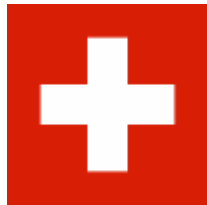


**REWISCO**

*Chartered Accountants  
Trustees  
Tax & Finance Experts*



Switzerland

your strategic basis for the  
internationalization of your business

by Freydun Michael Badri, November 2007

Founder & CEO of REWISCO AG

Chartered Accountant / Expert in Finance & Controlling / Swiss Certified Trustee

The logo for REWISCO, featuring the word "REWISCO" in white, bold, sans-serif capital letters on a dark blue rectangular background.

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## **About REWISCO**

REWISCO is a Swiss first-class firm of expert and business advisers, serving senior business leaders who are seeking to protect and create value in a complex, dynamic environment.

## **Our Specialist skills in:**

- Auditing
- Accounting and controlling
- Taxes
- Group consolidation
- IFRS conversion and financial reporting
- Internal control system implementation
- Company foundation and management
- Due diligences and business valuation
- Family office administration and management

both within Switzerland and our worldwide network.

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## Switzerland in the heart of Europe:



(source hoeckmann.de)

## **Switzerland is a central European location:**

- easy access (railway, road network, airports, international harbor, high-speed communication)
- excellent infrastructure
- responsive and transparent authorities
- a favourable tax and labour environment

are among the most important drivers.

## **Small country, big marine I:**

Switzerland is the interior country with the biggest high sea fleet worldwide maintaining 32 ships.

The ships are registered in Basel. Basel has with the Rhine an excellent access to the North Sea ending at Rotterdam NL. An additional approx. 111 interior ships are registered for Rhine traffic.

Even the Swiss Army has a navy !

## Small country, big marine II:

Harbor in Basel



(sources: portofbasel.ch & Daniel Ulrich (Threedots) & swiss-ships.ch)

The Rhine route



High sea and



interior ships



## Railway, connecting Europe I:

Zurich connects European Railways with TGV (F), ICE (D) and Cisalpino (I)



(source rig-bahn.jp / giacomello.ch / klaus-fuegner.de)

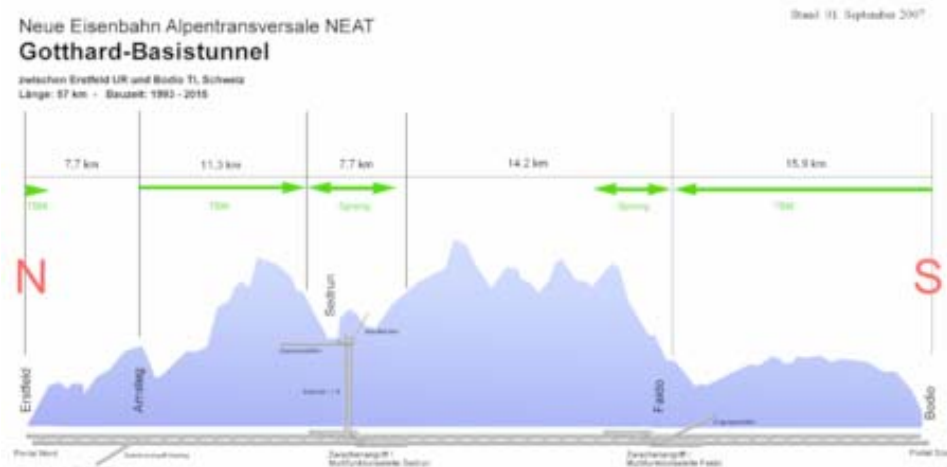
The Gotthard Basistunnel is the biggest engineering project in Europe and will be finalized in 2014. The tunnel length will be 57 km but totaling 154 km the whole Gotthardtunnel system.

## Railway, connecting Europe II:

### Gotthard Basistunnel



(source demis.nl / Markus Schweiss / Cooper)



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**Switzerland serves as a gateway to Europe for companies:**



(source elm.ch)

More than 1000 regional and global headquarters of foreign companies are located in Switzerland

## **Some enterprises that have chosen Switzerland for their European, EMEA or worldwide headquarters:**

Pfizer	Amgen	Procter & Gamble	Unilever	Kühne & Nagel
Timberland	Cisco Systems	Kraft Foods	IBM	Lego
Google	Colgate Palmolive	Degussa	Liebherr	Honeywell
eBay	Gillette	Bayer	Danzer	Glencore
Zimmer	Altria/Philipp Morris	Caterpillar	Augsburg Re	BP
Baxter	John Deere	GE Money Bank	Biogen	Shell

## **and for 25 international organizations as:**

- United Nations Office at Geneva (UNOG), Geneva
- World Intellectual Property Organization (WIPO), Geneva
- World Health Organization (WHO), Geneva
- Bank for International Settlements (BIS), Basel
- European Organization for Nuclear Research (CERN), Geneva
- International Committee of the Red Cross (ICRC), Geneva
- World Trade Organization (WTO), Geneva

## **as well as over 200 international NGO's as:**

- World Wide Fund For Nature (WWF), Gland
- Fédération Internationale de Football Association (FIFA), Zurich
- Union of European Football Associations (UEFA), Nyon
- International Olympic Committee (IOC), Lausanne

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## **Switzerland the most competitive country:**



A study done by the WEF (World Economic Forum) identified Switzerland for 2006-2007 as the most competitive country worldwide and before Finland, Sweden, Denmark and USA.

## Switzerland the finance place:



(source welcome.zh.ch)

With SWX Swiss Exchange in Zurich and its numerous banks (total balance sheet of banks amounts to CHF 3'200 Bio. in 2006), Switzerland is one of the most important finance place in the world.

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## **Top quality of life:**

With Zurich, Geneva and Berne



three Swiss cities belong to the six cities with the best quality of life worldwide

## **Laws and regulations:**

Switzerland is the only (almost) true democracy in the world, a strong constitutional state based on federalism with clear corporate and rather liberal labour law.



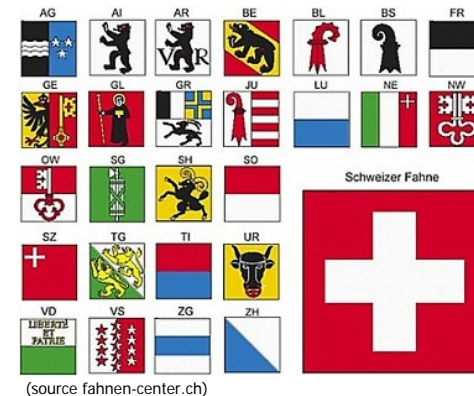
(source Roland Zumbühl)

Tribunal Fédéral, Lausanne  
Final level of jurisdiction

## Tax Laws and regulations:

Due to the Swiss federalism, we have only for income taxes

- 26 cantonal tax laws; plus
- 1 Federal Tax law



which offers a wide range of negotiation and tax rulings with the individual cantons.

## **Corporate tax rates:**

Profit tax:

Federal 8.5%

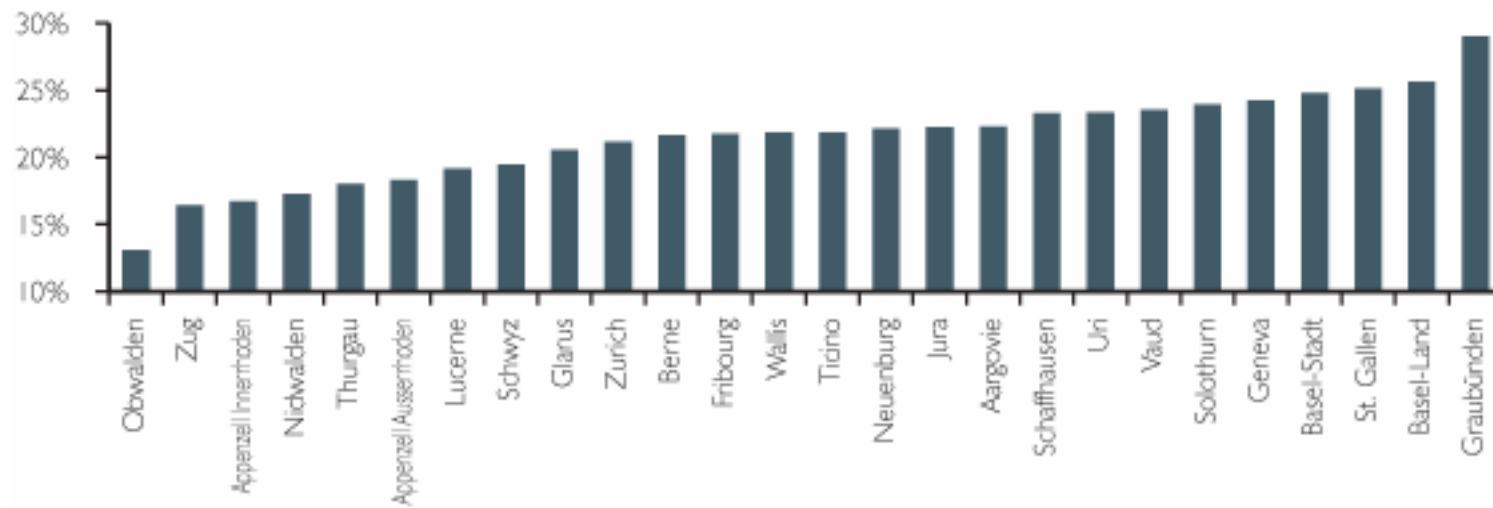
State and Municipal (almost) 0% up to approx. 22%

Capital tax:

Federal 0%

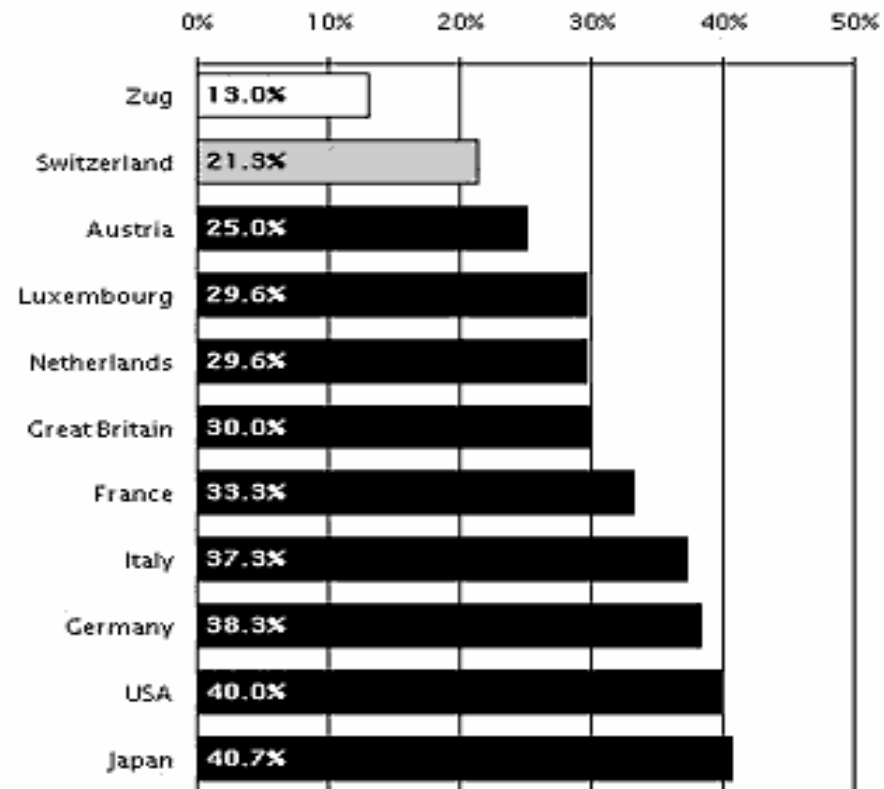
State and Municipal 0.001% up to approx. 0.6%

## Swiss Tax Comparison:



(source PwC)

## International corporate Income tax comparison:



(source KPMG)

## **Other tax rates:**

- Value added tax 2.4%, 3.6% and 7.6%
- Withholding tax on interest and dividends: 35%
- Deduction at source tax on individuals gross salary. From CHF 120'000 taxable income, additional annual tax filing required.

## **Withholding tax:**

For dividend payments as well as for liquidation profits the 35% withholding tax is due.

If the shareholder has the tax domicile in Switzerland or if not, depending on the double tax treaty, up to 100% of the withholding tax may be refunded.

## Double tax treaties I:

Switzerland has comprehensive double taxation agreements in force amongst others with:

Albania	France	Japan	Morocco	Spain
Argentina	Germany	Kazakhstan	Netherlands	Sri Lanka
Australia	Great Britain	Korea (South)	New Zealand	Sweden
Austria	Greece	Kuwait	Norway	Thailand
Belarus	Hungary	Kyrgyzstan	Pakistan	Trinidad und Tobago
Belgium	India	Latvia	Philippine	Tunisia
Bulgaria	Indonesia	Liechtenstein	Poland	Ukraine
Canada	Iran	Lithuania	Portugal	USA
China	Ireland	Luxemburg	Romania	Uzbekistan
Croatia	Island	Macedonia	Russian Federation	Venezuela
Czech Republic	Israel	Malaysia	Singapore	Vietnam
Denmark	Italia	Mexico	Slovakia	
Ecuador	Ivory Coast	Moldova	Slovenia	
Finland	Jamaica	Mongolia	South Africa	

## Double tax treaties II:



The EU is most important trading partner of Switzerland. Switzerland has adopted the EU parent-subsidiary directive.

The advantage: Dividend payments from and to EU-Countries are withholding tax exempted if

- the participation amounts to minimum 25%; and
- the participation is minimum held for two years

## **Tax privileges:**

Federal, State and Municipal: If shareholder equity amounts to either 20% of total capital or to CHF 2'000'000 or more, a deduction on capital gains and income tax is granted.

State and Municipal: Domicile, Mixed-Company and Holding privileges.

Individuals: Taxation on expenditure (federal, state and municipal) for foreign high net-worth individuals without income in Switzerland.

## **Employment situation:**

- Strikes are rather very rare
- Labour unions have not the same strong position as in France, Italy, Germany, etc.
- Unemployment rate in September 2007 at 2.5%

## **Professional education – Dual System:**

In contrary to most other countries of the world, Switzerland has a very good dual system for professional education which has given Switzerland today's professional and competitive strength.

Instead of a high school diploma, most of young people do a professional apprenticeship (approx. 75%). Many continue thereafter with a further professional education in evening and week-end schools, nowadays also modular fulltime courses, for higher diplomas.

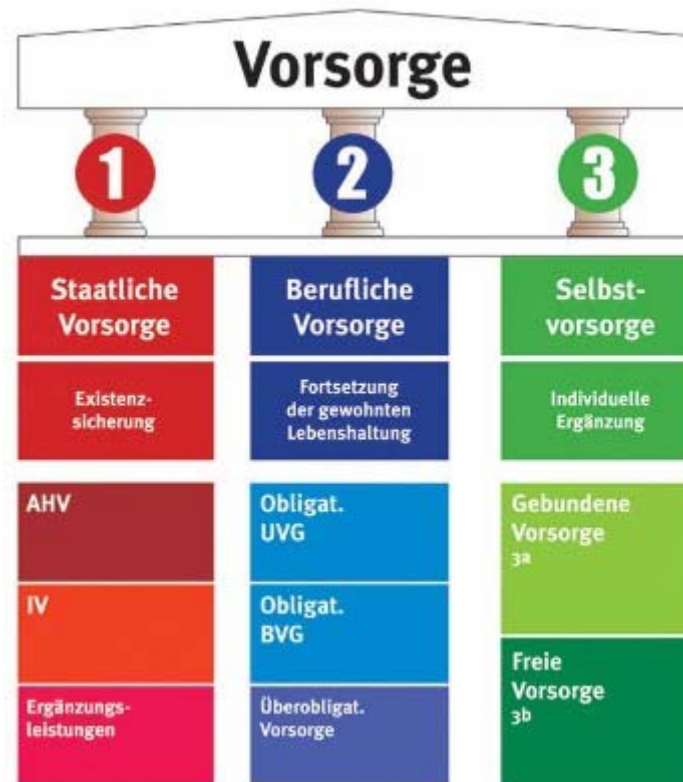
## **Labour law:**

- The Swiss Code of Obligation (Schweizerisches Obligationenrecht) rules the labour law
- Usually trial period from 1st to 3rd month with notice period of one week for both parties
- term of notice for both parties during employment:
  - 1st year: one month
  - 2nd to 9th year: two month
  - from 10th employment year: three month

Theoretically no reason to be given for a notice but in written form.

## Social Contributions:

Switzerland has the three pillar system:



(Source diepensionierung.ch)

## First pillar – Governmental security:

Employee and employer contribution on monthly gross salary:



AHV – Retirement 4.2% each

IV – Disability insurance 1.4% each

EO – Complementary benefits 0.15% each

## Second pillar – Professional security:

Employee and employer contribution on monthly gross salary:



ALV – Unemployment insurance

*(up to CHF 106'800 gross salary 1.0% each)*

UVG – Accident Insurance containing:

*(rates depending at branch and sex, max. salary CHF 106'800)*

BU – Accident at work

*(employer contribution)*

NBU – Accident outside work

*(employee contribution, from 8 h work per week)*

KTG – Illness Insurance (salary)

*(rates depending on age and sex)*

FAK – Children allowance

*(min. CHF 200.00 per employees child from 1.1.2009)*

BVG – Retirement benefits

*(rates depending on age and sex between 3.5% and 9.0% each  
and salary between CHF 18'990 and CHF 75'960)*

## Third pillar – Private retirement provision:

Employee and employer contribution on monthly gross salary:



Säule 3a – bound retirement provision

*(voluntary and private contribution 2007: max. CHF 6'365)*

Säule 3b – unbound retirement provision

*(voluntary and private contribution )*

## Setup a company in Switzerland Requirements:

The „Aktiengesellschaft“ (Incorporation) as ideal legal form of the company (abbreviation AG, SA, Ltd.)

### Corporate requirements

Minimum paid in share capital	CHF 100'000.00 (approx. EUR 63'000.00) in cash or valuable assets
Minimum par value per share	CHF 0.01
Types of shares	Bearer and nominal shares
Board members	Minimum one member; at least one representant must be domiciled in Switzerland (from 1.1.2008)

### Local requirements

Registered office/agent	Yes
Government register of board members and directors	Yes
Government register of shareholders	No

### Annual requirements

Submit audited accounts	Yes
Annual tax filing	Yes

### Recurring government costs

Minimum annual tax/licence fee	Varies
--------------------------------	--------

## Setup a company in Switzerland Costs:

### Minimum formation and recurring fees (fees as at November 2007, periodical changes possible)

Formation and registration costs	From CHF 6'000.00 (approx. EUR 3'800.00) for a simple company with few activities
1% government stamp duty at formation	Paid in equity exceeding CHF 1 Mio. (approx. EUR 630'000.00)
Annual recurring fees simple domicile VR accounting, tax filing, auditing	From CHF 12'000.00 (approx. EUR 7'600.00) for a silent company

## **Payment of share capital:**

Two possibilities to subscribe shares of a company:

1. Cash payment (simple)
2. Qualified formation (requires audit of the assets brought into the company)

## **Qualified formation of a company:**

Instead of a cash payment you subscribe your shares by paying with assets:

- Participations / Investments
- Intellectual property
- Real estate
- Other fixed assets

This requires a special audit report which approves the value of the assets brought into the company.

## **Advantages / disadvantages of a qualified formation:**

### Advantages:

- Share capital can be paid in assets
- Positive for start-ups, real-estate and holding companies

### Disadvantage:

- Additional costs for special auditors report regarding valuation of assets which must have an unqualified opinion

## **Support of government and cantons for new companies and start-ups:**

- Tax dealings possible
- Depending on the size of investments:
  - > Tax heaven up to 10 years
  - > Subsidies for infrastructure
- Spin-off-support for ETH
- Swiss government maintains and supports several foundations and institutions who help to develop the Swiss economy and environment

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# Questions & Answers

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We're ready when you are . . .

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