

Switzerland - 2017: an unexpected revival, new opportunities and synergies

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Switzerland 2007

- Neutral, stable, hard currency
 - Direct democracy („Referendum“)
 - Tax: acceptable, negotiable tax basis
 - Special legal loopholes („Retrocession“)
 - High price and salary level
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- **Secrecy of banks and fiduciaries**
 - **Quick account opening**
 - **Confidentiality of information**
-
- → 2007: (after elections) government with left majority focus on large corporations and institutional investors



Switzerland 2017

- Neutral, stable, hard currency
 - Direct democracy, („Referendum“)
 - Tax: acceptable, negotiable cost as tax basis
 - Less legal loopholes, less data security
 - High price and salary level
 - **Regulation (compliance) of banks and fiduciaries**
 - **Difficulties with bank accounts**
 - **Open exchange of information**
- political shift at elections 2015:
- Change of attitude (towards customers)
 - Outlook: tax reform, EU, export of financial services



→ Change means challenge, there is a new game !

Switzerland- focus on new target groups:

- Multinational corporations with high qualified employees
- Private entities that pay a premium for:
 - Swiss image
 - Holding as image factor
 - Product/ Service image
 - Security and protection
 - Legal benefits and legal loopholes
 - (e.g. if 300.000 CHF per year: ML)
 - Access to Swiss customers/ Swiss market
- The hidden message:
 - take it (and pay) ---- or leave it
 - (example: 3000 CHF fee to open account)

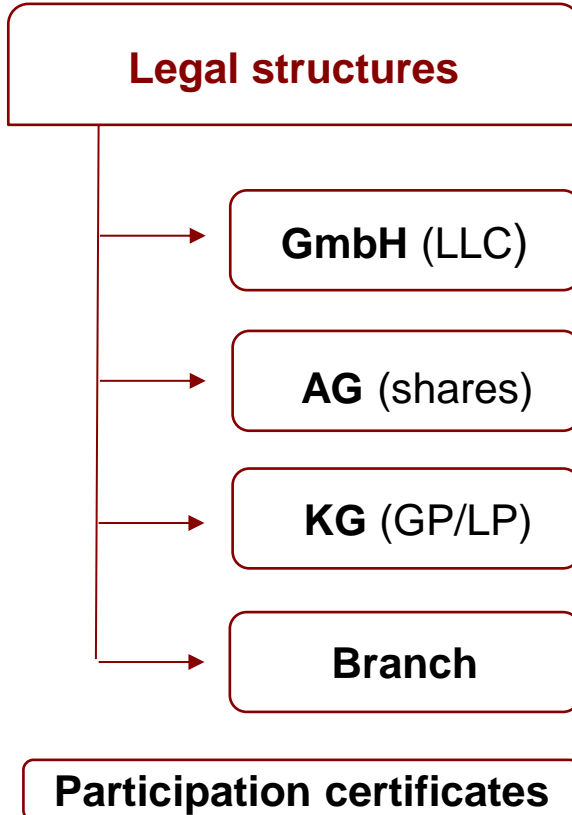


But there are still good solutions:

1. Company law
2. Corporate tax and charges
3. AML legislation and banks
4. Life and culture in Switzerland



1a. Company Law - Structures



Challenge at company formation:

Blocked account at a local bank is required, but no obligation for banks to open it

Solutions:

- Knock on doors, find a bank who opens a blocked account
- Capital contribution in kind (+ auditor)
- Buy an existing company.

Challenge at Company law:

- "A Swiss company must be represented by a person resident in Switzerland. who is board member or director." (Art 718 OR, Art 814 OR)
- Authorities put obligations upon Swiss residents who are board members

Solutions:

- no Swiss resident as nominee board member
- just title „director“ and signature rights for Swiss resident person
- option: two Swiss residents with joint signature

Challenge foreign tax law:

- Acceptance of invoices, reverse burden of proof

Solutions:

- active company with real place of business in Switzerland (employees or regular trips to the company)
- Holding in country with lower wages, M&C at domicile of holding
- Employ the bookkeeper part time, but give him additional tasks (DTT)

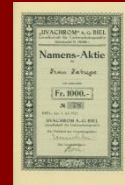
Challenge:

- small sins accumulate over time, checks may result in high costs over time

Solutions:

- liquidate a company after some years with a formal liquidation procedure
- Art 731 b OR (automatic liquidation after „lack of organisation“)

1b. Company Law - Shares



□ Bearer Shares:

- **Challenge:** managing director must register the identity of shareholders. 25% threshold if shares are held on behalf of third parties
 - **Solutions:** no shares or no info to board

□ Name Shares: how to deal with information

- **Challenge:** share register required at company domicile
 - **Solutions:**
 - know the consequences: board is liable for loss or for wrong or incomplete entries (to shareholders)
 - Know the consequences: shareholder who is not registered has no rights for dividends
 - change of ownership may be impossible to register if conditions are needed (e.g. a certain approval needs to be given according to articles of association)
 - separate rights – e.g. rights for dividends, to vote, to sell the shares
 - Derivatives: options, futures, silent partnership, participating loan

2a. Corporate Tax - Authorities

- **Cantonal tax offices:** helpful
 - 26 cantons compete; federal/ local profit tax:
 - Cantonal tax rate for companies and individuals
 - Tax basis and exemptions, rulings
 - Friendly cantons: e.g. Zug, Schwyz, Nidwalden, Obwalden
- **VAT administration Bern**



Challenges:

- **Federal Tax office Bern:**
 - 35% withholding tax on interests and dividends;
 - Inspections for federal tax at cantonal tax offices
- **Social security administrators**



2b. Corporate Tax - Solutions

Reduce federal and cantonal tax:

- Domicile in a Canton with reasonable tax administration
- Negotiate cost positions with good arguments
- management and control outside Switzerland (e.g. Cyprus)
- Tax free capital gains (but there are misuse clauses: transposition and indirect partial liquidation)

Avoid 35% withholding tax on dividends:

- Swiss branch of a foreign entity (can act as holding)
- No private ownership of shares
- Holding in a country with 0 rate (but: form 823b)
(DTT or Art 15 Interest Rate conventions // Denkavit Praxis)

Avoid unlimited social security contributions:

- Legal entity
- Switzerland adopted Regulation EC 883/2004 – coordination of social security systems

2c. Corporate Tax - Solutions

Use „Posting“ or home office - employment:

- An employee can be posted to another country and keep the social security of his home country (using form A1)
- It is possible for a Swiss company to employ a person who works from his/ her home office
- Select a canton that charge zero or little source tax up to 60.000 Euro annual income
- Personell can be employed in companies, who like to show substance.
- → check the Double tax treaty (articles of the OECD model convention)
 - Article 23: exemption method or credit method
 - Article 15: income from employment
 - Article 16: director´s fees
- → check Social Charges:
 - EU: Make sure that the upper limit for social security is reached in the country from where the posting happens
 - Outside EU: check if there is no agreement on social charges

2d. Corporate Tax - Solutions

Swiss Company- M&C in Cyprus:

- Swiss company with Cyprus intermediary holding and mother holding outside Cyprus:
- Manager of the Swiss company: resident without domicile in Cyprus.
 - → from zero withholding tax Switzerland - Cyprus
 - → tax advantage for salary
 - → no social charges
 - → reduced bureaucracy (e.g. AML)
- Part time employment in Switzerland, up to 8 days per year without registration
- → basis for a model for Cyprus professionals

3a. AML- Legislation and Banks

- **Criminal law**: Professionals are subject to Art.305 criminal law: „neglect of professional due diligence“.
- **Regulation since 2016:**
 - Financial intermediaries shall register the beneficial owner of active companies
 - Financial intermediary shall execute orders in suspect cases, no blocking, no info
- **Challenge: Self - regulatory system (SRO):**
 - Financial intermediaries have to document all relevant transactions and keep special records, if the company qualifies as offshore and if a board member is professional intermediary
- **Solution:** no files required if:
 - Active company (not offshore)
 - Active business in operation
 - or former active business in liquidation
 - Holding: holder of > 50% in one or more active companies
 - Not very active company with non- professional board members
 - < 20.000 CHF revenue from the activity / year
 - < 20 contracting parties / year
 - < 5M CHF under administration and < 2M transactions

3b. AML Legislation and Banks

→ Please compare:

- Costs
 - Compliance
 - Information exchange
 - Service quality
-
- Account opening
 - Active national company
 - Active foreign managed company
 - Not active company
 - Private account

Swiss bank



Foreign bank



4a. Life and Culture in Switzerland

- **Challenge:** local culture
 - short term perspective
 - Fees are usually a little higher than agreed
 - Lack of communication, community activities
 - High degree of organization in private life
 - Expensive services
 - High value of life long learning and education
- **Solution:** be flexible
 - Accept the local culture
 - Know and use the local laws
 - Create complexity as a tool against control

4b. Life and Culture in Switzerland

1. EEA, Schengen area
2. Residence for EU- citizens: free
3. Residence for Non-EU citizens: quota 7500, special procedures
4. Health insurance
5. High (minimum) salaries
→ benefits for employees with high qualification



Switzerland

Summary and 10 Recommendations

1. Take the benefits: image, legislation, customers
2. Reduce structure costs (e.g. Swiss resident)
3. Run an active business or an active holding
4. Avoid fiduciaries and nominees
5. Reduce the tax base for profit tax
6. Avoid withholding tax on dividends
7. Open bank accounts outside Switzerland
8. Accept the local culture
9. Use complexity
10. Relax and enjoy the beautiful landscape

Switzerland – there are new opportunities
Zugimpex is glad to assist you
we are here, visit our stand today !

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