



Doing business in Switzerland

A guide for US companies

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An aerial photograph showing a road winding through a dense green forest. The road is a two-lane highway with a white center line and a white shoulder. A single white car is visible on the road. The forest is lush and green, with some rocky outcrops visible. The overall scene is bright and clear, suggesting a sunny day.

Introduction

For US-based companies, Switzerland is a geographic area with many similarities that make doing business easier. However, there are a number of areas that are different and need to be understood. These include accounting and tax considerations, workforce management, legal, regulatory and cultural differences.

This document outlines the key areas to be aware of and how we can help our clients navigate their way through doing business in Switzerland.

Why Switzerland?

In the heart of Western Europe

Switzerland has a dynamic and competitive economy open for global business. Located in the heart of Western Europe, Switzerland is fully integrated in the European economies without actually being an EU member state and thus maintains a high level of independence.

Switzerland is globally recognized to be a very attractive business location, mostly due to the following facts:

- Well-located strategically; stable and dependable relationship with Europe
- Political and economic stability, international integration
- Highly skilled and liberal labor market
- Exceptional quality of life
- Leading technology center
- First-class infrastructure
- Strong financial center
- Business clusters that are global leaders
- Corporate income tax rate are amongst the lowest globally
- Extensive double tax treaty network with over 100 countries



First steps in Switzerland

Once the decision has been made to establish a Swiss operation, the first steps are to decide on the domicile and set up the most appropriate corporate vehicle and to register for tax purposes.

Choosing the domicile

Switzerland is composed of a federal state and 26 cantonal states (“cantons”), with each canton having its own tax law. Therefore, the domicile of the Swiss company affects the tax rate, with effective income tax rates ranging from approximately 12% to 22%. In addition, certain tax incentives such as tax holidays, the R&D super deduction, the patent box, the notional interest deduction on surplus equity or the relief of capital tax are not available in all cantons.

Company incorporation

The most common legal structure is a limited company (“AG”/”SA”) or a limited liability company (“GmbH”/”Sàrl”). The formation and incorporation of a company is a relatively straight-forward process, involving a notary and the filing of appropriate forms with the commercial register and the issue of initial share capital. Other types of structures include, for example, a Swiss branch of a foreign company.

There are various advantages and disadvantages to of each type of company structure.

Keeping records

Companies incorporated in Switzerland are required to register for tax purpose and file annual corporate tax returns. In order to meet these obligations, the company must maintain robust accounting records.

VAT Registration

Swiss resident companies must register for VAT if their annual taxable turnover exceeds CHF 100'000. The standard VAT rate in Switzerland is 8.1%, but there are also zero rate, reduced rate, reverse-charge and turnover outside the scope of VAT. Input VAT incurred on the cost of goods and services used exclusively for business purposes can be reclaimed.

Employment in Switzerland

As a US company entering the Swiss market, you may need to relocate senior employees to Switzerland and make your initial local hires. It's important to consider the most suitable remuneration packages, factoring in key tax implications associated with international assignments.

Payroll and HR compliance

To begin paying employees through a payroll in Switzerland, all employers must register with the Swiss social security system. Once registered, employers can process payroll and make necessary deductions such as income tax and social security contributions (AHV/AVS). If an employer has eligible workers, a compliant pension scheme must also be established, and all relevant employees must be enrolled.

Immigration & global mobility

Navigating the complexities of immigration and global mobility is essential for foreign companies looking to bring overseas staff to Switzerland. For overseas staff who are not directors, your company can apply for a short-term business visitors' agreement to avoid tax obligations. Various sponsorship and visa requirements must be addressed individually.

Overseas directors

From a company secretarial perspective, incorporation requires at least one Swiss resident director. This requirement ensures local oversight and adherence to Swiss corporate governance standards. However, there are crucial tax implications regarding management and control if no directors are Swiss residents actively involved in daily operations.

Equity reward

Share schemes and equity rewards can be integral to your remuneration packages, incentivizing key staff effectively. Available options include Share Options Plans, Shares Incentive Plans and Restricted Stock Unit (RSU), each tailored to meet your company's strategic goals and employee needs.



Selling goods or services in Switzerland

If you are going to be providing goods or services in Switzerland there are a number of tax considerations for both the Swiss entity and the wider group. When it comes to moving goods into Switzerland there are also important practical considerations to ensure you stay compliant, and you don't experience delays.

VAT

When Swiss companies import goods into Switzerland, they are obliged to pay VAT, which in this case is known as import tax. In Switzerland, import tax is levied by the Federal Customs Administration (FCA). The tax on the import of goods is primarily aimed at preventing companies that import goods from abroad from paying less tax than companies that buy them in Switzerland.

The same rates apply for import tax as for domestic VAT. Since 1 January 2024, the standard rate has been 8.1% instead of the previous 7.7%. A reduced rate of 2.6% applies to certain goods such as food, non-alcoholic beverages, medicines, newspapers and magazines.

Transfer pricing

Switzerland applies the principles and methods described by the OECD Transfer Pricing guidelines. Currently, the Swiss tax law and case law

- provides that the transactions should respect the arm's length principle,
- defines the arm's length principle as the price determined between third parties in similar circumstances and
- refers to double tax treaties concluded by Switzerland in order to resolve tax conflict relating to transfer pricing in an international context.

Based on recent experience, we have noted that the competent tax authorities are challenging more often the intercompany transactions and its resulting remuneration. Therefore, we highly recommend that entities having such transactions should ensure that they comply with the OECD Transfer Pricing guidelines and current Swiss tax practice.

Staying compliant in Switzerland

The regulatory landscape is becoming ever more complex and differs significantly from the US. You need to be confident that all legal and regulatory compliance requirements are met. This covers Swiss accounting and audit requirements, which are significantly different to the US, as well as tax compliance and other aspects of company law.

Company law

Swiss company law regulates corporations formed under the Swiss Code of Obligations. There are also specific rules and regulations in place for different sectors and entity types.

The Swiss Code of Obligations covers areas such as company formation, relations with shareholder and reporting requirements, as certain documents must be filed with the commercial register in Switzerland.

Accounting requirements

Companies in Switzerland must prepare annual financial statements, within 6 months of their business year-end. The majority of companies prepare these financial statements under IFRS or Swiss GAAP. However, it is also allowable to prepare under US GAAP.

In addition, financial statements according to the Swiss Commercial law must be prepared for tax purposes.

Audit

A statutory audit is required for companies who exceed two of the three thresholds in two consecutive business years:

- balance sheet total of CHF 20m,
- revenue of CHF 40m,
- annual average of 250 full-time equivalent employees (FTEs).

Corporation tax

Swiss companies must annually file a corporate income tax return with the competent tax authorities in each canton where the company has a taxable presence.

Corporate tax payments are made on federal as well as on cantonal/communal level based on tax invoices issued by the respective tax authorities.

Switzerland has a long-standing tax rulings practice that provides taxpayers legal certainty. In complex situations, such as the immigration of a company to Switzerland, it is advisable to clarify the tax consequences in advance with the tax authorities involved.

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This guide has been prepared to assist those interested in doing business in Switzerland. It does not cover the subjects it treats exhaustively, but is intended to answer some of the important broad questions that may arise. When specific issues arise, it will often be necessary to consider the relevant laws and regulations and to obtain appropriate professional advice.

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