effective corporate income tax rate in Zug is about **11.8%** of pre-tax profit. (Zug's own cantonal+communal portion is ~4% effective, plus 7.8% federal gives ~11.8%.)
- **Lucerne (Luzern)** also enjoys low rates, roughly ~12% .
- **Geneva**, after its 2020 reform, has ~14% combined (it used to be 24% before 2020!).
- **Vaud (Lausanne)** is around 14% as well.
- **Zurich** is higher – around **19-20%** combined (the city of Zurich is ~19.7% effective, which includes ~11% cantonal+communal and 7.8% federal).
- **Bern** can be around 21% in the city (one of the highest).
- **Schwyz** (another low-tax canton) ~12-15% depending on municipality.
- Many other cantons fall in the mid-teens range (e.g., St. Gallen ~14.5%, Aargau ~15%, Ticino ~17-19%, etc.).

As you can see, **where you incorporate in Switzerland makes a difference for taxes**. The good news is that after the recent Swiss tax reform (enacted 2020, often called TRAF – Tax Reform and AHV Financing), many cantons reduced their rates to be more competitive and to align with international standards (abolishing some old privileged regimes but cutting general rates). So today, most cantons have combined rates between ~12% and 18%. This is very competitive globally – for comparison, Germany's combined corporate tax is ~30%, France ~25%, US ~21% federal (plus state taxes), UK ~25%. Thus, Switzerland offers a low-tax environment, especially in certain cantons.

- **Cantonal Tax Differences & Planning:** If you have flexibility in where to locate your business in Switzerland, tax rate can be a consideration. Many foreign firms historically chose cantons like **Zug or Schwyz** for their headquarters due to sub-12% rates. However, one must also weigh other factors: operating in a tiny canton might mean fewer local talent or higher costs (though Zug, for example, has a thriving expat community and ecosystem). Some companies compromise – e.g., incorporate in Zug for HQ (letterbox or small office) but have branches or operations in Zurich/Geneva for market access. Be aware, though, that **tax authorities require "effective place of management" alignment** – you should not claim to be in a low-tax canton while really doing all business in another. Swiss law generally taxes a company where it is registered, but inter-cantonal allocations can apply if you have substantial operations in multiple cantons. For a small startup, usually you will just stick to one canton.

- **Calculation of Tax and Deductibility:** Corporate tax in Switzerland is generally calculated on **net profits** according to commercial accounts (with some tax adjustments). Most business expenses are deductible, including salaries, rent, R&D, depreciation (tax law provides acceptable rates for depreciation), etc. One interesting aspect: because taxes are levied on net profit after tax federally, when computing cantonal taxes, the federal tax is a deductible expense, and vice versa (cantonal taxes are deductible for federal tax). This slightly lowers the effective burden. You often see references to "effective tax rate" which accounts for this circular deduction. The combined rates we discuss already incorporate that effect.
- **Filing and Payment:** Companies file an **annual corporate tax return** in the canton of domicile (which covers cantonal and federal together – the cantonal authority processes both). You will submit financial statements and any adjustments. Typically due within 6-9 months after year-end (extensions common). Taxes are often paid in advance installments – after you fill the initial questionnaire, the canton might send provisional tax bills (usually 1/3 of estimated annual tax, three times a year). If you overpay, you get a refund (often with a little interest), if underpay, you pay the balance after the final assessment. Swiss tax compliance is relatively straightforward and often handled by your fiduciary or accountant.
- **Loss Carryforward:** If your company has losses in the first years (common for startups), note that Swiss tax law allows **loss carryforwards for 7 years**. This means you can deduct past losses from future profits (within 7 years) for tax purposes, reducing taxable income when you become profitable. There is no carryback (can't apply losses to past years).
- **Special Cantonal Regimes:** Prior to 2020, Switzerland had special statuses like "holding company", "domiciliary company" which enjoyed reduced or zero cantonal taxes. These were phased out by the 2020 reform due to international pressure (BEPS, OECD). In their place, cantons got freedom to lower general rates (which they did) and introduce new measures:
    - Many cantons introduced a **Patent Box** regime: profits attributable to qualifying patents/IP can get a further reduced tax rate (up to 90% exemption of that income). If you are in a high-tech or pharma business with patents, this could be significant – effective rates on IP income could drop to very low single digits in some cases.

- **R&D Super Deduction:** Some cantons allow you to deduct, say, 150% of qualifying R&D expenses for tax purposes, incentivizing research activities in Switzerland.
- **Capital tax relief:** (covered below) – holdings often get relief on capital tax through participation deductions. These tools are complex and typically used by larger companies – but it is good to be aware as you grow. You would work with tax advisors to utilize them properly, possibly requiring tracking of R&D spend and patent income separately.

In summary, Swiss corporate profit tax is low and relatively simple. For most small companies, you will just pay the combined rate on your profits. For larger or more complex ones, **tax planning opportunities** (IP boxes, financing structures, etc.) exist within the Swiss system to further optimize the effective “Switzerland tax rate” you experience. Always ensure compliance with evolving international norms (e.g., the OECD global minimum tax (Pillar 2) aiming at 15% minimum effective tax – Switzerland is adapting its laws to allow a top-up tax for very large multinational groups to meet that 15% on global scale, but for SMEs this is not a concern).

7.2 Capital Tax (Net Worth Tax)

In addition to profit tax, most cantons levy an annual **capital tax** (Kapitalsteuer) on the company’s equity. This is a tax on the **net assets (equity) of the company**, often at a low rate, and it is deductible against income tax in many cantons or partially credited.

- **Rates:** Capital tax rates are low, often quoted in per-mille (‰) of equity. For instance, a canton might have a capital tax of 0.1% (which is 1‰) on the company’s taxable equity (share capital + retained earnings). Some cantons are even lower. According to one source, cantonal capital tax rates range roughly from **0.001% to 0.5%** of equity (0.1‰ to 5‰), with many around 0.1-0.2%. For example, in canton Zurich, the capital tax is about 0.1% (but if income tax paid exceeds that, it can waive it), in canton Zug, it is around 0.06%. Often, if a company is profitable and paying income tax, the income tax can be credited against the capital tax, meaning you effectively do not pay capital tax separately (this is the case in many cantons – they ensure profitable firms do not face extra tax, and capital tax mainly affects companies with large equity and low profits, like holding companies).
- **Usage:** Capital tax is something to budget for if you have large paid-in capital or reserves. For a small startup with CHF 100k capital, a 0.1% capital tax is only CHF 100 per year – not

significant. But for a holding company with CHF 10 million equity, it could be CHF 10k/year if not mitigated.

- **Exemptions/Reductions:** Under TRAF reforms, cantons can reduce the capital tax base by excluding the portion of equity invested in participations (shareholdings in other companies), patents, or intra-group loans. Essentially, this was to give relief to holding and finance companies. Many cantons now allow, for instance, if your company's assets include ownership of subsidiaries (participations), you only pay capital tax on a fraction of that equity or not at all. This means **pure holding companies** (which often have large equity because they hold shares of other companies) end up with negligible capital tax in many cantons – preserving Switzerland's attractiveness for holdings in another way since the old zero-income-tax status for holdings was removed. Again, this gets technical and is handled in your tax return; your tax advisor will apply relevant cantonal provisions.
- **Federal:** There is no federal capital tax, it is purely a cantonal matter.

In practice, many businesses do not feel the capital tax because it is small or offset by income taxes. But be aware when you see the line item in a tax assessment. For completeness, we mention it as part of corporate taxation.

7.3 Value Added Tax (VAT)

Switzerland imposes a **Value Added Tax (Mehrwertsteuer (MWST) in German, TVA in French)** on the supply of most goods and services. VAT is an important part of compliance if your business engages in taxable transactions. Key points:

- **VAT Rates:** As of **2024**, the Swiss VAT rates are:
  - **Standard rate: 8.1%** (raised from 7.7%).
  - **Reduced rate: 2.6%** (for essential items like food, books, newspapers, medicines).
  - **Special rate for accommodation (hotels): 3.8%**. These rates were increased slightly on 1 Jan 2024 (Switzerland raised them to fund pension reforms). They remain among the lowest VAT rates in Europe (EU average is ~21%). Note: There is a plan to further increase the standard rate to 8.7 or 8.8% by 2025-2026 to fund additional pension needs, but at present (2025) it's 8.1%. Always check current rates as they can change via referendum; however, they're stable for multi-year periods typically.
- **Who Must Register:** Any company (Swiss or foreign) that does business in Switzerland and has **worldwide turnover of CHF 100,000 or more from activities that would be taxable**

in Switzerland must register for Swiss VAT. This includes most commercial businesses. If you stay under 100k, you're exempt by law (as a "small business") but you can opt in voluntarily. Many startups register voluntarily if they expect to grow or if they have significant input VAT to reclaim (for example, if you invest in equipment and want the 8.1% VAT back). Certain businesses are **exempt from VAT** by nature (like pure educational services, healthcare services, export of goods, etc.), meaning they do not charge VAT – but if you are exempt, you usually ca not reclaim input VAT either (unless you opt to tax voluntarily some exempt supplies). Exports are taxed at 0% (zero-rated) which means you charge 0% on export sales but can reclaim input VAT.

- **VAT Mechanism:** Works like typical VAT/GST: You charge VAT on your sales (output tax) and you deduct the VAT you pay on business purchases (input tax). The difference is paid to the tax authority. If inputs exceed outputs (common in early stages or if exporting), you get a refund. VAT is filed periodically (quarterly for most, monthly if you prefer or if you consistently reclaim, and some very small businesses can file yearly).
- **VAT Compliance:** After registration, you need to:
    - Charge the correct VAT rate on your Swiss invoices (and indicate your VAT number on invoices).
    - Keep records of all sales and purchases.
    - File VAT returns (electronically possible via ESTV portal) by the deadline (usually 60 days after quarter-end).
    - Pay any VAT due with the return. The Swiss VAT authority is fairly efficient; refunds (if you're in credit) are often paid out within a month or so of filing.
    - If your turnover is under CHF 250k, you might be allowed to file annual returns, but most do quarterly. Also, small businesses can opt for a simplified "net tax rate" method (a flat percentage of turnover as VAT due, without calculating actual input tax – only beneficial in specific cases).
    - Always correct for changes in VAT law; e.g., the 2024 rate change meant businesses had to update systems and possibly do pro-rated calculations for transactions spanning 2023-2024.
- **Cross-Border Considerations:** If you sell digital services to Swiss customers from abroad, note that since 2018, foreign companies may also need to register if they exceed 100k global turnover (the threshold considers global sales, not just Swiss). So Switzerland tries to capture VAT on foreign e-services too. As a Swiss company, if you import services (like

software licenses from abroad), you may have to account for **reverse-charge VAT** (essentially you declare both output and input VAT on the service, so it nets out if you're fully taxable). If you import goods, import VAT (at customs) at 8.1% is applied, which you can later reclaim on your VAT return.

Overall, Swiss VAT is relatively straightforward and low-rate. Just be diligent in charging and recording it. Many companies engage a fiduciary or use accounting software to handle VAT calculations and filings.

7.4 Withholding Tax on Dividends and Interest

Switzerland levies a **35% withholding tax (Verrechnungssteuer)** on certain types of income paid by Swiss companies:

- **Dividends:** When your Swiss company distributes profits to shareholders as dividends, it must withhold 35% and remit it to the Federal Tax Administration. The shareholder receives 65%. This tax is essentially a security to ensure individuals declare their income. Swiss resident shareholders can then reclaim the 35% in full on their personal tax return, provided they declare the dividend income . So for Swiss owners, WHT is not a real cost, just a timing issue. For foreign shareholders, the 35% can often be reduced or partially refunded under **double tax treaties**. For example, the Swiss treaty with Germany allows German companies or residents a refund down to 15% effective tax on Swiss dividends (so they reclaim 20% of the 35%). Some treaties reduce it to 5% for parent companies (e.g., US-Switzerland: 5% if a US parent owns ≥10% of Swiss company, or 15% for smaller holdings). And for EU countries, a Swiss-EU agreement often allows 0% withholding for qualifying parent-subsidiaries (ownership ≥25% for 2 years). This is a complex area – but bottom line: if you, as a foreign owner, take dividends, expect 35% to be withheld and then you (or your home tax authority via credit) must seek a refund for the treaty-allowed portion. *We discuss shareholders' perspective more in the "Owners and Shareholders" section.* Many foreign entrepreneurs mitigate WHT by structuring as: either not taking dividends (retain earnings or pay themselves salary/bonus instead), or if it is a corporate holding, perhaps financing via loans (interest could also have WHT if a bond, but not usually if just a normal loan). However, note that paying excessive interest to shareholders instead of dividends can trigger "hidden dividend" issues and 35% WHT on deemed dividends, so careful planning and market-based terms are needed.

- **Interest:** Switzerland generally only imposes withholding on interest from certain instruments (not on typical bank account interest to domestic accounts since a recent change, but still on things like bonds or large-scale deposits). A normal loan from a parent company to a Swiss subsidiary usually does *not* attract Swiss WHT, as long as it is not classified as a publicly-raised bond or too many non-bank lenders (Swiss rules treat >10 creditors with similar debt as possibly a debenture – a nuanced rule). But interest paid on a **bond or debenture** by a Swiss company to foreign holders carries 35% WHT. Many SMEs will not encounter this, but if you plan to fund your Swiss company with a large loan from multiple lenders abroad, get tax advice on WHT implications. Royalties and service fees have **no Swiss withholding tax** (unlike some countries); only dividends and certain interest and lottery winnings are subject to the 35% federal WHT.
- **Relief Mechanisms:** If you are a foreign investor, to get treaty benefits, you usually file a request (Form 86, etc.) after receiving the dividend, to reclaim the excess withholding. This process can take a few months. Alternatively, if structured properly under a treaty, sometimes the Swiss company can apply for permission to do a reduced withholding at source. For example, under the Switzerland-EU agreement, a Swiss company paying a dividend to an EU parent can often apply and not deduct any WHT at all, given approval. This is something a tax advisor can manage ahead of the first dividend.
- **No Withholding on Repatriation of Capital:** If you as shareholder put extra paid-in capital into the company (capital contribution reserve) and later withdraw it, that repayment can be done without WHT. Swiss law has the concept of **Kapitalauszahlung (capital contribution principle)** – basically, distributions out of capital contributions (from post-1997 contributions recorded in a special reserve) are not subject to WHT or income tax for Swiss individuals. Many companies maintain a “capital contribution reserve” when shareholders inject funds above nominal capital. Distributions from these reserves are tax-free for shareholders (seen as return of capital) and no WHT. There is a limitation that at least an equal amount must be paid in taxable dividend if public, but for private companies, it’s a great way to extract initial invested capital later without tax. So, plan your equity vs retained earnings: initial capital can potentially be paid back down the road free of 35% cut.

Overall, Swiss withholding tax is something to manage if you plan on profit repatriation. It does not affect profits retained in the company or salaries paid. It mainly hits *dividends*. We will further discuss the impact on owners (where that 35% can often be reclaimed or mitigated by partial taxation of dividends) in the upcoming section on shareholders.

8. Ongoing Compliance: Accounting, Audits, and Reporting

Beyond paying taxes, Swiss companies have various **ongoing compliance obligations** to remain in good legal standing:

- **Accounting and Financial Statements:** Every company must keep books and prepare an **annual report** consisting of at least a balance sheet, profit and loss statement, and notes. These must be in one of Swiss official languages or English, and amounts in CHF (or the chosen currency of account). Books should be kept in accordance with Swiss Code of Obligations accounting principles (prudence, completeness, etc.). Small companies (under CHF 500k turnover) can keep simplified accounts (just income/expenses and assets list), but GmbH/AG usually exceed that or opt for full double-entry anyway. Books and supporting documents must be retained for 10 years. Annually, the board (for AG) or managers (for GmbH) must approve the financials and present them to the shareholders meeting for approval (within 6 months of year-end). Unlike some countries, private Swiss companies do not file their accounts publicly (only if you are listed or if you are SRO regulated or something). However, larger companies might have to publish a shortened version or at least deposit it so the public can request (this applies if you exceed certain size – but generally not enforced for private SMEs). So, confidentiality of financials is maintained for most.
- **Audit Requirements:** We touched on this earlier:
  - If your company exceeds two of the following in two consecutive years: **CHF 20 million balance sheet, CHF 40 million turnover, 250 full-time employees**, then a **regular (ordinary) audit** by a licensed auditor is mandatory. Also if you are public or certain regulated, ordinary audit needed.
  - If you are below those but have >10 employees, you must at least have a **limited audit (review)** by a licensed auditor, **unless** shareholders unanimously opt-out (the “opting-out” provision). Most small GmbHs opt out if they have few shareholders who agree.
  - A limited audit is a lighter touch review of the accounts, cheaper than a full audit.
  - An ordinary audit is a full audit like big firms do, with an extensive report.

- If any shareholder holding 10%+ insists on an audit, the company must do at least a limited audit, even if others would opt out.
- So for a single-shareholder or few-shareholder company, you can likely dispense with audits until you grow large.

- **Statutory Filings and Fees:** Each year, you may have minor obligations like:
  - Paying the **commercial register annual fee** (some cantons charge an annual fee or have a fee when changes are made).
  - Filing an update with the **registry if any changes**: e.g., change of directors, address, company name, or capital changes require filing and notary involvement for certain changes. Always update within reasonable time to keep the register accurate (for example, if you appoint a new director or one resigns, file the change).
  - **Shareholder meetings:** Hold at least an Annual General Meeting (AGM) for an AG (for GmbH, a members meeting). In practice, for small companies, this can be done by circulating a written resolution signed by all, which is allowed instead of a physical meeting. Approve the accounts and decide on dividend (or decide to carry forward profits). Keep minutes of these decisions in your records.
  - **Corporate tax returns:** as discussed, file annually. The tax authorities will send forms. In many cantons corporate tax returns are filed electronically now, but you may need to attach PDF accounts etc.
  - **VAT returns:** quarterly, as discussed, if applicable.
  - **Withholding tax returns:** If you pay dividends, you must file a WHT form and pay the 35% within 30 days of declaring the dividend. There are also forms if you pay certain interest or royalties subject to treaties, etc.
  - **Social insurance reporting:** typically, you submit payroll reports and pay AHV/ALV contributions quarterly. At year-end, you'll file an annual salary declaration to the compensation fund, which is used to calculate if adjustments needed and to issue employees' AHV statements. Also provide wage statements (Lohnabrechnungen / Certificat de salaire) to employees for their personal tax.
  - **Statistical surveys:** Occasionally, the Federal Statistical Office may sample companies to provide data (on employment, etc.). Some large companies have to report to the Swiss National Bank if they have foreign direct investment positions or intra-group loans beyond certain thresholds, as part of balance of payments stats.

- **Renew permits:** If your sector license needs renewal (e.g., a FINMA fintech license might have periodic fees, or a restaurant needs to renew certain hygiene certificates), diarize those.

By diligently managing these compliance tasks, you ensure your company remains in good standing and avoid penalties. Swiss authorities are generally reasonable with extensions if requested and not overly bureaucratic with small businesses, but they do expect rules to be followed.

In summary, Swiss compliance burden is moderate: not as light as, say, some offshore jurisdiction, but far more straightforward than many big countries – the taxes are low and filings not overly complicated. Most importantly, **the tax system is predictable and fair**, which is a big advantage. In the next sections, we will consider the perspective of company **owners and shareholders** – after covering the company side of taxes, it is vital to understand how you as an entrepreneur or investor will be taxed on the company's profits (dividends or salary), and how Swiss company formation can impact your personal finances, social contributions, and asset protection.

9. Impact on Owners and Shareholders (Taxes, "S-Status", and Social Contributions)

Setting up a Swiss company not only affects the business itself but also has important implications for you as an **owner, shareholder, or director**. This section explores how company profits translate to personal income, how different ways of taking income (salary vs. dividends) are treated, what the mysterious "S-status" might refer to, and how Swiss company ownership can help in **reducing social security payments** legally. We'll also touch on other impacts like wealth taxes and what it means if you, as the owner, are a foreign resident or if you move to Switzerland.

Salary vs. Dividends: Optimizing Owner's Income

If you actively work in your Swiss company (which is common for a founder/entrepreneur), you have two primary ways to receive income from the company:

1. **Salary (or Bonus)** – as an employee/director of the company, you can pay yourself a salary, which is a deductible expense for the company.

2. **Dividends** – as a shareholder, you can receive dividends from after-tax profits.

These two are treated very differently for tax and social security:

- **Salary:**
  - **Company side:** Salaries (including any bonus) are **fully deductible** for corporate income tax. Paying yourself a salary will reduce the company's profit, thereby reducing corporate tax. Salary payments are not subject to the 35% dividend withholding, since they are not dividends.
  - **Personal side:** Your salary is **taxed as personal income** (at federal + cantonal personal income tax rates). Depending on the canton and your other income, marginal rates can range from, say, 15% up to ~40% for very high incomes. Salary is taxed at 100% of its value (no special relief, except you can deduct some expenses, contributions, etc., like any employee).
  - **Social Security:** Salary is **subject to social security contributions** (AHV/IV/ALV, pension, etc.). Combined, these are roughly 12–18% on most wage levels (including pension contributions), of which about half is paid by you (deducted from salary) and half by the company. This is an additional cost to consider – e.g., if you pay yourself CHF 100k, the company might pay ~CHF 6k in employer AHV/ALV and you pay ~6k from your pay, plus both contribute to pension fund which is like saving for you but still a cost).
  - **Benefits of Salary:** It ensures you contribute to Swiss social security, building up a state pension (AHV) record and occupational pension savings (which can be valuable later or even cashed out if you leave Switzerland permanently). Also, salaries can be adjusted flexibly and paid monthly, giving you steady cash flow.
  - **Drawbacks:** It is fully taxable and carries social charges, which means potentially higher overall tax+social cost compared to dividends for high incomes.
- **Dividends:**
  - **Company side:** Dividends are paid from **after-tax profits** (so the company has already paid the ~12-19% corporate tax on those profits). Dividends are **not deductible** for the company. So dividends do suffer the so-called **economic double taxation** – profit taxed at corporate level, then again at shareholder level.
  - **Personal side:** For Swiss-resident shareholders, dividends benefit from **partial taxation**: only 70% of the dividend is included in taxable income at federal level, and

at least 50-70% at cantonal level (depending on canton). This is because of a policy to soften double taxation for significant shareholders. The relief applies if the shareholder owns at least 10% of the company (which most entrepreneurs do). For example, if you receive CHF 50,000 dividend and you are a 100% owner, you might only add CHF 35,000 to your taxable income federally (70%) and perhaps CHF 25,000–35,000 for cantonal (50-70%, canton-dependent). This reduces the personal income tax hit compared to salary of the same amount.

- **Withholding:** As discussed, 35% is withheld at distribution, but as a Swiss resident you reclaim it in full when you declare the dividend on your tax return (it's essentially a prepayment). Foreign owners would reclaim per treaty.
- **Social Security: No social security contributions are due on dividends**. This is a big advantage – you do not pay AHV/ALV on dividend income. For an owner, this can mean a significant saving (around 10% of that income compared to if it were salary). However, be cautious: Swiss social security authorities are aware of the salary-vs-dividend game. If an owner-manager pays themselves an extremely low salary (or none) and takes all profits as dividends, the AHV office may scrutinize it. They have the right to reclassify some dividends as salary if they deem the salary unreasonably low for the work performed. The rule of thumb is to pay yourself a "market" salary for your role, then excess profits can be taken as dividends. If the company is just you, try to pay at least something (unless profits are negligible). In practice, many small business owners in Switzerland do a mix: a modest salary up to certain threshold and then dividends on top. This optimizes tax efficiency while staying under the radar of social security. Also, note that taking only dividends means you are not contributing to a pension fund (2nd pillar) or unemployment insurance for yourself, which may be fine if you have other plans, but it is a trade-off between immediate cash vs. future benefits.
- **Benefits of Dividends:** Lower overall tax burden for the owner in many cases – corporate tax + half-taxed dividend can end up being a lower total than salary tax + AHV. Let's illustrate with a simple example:
- Suppose company earns 100k before tax. Option A: pay yourself 100k salary. Company profit becomes 0 (no corp tax). You pay, say, ~20% income tax = 20k, plus ~10% AHV = 10k (some of which company paid, but ultimately your compensation cost includes it). Net to you ~70k. Option B: company pays corporate tax (say 14% average) = 14k,

left 86k profit, distributes as dividend. Withholding 30.1k (35%) is reclaimed, you pay income tax on 50-70% of 86k; if your marginal rate is say 20%, you pay ~ (0.7*86k*0.2)=12k tax. No AHV. So from 100k profit, you paid 14k corp + ~12k personal = 26k, net ~74k. A bit better, and higher net if higher personal tax bracket or higher AHV otherwise. If your canton is Zug (low personal tax) the difference is narrower; if in Zurich (high personal tax), dividend strategy shines more. Also, if amounts get larger and push you into high personal tax brackets, dividends help avoid those progressive spikes.

  - **Drawbacks:** Dividends can only be paid if the company has profits or retained earnings and sufficient liquidity. Also, paying a dividend requires a formal decision at the AGM and typically happens once a year (though interim dividends are possible with proper interim accounts). Salary can be paid monthly, which may be more convenient for personal cash flow. Also, as noted, an all-dividend approach can leave you without certain social benefits (no contributions to unemployment insurance – meaning if your company fails, you ca not draw Swiss unemployment benefits as you were not paying into ALV on dividend income; minimal contributions to AHV could affect your state pension if you have many low-contribution years).

9.1 Foreign Owners and Taxation

If you, as the owner, are not a Swiss tax resident, the situation differs:

- You will not pay Swiss income tax on your salary (unless you physically perform work in Switzerland beyond certain days – then potentially you owe Swiss source tax on that portion). If you are an EU commuter or so, special rules may tax salary at source. But typically a non-resident drawing salary would be taxed in their home country on it (and possibly some Swiss withholding if working in Switzerland).
- On dividends, Switzerland will levy 35% withholding, as described. Your ability to reclaim depends on your country's treaty. For example, if you reside in the UK, the treaty may allow reclaim down to 15%. You would then get a refund of 20%. The remaining 15% might be creditable against your home taxes on that dividend. If you live in a no-tax country, that remaining 15% is a cost. If you live in a high-tax country, you might end up paying your local tax on dividends (often higher than 15% anyway) and you would credit the 15%. In summary, foreign owners often face some friction with the 35% Swiss WHT, but treaties mitigate it.

- Some foreign owners choose to minimize dividends to avoid the WHT drag, instead they might pay themselves a management fee or interest (which can have other tax implications and transfer pricing scrutiny).
- If a foreign parent company owns the Swiss company, an **intercompany dividend** can often be paid WHT-free or at very low rate if treaty conditions are met (e.g., EU parent, or treaty with participation exemption).
- **Capital gains**: If you someday sell the shares of your Swiss company: Switzerland does not tax capital gains of non-residents on Swiss shares (except for Swiss real estate companies). It will tax Swiss residents' capital gains if it is considered a business asset or if they are professional securities dealer, but for private individuals resident in Switzerland, capital gains are tax-free. So shares you own could potentially be sold without Swiss tax. Your home country might tax the gain though (unless a treaty or local law exempts it). This is a big draw for entrepreneurs – building a company and selling it can be very tax-efficient in Switzerland. For example, a Swiss resident who sells their startup's shares for a big gain pays no Swiss income tax on that gain (as long as it was a private investment and not deemed salary disguised or so). A foreigner would likewise not pay Switzerland, just their own country's rules.
- **Wealth Tax:** Swiss residents are subject to annual **wealth tax** on net assets, including their shares in companies. This is a cantonal tax, usually around 0.1%–0.7% depending on canton and wealth bracket. If you move to Switzerland and become resident, the value of your company shares would count towards your taxable wealth. For a growing company, determining share value can be complicated (often last audited equity or some multiple). But something to note: wealth tax is not huge, but it's there (Zug's wealth tax might only be 0.06% , Geneva's ~0.5%). Foreign owners do not pay Swiss wealth tax on the company, only Swiss residents do. If you remain abroad, no Swiss wealth tax.

9.2 "S-Status" and Pass-Through Considerations:

Understanding the S Permit (Status S)

- The S permit is a special protection status for people fleeing the war in Ukraine, allowing Ukrainian citizens and their families to reside, work (as employees or self-employed), and access social and medical services in Switzerland.
- Holders of the S permit can freely participate in the Swiss labor market, including starting their own business or working as independent entrepreneurs.

Who Can Apply for S Permit

- Ukrainian citizens and their family members who resided in Ukraine before February 24, 2022.
- Stateless persons or third-country nationals who had protection or legal residence in Ukraine and **cannot safely return to their home country**.

How to Obtain the S Permit

- Arrive in Switzerland (no visa required for Ukrainians).
- Register at a federal asylum center within 90 days of arrival (in person or online).
- After registration, you will be assigned to a canton and receive your S permit, typically within 3 days (if there is no questions from the legal authority.

Registering a Company as an S Permit Holder

Choose the Legal Form

- **Sole Proprietorship (Einzelfirma):** Easiest for individuals; assets and liabilities are inseparable from the owner. No need to register in the trade register unless annual turnover exceeds CHF 100,000.
- **GmbH (Limited Liability Company):** Requires at least CHF 20,000 share capital and registration in the trade register.
- **AG (Joint Stock Company):** Requires at least CHF 100,000 share capital.

Prepare the Required Documents

- Valid S permit
- Passport/ID
- Swiss address (rental agreement or confirmation of residence)
- Business plan (recommended for banks/investors)
- For GmbH/AG: Founding documents, proof of capital

Registration Steps

1. **For Sole Proprietorship:**
   - Register your activity with the Cantonal Social Security Office (to pay social insurance contributions).

- If annual turnover exceeds CHF 100,000, register in the cantonal trade register (Handelsregister).
- Register for VAT if required (turnover above CHF 100,000 or non-exempt activity).

1. **For GmbH/AG:**
   - Prepare founding documents and deposit share capital in a Swiss bank account.
   - Register the company in the cantonal trade register.
   - Obtain a tax identification number (UID) after the registration in the swiss register.
   - Register for VAT if applicable.

Additional Requirements

- Obtain mandatory health insurance.
- Pay income tax annually, based on net income and canton of residence.
- For all business types, you must register for social insurance and pay contributions.

Useful Tips

- You can open a business even if your bank account is abroad; Swiss law does not distinguish between company and owner accounts for sole proprietorships.
- If you previously had a business in Ukraine, you can close it and register a new one in Switzerland.

10. Common Legal Pitfalls and How to Avoid Them

While Switzerland offers a highly stable and business-friendly environment, there are common **mistakes and legal pitfalls** that entrepreneurs – especially foreign ones – might encounter when forming and running a Swiss company. Being aware of these issues in advance can save you time, money, and potential legal trouble. Here are some frequent pitfalls and how to avoid them:

- **Choosing the Wrong Business Structure:** One classic mistake is selecting an inappropriate legal form. For example, operating as a sole proprietorship when your business entails significant liability or when you have co-founders can be risky – you would have no liability protection and potential partnership disputes. **Avoidance:** Carefully evaluate the entity types (as we did in the "Types of Companies" section). In most cases, a GmbH or AG is preferable for liability and capital reasons if you have anything beyond a micro-business.

If you start as a sole prop for simplicity, plan to upgrade to a GmbH/AG as soon as the business grows or takes on debt. Don't let convenience in the short term expose your personal assets.

- **Neglecting the Swiss Resident Director Requirement:** Some foreign founders register a company and **fail to appoint a Swiss-resident director or authorized signatory**, thinking they can run everything from abroad. This is not only illegal (the commercial register will actually not complete registration without fulfilling Article 718 CO for AG / 814 for GmbH – domestic representation), but also impractical for handling local matters. **Avoidance:** Secure a reliable Swiss resident person to be on the board or management *before* formation. If you do not know anyone, hire a professional **nominee director service** (but vet their reputation and ensure they will truly act in the company's interest, not just nominally). Budget for this cost. Also, maintain a good relationship with that person – keep them informed; if they resign and you do not replace them quickly, your company could fall out of compliance and ultimately be stricken off the register.
- **Underestimating Operational Costs and Obligations:** Switzerland is business-friendly but also high-cost. Some founders are lured by low taxes but forget that **paying Swiss salaries, office rent, and service fees is expensive**. Maintaining a company can cost CHF 10k+ per year in administration (accounting, audit if required, domiciliation, etc.). Hiring employees involves high wages and social contributions. **Avoidance:** Make a realistic budget. If you are a small foreign business with modest revenue, consider if Switzerland is truly cost-justified.
- **Ignoring VAT and Other Compliance:** Sometimes new businesses forget to register for **VAT on time** – perhaps they assume if they have not hit CHF 100k yet, they can ignore it. But as soon as you cross that threshold (or plan to imminently), you should register. Failure to do so can lead to owing back VAT on sales made while unregistered, plus interest and penalties. Similarly, not **filing VAT returns** on time, or misclassifying VAT-exempt vs. taxable items, can cause issues. Another compliance slip: not registering employees with the AHV fund within 30 days or failing to get accident insurance – an injury to an employee without the required insurance could leave your company liable for hefty medical bills and fines for non-compliance. **Avoidance:** Keep a compliance checklist. Use professional help for VAT if you are not versed – Swiss VAT is simpler than EU VAT, but don't assume something is non-taxable without confirming. Stay ahead on filings – mark deadlines for

VAT, annual returns, etc. Many deadlines can be extended on request (e.g., tax returns), but missing without notice can yield fines.

- **Thin Capitalization & Hidden Profit Distributions:** If your company is financed almost entirely by **shareholder loans** instead of equity, or if it pays the shareholder or related parties exorbitant fees (beyond market rates), Swiss tax authorities might apply **thin capitalization rules** or recharacterize some debt as equity and thus some interest as a hidden dividend. Switzerland has safe harbor debt-to-equity ratios depending on asset types (e.g., you can generally debt-finance up to ~70% of certain assets, etc.). If you exceed those, interest on the excess part of loans may not be deductible and is treated like a dividend (subject to 35% WHT). Also, paying a shareholder or their relative an excessive salary or rent above market value could be treated as a hidden distribution of profit (again, not deductible and subject to WHT). **Avoidance:** Capitalize the company with a healthy equity base (the minimum 20k/100k might be insufficient if you plan to debt-fund heavy operations – consider adding more equity to meet typical ratios). Keep related-party transactions at arm's length – document why the salary or fees are reasonable. Essentially, manage the company as if dealing with an independent third party when it comes to pricing inter-company or owner-related transactions.
- **Failing to Adhere to Corporate Formalities:** While a Swiss GmbH/AG owned by one person is relatively easy to manage, one should not completely ignore corporate formalities. Pitfalls include: not holding the annual general meeting, not keeping minutes of important decisions, mixing personal and company finances (e.g., paying personal expenses out of the company without proper accounting). In extreme cases, creditors could attempt to "pierce the corporate veil" if the company is abused as alter ego – that is rare in Switzerland but the risk exists if there's evident misuse or asset stripping. **Avoidance:** Respect the company as a separate entity. Even if you're sole owner, have a written resolution for dividends, board decisions for major moves, etc. Keep **separate bank accounts** – do not pay your private bills from the company account (unless booked as salary/dividend/drawings properly). Also, file changes with the Commercial Register as required – e.g., if your company moves address and you don't update it, you might miss important legal notices. If the sole director leaves and you forget to update, the company could eventually face dissolution for having no valid governing officer.
- **Employment Law Neglect:** If you hire staff, Swiss labor laws are generally employer-friendly, but there are still rules: respecting notice periods, not unfairly terminating (while

there is "at will" to an extent, abusive termination – e.g., firing someone to avoid paying a bonus – can lead to penalties), and protecting certain classes (you generally cannot terminate an employee during maternity leave, military service, or sick leave under certain conditions). Also, if you bring foreign workers, you need proper work permits. **Avoidance:** Use standard Swiss employment contracts that incorporate the Code of Obligations requirements. When terminating, follow the contract and legal notice period, give proper notice in writing, and be mindful of "blocking periods" (Sperrfristen) during illness or pregnancy in which you cannot fire. Provide work certificates when employees leave (it's a legal right in Switzerland to receive a reference). If you have more than a certain number of staff, there are additional rules (like collective labor agreements in some industries, mandatory staff representation if >50 employees, etc.). For a small company, just being fair and following the law will keep you clear of disputes. If unsure, consult an employment lawyer or the cantonal labor office, especially when handling dismissals or disputes.

- **Intellectual Property and Branding Mistakes:** Some new businesses forget to secure their **IP rights**. You might form "ABC Labs GmbH" and not check if "ABC" is a registered trademark by someone else – you could later face a cease-and-desist. Conversely, you might develop a product and not patent it or protect it, losing out. **Avoidance:** Check trademarks early and register your brand name/logo as a Swiss trademark (or international via WIPO) if it's important. If you have unique tech, consider patent protection (note: patents are expensive and only make sense for real innovations). Also, ensure any software or content the company creates is clearly owned by the company (have employees/contractors sign IP assignment agreements). Switzerland has strong IP laws, but you must proactively register certain IP to enforce exclusive rights.
- **Tax Residency and Permanent Establishment Issues:** If you personally are spending a lot of time in Switzerland running the company without proper personal immigration status, you might inadvertently trigger personal tax residency (staying in Switzerland more than 90 days with work, or 180 days without work, can make you a tax resident). Or if your foreign company is closely linked, it might create a **permanent establishment** in Switzerland or vice versa. These are complex, but the pitfall is mainly for those operating multi-country without understanding tax nexus. **Avoidance:** Track your days in Switzerland and comply with immigration rules – get a permit if needed. Structure inter-company dealings so each entity has clarity on functions and avoids unknowingly creating taxable

presence where not intended. This is quite case-specific; seeking advice for cross-border setups is wise.

- **Failure to Seek Advice When Needed:** Perhaps the biggest general pitfall is not asking a local expert about something that you assume works the same as in your home country. Swiss law has idiosyncrasies. For example, debt enforcement (if someone owes you money) follows specific procedures through debt collection offices (Betreibungsamt) – if you ignore a payment reminder because you do not know the system, you could get a payment order that becomes final. Or not knowing that you must insure your employees for accidents could leave you liable. **Avoidance:** When in doubt, consult.

By being aware of these common pitfalls and proactively addressing them, you can greatly smooth your Swiss business experience. The legal and regulatory framework in Switzerland is predictable, but as the saying goes, *"ignorance of the law excuses not"*. Fortunately, with the right planning and advice, each of these issues is avoidable.

11. Sector-Specific Considerations and Recommendations

Switzerland's business landscape spans a wide array of industries, and while the general principles of company formation and operation apply across the board, certain **sectors have unique considerations**. Here we provide insights and tips for a few key sectors. Whether due to regulatory requirements, local infrastructure, or cantonal specialization, tailoring your approach to your industry can smooth your entry and ensure compliance.

Finance and FinTech

Switzerland is renowned as a global finance center, with Zurich and Geneva being major hubs for banking, asset management, and increasingly, fintech (like crypto/blockchain ventures in "Crypto Valley" Zug).

- **Licensing:** If you plan to offer financial services (asset management, lending, payment services, crowdfunding, cryptocurrency exchange or trading), check if you need a license under Swiss financial market laws. Swiss FINMA (Financial Market Supervisory Authority) regulates banks, securities firms, fund managers, insurance, and since 2019, also certain fintech activities. For example:
- Taking deposits from the public (even via a fintech platform) generally requires a **banking license** – which is expensive and onerous. However, there's a **"FinTech license"** (also called

a banking license with lightened requirements or “sandbox” exemption) for accepting public funds up to CHF 100 million with simplified rules, aimed at fintech startups.

- Giving investment advice or managing portfolios for clients might require becoming a licensed **asset manager** under FINMA or a supervising industry organization (after recent FinSA/FinIA laws, independent asset managers must be licensed and affiliated with a supervisory body).
- Running a crypto exchange or dealing in tokens might trigger AML (Anti-Money Laundering) regulation – at minimum, you must join a self-regulatory organization (SRO) or get directly supervised for AML compliance. **Do not start a crypto brokerage without AML measures.** FINMA has issued guidelines on ICOs and crypto assets classification – some tokens are considered securities.
- **Cantonal Advantages:** Certain cantons actively support fintech and crypto. Zug, dubbed “Crypto Valley,” has a friendly administration – e.g., the canton accepts Bitcoin for some payments, and many crypto foundations are in Zug for its low taxes on holdings. Zurich has a robust finance ecosystem (banks, investors). Geneva is strong in commodities trading and wealth management. **Recommendation:** Choose your canton based on the specific finance niche. Crypto startups often choose **Zug** or **Zürich**; wealth managers might prefer **Zurich or Geneva** (for talent pool and client proximity).
- **Data Security:** Fintechs should comply with data protection (Switzerland has strict bank client confidentiality and also its Swiss Data Protection Act, akin to GDPR). If handling client financial data, invest in good IT security and perhaps get ISO certifications as you grow – it builds trust.
- **Banking Relationships:** Ironically, fintech and crypto startups may struggle to get bank accounts due to risk aversion of traditional banks. This is a common pain point. **Solution:** Look for banks known to work with fintech/crypto (SEBA Bank and Sygnum are actually crypto-friendly banks in Switzerland; some cantonal banks are open to fintech). Present a strong compliance setup to reassure them. Sometimes multiple banking relations (one for operational CHF, one abroad for other currencies) are needed.

Trading and Manufacturing (Import/Export, Industrial)

If your business is in **trading commodities, importing/exporting goods, or manufacturing**:

- **Customs and Trade:** Switzerland is not in the EU, so importing or exporting goods involves customs. There may be duties and certainly VAT on imports (though many industrial goods have low duties). **Recommendation:** Hire a freight forwarder or customs broker initially to handle import/export paperwork and to classify goods properly (for any preferential tariffs via free trade agreements Switzerland has worldwide). If you import from the EU or export to EU, utilize the **Switzerland-EU Free Trade Agreement** or **pan-Euro-Med cumulation** rules – meaning if goods qualify, they can cross border duty-free with the proper certificate of origin (EUR.1 form or self-declaration on invoice for smaller shipments).

- **Cantonal Specializations:** Certain regions are known for specific industries – e.g., **Geneva and Zug** for commodities trading (oil, metals, grain trading companies flock there – Geneva has infrastructure of trade finance banks and inspection services, Zug for low tax and commodity clusters), **Basel** for pharmaceuticals and chemicals (because of Novartis, Roche, etc., and proximity to Germany/France), **Jura** for watchmaking, **Neuchâtel** for precision instruments, **Ticino** for fashion and commodity trading with Italy. While you can place your manufacturing/trading company anywhere, you might gain advantages by being in a region with relevant supply chain or skilled workforce. For instance, an advanced engineering startup might benefit from being near **ETH Zurich** or EPFL (Lausanne) to tap talent, or near a precision manufacturing cluster in **Solothurn or St. Gallen**.
- **Logistics:** the location of Switzerland is central but it is landlocked with high transport costs out to sea. If your business requires heavy shipping, consider using a logistic hub in a nearby EU country for distribution (like a warehouse in Germany or northern Italy), while your Swiss entity handles high-level trading and finance. Many commodity traders do this: the Swiss company negotiates deals, but the physical goods transit through ports like Rotterdam or Genoa with logistics handled there.
- **Regulations:** If trading in regulated commodities (e.g., precious metals, arms, dual-use technologies), secure the necessary permits. Precious metals trade might need a melter's license or customs supervision; exporting dual-use tech (that could be military or civilian) needs SECO approval. Switzerland aligns with many EU sanctions and export controls – always verify if your goods or counterparties are restricted.
- **VAT Strategy for Trading:** If you import goods into Switzerland only to re-export them, look into **bonded warehouses or transit** procedures to avoid paying Swiss import VAT (since that can be a cash-flow issue if reclaimed later). There are regimes like **open customs warehouse** or simply not clearing goods into Swiss customs territory if they are

immediately re-exported. A customs specialist can set this up. For manufacturing, consider **customs duty refund** schemes if you import components and export finished goods (drawback) – Switzerland allows some bilateral duty waiver for components from EU used in exports to EU, etc.

- **Labor:** Manufacturing may require skilled labor (CNC machinists, etc.). Swiss labor is expensive but highly skilled. Some manufacturers open a Swiss company for high-value processes and have subsidiary or outsourcing in lower-cost countries for labor-intensive work, maintaining the Swiss brand and engineering. This can work well but manage transfer pricing between entities properly.

Technology and Startups (IT, Software, Biotech)

Switzerland consistently ranks high in innovation and has strong support for **tech startups**:

- **Funding and Grants:** Look into programs like **Innosuisse**, the Swiss Innovation Agency, which offers coaching and grants for R&D projects (often in collaboration with universities). The Swiss government and cantons also support incubators (e.g., **Venturelab**, **MassChallenge Switzerland** for various startups). There are also accelerator programs and pitch competitions awarding non-dilutive cash and resources (e.g., Venture Kick, >>venture>>). Biotech/Medtech startups might tap the BioAlps network in Romandie or Basel area.
- **Locations:** Zurich has a burgeoning startup scene (ETH spinoffs in AI, robotics, fintechs, etc.), Lausanne/Geneva have many medtech, biotech (EPFL and research institutes fuel this). Basel for pharma/bio is obvious (big pharma presence, plus the Friedrich Miescher Institute, etc.). Zug and Zurich also are strong in **Crypto/Blockchain** (Zug's CV Labs, Zurich's Trust Square co-working for blockchain). **Recommendation:** Align with these clusters for networking and talent. If you incorporate in a smaller canton for tax but all your collaborators and events are in Zurich/Lausanne, consider whether a small tax saving is worth potential isolation from the ecosystem. Often being where the action is (Zurich, etc.) is worth it for startups (note: Zurich's taxes, while higher than Zug's, are still moderate by international standards and the difference for a young startup with minimal profit is negligible).
- **Immigration for Talent:** If you need to bring in talent from abroad (non-EU engineers, etc.), be aware of the strict work permit quotas. The company may need to prove why no local could fill the role. Cantons like Zurich, Vaud (Lausanne) are used to dealing with tech

visas. There are special permissions for founders under certain “startup visas” pilot programs (Switzerland has been piloting facilitating entry for promising startup founders). Utilize the federal and cantonal initiatives that support hiring foreign experts for innovation (some cantons have relaxed criteria if the person has a Masters/PhD from a Swiss university, for instance). Plan ahead for permits as processing can take time.

- **IP and Tax**: If you are developing IP (e.g., software, patents), note the earlier mentioned **Patent Box** regime. Once profitable, you could benefit from it by ensuring patents are registered and income from them is accounted for separately. Also, consider **where to hold IP**: some companies set up a subsidiary or parent in another jurisdiction for IP. However, Switzerland now with patent box and reasonable taxes is often fine to keep IP in the Swiss entity. Plus, Swiss law is very strong in protecting IP rights and enforcement is reliable.
- **Clinical and Certifications (for Medtech/Biotech):** If doing medical devices or pharma, you will deal with **Swissmedic** (the Swiss drug and device regulator). They have their own approval processes, though Switzerland aligns a lot with EU CE marking (especially after recent agreements, although since 2021 there’s some divergence due to EU not updating mutual recognition – now Swiss medtech firms need an EU rep for CE and vice versa). Keep regulatory timelines in mind; engage local experts for clinical trials or approvals. There are canton-supported biotech parks (like Switzerland Innovation Park Basel Area) that can help navigate these hurdles.
- **University Connections:** Many tech startups benefit from staying formally linked to universities (technology transfer offices, innovation parks). ETH Zurich, EPFL, and others offer office space, lab access, and networking if you are a spinoff. This also helps with hiring interns, PhDs, etc. Leverage these connections for both talent and credibility (investors like seeing a relationship with a top institution).
- **Open Source and Software Licenses:** If your startup deals with software, ensure compliance with software licenses (especially if using open source – Switzerland upholds open source licenses like any other). Also consider registering your software copyrights or at least ensuring you have contributor agreements if multiple founders are coding, to assign IP to the company.

12. Real Estate and Construction

If your company will deal in **real estate (property development, construction, realty investment)**:

- **Lex Koller (Foreign Ownership of Real Estate):** Be extremely mindful if foreign persons (non-resident, non-EU/EFTA) ultimately control a Swiss company that wants to buy Swiss real estate. The **Lex Koller law** restricts such acquisitions of residential property by foreigners. A Swiss company owned by foreigners may need a permit to buy residential real estate (and permits are rarely granted except for special cases like company premises or hotels). However, buying property for **commercial use (office, retail, industrial)** is generally *exempt from Lex Koller* – a foreign-owned company can buy a factory or office building in Switzerland without a special permit, as it is for business use (the law specifically says no authorization needed if it serves as a permanent establishment for commercial activities). But if the plan was to buy say an apartment building to rent out, a foreign investor structure would run into issues.
- **Cantonal Property Taxes:** Note that cantons have **property transfer taxes** or notary fees when property changes hands (some cantons 1-3% of value, some none). There is also an annual **property tax** in some cantons (separate from wealth tax) on real estate value. And if the company sells real estate at a gain, some cantons have a special **real estate capital gains tax** (especially in French-speaking cantons, often at higher rates but only on the property gain, sometimes as a substitute to ordinary profit tax on that gain). If your business is construction or property development, understand the local tax regime thoroughly – sometimes doing developments in one canton vs another changes the tax result on sale of units.
- **Building Regulations:** Switzerland has rigorous building codes and zoning laws. Approvals can take time and community input (Vernehmlassung). If you plan to build, engage local architects who know the municipal processes. Also be aware of environmental regulations (cantons enforce noise, pollution standards). Switzerland is also pushing sustainability – new buildings often need to meet energy efficiency standards (Minergie label or the like).
- **Local Networks:** Real estate is quite local. Network with cantonal economic development offices – sometimes they have lists of available industrial land or incentives for companies building facilities that create jobs. For example, canton of Vaud or Solothurn have been

known to offer tax deals or support if a company opens a factory creating significant local employment (these are often negotiated as part of economic promotion).

12.1 Holding and Investment Companies

If your Swiss entity will serve primarily as a **holding company** (holding shares of other companies, managing group treasury, IP holding, etc.), or as an investment vehicle:

- **No Special Tax Status (anymore):** As noted, the old holding privileged status (zero cantonal tax on income) is gone since 2020, but regular rates in many cantons are low now, and the participation exemption for dividends and capital gains from subsidiaries still effectively means a holding company pays almost no tax on those incomes. Under the **participation exemption**, if a Swiss company owns ≥10% of another company (or shares worth ≥ CHF 1 million), dividends from that holding are virtually tax-free (the mechanism is a tax deduction equal to that portion of profit). Similarly, capital gains on selling such a participation (if held >1 year) are tax-exempt at federal level and in most cantons. So a Swiss holding company can receive subsidiary dividends and realize gains and pay negligible tax, just like before (they do pay a bit of capital tax on equity, but many cantons reduce that too). Thus, Switzerland remains attractive for holding a portfolio of international subsidiaries or investments, especially given its treaty network which reduces foreign withholding on dividends coming in and allows Swiss outflows to often be treaty-reduced.
- **Interest and Royalties:** A holding might also extend loans to subsidiaries (finance function) or license IP. Interest income is taxable but can be offset by interest expense if you also borrow (Swiss thin cap rules to heed). Royalties from foreign subs could be taxed, but possibly eligible for patent box if it's Swiss-held IP exploited. Each scenario has tax treaty aspects – ensure interest and royalties from subs are not subject to high withholding (Swiss has treaties to often reduce to 0 or 5%). Within a group, you might circumvent withholding by via capital contributions or so – tax advisors can structure intra-group cashflows efficiently.

13. Conclusion: Building Your Swiss Business Success

Forming a company in Switzerland can be one of the most rewarding moves for an entrepreneur or corporation. As we have seen, Switzerland offers a **stable legal framework**, a

favorable tax climate with competitive Switzerland tax rates, and access to top-tier infrastructure and talent. By choosing the right company structure (AG, GmbH, etc.), adhering to legal requirements, and leveraging the strategic advantages (like partial taxation of dividends or canton-specific opportunities), you set the stage for operational and financial success.

This comprehensive guide has walked you through every aspect – from the initial steps of **Switzerland company formation** through to taxation, management, and sector-specific tips. In practice, each business will have its own nuances, so think of this pillar article as a roadmap and reference hub. For deeper dives on subtopics, you can follow the internal links provided (e.g., to guides on VAT, choosing a canton, or optimizing owner salary vs. dividends).

A few final takeaways and best practices:

- **Plan and Consult:** Before launching, map out your formation and growth plan. Swiss bureaucracy is efficient but methodical – advance planning (name, capital, permits, etc.) pays off. Do not hesitate to consult local experts (lawyers, fiduciaries, cantonal economic offices), like DataGuard Consulting (DGVM), especially if you face complex regulations or international setups. The investment in good advice can prevent costly errors.
- **Optimize but Comply:** Take advantage of Swiss benefits (low taxes, strong treaties, low social costs on dividends) **within the bounds of law**. The guide has shown how to optimize legally. Avoid aggressive schemes that could jeopardize your compliance status or reputation – they are not needed given Switzerland's already business-friendly policies. A well-run, transparent Swiss company inspires confidence from banks, partners, and authorities.
- **Engage with the Ecosystem:** Whether you are a fintech in Zug, a manufacturer in Zurich, or a trading firm in Geneva, plug into local networks. Switzerland has an abundance of trade associations, innovation parks, chambers of commerce and networking events. These can provide support, partnerships, and visibility. Internally, maintain good governance – hold those annual meetings, keep clear records, and treat your employees and stakeholders by Swiss standards of quality and fairness.
- **Internal Linking for Growth:** As this is a pillar post, use it as a launching point to explore more detailed resources (both within our site and externally). Our website likely hosts dedicated articles on many subtopics referenced – make use of them for continuous learning.

In closing, establishing a business in Switzerland is a significant step that can open doors to European and global markets under the banner of a highly respected jurisdiction. By following the guidance in this pillar article, you have equipped yourself with knowledge of the **legal frameworks, incorporation procedures, Swiss tax systems, and best practices** to confidently move forward. Use this guide as a reference over the course of your company's life – whether revisiting the checklist for an upcoming compliance deadline or strategy tips when expanding to a new canton or sector.

Your Swiss journey is now set in motion. With meticulous preparation and the Swiss virtues of precision and reliability on your side, your company is well-positioned to thrive. Should you need personalized assistance or legal consulting at any step, our firm, DataGuard Consulting (DGVM), is here to help – from company formation services to ongoing counsel in corporate, tax, and compliance matters. Do not hesitate to reach out for a consultation (our contact info is in the footer).

Good luck as you launch and grow your Swiss company, and herzlich willkommen in Switzerland's business community!

DataGuard Consulting (DGVM) — your trusted partner for company formation and compliance in Switzerland.

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Disclaimer: This guide is provided for informational purposes only and does not constitute legal, financial, or tax advice. For tailored support, please consult with us.