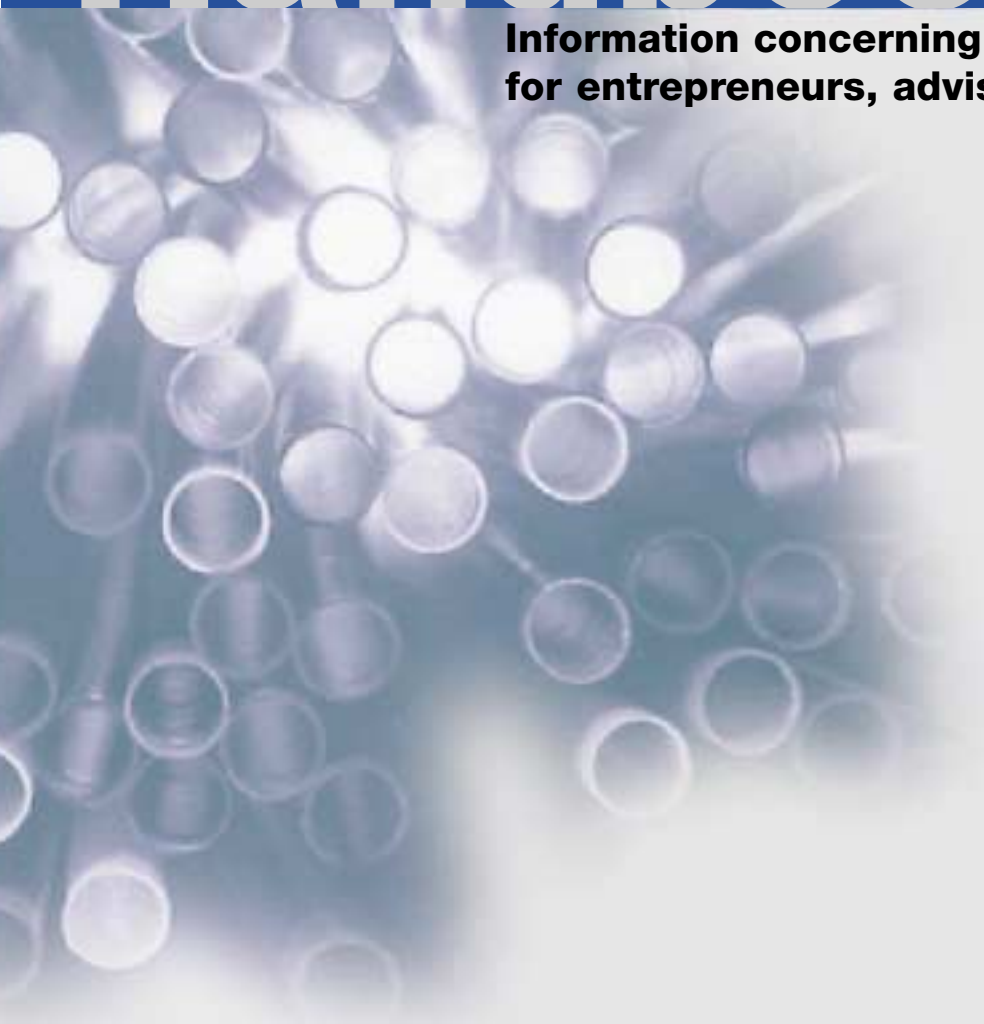


Handbook

**Information concerning Switzerland
for entrepreneurs, advisers and decision-makers**



Location:Switzerland

Location 

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The information in this brochure was carefully compiled according to best knowledge based on current sources.

We are aware that all these areas will develop dynamically and the information is subject to change. Some of the aspects are highly complex. Therefore, the detailed standards in the original language should be read. In many areas the consultation of specialists is necessary.

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Welcome



Dr. Barbara Rigassi, Ambassador

Member of the Management
State Secretariat for Economic Affairs seco

Switzerland is proud to be one of the best business locations in Europe. Liberal fundamental conditions and a future-oriented research and technology base are the pillars that support our country as an open and efficient location for domestic and foreign businesses alike.

- Social peace and political stability
 - First-rate infrastructure
 - Currency and price stability
 - High productivity combined with high product and service quality
 - Efficient capital market and a highly professional international banking system
 - Excellent education - at the public school and academic level, as well as the dual vocational training system
 - First class and world-renowned universities and technical institutes
 - Investor and business-friendly government in a country with modest taxation
- are the pillars of our success.

This handbook, and the regularly revised supplement "Facts", contain everything you and your advisers need to know for preparing your site decision. You will readily notice that it is easy and uncomplicated to start a business in our country.

Our senior representatives for Europe and North America will gladly assist you. As soon as you have identified where in Switzerland you would like to invest, you can count further on the professional and efficient consultation and support services of the Cantonal or regional industry and trade promotion offices.

As a representative of the State Secretariat for Economic Affairs, I invite you to familiarize yourself with the many advantages Switzerland has to offer.

Whether you are a sizeable investor or an entrepreneur, you are personally welcome in our country. You have my word on it!

Dr. Barbara Rigassi, Ambassador

Member of the Management
State Secretariat for Economic Affairs seco

The 14 advantages

of Switzerland

- In Europe: Switzerland – an important geostrategic location. A meeting point of cultures and languages. Refuge of liberal economic and political thinking at the crossroads of the European technology axes. The traffic hub of Europe, embedded between the Alps and the Jura Mountains, with short distances to all major cities of the continent. The ideal cosmopolitan location for efficient international business contacts, with equal distance between America and the Far East.
- The high efficiency of the Swiss economy and its close intertwining with other national economies have provided Switzerland with the second highest per capita income in the world. Highly specialized and internationally experienced, flexible, small and medium-sized high-tech businesses, and worldwide operating banks and insurance companies decisively contribute to the global standards in their fields. Purchasing power stability and traditionally low capital costs are the best guarantees for prosperity and high competitiveness.
- The Swiss business environment favors the establishment of headquarters and facilities for research and production activities. Internationally recognized institutes consistently give top rankings to fundamentals such as legal security, long-term stability, guaranteed protection of free competition and property ownership, reduction of "red tape", all of which make Switzerland a privileged European business location.
- As international ratings confirm, the Swiss infrastructure is among the best developed and reliable in the world. State-of-the-art IT infrastructure and tools create optimum preconditions for the new economy. The liberalization of the markets promotes greater competition in services from the various providers and consequently enhances the attractiveness of the country as a place to work and live.
- The relationships of Switzerland with other European nations are excellent. Through the bilateral agreements between Switzerland and the EU, and the traditionally close economic ties, Switzerland strengthens its position as a business location and financial center in Europe. As the third largest goods and services supplier and second largest customer of the EU, and with about half of the Swiss direct investments going into the EU region, Switzerland is one of the most important business partners of the EU.
- Because of liberal market conditions, setting up a business in Switzerland has traditionally been attractive to entrepreneurs. A choice of different legal entities and partnerships are possible. The freedom of trade guaranteed by the Swiss constitution combined with low regulatory hurdles create ideal preconditions for long-term business activities in Switzerland.
- As a financial center, Switzerland is highly developed. With the prestige of its banks and stock exchange, it offers excellent possibilities not only for low-cost financing of investment transactions and international activities, but also entrepreneurial investment projects. All domestic and foreign transactions are handled quickly and reliably by Swiss and foreign banks with the latest technology.

- Production costs in Switzerland are key assets among business locations competing internationally. The country offers particularly attractive financing possibilities. Thanks to its comparatively low ancillary labor costs, the high working moral and motivation of the workforce and generally longer working hours than in other countries, Switzerland continues to be a very cost-effective business location.
- By European standards, taxes in Switzerland are modest. In addition, there are various tax planning possibilities; in particular, the federal structure of Switzerland offers adequate latitude for healthy competition among the Swiss Cantons. The emphasis is on direct taxes and the basic principle is self-declaration of the taxpayer.
- Human capital is one of the most important success factors of Switzerland. With respect to work productivity, Switzerland ranks second among all economies in the world. Its labor market is characterized by a liberal labor law, low regulatory density, and extraordinary social stability which has been achieved through a well-balanced relationship between the social partners. Social security of the workforce is based on the principle of solidarity and personal responsibility.
- The high education and training level of the Swiss labor force is a key competitive factor for a country with few natural resources. The unique dual education/training system produces a first class labor force. The federal structure of the education system ensures high quality and proximity to the practice of industry and trade. Universities, post-graduate training and international schools enjoy an excellent reputation worldwide. As a high-performance R&D location Switzerland, with its positive technology balance, is the second most important technology exporter worldwide.
- The high standard of living and the business environment in Switzerland are characterized by widespread prosperity. High quality homes and apartments satisfy the most demanding requirements. Personal safety is ensured at all times. The public health system is world-class. Just one more reason why companies, their managers, employees and family members like to work and live in Switzerland.
- Swiss industry and trade promotion activities focus on achieving and improving overall market conditions. In addition, it offers investors a number of attractive financial assistance packages. The promotion of Switzerland as a business location is closely coordinated with industry and trade, and the Cantons. The highly market-oriented organizations effectively employ all available instruments to achieve overall customer satisfaction.
- Switzerland - above all means: short and direct access to vital contact points and government agencies. Interested parties experience customer proximity and professional competence throughout the investment process. Customer satisfaction in obtaining one-stop-shop information, in discussing the establishment of a business domicile, and in every step thereof, is always guaranteed by your contact partner at Location:Switzerland - for your success in Switzerland.

1. Overview:

Geostrategic location of Switzerland

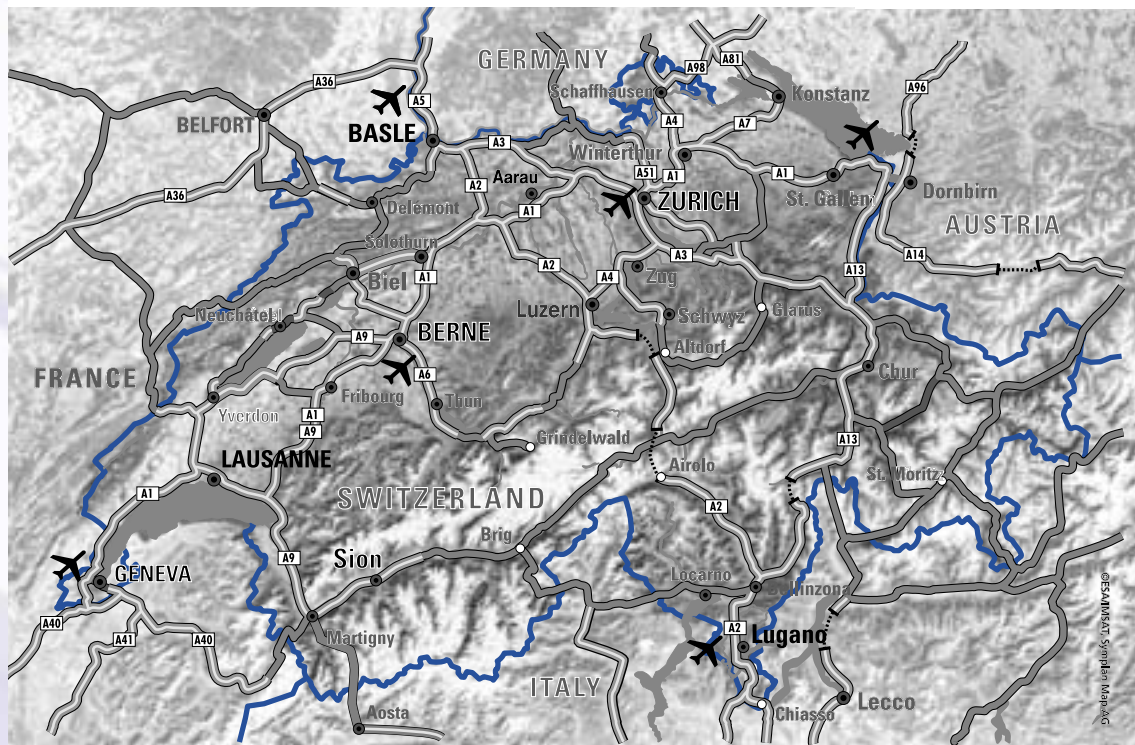
Switzerland did not become economically strong as a territorially large nation. The struggle for independence by a few small, freedom-loving valleys and towns grew over the centuries into a multi-faceted nation with a pronounced federal structure. In this country, embedded between the Alps and the Jura mountains, with a population of seven million, several European cultures and languages overlap. Also, Europe's technology axes cross here. From Switzerland, the gateway of Europe, you can reach all major cities of the Continent in two hours or less. This is one of the reasons why Switzerland has become a major center for international business contacts and organizations.

1.1 Geographic location and characteristics

Because of its location, Switzerland has traditionally been and will continue to be at the crossroads of major international trade routes. It is located in the middle of the large high-technology region, which over the last decades has developed between Southern Germany, Northern Italy, and the French region around Lyon. This is also where the important European trade axes between the North and South, and the West and East cross. From Switzerland the distance to the business centers of America and the Far East is the same. For worldwide business, this offers time and communications advantages.

Basle - Paris 400 km
Basle - Frankfurt 280 km

Zurich - Munich 260 km
Zurich - Salzburg 340 km



Geneva - Lyon 95 km
Geneva - Nice 230 km

Lugano - Milan 65 km
Lugano - Florence 300 km

The densely populated region between the Alps and the Jura Mountains makes up the strongest economic area. Two thirds of the country's total land area of 41,000 km² is mountainous and relatively sparsely populated. But the scenic beauty of the snow-capped Alps has become a preferred destination of domestic and foreign tourists, and tourism has become an important industry for our country.

Such diversity in a very small area - from the eternal snow on the high Alps to the palm-studded parks along the lakes in the South, and pulsating cities and business centers close to rural cultural areas - is also reflected in the structure of the Swiss economy. It is an image of the different capabilities and strengths of the Swiss people and at the same time an expression of their high level of education.

1.2 Population and economic highlights

The principal urban agglomerations are located in the central plateau. However, they still offer a high quality of life and are of manageable size.

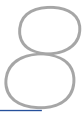
Population in the largest agglomerations:

Zurich	1.2 Million
Geneva	0.8 Million
Basle	0.8 Million
Berne	0.6 Million
Lausanne	0.6 Million
St.Gallen	0.5 Million
Lucerne	0.5 Million

Zurich is the commercial center of Switzerland. Berne is the political capital. Basle is the domicile of renowned pharmaceutical and chemical companies, and Geneva is the headquarters of numerous international organizations. Lausanne and St.Gallen are world-renowned education centers, and Lucerne is a famous meeting point of culture and tourism. Smaller agglomerations with an economic profile are Lugano as a banking and tourism center, Winterthur with a medicinal technology base, and Neuchâtel with electronics and microtechnology centers.

For market-based and interregional comparisons, Switzerland is geographically subdivided into seven large regions. The largest of these, the central plateau, has 1.7 million inhabitants or 23% of the entire population. The next in size are the Lake Geneva region with 18% and the Canton of Zurich with 17%.

↳ Facts 1.2 Switzerland's seven major regions



1.3 Political system

As its name implies, the Swiss Confederation is based on a federal system. The present form was established by the Constitution of 1848. It superseded the previous federation of independent states and recognized that the country's unity could only be preserved if full consideration was given to the diversity of its regions.

Under the current constitution which became effective at the beginning of 2000, Switzerland is made up of 26 Cantons. The historically evolved federal structure gives the Cantons a considerable degree of political freedom and administrative autonomy. As small and flexible political entities, the Cantons compete with each other in various areas. As a result, the public sector remains lean, and the Cantons retain significant sovereign powers.

See Chapter 14, Map of Switzerland

In accordance with the ideals of the constitutional state, the separation of powers between the legislative, executive and judiciary is fully implemented at the Federal as well as Cantonal level. This contributes to the legal security of Switzerland.

See Chapter 3.1

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Each Canton has its own constitution and law, which, of course, are subordinate to the Federal constitution and law. In addition, each Canton has its own government and administration. Every citizen has the right to participate in the design of the constitution and the legal system by means of the national referendum or initiative.

The Federal legislature consists of two chambers: the 200 member National Council with the people's representatives, and the Council of States comprising 46 members, i.e. two representatives from each of the 26 Cantons. The National Council is elected directly by the people every 4 years; however, Cantonal representation is based on population. Each Canton is entitled to at least one representative. The candidates are nominated by the party and elected to the National Council based on the number of votes received by the party. The procedure for electing the Council of States is regulated by Cantonal law.

The national executive branch is the Federal Council. It is a collegiate body and is elected by the National Assembly comprising the members of both chambers. Each of the seven Federal Councilors is the head of one ministry (department). Through an annual rotation, one of the Federal Councilors also becomes president.

It is a peculiarity of Swiss politics that there are no governing parties and no opposition parties. Since 1959, four of the largest political parties - the Social Democrats, the Liberal Democrats, the Christian Democrats and the Swiss People's Party - in a form of coalition, annually nominate the seven Federal Councilors. These four parties hold about 80% of all the parliamentary seats. In the parliament, decisions are taken on the basis of changing interests and party affiliation. This striving for consensus contributes significantly to the political stability of Switzerland.

Closeness of politics to the citizens and business community is achieved also through the principle of delegation, which is inherent in the federal system. Many public functions are executed at the lowest possible level, i.e. by the Canton or even the municipality, which in many respects enjoy a certain autonomy.

- ↳ www.statistik.admin.ch Statistical data, Cantonal profiles
- ↳ www.raumplanung.admin.ch Peculiarities and structures of all 26 Cantons

Additional literature: The Swiss Confederation, a brief guide, Berne 2001

- ↳ www.admin.ch Order form

Switzerland's internal stability is not impaired by the existence of different language groups and cultural regions. There is a high degree of tolerance and personal freedom. For decades, social peace has contributed to an above-average increase in general prosperity. The concordance principle applies also to the relationship between management and labor. Both parties have pledged to solve their problems through negotiations and to renounce belligerent measures. According to the World Competitiveness Yearbook 2000 of the IMD, Switzerland leads all international comparisons in matters of security, private prosperity, social coherence and political stability.

See Chapter 10.2

- ↳ Facts 1.3 Political stability

The Swiss people are proud of their independence and with respect to foreign policy Switzerland pursues the principle of neutrality. Although Switzerland is not a member of the UN it actively works in most UN special organizations.

See Chapter 1.5

- ↳ www.admin.ch/eda Topic International Cooperation

1.4 Population

Of the 7.2 million inhabitants, 20% are foreign nationals. The population density is 174 persons per km², and three-fifths of the population live in urban areas. The centuries of development that shaped Switzerland as we know it today is one of the reasons why there are four recognized national languages: German (native language for 64%), French (19%), Italian (8%) and Rumantsch (1%). In Northern, Eastern and Central Switzerland, the prevailing language is German, but in everyday conversations different German dialects are used. French is spoken in the West of the country (Romandie), Italian in the South (Ticino), and Rumantsch in certain parts of the Grisons.

The demographic structure of the Swiss population reflects the maturity and openness of the economy. A high percentage of older, working and retired persons outnumber a smaller base of young people. The low excess of births over deaths in the native population is contrasted by the immigration gain from the foreign population. Four-fifths of all households today comprise less than 5 persons.

- ↳ Facts 1.4 Demographic age structure 1999

1.5 Cosmopolitan outlook

Most Swiss nationals speak at least one foreign language, which they learn in elementary school. English is also increasingly included in the curriculum. In international businesses dealings English is becoming the official language. Because of the cosmopolitan outlook of the country - also due to immigration - the variety of languages spoken and used for communication is very large.

↳ Facts 1.5 Language diversity (languages spoken in the country)

The co-existence of various language groups, different religions, and the large proportion of foreign residents result in a high degree of openness and tolerance. This makes it easier for foreign companies to conduct business from Switzerland. In particular the financial centers of Zurich and Geneva are a melting pot of diverse cultures. This diversity made it easy for global companies and numerous international organizations to take up domicile in Switzerland.

↳ Facts 1.5 International organizations headquartered in Switzerland



Economy

The high development of the Swiss economy is largely due to its strong intertwining with the economies of other countries. Switzerland is one of the countries with the highest export rate as a percentage of gross domestic product. The technologically advanced industrial sector is characterized by highly specialized, internationally experienced, and flexible small and medium-sized companies. The services sector, with world-renowned banks and insurance companies, also contributes to the definition of global standards. Purchase power stability achieved through traditionally low inflation, low long-term capital costs, a good investment climate, as well as sound public finances, are additional guarantors of prosperity.

2.1 Prosperity level and pillars of the Swiss economy

Switzerland has a per capita gross national product which is the second highest worldwide or, when adjusted at purchase power parity, the third highest. The high motivation of the employees, the strong linkage of its industry and trade with foreign countries, and the achievements of the services industry are the keys to these economic results. The nominal gross domestic product of USD 36,100 per capita is 60% higher than the EU average and 41% higher than in Germany and Austria.

In this "mature" economy, almost seventy percent of the gross domestic product is produced by the services sector. The value added per employee in Switzerland is the second highest in the world.

↳ Facts 2.1

- Per capita gross domestic product
- GDP Switzerland by sectors

However, the manufacturing industry remains an important pillar of the national economy. In the high-growth services sector, information technology and telecommunications, the Swiss economy benefits from continuing market liberalization. Within these key industries, basic chemicals, pharmaceuticals, machine tools and certain electronics sectors represent outstanding growth areas.

See chapter 3.8 Banks and financial services

↳ Facts 2.1

- Production and productivity in key sectors
- Details on industry structure (percentage of employees)

The growing trend toward a services society is accompanied by the development of smaller companies. The preponderance of small and medium-sized companies has traditionally been a strong structural feature of the Swiss economy. Over 99% of all companies have fewer than 250 full-time employees. A strong commitment and a keen sense of responsibility of the employees toward their employers are among the most outstanding characteristics of the Swiss workforce. They find their expression in the proverbial quality and service thinking in the Swiss industry sector as well as the services sector.

See chapter 10.2

The marriage of precision mechanics and electronics has enabled numerous companies which originally operated in the "old" watch-making industry, to become leading suppliers and providers in the field of micro-technology, with its versatile applications, ranging from space flight to medical technology. Even in the "old economy" Swiss industry geared itself toward specialty, high-quality and niche products.

The "new economy", made up of information technologies and e-commerce companies, was quickly able to penetrate the entire industry and services sectors. It has overtaken the machine tools industry, which had traditionally been the most important sector with the largest workforce, as the motor of economic development. Switzerland is one of the leading creators and users of Internet-based tools. Agile and flexible companies quickly gained a reputation as expert users and innovative developers in the new areas of information technologies and e-business.

See chapter 4.1 Telecommunications

↳ Facts 2.1

- Spending on information and communications technology
- Internet utilization
- E-commerce

With about 30% of the gross domestic product, the industrial sector remains one of the main pillars. This technologically advanced sector is characterized by cluster formation in the area of machine building and vehicle components, electronics and electrical components, optical systems, watches and luxury goods, pharmaceutical and chemical products, as well as high-quality food products. As the largest sector, the chemical and pharmaceutical industry contributes about one quarter to the overall value added by the industry.

↳ Facts 2.1 Value added by the industry

A typical example of an export-oriented, successful industry cluster is the so-called "secret automotive and aeronautics cluster" of Switzerland. It consists of a relatively little known network of highly specialized manufacturers and problem-solvers for components, from precision and microengineering to materials technology, plastics technology, including the textile industry. As technologically leading innovation partners, mostly small and highly flexible medium sized companies were able to position themselves as suppliers with the quality and precision of their products and services.

Equally important clusters exist in life science, biotechnology and medicinal technology. Since 1996 alone, the number of biotechnology firms has grown by 30% and in the shadow of the renowned multinational life science companies, a dynamic, independent biotech scene has evolved. Two-thirds of these new companies specialize in the research and development of new products. The other one-third consists of services and engineering firms. Aside from spin-offs, many of these start-ups have been created as affiliates of universities. Switzerland today has the fifth largest biotech market in Europe.

See chapter 11.4 Research and development

↳ Facts 2.1 The 10 largest biotech locations in Europe

↳ www.vsbu.ch Association of Swiss Biotech Companies VSBU

Additional information on the individual clusters can be retrieved under: ↳ www.standortschweiz.ch

- Switzerland - A Prime Biotechnology Location (pdf)
- The Swiss Biotech Industry: Growth, Diversification and a Sense of Identity (pdf)

For a mature economy, it is typical that its growth potential remains modest. However, Swiss industry has massively increased its productivity. Measured by the value added per employee, Switzerland still ranks among international leaders. With the progressive deregulation of protected market segments, higher overall productivity gains are likely. Overall, Switzerland has a solid base for building on its already strong international competitiveness.

See chapter 8.2 Labor costs

↳ Facts 2.1

- Productivity (GDP) per employee
- Ranking of competitiveness
- Real growth

2.2 International ties

The small size of the Swiss domestic market and the lack of natural resources have forced Swiss companies to look for and cultivate their key markets abroad. Because of this interconnectedness with other countries, Switzerland has become an important player in world trade. Today, Switzerland is one of the countries with the highest percentage (42%) of exports relative to its gross domestic product. But also on a per capita basis, Switzerland holds one of the leading positions among exporting countries, both with respect to goods and services.

↳ Facts 2.2 Foreign trade – international comparison

For Swiss trade, Europe is by far the most important market. Four-fifths of all imported goods and almost two-thirds of all exported goods are traded with the EU. Germany has traditionally been the most important buyer, and also the most important supplier, of Switzerland, ahead of the neighboring countries of France and Italy. The industrialized countries account for four-fifths of all imports or exports, emerging market countries for 3.5% of the imports and nearly 10% of the exports.

↳ Facts 2.2 Exports/imports by economic area

From a worldwide viewpoint, it is amazing that Switzerland, with about one thousandth of the global population, ranks among the top 20 in exports. But it is also an indicator of the possibilities that are open here to export-oriented companies. In the export of services Switzerland even ranks among the top 12 worldwide.

Of all exports, the three product groups – machinery/electronics, chemicals/pharmaceuticals and instruments/watches/jewelry – account for about 70%. The most important imports are machinery/electronics, chemicals/pharmaceuticals and vehicles.

↳ Facts 2.2 Imports/exports by type of products

Switzerland is a member of the WTO and the EFTA. Through bilateral agreements with many countries, Switzerland has continuously promoted free trade. Thanks to the signature of this package of treaties, Switzerland has become an efficient place for business and an economic powerhouse.

Switzerland is strongly intertwined with foreign economies not only in matters of trade, but also through its investment relationships. In recent years, the annual direct investment from Switzerland in the EU has more than doubled, and quintupled in the USA. As a direct investor in the USA, Switzerland is in the "top 7". It invests more in the USA than all the Latin American, African and Asian (excluding Japan) countries combined. Switzerland in turn is an attractive place for foreign direct investment.

↳ Facts 2.2

- Portfolio of direct investments
- Direct investments in % GDP

2.3 Inflation and capital costs

Switzerland has always been a stable country. The inflation rate during the past years has continually remained below 1% and was, therefore, clearly lower than in the EU and USA.

Interest rates in Switzerland have been traditionally low because of the high savings rate and large inflows of foreign money.

See chapter 8.1 Capital costs

↳ Facts 2.3 Euro interest rate (3 months) in %

2.4 Public finances

The financial situation of the country can be considered as healthy. This is the case for the finances of the Federal government as well as the Cantons and their municipalities. The aggregate budget deficit of all three government levels is below four percent of GDP.

The national debt is below that of the competing countries in Europe. The total debt of the public sector is about 55% of GDP. Although it has increased over the last 10 years, the national debt quota is still below the EU average and that of the USA. Switzerland remains one of the least indebted countries in Europe.

↳ Facts 2.4 National debt in % GDP

2.5 Labor potential

The number of gainfully employed people measured against the total population is the highest in all of Europe. The number of gainfully employed women is also the highest. The population is industrious and the labor force efficient.

↳ Facts 2.5 Employment in % of total population

The Swiss labor market is characterized by regional and Cantonal differences. The freedom of movement of persons negotiated in the Bilateral Agreements between Switzerland and the EU allows new and faster recruiting possibilities for qualified personnel, in particular since Switzerland is considered to be a particularly attractive place to live and work.

See chapter 5 Switzerland and Europe

The Swiss unemployment rate is very low. The need for financial assistance to persons who are not gainfully employed is lower than in foreign countries. This has a positive effect on the tax burden.

See chapter 9, Taxation

↳ www.statistik.admin.ch

Investment climate and business environment in Switzerland

Switzerland has one of the most liberal and competitive economies in the world. Internationally renowned institutes regularly rank Switzerland among the top contenders. The obvious factors that position Switzerland as a privileged European business location for high quality products and services are: legal security, long-term stable fundamentals for investors, low and continually declining regulatory density, guaranteed protection of property ownership, free competition, as well as the avowed protection of banking secrecy.

3.1 Legal framework

The Swiss constitution splits the legislative competence between the Federal government, the Cantons and the municipalities. The basic laws, including the right to own property, the right to be gainfully active and freedom of trade, are directly protected by the Swiss constitution. Laws can be enacted only through parliamentary procedures; however, the "sovereign", i.e. the voters, have an important say through the popular initiative and referendum processes at the national level, the outcome of which cannot be overturned by the judiciary. The initiative and referendum are the actual guarantors of stability. The sheer possibility that the voters could assert their ultimate rights promotes a balanced way of opinion forming and decision making, and keeps the legislators from embarking on legislative quick-action.

The basic constitutional rights apply also to foreigners. If they hold temporary residence and work permits, or have permanent residence status, the freedom of trade ensures that they can set up a company in Switzerland in the same way as Swiss nationals, or take equity in a company, set up a branch and operate a business.

See chapter 3.2, Important regulations, 3.3 Alien law, 8.6 Costs of administrative procedures

To establish a company, no special permit from the government is needed, no membership in any industry or trade guilds, approval by a chamber of commerce or business association is required. Foreigners who do not have a residence permit may have their business operated by Swiss nationals. All business sectors are open to foreign investment. It is not necessary that Swiss persons hold a certain percentage of the equity. Certain restrictions still exist with respect to government monopolies. However, liberalization is in full progress within the framework of the Bilateral Agreements between Switzerland and the EU for traditional monopolies such as railway and postal services.

See chapter 3.3 Alien law and chapter 4 Infrastructure

↳ Facts 3.1 Economic freedom (Index)

↳ Facts 8.6 Time spent for government-related administrative tasks – country comparison

3.2 Important regulations

Vocational permits

For some professions and for certain businesses, the Federal government or the Cantons impose rules. In such cases, a special license or permit is needed. This applies to activities for

- Banks, insurance companies and investment brokers
- Hotels and restaurants (only in certain Cantons)
- Physicians, dentists, pharmacists and attorneys
- Certain mercantile and services businesses (e.g. wine merchants, private employment agencies, temporary employment services)

Foreign nationals can perform these activities in Switzerland if they have the required permits. In certain cases, approval is subject to demonstration for need clauses. After the inception of the Bilateral Agreements with the EU and the mutual recognition of professional diplomas, the rules will be gradually relaxed.

Additional information on activities that require approval (sources):

↳ www.kmuinfo.ch/wp/bewilligungsverfahren, as well as the industry and trade promotion offices of the Cantons, Addresses chapter 13 and 14, as well as Facts 14.1

↳ www.europa.admin.ch Topic Bilateral Agreements, keyword "Fact Sheet free movement of persons"

See chapter 3.3

See chapter 5 Switzerland and Europe

International exchange of goods and services

A characteristic of the Swiss economy in the nineties was its growing internationalization. Swiss companies have increased their overall payrolls by almost 40%. The main reason for this increase is the strategy of direct presence in large, growing markets with high purchasing power and serving customers locally in the interest of better service. For this reason, the Swiss business community is keenly interested in unimpeded free competition and trade, not only in Switzerland, but also internationally.

Switzerland is a signatory to 26 different free-trade agreements and is a member of the WTO. It grants the General Most-Favored-Nation Treatment to all WTO members and generally promotes the worldwide reduction of trade restrictions. By joining the WTO, Switzerland has also pledged to convert most non-tariff-based trade impediments into customs duties. With few exceptions (particularly agricultural products), domestic products are not protected against international competition. There is no anti-dumping law as such. For processed products, there are basically no quantitative import restrictions.

Thanks to the free-trade agreements with the EU and EFTA, imports and exports of industrial products are basically exempt from customs and contingent restrictions.

See chapter 5 Switzerland and Europe

Customs duties

The exemption from duties does not mean that no customs clearance is required. With a PC and the Internet, seeking customs clearance today is largely automated (so-called customs model 90) and just-in-time. The most important document for customs clearance is the customs declaration, to which the invoice, the weight specification, as well as the certificate of origin are to be attached. A certificate of origin is required if preferential rates are to be applied or if the goods need to be re-exported.

In contrast to most countries, Switzerland has a duty system that is based on weight. This so-called specific duty is applied on a weight basis to products from countries that are not members of the EU or EFTA. For this reason, the rates in Switzerland are generally lower than in other countries. This favors the importation of high-quality goods, which have a low weight but a high intrinsic value.

Goods that remain in Switzerland only temporarily but need to be stored can be put into bonded warehouses without customs clearance and without paying duty. From the border to the bonded warehouse the goods are still considered in transit. The subsequent exportation is then subject to the customs tariffs of the importing country. However, the goods so stored may not be processed; otherwise ordinary customs clearance will be required. Bonded warehouses have a public character. They are operated by private warehousing companies and are open to all interested parties. Bonded warehouses are located along all the major traffic arteries, in larger railway yards and airports, as well as inside the 40-ton border zone for trucks. Open bonded warehouses (OZL) are used for storing goods that have not been cleared through customs directly on company premises, but they must be kept separate from domestic goods. These warehouses are usually operated by forwarding companies and are gaining in importance. Currently there are over 150 open bonded warehouses (OZL).

Additional information: [↳ www.zoll.admin.ch](http://www.zoll.admin.ch) Topic bonded warehouses

Rules of origin

Raw materials and component parts that are imported from third countries can acquire Swiss origin status and consequently circulate freely in Europe if the added value created in Switzerland is between 60% and 80% of the sales price, depending on the product. This regulation is of interest because high-tech products often have a low weight but a high product value. As a result, they can be imported into Switzerland at a low tariff and after processing be exported duty-free to Europe. If goods are imported from a country outside the EU/EFTA region and transformed in Switzerland in such a manner that they acquire Swiss origin status, no duty is payable when the goods are exported to an EU/EFTA country. The Cantonal sections (chambers of commerce) of "economiesuisse" (Swiss Business Federation) provide information on the details and issue the corresponding certificates of origin.

[↳ www.economiesuisse.ch](http://www.economiesuisse.ch) Swiss Business Federation, Umbrella organization of the entrepreneurs, keyword "members"

The Swiss Customs Administration sees itself as a service organization. It informs customers on rules and simplified procedures, advises on practical questions such as proof of origin, handling of product finishing traffic, treatment of goods imported as part of a relocation, or VAT at the time of importation.

[↳ Facts 3.2 Customs treatment of relocation goods, Sample specification sheet](#)

3.3 Alien law

Persons

One-quarter of all persons employed in Switzerland are foreign nationals. Foreigners who enter Switzerland with the intent to stay must comply with the rules concerning access to the labor market. Foreigners who wish to stay in Switzerland without becoming gainfully employed, e.g. tourists, can stay up to 3 months without any permit. However, if they wish to pursue gainful employment, they need a work and residence permit. Private persons from foreign countries who invest in Switzerland and wish to manage a business, or managers of foreign companies, generally are granted such a permit, in particular if high-value jobs are created.

Which procedures are to be followed and what permit is required depends on whether:

- Approval is to be granted before or after the inception of the Bilateral Agreements between Switzerland and the EU,
- The persons are EU nationals or citizens of a country outside the EU.

For EU nationals, free movement of persons, and consequently the same treatment as for Swiss citizens, will be implemented through gradual opening of the labor market. In three phases extending over 12 years the transition to the free movement of persons according to EC law will be achieved. Within the first two years, the cross-border traffic of persons working in the services sector for up to 90 days will be liberalized.

Annual permit holders may have their family join them; in this case, a work permit is issued also to the spouse. A work permit is obtainable even if the residence of the two spouses is not the same. A spouse may take up residence in a different Canton.

For foreign nationals who are not self-employed, it is up to the Swiss employer to request the work and residence permit. It will normally be granted for specialists and managers. In all cases, the permit will be issued by the Canton.

For those considering moving, it is advantageous to bundle the various requests and to discuss them in advance in the interest of "bundled solutions". The Cantonal industry and trade promotion offices provide advice regarding the procedure and the time required for processing the applications.

See chapter 5.1 Market access as well as chapters 13.3 und 13.4

↳ Facts 3.3 Work and residence permits

Additional information: ↳ www.europa.admin.ch, Integration Office DFA/EDA, Bilateral Agreements Switzerland - EU

Acquisition of real estate

In the past, foreign nationals who did not have permanent residence in Switzerland, or companies with statutory or factual domicile abroad, or companies in which persons residing abroad held a dominant position, had to obtain a special permit (according to the so-called "Lex Friedrich"). The situation has since been considerably relaxed ("Lex Koller"). For their business activity and as a main domicile foreign nationals may now acquire real property in Switzerland mostly without a permit. Permits are no longer required for:

- Acquisition of land or buildings used in the performance of an economic activity. Such property may be purchased by a person living abroad and rented or leased to a production or services enterprise. The term economic activity is interpreted broadly. It not only covers traditional trade and industries, but includes also free-lancers such as information technology specialists or hotel managers.
- Acquisition of an interest in real-estate companies engaged in trading such properties
- Acquisition of a principal residence by foreign nationals who hold a residence permit. Residential property can also be acquired under the title "business location" if it is necessary for the business (e.g. residence of caretaker or technician whose continuous presence on the business site is essential), or if detachment from the operating facility would be unreasonable.

A permit is required only for vacation homes. Still excluded are direct investments in the housing market and trading with residential property.

The implementation of the "Lex Koller" is primarily delegated to the Cantons in which the real property is located. The Cantonal industry and trade promotion offices support investors in all administrative matters and in finding suitable real estate.

See chapter 14.1

↳ Facts 3.3 Checklist concerning the acquisition of land and buildings by persons living in a foreign country

↳ www.bj.admin.ch Federal Office of Justice, information leaflet "Acquisition of real estate by non-residents" (pdf)

3.4 Zoning and environmental protection

A modern zoning and environmental protection law ensures orderly coexistence of densely populated economic zones with natural and agricultural areas. The high population density of Switzerland has traditionally sharpened environmental thinking but it has not prevented a rapid pace of new construction.

Commercial and industrial buildings can be erected only within designated building zones. Cantonal law governs the building codes and zoning regulations and a building permit has to be obtained. The duration and scope of permitting procedures depend on the nature of the individual investment project. For example, industrial buildings require plan approval as well as an operating permit to ensure occupational safety. The Cantonal industry and trade promotion offices provide all relevant zoning information. The time frame for getting a building permit depends on the nature and complexity of the investment project. For straightforward building projects it is usually 2 to 3 months.

↳ Facts 3.4 Time requirement for building permits

The environmental protection law, which conforms largely to EU standards, and the resulting regulations are based on the principle of co-operation. Together with industry, solutions are developed that are compatible with the economy as well as the ecology. The process is considered to be trend-setting on an international basis. When industrial and commercial installations are built, various Federal and Cantonal ordinances must be observed. Of particular importance are the Federal laws on the protection of lakes and rivers, environmental protection, landscape protection and local heritage protection.

The law on the protection of lakes and rivers contains regulations on how commercial and industrial effluents are to be discharged into public sewers and bodies of water. For example, almost all urban areas nationwide are connected to sewage treatment plants. Also with respect to air quality, Switzerland holds the top position in Europe.

The Federal environmental protection law regulates the areas of air and soil contamination, noise, vibrations, waste and hazardous substances. It is based on the principle of prevention and accountability. The costs for prevention or abatement shall be borne by the polluters. The pollution control technology to be employed is not specified.

Environmental impact tests (UVP) are conducted for projects in which installations are planned, erected or modified that could have a serious impact on the environment. Projects that require an environmental impact test are listed in the relevant ordinances. In addition to transport systems and power generating stations, it includes strongly polluting industrial installations.

3.5 Protection of free competition

The Swiss economic order is based on the principle of a free market economy. Existing competitive restrictions will be gradually eliminated. Tougher antitrust laws strengthen free and fair competition. Cartels are not illegal, but abusive actions are prosecuted. The Swiss antitrust law has since 1995 been largely harmonized with EU regulations. The law for the domestic market ensures stronger competition and elimination of protective regulations at the Cantonal and communal level. The Commission on Competitiveness can intervene if there are grounds for suspecting inadmissible restrictions on competition. It also investigates whether mergers have negative effects on free competition and it supplies the authorities with recommendations on the strengthening of effective competition.

To contribute to the transparency in pricing, the Price Surveillance Office draws timely attention to possible abusive price increases or the maintenance of abusive price levels that have their causes in lack of competition.

- ↳ www.wettbewerbskommission.ch/site/e.html Commission on Competitiveness
- ↳ www.preisueberwacher.ch Price Supervisor (Site in German only)

3.6 Protection of intellectual property

The protection of intellectual property rights is well developed in Switzerland. A comprehensive system of patent, trademark, design and copyright protection guarantees that the results of innovation and creativity are protected at the national and international levels. Patent applications, trademark or design registrations can be submitted to the Federal Institute of Intellectual Property (IGE). For internationally active companies, worldwide protection can be achieved through a single entry.

↳ www.ige.ch IGE Federal Institute of Intellectual Property

IGE, the responsible institute for commercial protective rights and copyright, is a competence center for all aspects concerning patents, trademarks, design, topographies of semiconductor products, copyrights and other related matters.

Patents

Inventions that solve a technical problem by technical means can be protected with a patent.

Not eligible for patents are, e.g., plant species, animal breeds and essentially biological procedures for breeding plants and animals. There are three possibilities for protecting an invention with a patent application:

- With the national application, the patent protection extends to Switzerland and the Principality of Liechtenstein.
- In addition to the national application procedure, a European patent can be obtained. The European patent convention (EPÜ) enables the applicant through a standardized patent investigation and granting procedure, to obtain protection in the member states of the EPÜ, including Switzerland.
- At the international level, the agreement of co-operation in the field of patents (Patent Cooperation Treaty, PCT) which Switzerland has ratified, an international application is to be submitted which in all named member states has the same effect as a national application. International applications can be submitted to the IGE in English. A patent expires after 20 years, at the latest, beginning from the application date. For topographies or three-dimensional structures of semiconductor products, the protection period is 10 years.

Of the over 86,000 patents in force at the end of 1999, more than 85% were European patents with effect in Switzerland.

See chapter 11.4 Research and developments

↳ www.vsp.ch Association of Patent Attorneys VSP

Trademarks

The timely registration of trademarks or brand names protects companies from unpleasant surprises in the domestic market as well as the most important export markets. In most cases, trademark protection in foreign countries is applied for on the basis of the trademark registration in Switzerland. It is important to research in the trademark and commercial register, to determine whether the planned symbol is confronted with identical or confusingly similar trademarks. The registration of a trademark with IGE costs CHF 800.00 (about EUR 530 or USD 470). Switzerland also protects the national registrations extended to other parties in accordance with the Madrid Treaty and the Madrid Protocols.

Design

Depositing styled objects protects two-dimensional designs and three-dimensional objects, the design of which is new, has an aesthetic appearance, and is produced commercially. The design protection in Switzerland is an easy procedure. The protection is granted for a maximum of 15 years, subdivided into three 5-year periods. Based on the Treaty of The Hague, commercial prototypes and models can be deposited also internationally. As Switzerland has ratified this Treaty, the depositor can obtain protection also in Switzerland.

Copyright

Copyright protection is granted to works that

- belong to the field of literature and art
- are the result of intellectual creation
- have an individual character.

Computer programs are also considered as works in the sense of the copyright law. Copyright protection in Switzerland expires 70 years after the death of the author, and, in the case of computer programs, after 50 years.

Legal protection

A well-developed and efficient legal system also affords preventive legal protection: If there is any danger that a third party has taken, or plans to take action, that violates the intangible property law, and if the owner of the protective right would potentially suffer damage that is not easy to repair, the court may be invoked to take preventive action.

Switzerland has ratified the WTO/TRIPS agreement, which governs the trade-related aspects of intellectual property rights at the international level and has adapted its own intellectual property laws to the requirements of this agreement.

3.7 Products requiring registration, product liability

For safety and health considerations, for reasons of environmental and consumer protection, as well as for compliance with international and national standards, medicines, cosmetic products, cleaning agents, electrical appliances, measuring and weighing devices, heating systems, pressure vessels and motorcycles are subject to certain regulations when they are imported into and marketed in Switzerland.

Switzerland is an ideal site for the production of pharmaceutical products: In addition to being home base for companies such as Novartis and Roche, there are numerous other manufacturers that produce for the world market. It takes about six months to register a new pharmaceutical product in Switzerland. This means that the Swiss registration procedure is one of the fastest in the world. The registration process is administered by the Intercantonal Office for the Control of Medicines, IKS, from which the Swiss Medicines Institute will emerge in the future.

↳ www.iks.ch

Appropriate documentation must be submitted to IKS together with the registration application. The registration requirements correspond largely to those in the EU. This simplifies the simultaneous submission of registration requests in Switzerland and the EU. Because of the outstanding scientific reputation, tough criteria and the availability of numerous high-quality hospitals for clinical tests, Swiss registration enjoys internationally an excellent reputation. The so-called "Fast Track" procedure allows life-saving medicines (e.g. against AIDS or Alzheimer's) to be brought to market very quickly (maximum 3 to 4 months) despite stringent review.

Medical devices

Switzerland has autonomously adopted the European guidelines on medical devices into its Medical Devices Decree (MepV). This means that for medical devices, the same regulations apply in Switzerland as in the EU. A medical equipment supplier who wishes to market his product in Switzerland must, on request of the authorities, be able to demonstrate that his product fulfills the basic requirements of the EU guidelines as well as national requirements.

A list of the EU testing locations recognized by Switzerland is available from BAG (Swiss Federal Office for Public Health). Medical devices that carry the CE symbol of an EU inspection site are considered to be conforming also in Switzerland if the entire product information is written in three languages (German, French, Italian) and if it is stated that it is being marketed in Switzerland.

A manufacturer in Switzerland may label his medical devices with the "CE" symbol and sell them on the Swiss market or export them to the EU. At present, an authorization in the EU is still required. On request, the BAG also issues export certificates for non-EU countries.

- ↳ www.admin.ch/bag Swiss Federal Office for Public Health BAG, Medical Devices Unit
- ↳ www.admin.ch Topic Legislation, keyword medical device decree (MepV)

Product liability

The Swiss product liability regulations basically conform to those in the European Union. Regardless of fault, the manufacturer is liable for damage caused by nonconforming products. In Switzerland, this liability applies to all products that were put on the market since 1994. The safety and health requirements of technical devices are defined through ordinances. In the area of technical standards Switzerland has largely adopted the regulations of the European Union so that decisive market barriers no longer exist for export to the EU.

- ↳ www.admin.ch/d/sr Keyword Ordinance on the Safety of Technical Devices

3.8 Banks and financial services

The banking sector is one of the most important branches of the Swiss economy. Almost 4% of the nation's workforce is employed in this industry. It contributes over one-tenth of the added value of the Swiss economy. Swiss banks manage over CHF 3,300 billion (about USD 2 trillion) in assets, of which more than half comes from foreign countries. Switzerland is the world's largest offshore financial center, even ahead of London, New York or Frankfurt. Switzerland has a long tradition of economic and financial stability, which expresses itself in low inflation, low interest rates and a significant role of the Swiss Franc, particularly in the asset management and issue underwriting business. Above-average performance, high quality services, transparency of the costs and a good price/performance ratio underpin the attractiveness of Switzerland as a financial center.

Banking law and structure of the banking sector

In comparison with other countries, the Swiss banking system is not heavily regulated. For opening a bank, for professional trading in securities, management of a mutual fund, and partially also for operating as an asset manager, a permit by the Swiss Federal Banking Commission (EBK) is required. The EBK currently supervises some 370 financial institutions.

↳ www.ebk.admin.ch Swiss Federal Banking Commission EBK

In addition to UBS and CS Group, which internationally are among the largest banks, there are a large number of domestic and foreign financial institutions, many which offer highly specialized services. For financing investment projects in Switzerland, the Cantonal banks, regional banks and savings banks also play an important role. In addition, there are over 100 foreign financial institutions. The major industry organization is the Swiss Bankers Association.

↳ www.swissbanking.org Swiss Bankers Association SBVg

↳ www.locationswitzerland.ch Switzerland - A Prime Financial Center (pdf)

Financial services

Banks in Switzerland offer a vast range of financial products and services. No permit is needed for importing and exporting foreign currencies. Switzerland is a center for professional asset management for private clients and institutional investors. With a market share of 35% it is now the world's leader in the international asset management business. The Swiss banking sector has established this dominant position through professional customer care, advanced technology and stable political and legal framework conditions.

See chapter 7 Financing

The main principles underlying the Swiss banking system are:

Swiss banking secrecy

Banking customers are legally entitled to the protection of their economic private sphere. Banking secrecy is intended to prevent banks from passing on information about their customers without permission (Art. 47 of the Federal Law on Banks and Savings Banks). More precisely, it involves a bank-customer secret. Banking secrecy offers extensive protection to domestic as well as foreign investors.

↳ www.admin.ch/ch/d/sr/952_0/a47.html Art. 47 Banking law

The political authorities, as well as the business world, are strong proponents of bank-customer secrecy. The guarantors for its continued existence, despite occasional critical voices from Switzerland and abroad, are the Swiss Constitution and the referendum right. Adherence to the bank-customer secrecy rules on the one hand, and exceptions in the form of legally defined disclosure obligations on the other, are of equal importance. Banking secrecy does not offer any protection if there is suspicion that money has been deposited in a Swiss bank in connection with anything constituting an offence under Swiss law. In cases of tax fraud, courts may suspend banking secrecy and provide judicial assistance on request from foreign authorities. No judicial assistance is provided in cases of mere tax evasion because the Swiss taxation system is based on the principle of self-declaration.

See chapter 9 Taxes

Numbered accounts

A numbered account offers the customer more discretion inside the bank but it is not an anonymous account. In his/her dealings with the bank, the account holder is identified by a number only. The identity of the numbered account holder is known only to a small number of chosen staff within the bank. Generally the minimum deposit for a numbered account is CHF 100,000.

Measures against money laundering, insider trading and organized crime

Money laundering is a criminal offence. Additionally, banks observe a due diligence agreement which requires them to identify a client when starting a business relationship. This applies to:

- Opening new accounts
- Opening securities accounts
- Placement of fiduciary business
- Letting of safe deposit boxes
- Cash transactions in amounts exceeding CHF 25,000.

In addition, a new bank customer must declare in writing the identity of the economic beneficiary of the deposited assets.

Insider trading, i.e. illegal exploitation of confidential information to influence stock market prices, is a criminal offence in Switzerland.

Swiss authorities as well as banks have traditionally played a vigorous role in the fight against organized crime. Offenders who are active within a criminal organization can be arrested even if their participation in an individual crime cannot be proven. Evidence of active support to a criminal organization is sufficient to obtain a conviction.

↳ www.admin.ch Topic Legislation, keyword "Combating money laundering", GwG

Infrastructure

According to international ratings, Switzerland has the best-maintained and developed infrastructure after Singapore and Finland. Supply and operation reliability are ensured at all times even under climatic and geographic conditions, which in certain regions are rather difficult. The liberalization of the markets will introduce more competition in individual infrastructure provision sectors.

4.1 Telecommunications

According to the International Benchmark Report 1998, the telecommunications infrastructure is one of the three most important factors for deciding on a business location. No other country invests as much per capita into telecommunications as does Switzerland. Private Internet utilization is the second highest in Europe. The development of e-commerce ranks in 6th place. The government's equity of 65% in Swisscom will be reduced to enable Swisscom to enter into alliances. Swisscom is no longer the sole provider of telecommunication services. This has invigorated price competition. Little touched by this development so far has been the so-called last mile where Swisscom still has a virtual monopoly. The coverage for mobile telephony is high despite the difficult topography. The largest provider covers 98% of the inhabited area with its network.

↳ Facts 2.1 E-commerce

↳ Facts 4.1

- Telecom investments per capita
- Private utilization PC/Internet
- Fact sheet telecommunications data Switzerland
- Mobile communications reception coverage

↳ www.comparis.ch Current telephony price comparisons

↳ www.uvek.admin.ch Topic Development of the telecommunications market Switzerland

↳ www.swisscom.ch

4.2 Post

With over 3000 postal offices, Swiss Post provides nation-wide postal and money transfer services, the so-called universal service. Outside the universal service (weight over 350 g) as well as for express mail and parcels, there is free competition among private providers from Switzerland and foreign countries. The gradual opening of the European postal markets will further restrict the Post monopoly in Switzerland.

↳ www.uvek.ch Topic Basic coverage

4.3 Rail, road and air traffic

For the provision of goods and services, the Swiss economy is supported by Europe's best distribution infrastructure. With 1.7 km of roads per square kilometer, it is one of the most densely developed countries of the Continent. The traffic policy of the Swiss Federal Government is principally aimed at improving the quality of the country as a business location and to manage the increasing mobility in an environmentally compatible manner.

↳ Facts 4.3

- Distribution infrastructure
- Highway network density
- Rail network density

Road traffic

The Swiss network of motorways (freeways) is one of the densest in the world. In its final stage, it will have a length of 1850 km. At least three quarters of the nation-wide system are four-lane motorways with a directional separation barrier. Motorways interconnect all parts of the country. No tunnel fees are charged for using the trans-Alpine motorways St. Gotthard and San Bernardino. For using the national motorways, every domestic and foreign motor vehicle up to 3.5 tons must have a windshield sticker (currently CHF 40, approx. USD 24/EUR 26). This sticker is valid for an entire calendar year and can be purchased at customs stations, post offices, filling stations and railway stations.

Trucks are subject to a heavy vehicle fee HVF (a weight and distance related toll for heavy goods vehicles). The maximum allowable vehicle weight in Switzerland is 34 tons (previously 28 t); in certain zones, 40-ton vehicles are already allowed, and the zone will be expanded by 2005. At present, the circulation of 40-ton vehicles within a 10 km zone from the border is already allowed. To travel from Basle (North) to Chiasso (South), such 40-ton trucks are subject to an HVF of EUR 200 (approx. USD 190). Trucks over 3.5 tons are not allowed on the roads in Switzerland during nights and on Sundays.

Vgl. Kapitel 5.1 Market access

↳ Facts 4.3

- Motorway network
- Border zones for which special heavy vehicle permits are available

↳ www.zoll.admin.ch/d/steuern HVF Heavy vehicle fee

↳ www.astag.ch ASTAG Swiss Association of Road Transport Companies

Railway

Switzerland wants to have heavy goods traffic largely handled by rail. For this purpose it is building two new trans-Alpine tunnels, one through the St. Gotthard and one through the Lötschberg. But also passenger traffic integration into the European high-speed network is of great strategic importance to Switzerland. This is achieved through continuous improvement of the IC-/ICE connections to the economic and cultural centers of the neighboring countries and to the French TGV network, as well as the gradual upgrading of the main trunks by the year 2005. The competitiveness of the railway is enhanced by the active and passive network access for freight traffic and passenger traffic.

See chapter 5.1

↳ Facts 4.3 ICE-network

Air traffic

The Zurich airport is one of the international hubs with above average growth in worldwide air traffic. With respect to passenger volume, it ranks No.9 and in freight volume No. 7. At present, 180 destinations in over 80 countries are served. Three quarters of Swiss airfreight are handled via the cargo hub in Zurich. From the two other international airports, Geneva and Basle, there are a large number of flights to the most important European business centers, and some direct flights to overseas destinations. The regional airports of Berne, Lugano, Altenrhein-St. Gallen also offer daily scheduled flights. Sion and St. Moritz-Samedan have seasonal business connections. Customs clearance for commercial air traffic is also possible at other regional airports.

See chapter 5.1 Market access

↳ Facts 4.3 Map Airports (national and regional airports)

↳ www.aviation.admin.ch/e/index.htm Federal Office for Civil Aviation FOCA

4.4 Energy supply

The distribution of energy across the entire country is outstanding. Electrical power is an important element in energy distribution. Noteworthy in international comparison is the dense and decentralized coverage by various types of power stations. Over one fifth of total energy consumption in Switzerland is satisfied by electricity, which, on balance, is fully produced domestically (nuclear power comprises 40%). Its location as the hydraulic reservoir of Europe and its integration into the European network ensure that electricity is available everywhere in Switzerland, even during periods of peak consumption. This applies also to other forms of energy such as gas and mineral oil. For motor vehicles, a dense network of 3500 filling stations is available.

↳ Facts 4.4

- End-user energy consumption (TJ)
- Power generating stations

The deregulation of the electrical energy market takes place in three phases. The beneficiaries will initially be large consumers. It is anticipated that in six years, small and medium sized companies and households will also be able to freely choose their supplier. With a slight delay, the gas market will also be liberalized.

See chapter 8.4 Energy costs

↳ www.admin.ch/bfe, www.vse.ch, www.enerprice.ch

4.5 Technology and founder parks

Over the past 15 years, a large number of technology parks and founder centers have been created in Switzerland. They differ in concept and emphasize different industries, and some of them have close links to universities. They offer premises for the start and build-up phase, usually at preferential terms, common infrastructures and other benefits. Founders find them to be good contact forums and incubators. In addition to providing excellent access to the Cantonal industry and trade promotion offices, which partially function as financial backers and founders, these centers provide contacts with venture capital sources.

See chapter 7.3 Venture capital, Chapter 13.4 Administrative support and 14.1 Addresses

↳ www.swisstechparks.ch Swisstechparks, Association of Swiss Technology and Founder Centers with links to the individual members.

↳ www.innonet.ch Keywords Technoparks, founder centers, business incubators



Switzerland and Europe

Over 600,000 EU nationals are currently working in Switzerland, making up almost 16% of the workforce. As a trading partner, Switzerland is the third largest goods supplier and second largest customer of the EU, and 47% of the Swiss direct investments are placed in the EU area. Switzerland is not a member of the EU. However, a dense network of treaties, in particular the ratified Bilateral Agreements of Switzerland with the EU, and generally close economic ties, ensure that Switzerland continues to play its role in Europe as a political entity, as a location for industry and trade, and as a financial center.

5.1 Market access

With the exception of agricultural products and a few other sensitive product groups, there is completely free trade between Switzerland and the members of the EU and EFTA. Goods with a certificate of origin in one of the 19 member states of the EU and EFTA (Switzerland belongs to the latter), can circulate freely without quotas and customs barriers. With the EU there is also free exchange of services and capital movement. With respect to the movement of persons, there is already a strongly liberalized labor market for specialists, researchers and managers. In the past, however, various bureaucratic hurdles impeded market access.

In 1999, the so-called Bilateral Agreements comprising seven industry sector agreements between Switzerland and the EU were signed and ratified by Swiss voters. Market access barriers will be eliminated when these agreements become effective (probably during 2001). For numerous Swiss companies, the European market is more significant than the domestic market. The Bilateral Agreements will create almost equal access to the European market under stable framework conditions. A market with a population of 380 million can then be accessed.

The following provisions of the Bilateral Agreements are of particular significance:

Free movement of persons

The free movement of persons is implemented through the gradual opening of the labor market between Switzerland and the EU. It covers employees, self-employed persons, and persons without gainful employment who have adequate financial resources. It will give EU nationals the same treatment as Swiss nationals. After 2 years, the preferential treatment of Swiss employees and the control of salary and other working conditions for EU nationals will be eliminated. In the services sector foreign nationals and self-employed persons may work in Switzerland for up to 90 days per calendar year. After 5 years, the quotas for short-term and permanent residence permits, as well as border zones for daily border-crossers will be eliminated. The transition to free movement of persons according to EU law will be completed after 12 years. Swiss nationals will have completely free movement in the EU already after 2 years. This freedom of movement is reinforced by the mutual recognition of vocational diplomas and coordination of social insurance benefits. This makes it easier for the business community to recruit employees in the EU region and to use education and training facilities there. This boosts the efficiency of the labor market and promotes the availability of highly qualified personnel.

See chapter 3.3 Alien law

↳ Facts 3.3 Work and residence permits

Elimination of technical barriers to trade

For most industrial products, conformity evaluations such as tests, certificates and product approvals, will in the future be mutually recognized. Re-certification upon export to the EU is no longer necessary. Product inspections by Swiss testing institutes recognized by the EU will suffice. Double inspection according to Swiss and EU requirements is eliminated. In areas where EU and Swiss regulations differ and two conformity certificates are still required, both can be issued by the Swiss testing institute. This will simplify administrative procedures and strengthens the competitive position of the export industry.

Research

Swiss research institutes, universities and the private sector can fully participate in the Fifth Research Support Program of the EU. In particular, this involves programs for promoting the mobility of researchers and mandates in favor of small and medium-sized companies. Swiss researchers can implement and manage their own projects. Small and medium-sized Swiss companies with experience in international co-operation will have unhampered access to EU know-how.

Rail and road transport

The Bilateral Agreements with the EU call for gradual opening of passenger and freight transport by road and rail beginning in 2005, but no later than 2008. Swiss weight limits will be increased from 34 tons to 40 tons between 2001 and 2005. At the same time, fees will be introduced that are based on the principle of source accountability. Rail access to the EU network increases the competitiveness of the railways and new market opportunities are opened for Swiss road transport companies.

See chapter 4.3

Air transport

Swiss airlines gain access to the liberalized European air transport market, subject to mutual concessions. This enhances their competitive position and attractiveness as an alliance partner. It is likely that smaller airlines will offer a greater number of flights from regional airports. Duty-free sales at Swiss airports or on flights to and from Switzerland are still possible.

Public procurement

The WTO agreement concerning public procurement will be extended to municipalities. The 50% origin clause and the criterion that a foreign bid must be lower by 3% to be successful in Switzerland are eliminated in accordance with WTO rules. Procurements from companies that operate under special or exclusive privileges in the water and energy supply sectors, in transport and telecommunications, must henceforth take place through public tender procedures. This enlarges the market and lowers costs. Swiss companies thus obtain non-discriminatory access to a public procurement volume of CHF 1,150 billion (EUR 720 billion).

Trade in agricultural products

Mutual customs concessions and simplification of the technical regulations will have a direct benefit for consumers and increase the export opportunities for agricultural products.

Additional literature: The Bilateral Agreements Switzerland - European Union, Integration Office EDA/EVD

↳ www.europa.admin.ch Keyword "Bilateral Agreements"

5.2 The Euro

Switzerland is not part of the European Currency Union and therefore not in the Euro zone. Nevertheless trade and industry are affected by the Euro. Swiss banks and the Swiss Stock Exchange (SWX) offer EUR accounts. Banking transactions in EUR can be conducted in and from Switzerland. Individual banks decide on the EUR services they wish to offer.

Use of the Euro is neither mandatory nor prohibited. For specific transactions, however, it requires the mutual agreement of the parties. The Euro does not yet play a significant role in the tourism sector but in the machinery industry, over 50% of the exports are already transacted in Euros. The future significance of the Euro in domestic payment transactions is difficult to predict. Banks, however, are preparing for the event that the Euro could also play a significant role in the domestic banking business. According to the declared strategy of the major banks, the financial center in Switzerland will be Euro-compatible.

See chapter 7 Financing and 7.4 SWX Stock Exchange Switzerland

↳ www.swx.com SWX Swiss Exchange

Additional literature: ↳ www.swissbanking.org Topic The Euro and Switzerland

Establishing and managing a business

As a general rule, the freedom of trade and industry, which is guaranteed by the Swiss constitution, allows everyone, including foreign nationals, to operate a business in Switzerland, to establish a company or to have an interest in one. In principle, no approval from the authorities, chambers of commerce or professional associations is required to establish a business. To conduct a business personally on a permanent basis, a work and residence permit is, however, required.

The exercise of certain professions or the establishment of specific businesses may, however, require special licenses or diplomas.

See chapter 3.2 Important regulations and 3.3 Alien law

6.1 Forms of business

Forms of domicile:

An overseas individual or foreign company may choose the business form which best meets their needs. The time horizon, legal and fiscal framework, tax considerations etc. all require careful evaluation.

See chapter 9 Taxes

Swiss law recognizes the following types of business forms:

- Founding a partnership or a joint stock company
- Establishing a subsidiary or branch
- Acquisition of an existing company in Switzerland (partnership or joint stock company)
- Establishing a joint venture (partnership or joint stock company)
- Strategic alliance with or without an equity investment

The most common forms of domicile for a foreign company in Switzerland are the subsidiary and the branch.

Types of firms:

Swiss civil law distinguishes between partnerships and joint stock companies; tax law distinguishes between various business purposes.

See chapter 9.2 Taxation of businesses

Swiss Code of Obligations (OR)**Partnerships**

Single-owner business (OR 934)
 Simple partnership (OR 530-551)
 General partnership (OR 552-593)
 Limited share partnership (OR 594-619)
 (The legal forms of GmbH and Ko.KG do not exist in Switzerland)

Tax law (see chapter "Taxes")

Operating company
 Holding company
 Domiciliary company

Joint-stock companies

(legal entities)

Corporations (OR 620-763)
 Limited liability companies (OR 772-827)

↳ Facts 6.1 Legal forms of companies – comparative overview

All possible legal forms have their advantages and disadvantages. These can best be identified through a comparison of the different forms:

Comparison partnership/joint-stock company

In Switzerland partnerships are typical for smaller business. The joint-stock company is an alternate form chosen by many companies even though the partnerships clearly predominate. A comparison of the two forms is given below.

Advantages of a partnership over a joint stock company:

- The procedure for setting up the company is simpler and less expensive. There are few formal requirements and the partners themselves can act as the governing bodies.
- Double taxation on the profit in Switzerland can be avoided (in the case of joint stock companies the profit is taxed twice, once at the level of the joint stock company and once as a dividend distribution to the shareholders).
- Partnerships are well suited to very small companies.

Disadvantages of the partnerships over a joint stock company:

- The liability of the partners is unlimited and the equity is more difficult to transfer.
- The partners must be named in the commercial register (no anonymity).
- Access to the capital market is more difficult.
- Partnerships must pay social insurance premiums
- Joint stock companies are suitable for capital-intensive businesses in which the capital investment of the owners plays a major role and their liability needs to be limited.

Comparison subsidiary/branch

A foreign parent company needs to decide whether its Swiss operation should be established as a subsidiary or a branch.

Advantages of a branch over a legally independent subsidiary

- No separate equity is required; it is sufficient that the endowment capital is provided by the parent company for which no particular amount is specified.
- The set-up of the company is easier and cheaper in comparison to a joint stock company; there is neither stamp duty nor anticipatory tax on the transfer of profits.
- No Swiss partner is required when a foreign partnership invests in Switzerland in the form of an operating unit (branch).
- The branch is particularly attractive from the tax viewpoint (in conjunction with foreign tax laws).

Disadvantages of the branch over the subsidiary

- The management of the foreign parent company is also liable for the business conducted by the branch.
- The operational facility does not have any Swiss character.
- There is no legal creditor/debtor relationship between the parent company and the branch.
- The subsidiary is appropriate for businesses where the foreign parent company wishes to be linked to the Swiss operation only through its equity investment and where the new company should be seen as Swiss.

Joint stock company

The joint stock company or corporation (AG) is the most important and widespread type of company in Switzerland. Foreign companies often choose this legal form also for their Swiss subsidiary. A corporation is a distinct legal entity, and its liability is limited to its assets. The authorized capital is determined in advance and is subdivided into shares. The AG is the legal form chosen not only for large companies, but also for medium and smaller ones. It is the usual legal form for holding companies and commercial finance companies. The reasons for the popularity of the AG as a legal form are:

- Limitation of liability to the company's assets
- Anonymity of the capital providers
- Limitation of the shareholder's obligation to contribute additional capital
- Simple inheritance arrangements
- Publication of annual financial statements required only if the AG has outstanding bonds or if it is listed on the stock exchange.

Establishing a corporation or joint stock company (AG)

- At least three shareholders are required. One must be a Swiss national and resident in Switzerland. It is possible for shares to be held in trust by third parties. The single shareholder corporation is not uncommon.
- The minimum capital is CHF 100,000 of which at least CHF 50,000 must be paid in (at least 20% per share).
- There is a formal incorporation procedure ending with entry in the commercial register. The entry is published in the Swiss Commercial Gazette.
- The legally prescribed articles of incorporation and governing bodies can then be created.

The law prescribes three governing bodies:

The General Meeting of Shareholders is the highest governing body. It has the most important powers, such as the definition and modification of the articles of incorporation, electing the board of directors, choosing the statutory auditors, approving the annual report, balance sheet and income statement, deciding on the distribution of profits and approving or ratifying the actions of the board of directors.

The board of directors is the managing body of the corporation (AG). It consists of one or more members who must also be shareholders. It must comprise a majority of Swiss nationals who reside in Switzerland. Exceptions are possible in the case of holding companies. But in every case, at least one authorized representative of the company must be a Swiss who resides in Switzerland.

The statutory auditors examine the accuracy of the annual financial statements and report to the board of directors or to the shareholders at the annual general meeting.

Limited liability company

A limited liability company (German abbreviation GmbH) is a distinct legal entity in which two or more persons or companies come together in a new firm with predetermined nominal capital. Each member takes equity in the company by contributing to its capital, and the company's liability is limited to the amount of the registered capital.

Due to the revision of the corporation law, the GmbH is enjoying increasing popularity as an alternative to the corporation. The GmbH is an attractive legal form for a company and is increasingly preferred over the AG by small and medium-sized companies.

Advantages of the limited liability company over the corporation

- Lower minimum capital requirements and lower structural costs
- Only the managing director must reside in Switzerland, but he does not have to be a Swiss national
- The auditors are optional

Disadvantages of the limited liability company over the corporation

- The nominal capital may not exceed CHF 2 million
- The equity holders generally lose their anonymity
- Transfer of shares is more difficult

Setting up a limited liability company (GmbH)

The foundation of limited liability company is somewhat simpler than a corporation. However, the procedure is largely similar to the process described under the heading Corporation [Joint stock company?]. The nominal capital must be at least CHF 20,000 and may not exceed CHF 2 million. Only two founders are required.

↳ www.kpmg.ch/wp Comparison of the Corporation (AG) with the Limited Liability Company (GmbH) (pdf file)

Branch

Foreign companies often choose the legal form of a branch for entering the Swiss market. Branches are not distinguished as separate legal entities under Swiss civil law. There are only references to branches under other legal forms (e.g. corporation or limited liability company). The branch is subject to the provisions of Swiss law (civil law, contract law, international private law). As far as authorization, registration, taxation, and accounts are concerned, a branch is treated like a Swiss company.

See chapter 3.1 Legal system and principles

↳ Facts 6.1, Synoptic table, legal forms

Types of partnerships

In addition to the aforementioned forms of business, there are other ways of formalizing business activities:

- The joint venture enjoys growing popularity as a form of partnership. It is not anchored in law. It is suitable for a joint activity with a Swiss partner and is often operated as a joint equity contribution to a newly founded entity (a supplier in a foreign country establishes a production or sales company with its Swiss seller). For smaller projects (e.g. a research project for a limited time) the joint venture can also be operated as a partnership.
- The partnership is a contractual association of several physical persons or legal entities for a purpose that is not recorded in the commercial register. The anonymity is preserved but each partner is jointly and personally liable for the project.
- Franchising as a contractual partnership concept is also becoming popular in Switzerland. There are now over 120 franchise operations in existence. As a highly developed, sophisticated but also liberal market, Switzerland, with its decentralized structures, offers good preconditions for an initial operating activity in this form or as permanent headquarters for developing franchises.

↳ www.franchiseverband.ch Swiss Franchise Association, services and structures

6.2 Set-up and management

Potential investors seeking reliable and objective information about Switzerland are cordially invited to contact Location:Switzerland. This initiative, created by the State Secretariat for Economic Affairs provides foreign business people and investors with free background information on Swiss business conditions and on Switzerland as a location for foreign direct investment. It helps them to choose the right location in Switzerland and points out the channels that can be advantageously pursued for realizing the project. Location:Switzerland and its representatives can provide valuable advice in preparation for decision-making.

See chapter 13 Promotion by authorities and contact points

↳ www.locationswitzerland.ch

Steps for project realization

The more clearly and concretely the business strategy is defined, the faster it is possible to move from planning to implementation. Once the decision to locate in Switzerland has been taken, the business promotion offices of the selected Canton can help in the local coordination of the project up to the start of operations.

See chapter 13.4 Administrative support as well as 14.4 Checklist for business domiciling/investment projects

Inception costs

The founding of a corporation is more elaborate and is generally more expensive than for a partnership. However, the foreign investor is often not in a position to establish a partnership. As a rule this is not detrimental (e.g. tax advantages).

See chapter 9.2 Taxation of businesses

The costs for establishing a corporation - for a limited liability company the fees and consulting costs are somewhat lower - are comprised of the following:

- Stamp duty: 1% of the nominal capital of which the first CHF 250,000 is exempt. This exemption applies in general to newly founded corporations and for capital increases up to CHF 250,000
- Fees (registration, notary, registry of files) approx. CHF 2,000.
- Consulting, attorney from approx. CHF 2,000 to CHF 5,000 for smaller companies.

Excluding the stamp duty (also referred to as share issue duty) the fixed founding costs are approx. CHF 7,000. The total founding costs vary, depending on the nominal capital:

Nominal capital	Founding costs
CHF 100,000	CHF 7,000.00
CHF 250,000	CHF 7,000.00
CHF 500,000	CHF 9,500.00 (stamp duty of CHF 2,500)
CHF 1,000,000	CHF 14,500.00 (stamp duty of CHF 7,500)

The time required for setting up a company is between 2 and 4 weeks, beginning from the submission of the documents until the company becomes a legal entity.

↳ Facts 6.2

- Checklist document planning for setting up a company
- Schedule of activities for setting up a company
- Foundation costs for a limited liability company (GmbH)

Fees paid to the members of a corporation's board of directors vary widely, depending on the business sector, size of the company and annual turnover. According to a recent survey, the average annual fee paid by medium-sized corporations is CHF 14,000 (excluding compensation for other work that might be performed). For smaller corporations with up to 50 employees, the average board member fee is about CHF 10,000.

↳ Facts 6.2 Board member fees

↳ www.visura.ch BDO Visura, Topic Publications ("How much do board members earn", 1999)

The trade name of the company, i.e. the name under which the business is operated, can be chosen freely. However, the name of the company must clearly show the legal form of the company, e.g. whether it is an ownership, a partnership or a corporation.

As a rule, a trading, manufacturing or other form of commercial operation requires an entry in the commercial register. The purpose of the commercial register is to make public the nature of all commercial businesses active in Switzerland. It is kept on a Cantonal or in some cases district level. It is intended to show clearly the extent of liability, the legal status of a company, and who its authorized representatives are. Accordingly, the central company index (Zefix) of the Federal Commercial Registry Office is open to public inspection. It also answers questions about whether or not a company name has already been taken.

↳ www.zefix.admin.ch Central company index of the Federal Commercial Registry Office

All entries in, and deletions from, the commercial register are published in the Swiss Commercial Gazette. With the entry in the commercial register, the company name is protected under company law. Newly formed entities require an entry in the commercial register before they become a legal entity.

Entry in the commercial register is based on the conformity with the legally prescribed documents. The formal requirements are listed in the instruction leaflets of the Cantonal commercial registry offices. These leaflets can also be obtained through the Cantonal industry and trade promotion offices.

See chapter 13.4 Administrative support, as well as 14.1 Addresses (industry and trade promotion offices)

↳ www.ofj.admin.ch/e/index.html Keyword Commercial Registry

6.3 Accounting

The general regulations on accounting standards in Switzerland are brief and to the point. Such accounts must be kept as are necessary for the type and scope of the company concerned. They must be kept in an orderly manner and allow identification of business assets, receivables and payables arising from business operations and profits and losses in each business year. The law requires that the income statement (profit and loss statement) and the balance sheet be drawn up annually according to generally accepted accounting principles, and be complete, clear and easily understood. This means that the financial statements can be prepared according to all internationally accepted standards (e.g. US-GAAP, IAS, FER).

To increase transparency for corporations, there are detailed regulations as to how the financial statements must be structured. The annual report must contain at least a balance sheet and a profit and loss statement with prior year comparisons and explanatory notes. The annual financial statements of individual companies must be consolidated in the group account if two of the following variables are attained in two successive fiscal years:

- Balance sheet total of CHF 10 million
- Turnover of CHF 20 million
- Workforce of over 200 employees on average for the year

Practical tips and information on legal questions are obtainable from auditing and fiduciary companies or their umbrella organization, the Fiduciary Chamber.

↳ www.kpmg.ch/wp "Accounting and Business in Switzerland" (pdf)

Financing

The highly developed financial center of Switzerland offers outstanding possibilities not just for economical financing of investment transactions and international activities, but also for entrepreneurial investment projects. Any type of transaction originating in Switzerland or in a foreign country can be handled through the large commercial banks, Cantonal banks, regional banks and foreign banks domiciled in Switzerland efficiently and reliably with the most advanced technology. In recent years, the availability of venture capital through private channels and the public listing on the SWX have also markedly increased.

7.1 Obtaining credit for investments

Establishing a business domicile is generally a medium to long-term objective. As a rule, significant initial investments and project financing are needed. Banks place great emphasis on thorough market analyses and professional management. If the establishment of a business is accompanied by the acquisition of real property or the building of a production facility, mortgages are an important credit instrument. For commercial property, the collateral value depends increasingly on the earning-power value. For industrial projects, normally 50% of the total plant value - market value or building costs, including machinery and equipment - can be financed against real estate pledges at very attractive conditions. For office and services buildings, the collateral margin is normally 70%, but it also depends on the (object) risks. Interest rates and terms generally applied to business investments today depend on the creditworthiness of the company and its bank rating.

See chapter 13 Promotion by the authorities and contact points

Chap. 8.1 Capital costs

7.2 Financing of current business activity

To finance current business activities, banks grant various types of short-term credits. Either unsecured credits are granted or the credit is secured with collateral. The amount of the credit that can be granted depends on the trustworthiness and the future prospects of the company. In addition, lease financing and forfeiting are gaining in importance.

For rapidly growing, young enterprises and new companies that are deciding on a site, it is important to know what financing possibilities exist for the start-up phase and the so-called second step. The financial service providers in Switzerland offer a variety of attractive solutions such as guarantees, convertible loans, and VC-like financing.

See chapter 7.3 Venture capital, Chapter 13 Promotion by the authorities and contact points

When a new business is established in Switzerland, financing in Swiss Francs should be preferred because of currency considerations. As a rule it is also more economical.

See Chapter 8.1 Capital costs

↳ Facts 7.2 EC-Switzerland: Interest differential and exchange rates

7.3 Venture capital

The number of venture capital companies in Switzerland has recently grown considerably because a new Federal law provides two tax incentives to venture capital companies (RKG):

- Recognized venture capital companies are exempted from the stamp duty on their capital at the time the company is founded, or for any subsequent capital increase. With respect to the Federal tax, they have a lower threshold value for claiming the equity participation deduction.
- Private persons who as Business Angels (BA) assist in the foundation and development of new companies are entitled to relief from the Federal Tax if they tap into their private assets to grant subordinate loans for the foundation and start-up of companies.

The availability of VC and VC-like financing funds fluctuates. The Cantonal industry and trade promotion offices can provide competent explanations on the practical procedure, on venture capital companies and private investors (Business Angels) as well as the new law.

See chapter 13.4 Admin. support and 14.1 Addresses

↳ Facts 7.3 Promotion of venture capital

↳ www.seca.ch SECA Swiss Private Equity and Corporate Finance Association, umbrella organization for venture capital

↳ www.kmuinfo.ch/TaskForce Legal bases and explanations for the practice

↳ www.businessangels.ch Umbrella organization of the Business Angels

7.4 SWX Swiss stock exchange

The newest listings of growth companies, particularly in the information and biotechnology sectors, show that IPO financing is becoming ever more important in growing a business.

Aside from growth companies, the listing of holding companies is attractive. Companies with a holding domicile in Switzerland profit not only from attractive taxation conditions: by becoming a legal entity under Swiss law they enable institutional investors to invest more aggressively in their securities.

See chapter 2.1

The SWX Swiss Exchange is one of the leading stock exchanges of the world. This position has been achieved through the strength and international profile of Switzerland as a financial center, but equally important are its own strengths: a broad range of products, an effective and flexible organization and - together with SIS SegalInterSettle and Swiss Interbank Clearing - a worldwide leading technological infrastructure for integrated trading and processing of securities transactions.

Initial Public Offerings (IPO)

SWX is not just the home exchange of a number of Swiss blue chips such as ABB, Novartis, Nestlé, Roche, UBS, CS Group, Swiss Re. Experience has shown that SWX also is attractive for IPOs. They profit from the market dominance of institutional investors and the strong presence of international investors. Companies that wish to get listed will find a network of analysts and investors with great know-how on the Swiss financial market.

In mid 1999 the SWX Swiss Exchange opened a market segment that is specifically tailored to the requirements of growth companies: the SWX Net Market.

The degree to which an issuer is known on the SWX is very high. In comparison with other European exchanges, the SWX is characterized by its technological focus. However, legal requirements for a listing correspond to European standards. This makes the SWX New Market highly attractive to issuers from neighboring countries.

International networking

The SWX Swiss Exchange is an important link between international financial institutions. Of the 97 SWX members as of the end of 2000, 13 were from The United Kingdom, 6 from Germany, 4 from France and 2 from the Principality of Liechtenstein. Internationally networked are also the investors in the financial center of Switzerland. The SWX office in London supports remote members of the British market with respect to information technology and business questions.

Leading technology

The SWX Swiss Exchange operates the world's leading trading, settlement and clearing system. Trading, payment and delivery take place with a "mouse click". The SWX trading platform has proven to be extremely stable. The system works with a very low error rate of 1.5%, which has not yet been improved upon anywhere in the world. The SWX is the first stock exchange with a fully integrated multicurrency system - in Swiss Francs, Dollars, Euro, Pound and Yen.

Eurex

The SWX held the top position in electronic trading as early as 1988 when the Swiss Options and Financial Futures Exchange (Soffex) was introduced. Ten years later, the Soffex technology became the basis for the worldwide leading derivative exchange Eurex - the first binational exchange - which is a co-operation between the German Stock Exchange and SWX Swiss Exchange in which each partner owns an equal share.

↳ Facts 7.4

- SWX Swiss Exchange
- SWX New Market (Fact Sheet)

↳ www.swx.com SWX Swiss Exchange

7.5 Financing instruments for export transactions

Due to the strong export orientation of the Swiss economy, banks were able to gain vast experience in the financing of export transactions at a very early stage. Today, banks offer a broad range of services such as export credits, guarantees and letters of credit. Certain risks can also be covered through the export risk guarantee (ERG) offered by the Federal Government.

See chapter 13.5 Export promotion

↳ www.swiss-erg.com ERG Export risk guarantee, services and terms

Production costs

In the international competition for foreign investment, Switzerland has some outstanding selling points. It offers favorable financing conditions. Swiss employees have a high work moral and motivation. They usually work longer and more productively and have less absences than their colleagues in neighboring countries.

8.1 Capital costs

The low cost of obtaining capital has a beneficial effect on the development of all business activities and consequently on the overall economy. This cost-efficiency certainly also influences the selection of a business location. Switzerland enjoys an outstanding reputation with foreign investors. Because of this reputation and the high savings rate, Switzerland has low interest rates, which in turn reduces overall financial costs. During the last five years, the average spread in the money market and capital market interest rates in Francs and Euros ranged between 1.5 to 2 percent.

See chapter 2.3

↳ Facts 8.1 Relationship capital costs/economic development

↳ www.credit-suisse.ch , www.ubs.com , www.kantonalbank.ch Commercial and Cantonal banks, current interest rates and terms

8.2 Labor costs

International comparisons frequently cite Switzerland as a costly workplace. But its wage level corresponds to high performance and prosperity. High wages are proof of success. Because of low capital costs, manufacturing continues to employ capital-intensive production methods that require a smaller but highly qualified work force. The percentage of ancillary wage costs is well below the international average. Decisive factors are not wages but the wage costs. Because of high productivity, these wage costs are significantly lower in Switzerland than in competing countries. Since 1995, wages have remained stable, whereas productivity has risen. As a result Switzerland has gained a competitive edge.

See chapter 2.1 Prosperity level and pillars of the Swiss economy

↳ Facts 8.2

- Industry labor costs by international comparison
- Ancillary labor costs
- Work productivity
- Industry labor productivity
- Unit wage costs

The labor costs depend not only on the direct wage and ancillary wage costs, but also on the total number of hours worked per year and the costs of absenteeism. In Switzerland, the annual working hours are clearly longer than in other European countries. Absenteeism due to illness and other reasons is low. Strikes are practically non-existent.

Facts 10.1 und 10.2

- ↳ Service section 8.2
 - Ancillary labor costs
 - Working hours, vacations/holidays
 - Labor conflicts

Official surveys on wage levels and wage structures show significant differences between various sectors.

- ↳ Facts 8.2
 - Range of gross wages in Switzerland
 - Annual compensation of top management by international comparison

↳ www.admin.ch/bfs Swiss Federal Statistical Office, wage structure survey (every 2 years)

Additional literature: International wage level comparison, see "Prices and wages around the world. An international purchase power comparison", UBS 2000

8.3 Cost of premises

Worldwide globalization has made the Swiss real estate market much more flexible and more transparent. New services, such as Corporate Facility Consulting are now available. This service is used mostly by internationally active companies in order to achieve comprehensive solutions for their often rapidly changing space requirements. For foreign investors, it is possible to acquire or lease real property in Switzerland without a permit, if it is used in production, services or trade. The prices for purchasing or leasing commercial premises or land varies considerably, depending on the location and site. There are also substantial price differences between the regions.

See chapter 3.3 and 3.4

- ↳ Facts 8.3
 - Office costs, international comparison
 - Lease prices for office and industrial premises, interregional comparison

Most industry and trade promotion offices of the Cantons have an up-to-date list of available industrial land and premises for services and trade. They also make contacts with the providers.

↳ Facts 14.1 Addresses

8.4 Energy costs

The greatest price advantage of Switzerland vis-à-vis other European countries can be found in the price of petroleum because taxes are considerably lower. Automotive fuels are also priced more favorably. The costs for electric power comprise the connection fee, the annual basic fees, actual connection costs for the installed energy, and the consumption-dependent tariffs. For industrial users, the tariff is in the range of CHF 0.15 per kWh. In view of the progressing market liberalization, it is reasonable to assume that the price for electricity and gas will fall. The utility companies can provide information on specifically applicable tariffs.

↳ Facts 8.4

- Energy prices for heating fuel extra light
- Industrial electric power prices, international comparison

↳ www.admin.ch/bfe Swiss Federal Office for Energy

↳ www.vse.ch Association of Swiss Electricity Producers

↳ www.enerprice.ch

8.5 Downsizing costs

Decisions on a market entry must always be accompanied by a suitable exit strategy. Decision-makers must know in advance, what conditions need to be met and what consequential costs are to be expected if the domicile in Switzerland were either given up or if the operation were scaled down. With respect to the regulations for mass layoffs, employment termination possibilities and severance pay obligations in Switzerland offers very investor-friendly and economical conditions. After the USA, it holds the second-best position and the leading position in Europe.

↳ Facts 8.5 Downsizing costs

8.6 Costs of administrative procedures

The administrative burden imposed by government regulations is a cost factor that should not be neglected, particularly by small and medium-sized companies. Swiss authorities are very conscious of keeping transaction costs of business enterprises in dealings with the authorities as low as possible. International comparisons confirm that upper management in Switzerland spends less time than elsewhere dealing with government bureaucracy. Switzerland is ranked as number two. Detailed analyses further confirm the favorable position of Switzerland.

↳ Facts 8.6 Time spent for government-related administrative tasks



Taxes

The Swiss tax system is strongly influenced by the federal structure of the country. Emphasis is on direct taxes. The basic principle is self-declaration by the taxpayer. By European standards, the tax burden in Switzerland is moderate. Because of the federal structure there is ample latitude for healthy competition between the Cantons. A large number of Bilateral Agreements prevents double taxation internationally. Switzerland, as a business location, is therefore also attractive from a tax viewpoint.

9.1 Tax system in Switzerland

As constituent members of the Federation, the Cantons are free to raise taxes except those that are explicitly reserved to the Federal Government. Tax autonomy is vested in the Federal Government, the Cantons and the municipalities. Each Canton, consequently, has its own tax laws. Tariffs, tax rates, as well as exemptions, remain within the competence of each Canton even after the now completed harmonization of direct taxes between the Cantons and municipalities. Within the framework of the Cantonal tax law, the municipal authorities may raise additional taxes. The Cantonal tax authorities do not see themselves as "tax bailiffs" but as contact partners for existing and new enterprises and tax consultants as their customers. As a rule, they also issue advance decisions on how a business will be fiscally treated. In the majority of the Cantons the tax registers are not open to public inspection.

As a general rule there are direct and indirect taxes:

- The Federation, the Cantons and municipalities raise direct taxes on the profit and capital of businesses, and on the income and net worth of physical persons.
- Indirect taxes and duties on consumption can be raised only by the Federation.

↳ Facts 9.1

- Fact sheet Structuring principles for intergovernmental situations
- Tax burden (tax revenue incl. social contributions) in % GDP

Other relevant publication: The advantages of the Swiss Tax System, published by the Intercantonal Fiscal Information Commission, January 2001

↳ www.estv.admin.ch/ist/e/index.htm The Advantages of the Swiss Tax System (pdf files)

↳ www.estv.admin.ch/data Swiss Federal Tax Administration, publication "Outline of the Swiss Tax System", edition 2000 (pdf)

↳ www.estv.admin.ch/data/sd/e An outline of the Swiss system of taxation (pdf files); International Comparison (pdf)

9.2 Taxation of business

What is relevant for tax purposes is not whether the business is a partnership or a joint stock company according to Swiss civil law, but rather whether the business is an operating company, a holding company, or domiciliary company. Partnerships are not legal entities. The profit or the net worth is taxable to the individual partners, as physical persons, in proportion to their equity. A precondition is an operating facility or business location in Switzerland.

See chapter 6.1

Taxation of corporations

A Swiss company or operating facility is subject to taxes on profit and capital. The business is taxed at its domicile or at the actual place of its economic activity. Corporations and limited liability companies are taxed as legal entities. The tax law distinguishes between corporations according to their purpose. This is one of the determining factors whether it will be taxed normally or preferentially.

Operating company

An operating company is a business that is principally engaged in manufacturing, trading or the provision of services.

Holding company

A holding company is a corporation whose main purpose is the continual management of equity in other companies.

Domiciliary company

A domiciliary company is primarily engaged in business activities abroad. Its purpose is to bring together functions from abroad (financing, management of intangible assets, advice on marketing) in organizational terms, or it is active only abroad (buying/selling of goods from/to a foreign country).

Taxation of corporations and limited liability companies

A corporation is taxable on its profit and capital; depending on the purpose of the corporation, it is taxed either normally or preferentially. This applies also to the limited liability company (GmbH).

See chapter 13.2

↳ Facts 9.2 Tax regime based on company type and fiscal jurisdiction

Earnings or profit tax

The calculation of taxable net income begins with the profit and loss statement to which certain adjustments may be made. The Federal Government and most Cantons allow deductions for losses carried forward, dedicated reserves (research, restructuring) and paid taxes. Depreciation provisions are generous. Depreciation rates vary as a function of the asset life.

↳ www.estv.admin.ch/data Instruction leaflets, leaflet A 1995: Depreciation on the fixed assets of businesses

In the Cantons, income tax is usually calculated on a progressive scale. Relevant for the tax rate is the earnings intensity, i.e. the ratio of the taxable net income relative to the capital resources plus reserves. Minimum rates are applicable in all cases. Taxation at the Federal level is proportional and is 8.5% of taxable net income.

The tax burden in Switzerland is lower than in most countries of the EU and in the USA where the tax is between 30% and 55% on net income. On average, total taxes amount to approx. 25% (Federal, Cantonal and municipal taxes combined), even though the nominal tax rates are generally higher. The reason is that in Switzerland taxes themselves can be deducted as an expense.

↳ Facts 9.2

- Tax burden in Switzerland: Corporations (Case study)
- Taxes in % of net income

Capital tax

The capital tax of the Cantons is calculated on the basis of proportional tariffs. For tax purposes, the paid-in nominal capital and the general reserves, as well as certain hidden reserves, are taken into account. At the Federal level, the former tax has been eliminated for legal entities as part of the tax reform. The capital tax ranges between three and nine per million, depending on the Canton. The currently applicable rate can be found in the information leaflet of the Cantonal Economic Development Offices.

↳ Facts 14.1 Addresses Cantonal Economic Development Offices

Taxation of holding companies

Both the Cantons and the Federal authorities give preferential treatment to holding companies. Companies holding at least 20% or CHF 2 million of the nominal capital of other companies pay a reduced tax on the earned dividend. The reduction of the tax due is based on the ratio of the (net) dividend income to gross profit. The equity holding deduction is granted at the Federal as well as Cantonal level. The end result is that there is largely no Federal tax on pure holding companies.

The Cantons relieve holding companies from all income taxes (holding privilege). The holding company is, therefore, not dependent on an equity holding deduction. The net result is that all dividends, and any profit from the sale thereof, and even interest income, etc. are tax-free. A holding situation exists if as a rule 2/3 of the assets are equity investments or 2/3 of the income is equity investment income.

Taxation of domiciliary companies

The cantons grant domiciliary companies extensive tax privileges. Profits (and capital) are taxed at a reduced rate. The precondition is that the company has no (direct) business activities in Switzerland. The Federal Government gives domiciliary companies no relief on the net income tax. At the Cantonal level a domiciliary company pays a tax of between 0 and 15% of the regular Cantonal net income tax. The domiciliary company may be controlled by either Swiss or foreign nationals.

Taxation of branches

Under tax law, a branch is a business entity belonging to a physical person or a corporation based abroad. Accordingly, liability to taxation in respect of economic links to Switzerland is limited. A branch of a foreign corporation or a foreign partnership is taxed in Switzerland like a joint stock company.

For a business entity to exist in tax law, there must be a permanent business facility that contributes to the profits of the company on its own account, or is important for the operation of the business. Swiss branches are taxed only on earnings attributable to the operation in Switzerland. The division of profit between the parent company and the operating facility is based on the accounts of the branch.

9.3 Taxation of physical persons

Physical persons who have their domicile in Switzerland or work in the country, are subject to Swiss taxes. The Federal Government taxes income only, while the Cantons and municipalities also levy a net worth tax.

Taxes are not normally withheld by the employer but collected subsequently after an assessment process carried out by the municipal authorities where the taxpayer resides.

Physical persons who neither permanently nor temporarily reside in Switzerland may nonetheless have limited obligations with respect to taxes in Switzerland arising from their economic attachment. This applies, among others, to members of the senior management of foreign firms, which have operations in Switzerland.

See chapter 9.5 Tax deducted at source

Income tax

Income tax is always levied on total income, i.e. earned income, ancillary income, substitute income, investment income, etc. Expenses directly linked to earning the income, such as social security premiums, can be deducted from gross income. Net income is taxed progressively but there is a maximum tax rate. For single and married persons, there are different rates, with the latter being more favorable. Profits from the gain of private property are exempt from tax, except on the sale of real property.

Depending on the Canton, a salaried individual, married, without children, paid in 1999 the following aggregate taxes (Cantonal, municipal, Federal tax):

Gross income	Progressive tax rate	National average
CHF 50,000	3.7% to 9.0%	6.8%
CHF 100,000	8.0% to 16.3%	13.9%
CHF 200,000	15.0% to 26.1%	23.1%

In every Canton, and for Federal taxes, there is an upper limit beyond which the progression no longer increases. This limit is between CHF 300,000 and CHF 1,000,000.

By international comparisons, the tax burden of an industrial worker in the form of income taxes and social insurance contributions is low in Switzerland.

↳ Facts 9.3

- International tax burden comparison for physical persons
- Taxes and statutory social insurance contributions in % of gross income

Expatriates are assessed and taxed either through the regular procedure, or they are subject to withholding tax.

See chapter 9.5

Facts 9.3 Deduction of special professional expenses of expatriates, fact sheet

Net worth tax

The net worth tax is based on the total assets less total liabilities. It is calculated by most Cantons based on progressive tax rates. The Federal Government does not have any networth tax.

The net worth tax is less than 1%. Depending on the Canton the following rates were applicable in 1999:

Taxable networth	Tax burden
CHF 50,000	Normally exempt
CHF 100,000	Exempt in half of the Cantons
CHF 1,000,000	1.8‰ to 7.5‰

↳ www.estv.admin.ch Information Office for Tax Questions, topic "Networth Tax of Physical Persons"

9.4 Inheritance tax

The majority of the Cantons still have an inheritance tax; there is no such tax at the Federal level. The tax is based on the net assets transferred to the statutory or designated heirs or other beneficiaries. More and more Cantons are in the process of eliminating the inheritance tax altogether, at least for descendants. Where it still exists, the inheritance tax is low in comparison with other countries.

9.5 Tax deducted at source

Expatriates who work in Switzerland as salaried employees and do not have permanent residence status, pay source withholding tax. Only if they are married and are living together with a Swiss national or a foreign national with permanent residence status, will they be taxed through the ordinary procedure. The tariffs take into consideration certain standard deductions for professional expenses, insurance premiums and family allowances; the tax is deducted directly by the employer.

↳ Facts 9.3 Deduction of special professional expenses of expatriates, fact sheet

↳ www.sacc.net Tax, Expatriates taxation, Tax treatment of expatriates in Switzerland

9.6.6 Anticipated tax

The anticipated tax at Federal level is a source withholding tax of 35% on the income of capital assets. It is passed on from the debtor of the capital to the creditor (investor). Taxed are interest on bank accounts and bonds, as well as dividends and other distributions to shareholders of a pecuniary value. For recipients of investment income who live in Switzerland, the anticipatory tax is credited through the regular taxation procedure against total tax liability, if they declare the corresponding assets and income. Persons with domicile in a foreign country can file for a full or partial refund, if this is provided for in the double taxation treaty with Switzerland and their country of residence.

9.7 Double taxation

To avoid or to alleviate the effects of double taxation in Switzerland and abroad, Switzerland has executed double taxation treaties with over 60 countries, including almost all Western industrial nations.

For physical persons, these treaties relate to income tax and the net worth tax. Double taxation treaties largely follow the OECD specimen treaty, which defines where the income or the assets are to be taxed and also describes the method for avoiding double taxation. Switzerland uses the tax exemption method and does not tax income or net worth that is assigned to the source country. This income and net worth is included only for arriving at the tax rate (progression).

On certain investment income (dividends, interest and license fees) the right of taxation belongs, on the one hand to the state in which the income arises, and on the other to the state of the recipient's residence. In the source state this taxation right is now limited, which can lead to a relief from 20 to 35%.

See chapter 9.6 Anticipated tax

↳ Facts 9.7 Double taxation: Effects of double taxation conventions

↳ www.estv.admin.ch Double taxation, overview

The remaining tax in the source country can normally be deducted from the Swiss tax liability (offset method). This offset method applies in Switzerland only on an exception basis whereas in foreign countries it is the norm. The offset method always has the effect that taxes are pushed up to the higher level (in the source country or the country of residence).

↳ Facts 9.1 Fact sheet structuring principles

9.8 Other taxes

In connection with establishing a business domicile and entrepreneurial investment projects, certain additional taxes may be of significance:

Real estate taxes

In about half of the Cantons, real property is not calculated as part of the net worth or capital tax but through an annually levied land or real property tax. It is principally levied by the municipalities. The tax is always payable to the municipality in which the real property is located. It is always proportional and the rate is moderate; the tax rate varies between 0.30 and 3 per thousand of the market value or the capitalized income value.

Real estate transfer tax

The real estate transfer tax is levied in almost all Cantons whenever title to real property changes. It is always based on the sales price. The tax is usually payable by the buyer. The tariffs on the Cantonal and municipal tax are usually proportional and are between 1% and 3% of the sales price.

Motor vehicle tax

Annually payable motor vehicle taxes are levied by all Cantons and depend on the power and weight of the vehicle. For passenger cars, the average in Switzerland is just over CHF 400.00 with the most expensive Canton being 40% higher and the least expensive 35% lower.

↳ www.estv.admin.ch/data/sd/e An outline of the Swiss system of taxation (pdf files)

9.9 Value added tax

Switzerland has by far the lowest value added tax in Europe. The rate is usually 7.6%, or 2.4% on goods for personal consumption and 3.5% on hotels. Certain services and goods (medical treatment, education) are completely exempt from VAT. Taxable are sales in Switzerland, imports from abroad and goods for personal consumption. The tax is calculated on the sales revenue of the company. Smaller companies with an annual turnover of up to CHF 250,000 are exempt if their tax burden is less than CHF 4,000.

Every company that is subject to VAT can deduct VAT paid at earlier stages in the economic process. To reduce the administrative burden, companies with a turnover not exceeding CHF 3 million and an annual tax liability of less than CHF 60,000 can settle on the basis of fixed rates (known as net-tax rates). This reduces the administrative burden, particularly for small and newly established companies.

↳ Facts 9.9 Value added tax by international comparison

↳ www.estv.admin.ch/data/mwst/ Swiss Federal Tax Administration, VAT overview

Human capital

With respect to the productivity of the labor force Switzerland ranks number 2 among the world's national economies. Its labor market is characterized by a liberal labor law, low regulation density and outstanding social stability. Labor conflicts are solved through the good relationship among the social partners. Strikes are practically unheard of. The social protection of the labor force is based on the principle of solidarity and personal responsibility.

10.1 Quality and availability

The workforce in Switzerland is generally highly motivated as confirmed through international studies. In small and medium sized companies, which make up the bulk of the enterprises in Switzerland, the identification with the company is very strong. Employees are dedicated to the objectives of their employer. Productivity is correspondingly high. The international business experience of Swiss managers has also been rated highly because of their good education and professional training, their multi-lingual capabilities and also the cultivation of foreign markets.

↳ Facts 10.1

- Work motivation by international comparison
- Business experience of the management by international comparison
- Overall productivity (GDP per employee)

See Chapter 8.2 Labor costs

10.2 Employment contracts: Regulations, worker protection

The relationship between the employer and the employee is governed by the Labor Law, the Swiss Code of Obligations (OR) and collective employment agreements (tariff agreements). Wages are regulated either individually, directly between employer and employee, or within the framework of collective agreements (tariff agreements). Sufficient latitude has been left for direct negotiation between the social partners. The Swiss labor law contains fewer rules than the legal system in the EU. The freedom of making private arrangements is, therefore, much greater, and the law is usually interpreted quite liberally.

About 50% of all persons employed in the private sector are covered by a collective tariff agreement (GAV). These GAV agreements are negotiated between an employer or his association and the corresponding unions. Employers and employees are free whether they wish to join associations or unions.

↳ Facts 10.2 Deregulation of the labor market, ranking

Additional data regarding employment contracts:

- Statutory minimum vacation. For employees, it is 20 working days per year or 25 for employees under the age of 20.
- The maximum working hours for employees in the industry is 45 hours, for other employees it is 50 hours.
- Unless otherwise agreed upon, notice of termination is one month during the first year of employment, two months from the second to the ninth year and three months for longer periods of employment.

The relationships of the Swiss social partners differ widely in the various sectors and regions. If there are differences of opinion between an employer and the workforce, an amicable solution is sought beginning at the shop-internal level. This basic attitude goes back to the so-called peace agreement between Swiss employers and employee organizations dating from the year 1937. In accordance with the mutual agreement to maintain peace the social partners seek a solution to the conflict through discussions without resorting to any strikes.

See Chapter 8.2 Labor costs and 12.4 Holidays
↳ Facts 10.2 Labor law Switzerland (Fact Sheet)

10.3 Social insurance

The Swiss social insurance scheme is based on the principle of three coordinated pillars: state-sponsored, employer-sponsored and individual plans. Personal responsibility takes an important place in this scheme. As a result, the combined tax and contribution burden remains moderate by international comparison.

1st pillar: Meets the basic survival needs of the insured or beneficiary through the government-sponsored old age and survivor's pension (AHV) as well as long-term disability insurance (IV). Both are compulsory and are funded jointly through contributions (percentage of wages) by the employer and the employee.

2nd pillar: The company-sponsored pension plan (BVG) which supplements the 1st pillar makes it possible to maintain the customary standard of living after retirement. All persons working in Switzerland must be insured. The pension plans are funded through contributions (percentage of wages) by the employer and the employee.

3rd pillar: The individual, voluntary retirement plans of the employees or self-employed covers additional personal needs through bank and insurance savings. Contributions to individual retirement plans are partially treated preferentially by the tax laws.

These three basic pillars of social insurance are supplemented by unemployment insurance, the compensation system for loss of income due to service in the militia or civil defense, as well as family allowances that are governed by Cantonal law.

See Chapter 9.3 Taxes

↳ Facts 9.3 Tax and social insurance burden

↳ Facts 10.3

- Social insurance: Premiums and benefits
- Calculation of social insurance contributions on wages (example)
 - A) Average income
 - B) High income

↳ www.sacc.net/bizch Tax, Social Insurance

↳ www.bsv.admin.ch Guideline for small and medium companies, Swiss Federal office for Social Insurance, brochure "Guideline to Social Insurance"

Additional literature: Social Insurance, ATAG Libera AG, January 2001

10.4 Accident/health insurance

Accident and health insurance are of particular importance to an entrepreneur.

Accident insurance

Compulsory accident insurance (UVG) covers occupational accidents, occupational diseases and depending on the number of hours worked, also non-occupational accidents. It is funded jointly by employers and employees. All employees working in Switzerland are to be covered under the UVG scheme.

Health insurance

According to the Health Insurance Law (KVG), basic health insurance is mandatory for all persons living in Switzerland. It is financed privately. Optional supplementary insurance is governed by the Federal Law on Insurance Policies (VVG). It covers individual benefits, which the insured find desirable for themselves. Loss of wages due to illness is covered by the optional sickness benefit/wage continuation insurance according to KVG or VVG during the period for and in the amount defined in the policy. In the event of illness, the employers must continue to pay the wages for a reasonable time; the "sick pay" benefits increase with the number of years of service, in practice up to a maximum of 46 weeks with 40 years of service.

If the company is a signatory to a collective employment agreement, the agreement usually determines how employees are to be covered.

Facts 10.3 Social security: Premiums and benefits

↳ www.ksk-cams.ch Association of Swiss Health Insurers

Additional literature: Social Insurance, ATAG Libera AG, January 2001

Education, training, research and development

For a country like Switzerland that has virtually no natural resources, the high education and training level of the workforce is an important factor for attracting foreign companies. In trade and industrial vocations and many professions of the services sector, the unique dual training system ensures the availability of highly qualified employees. The Federal structure of the country also ensures proximity of the business world to the educational system. International schools and universities as well as post-diploma training enjoy an excellent reputation internationally. The net technology transfer balance positions Switzerland as the second most important exporter of technology.

11.1 Dual education and training system

Under the Swiss system, the Cantons are responsible for the quality and type of education within their territory. The individual universities and technical colleges are under control of the Cantons. Only the Swiss Federal Institutes of Technology (ETHZ and EPFL) is under federal control. Various coordination bodies ensure that the education and instruction plans remain similar from Canton to Canton.

Education begins at the kindergarten level in the fifth or sixth year. Primary school runs through six grades. This is followed by secondary school, the name and the curriculum of which vary from Canton to Canton. With the completion of the secondary level, the students have completed the nine compulsory school years. Students can then either begin an apprenticeship or attend college. Aside from apprenticeship or college it is also possible to continue compulsory education by attending a diploma school. In general, education at Swiss schools enjoys an excellent reputation.

↳ Facts 11.1

- Education expenditures
- Structure of the education system

Basic vocational training begins after compulsory education. Great importance is attached to practical on-the-job training. Three quarters of all young people complete an apprenticeship, combined with classroom type studies appropriate to their trade. Apprenticeships last 3 to 4 years and consist of practical work in a company and a theoretical part at a vocational school. In addition to the regular vocational school, it is possible to obtain a vocational maturity diploma, which entitles the student to enter a technical college where the knowledge is further intensified.

See Chapter 11.3 Universities/technical colleges

Due to this dual system of vocational training well-qualified and practically trained employees are available to trade and industry - one more reason why the unemployment rate among young people in Switzerland is relatively low. It is only about half as high as in Germany, Sweden and the USA. Vocational training encourages the interest of young people in science and technology.

↳ Facts 11.1 Science & Technology and Youth

Advanced vocational education plays an important role in Switzerland. Vocational and advanced training are conducted with the approval of the Federal authorities and professional associations. Successful completion of training leads to a Swiss vocational certificate or diploma. The corresponding vocational diplomas are mutually recognized through Bilateral Agreements between Switzerland and the European Union.

See Chapter 5.1

↳ edkwww.unibe.ch EDK Swiss Conference of Cantonal Ministers of Education, education system Switzerland

11.2 Private and international schools

Switzerland has traditionally been a multicultural, multilingual country in which societies of different cultures have lived together in harmony. This is also evident in the Swiss education structure. Swiss schools put great emphasis on the respect of other cultures.

There are numerous private schools that teach courses in one of three national languages of German, French and Italian and also offer courses in English. Private schools supplement the Swiss public education system. Their outstanding reputation is due in part to the high standard of living, long pedagogic tradition and an intact environment. Employees of foreign companies often stay in Switzerland for a limited period of time only. It is important to them that their children obtain an excellent education during that time. Numerous internationally oriented boarding schools and training institutes prepare foreign language students for the graduation exams valid in their own country, such as certificate of maturity, bachelor's degree, and US university admission. School costs, even at top Swiss locations, are moderate by international comparison.

- ↳ Facts 11.2 Education costs for private schools, international comparison
- ↳ www.swiss-schools.ch Private schools in Switzerland

11.3 Universities and institutes of technology

The academic education system with 12 recognized universities, is dense and strongly decentralized. Ten are organized as Cantonal institutes. The orientation of their teaching and research to specific focal points has earned high international prestige. The Swiss universities are integrated into international research programs. Due to the Bilateral Agreements with the EU, this integration will grow. These institutes also offer post-graduate courses, partially in cooperation with learning institutes in foreign countries. They count among the internationally most renowned elite training centers.

The Swiss Federal Institutes of Technology in Zurich (ETHZ) and Lausanne (EPFL) are education and research institutes of the Swiss Federation. Together with four additional research institutes they are managed and essentially financed by the Swiss Federation. As education and research institutes at the university level of a small country, they actively seek cooperation with the international research community. They conduct advanced research and seek to attract scientists. They enjoy an excellent reputation worldwide.

See Chapter 5.1 Market access

- ↳ www.admin.ch/bbw Federal Office for Education and Science, keyword Universities
- ↳ www.eduswiss.ch University partnership for post-graduate education, overview of post-graduate courses

Technical colleges

The technical colleges provide university level education for those who already have a vocational diploma and practical experience in their trade. In addition to their teaching activity, the technical colleges are also regional competence centers in their corresponding disciplines. They offer advanced training courses to local enterprises. They conduct research and development projects with private companies and in particular smaller and medium sized companies. This means that technical colleges are co-responsible for regional science and technology transfer and therefore are in continuous interaction with industry. They consequently have teaching, research, and service competences that are highly practiced and customer-oriented. In their task as research institutes, they are supported at the national level by the Commission for Technology and Innovation, and by the Swiss Federal Institutes of Technologies and universities.

See Chapter 11.4 Research and development, and Chapter 13.4 Administrative support, door opener services

↳ www.admin.ch/bbt/fh Federal Office for Professional Education and Technology, Functions and structures of the technical colleges

↳ www.swiss-science.org Map showing locations of technical colleges

↳ www.admin.ch/bbt/kti Promotion possibilities for R&D projects, cooperation technical colleges/ universities and private sector

11.4 Research and Development

The faster the pace of technological change, the greater the significance of the research and development activity makes the national economy attractive as a business location. Switzerland is a country with intensive research activities. All research relevant indicators position Switzerland in the top ranks of international comparisons. Switzerland is also the second most important exporter of technology. According to an OECD survey, its technology balance is the second most favorable in the world. It spends almost 3 percent of its GDP on research and development. Of total national research expenditures, three quarters are funded by the private sector. Of these funds, 57% are spent on experimental development and 43% on research. Government funds principally go into basic research.

The private sector and the scientific community work closely together. Each institute at the university and college level has a coordination office for cooperation with the private sector. The Commission for Technology and Innovation (KTI) can make significant financial contributions to research and development projects in which companies cooperate with non-profit research organizations.

See Chapter 13.4 Administrative support, door opener services

↳ www.bbt.ch/kti Commission for Technology and Innovation, R&D project support

↳ www.locationswitzerland.ch Networking Excellence in Swiss Life Science Education and Research (pdf)

Large research projects today require multi-country alliances. The Swiss private sector has a keen interest in research cooperation with partners abroad, particularly from the EU. Development and research cooperation with innovative foreign partners also allows smaller companies access to know-how from which they can benefit. The Bilateral Agreements with the EU create even more favorable conditions for this type of cooperation and allow valuable participation of Switzerland in all programs and activities of the 5th research framework program of the EU.

See Chapter 5.1 Switzerland and Europe

↳ Facts 11.4

- Technology balance: Ranking
- R&D expenditures in % GDP
- Research expenditures of the private sector (Switzerland)
- Research and development: Country ranking

↳ www.admin.ch/bbw Participation in EU research projects

Quality of life, business environment

Switzerland is a country that offers a high quality of life. Prosperity is widely distributed. The public health system functions well. Housing available on the market satisfies the most demanding quality requirements. Prices for housing and necessities are reasonable. Personal safety is generally not an issue of concern. This explains why Switzerland is highly esteemed as a domicile for companies, their managers, employees and their families.

12.1 Safety

Switzerland is considered to be a particularly safe country. Large agglomerations and anonymous housing developments are relatively rare. There are no ghettos. Children can go to school unattended everywhere. Because of the largely decentralized and uncluttered structure of residential areas, individuals can move freely day and night. Security measures for high-ranking personalities are almost unknown. Business managers appreciate the modern conference centers which draw events of any type and size - from the conference of large international organizations up to the World Economic Forum Davos - while ensuring maximum quality, security and privacy.

12.2 Public health system

The availability of high-quality medical specialists, as well as renowned clinics and institutes that use the most advanced medical technologies contribute to the fact that the public health system in Switzerland is among the best in the world. A dense network of public and private hospitals provides nationwide coverage for everybody. About 10% of the gross domestic product is spent on the public health system.

↳ Facts 12.2 Public health infrastructure

12.3 Housing and living

Switzerland's high prosperity is evidenced by the day-to-day lifestyle of our people. Decentralized residential areas are uncluttered and offer above average comfort and a high degree of individuality. The Swiss are predominantly renters rather than owners. Prices for rental apartments and condominiums vary widely both in the cities as well as rural areas. With respect to urban living conditions for managers, Switzerland is not a particularly expensive location by international comparisons.

The purchase power of Swiss wage earners is particularly high. For purchasing a unit of a given food item, less hours have to be worked here than in most comparable foreign locations.

↳ Facts 12.3

- Housing costs
- Apartment rental prices by international comparison
- Domestic purchase power of wages
- Living costs (food) by international comparison
- Living quality of major cities - worldwide comparison

↳ www.ubs.com

Additional literature: "Prices and wages around the globe. An international purchase power comparison", UBS 2000

12.4 Holidays, customs

The relatively high number of annual working hours in Switzerland is partially due to the fact that there are relatively few holidays. Regional differences are mostly the result of local customs.

In various regions, special festivities stem from centuries old traditions and customs, such as carnival or events during the grape harvest, commemoration of historic events, or year-end celebrations.

↳ Facts 12.4 Holidays in Switzerland (Fact Sheet)

12.5 Leisure time and cultural activities

Switzerland offers a great variety of cultural and leisure activities in a small area. Around the year the country is an ideal destination for nature lovers, sports enthusiasts, people who seek quiet contemplation or appreciate art. Switzerland guarantees individuality, true relaxation, adventure, and prestige. Whether as a tourist or permanent Swiss resident, everyone finds events that are tailored to their personal preferences: Summer and winter sports practically in your own back yard, charming market places or pulsating city life, culture or nature, relaxation or action around the clock. Cultural attractions and sports are plentiful, both in the city and the countryside. In addition to high-class events such as the music festivals in Lucerne and Montreux, the Menuhin festival in Gstaad, or the Film Festival in Locarno, and in the sports area the European Masters Crans-Montana and Swiss Indoor Tennis Basle, there is also a lively local cultural scene. Even the smallest communities and towns cultivate and promote an intensive cultural and club life and, as for sports, offer the necessary infrastructure.

↳ www.myswitzerland.com Switzerland Tourism, umbrella organization of the Swiss tourism promotion with links to the individual tourism regions and events

Economic development entities and other contact points

In close cooperation with the private sector and the Cantons, Swiss authorities attach great importance to maintaining the best possible environment and incentives for trade and industry. Their umbrella organization, Location:Switzerland, is close to the market and effectively uses a variety of promotion measures in accordance with the needs prospective investors.

13.1 Principles

To ensure that the Swiss economic system and markets stay as liberal and competitive as possible, Switzerland emphasizes a low tax policy.

In addition, there are a number of incentives of interest to potential investors, both at Federal and Cantonal levels.

Under the principle of subsidiarity, industry and trade promotion activities are shared between the Cantons and the Federation. This intentionally leaves ample latitude for healthy competition among the Cantons. In this way "tailored" solutions can be found for individual enterprises.

↳ Facts 13.1 Task sharing in industry and trade promotion

13.2 Instruments of the Federal Government

About a quarter of Switzerland's territory has been designated as belonging to economic renewal areas. These are regions and areas, which due to the rapid change in economic structures, are faced with particular challenges with respect to industry diversification and labor market changes. Significant investment and innovation projects, as well as the foundation and setting up of new companies are systematically supported. Special support from the Federal Government and Cantons is frequently available.

↳ Facts 13.2 Economic renewal areas

The support of the Federal Government in favor of such innovative and economically significant investment projects foresees three different instruments:

- Guarantees for investment credits of a bank for up to one third of the total project costs for a duration of up to eight years.
- Interest subsidies on bank credits within the same scope, which are intended as start-up aid and are limited to five years.
- Tax relief in the form of complete or partial exemption from the direct Federal tax for a period of up to 10 years.

These federal assistance programs are used in conjunction with the activities of the Cantons. The Cantons must participate in the corresponding project at least to the same extent as the Federal Government. The application procedure is always handled through the Cantons; the Cantonal industry and trade promotion offices, which accept such applications also provide information on applicable procedures.

↳ Facts 13.2 Federal assistance programs for economic renewal areas

13.3 Cantonal assistance

The Swiss Cantons have implemented a variety of industry and trade promotion programs of their own. They have their own industry and trade promotion offices; in a few cases, they are staffed jointly by several Cantons. During the last decade most of them have expanded their efforts. Today, all Cantons offer tax relief as an incentive. The other instruments vary from Canton to Canton because of different situations and regional economic conditions. The principal incentives offered by most Cantons are:

- Premises and land made available at favorable conditions
- Interest cost subsidies, loans at reduced interest rates or even interest-free loans
- Guarantees (issued directly or arranged through third parties)
- Contributions to the training or re-training of personnel
- Cost contributions for the planning and development of land

The availability and the mix of the various instruments as well as their scope generally depend on the specific investment project. This leaves room for individual solutions. After a preliminary evaluation the project should, therefore, be discussed with the industry and trade promotion offices of the interested Cantons. Location:Switzerland will be glad to assist in support of the process.

↳ Facts

- 14.1 Addresses of the Cantonal Economic Development Offices
- 14.3 Checklist for domiciling/investment projects

13.4 Administrative support, door opener services

Due to globalization and the increasing mobility of various production factors, quick and unbureaucratic access to the authorities, efficient permitting procedures and assistance in administrative questions are particularly important for decision-makers of a company. Location:Switzerland and its partners recognize the importance of providing efficient and unbureaucratic answers to potential investors. Assistance will be available concerning:

- Coordination in obtaining construction permits, residence and work permits, investigation of legal aspects and procedural questions
- Advice on the purchase of premises and land
- Introduction to consultants

Location:Switzerland is the central contact point for all information concerning Switzerland as a business location.

See chapter 14.1

↳ Facts 14.1 Addresses

Establishing a business in Switzerland usually begins in small steps. Certain contact points that focus specifically on the small and medium business segment are of primary interest for such expansion and investment projects.

The KMU Task Force provides up-to-date information on the basic conditions and environment for small and medium sized companies (KMU). It simplifies access to special support institutions that specialize in helping small businesses, for example, commercial guarantees.

See chapter 3.2

↳ www.kmuinfo.ch

In connection with R&D projects, the Commission for Technology and Innovation (KTI) supports cooperation between the private sector, education and research institutes through various time-limited initiatives. The initiative for projects which is not pre-defined by any government agency, is taken either by the companies based on the market development, or by the education and research institutes.

See chapter 11.3

↳ www.admin.ch/kti

13.5 Export promotion

Frequently, foreign companies use their domicile in Switzerland as a platform for penetrating new markets in and outside the EU. Because of its well-established trade relationships to threshold countries and third world countries, Switzerland is a particularly favorable location. A company domiciled in Switzerland can use the instruments of Swiss export promotion.

Swiss Office for Trade Promotion OSEC

OSEC coordinates the contact points in Switzerland (chambers of commerce, associations) and the external network (embassies, export support points and consulates). It takes particular interest in the needs of small and medium-sized companies. The principal responsibilities of OSEC are:

- Identifying and exploiting export possibilities.
- Positioning exporters with a Swiss domicile as internationally competitive suppliers.
- Supporting their access to foreign markets.

The key services of OSEC are:

- Information on foreign markets
- Consultation on the assessment of the export capability and creation of action plans in the area of export strategies
- Coaching of small and medium companies in exporting
- Export marketing through trade fair participation, door opener services, economic policy mandates, and information on Swiss products.

↳ www.osec.ch Swiss Office for Trade Promotion OSEC

ERG Export risk guarantee

The export risk guarantee relieves the exporter of certain risks when transacting business in foreign countries. This guarantee protects the exporter against risks that neither he nor the foreign buyer can influence and for which no other coverage can be obtained at reasonable costs:

- Political risks such as transfer difficulties or moratoria (extraordinary government action and political events in the foreign country which prevent private debtors from fulfilling their obligations),
- Risk of non-payment by public sector customers, government owned or private banks, or by public utilities (e.g. power producers).
- Manufacturing risk, i.e. the risk that it may not be possible to deliver goods manufactured to a customer's specification as a result of political events or government action abroad.

Maximum coverage under the guarantee is 95%. The damage is reimbursed six months after the event, provided no other period has been agreed upon. ERG coverage can be requested for the export of consumer goods, investment goods, for construction, engineering and other services, for license and know-how agreements. Export transactions for which payment may be at risk because of political and economic instability in the buyer's country, can be facilitated through the ERG. Payment refusal of private buyers and damage due to justified deficiency complaints are not covered.

The ERG is a Federal institution. It is not intended as competition to private insurers but as a supplement. It is financially self-sustaining, with premiums being commensurate with the risk and payable by the beneficiary.

↳ www.swiss-erg.com Office of the ERG Export Risk Guarantee Agency, services and terms of business

Annex

14.1 Addresses

Switzerland is a business location with many facets. But it is not difficult to find your way around because Location:Switzerland is here to assist and advise you on all questions related to setting up a business in Switzerland. In addition Location:Switzerland also acts as a door opener to the Cantonal industry and trade promotion offices, as well as to all government offices and institutions that could be of interest to investors in connection with their investment plans.

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↳ Facts 14.1 Complete list of the Cantonal Economic Development Offices as well as all government agencies and institutions that could be of interest to the investors in connection with their investment plans (will be updated)

14.2 Abbreviations

Those looking at Switzerland as an investment option will frequently be confronted with business and country-specific abbreviations. Some of the most frequently mentioned abbreviations in this handbook and in the documentation of the Cantonal industry and trade promotion offices are spelled out below.

AHV	Social security insurance system (government sponsored)
ALV	Unemployment insurance
BAG	Federal Office for Public Health
ASTAG	Swiss Association of Road Transport Companies
BFS	Federal Office for Statistics
BVG	Federal law on compulsory company-sponsored pension plans
CHF	Swiss franc
EFTA	European Free Trade Association
EO	Wage continuation during militia service
ERG	Export risk guarantee
EPFL	Swiss Federal Institute of Technology, Lausanne
ETHZ	Swiss Federal Institute of Technology, Zurich
FOCA	Federal Office for Civil Aviation
GAV	Collective tariff agreement
IGE	Institute of Intellectual Property
IMD	International Institute for Management Development
IV	Disability insurance
KTI	Commission for Technology and Innovation
KVG	Health insurance law
OR	Swiss Code of Obligations
OSEC	Swiss Office for Trade Promotion
SECA	Swiss Equity Capital Association
seco	State Secretariat for Economic Affairs of the Swiss Federal Department of Economic Affairs
SWX	Swiss stock exchange
VVG	Insurance policy law

↳ Facts 14.2 Abbreviations, continuous addition

14.3 Checklist for domiciling/investment projects

Entrepreneurs or consultants who shortlist Switzerland as a possible location for expanding an existing operation or establishing a new business, usually look for more than generally accessible data. What they need is information from specialized sources. Short and direct paths to know sources in the early phases of an evaluation help to save time and costs. Here, Location:Switzerland provides assistance at no charge as a central consultant.

Beginning with the initial contact with Location:Switzerland the following type of information will be gathered to facilitate the investment process:

- Prospective investor (company, contact person, telephone/fax/e-mail)
- Corporate data (parent company, subsidiaries, commercial register information)
- Nature of the business (goods/services, planned activities in Switzerland)
- Real estate requirements (leasing objects, buildings, buildable land, broken down by type of utilization)
- Infrastructural requirements (traffic, energy supply, waste disposal, emissions)
- Personnel requirements (groups of professions, qualifications, number; short, medium and long-term)
- Work and residence permits (requirements by personnel categories, numbers)
- Economic ties to Switzerland (existing, desired)
- Site preferences or exclusions (within Switzerland, reasons)
- Time schedule or expectations for the implementation of the project in Switzerland
- Supplementary information (own information concerning the projects)
- Information on how Location:Switzerland came to the attention of the interested party
- Enclosures (company documentation)

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↳ Facts 14.1 Detailed checklist for investor inquiries

↳ www.locationswitzerland.ch Senior Representative for Europe of Location:Switzerland

↳ www.swissemb.org/ls Senior Representative for North America of Location:Switzerland

14.4 Glossary

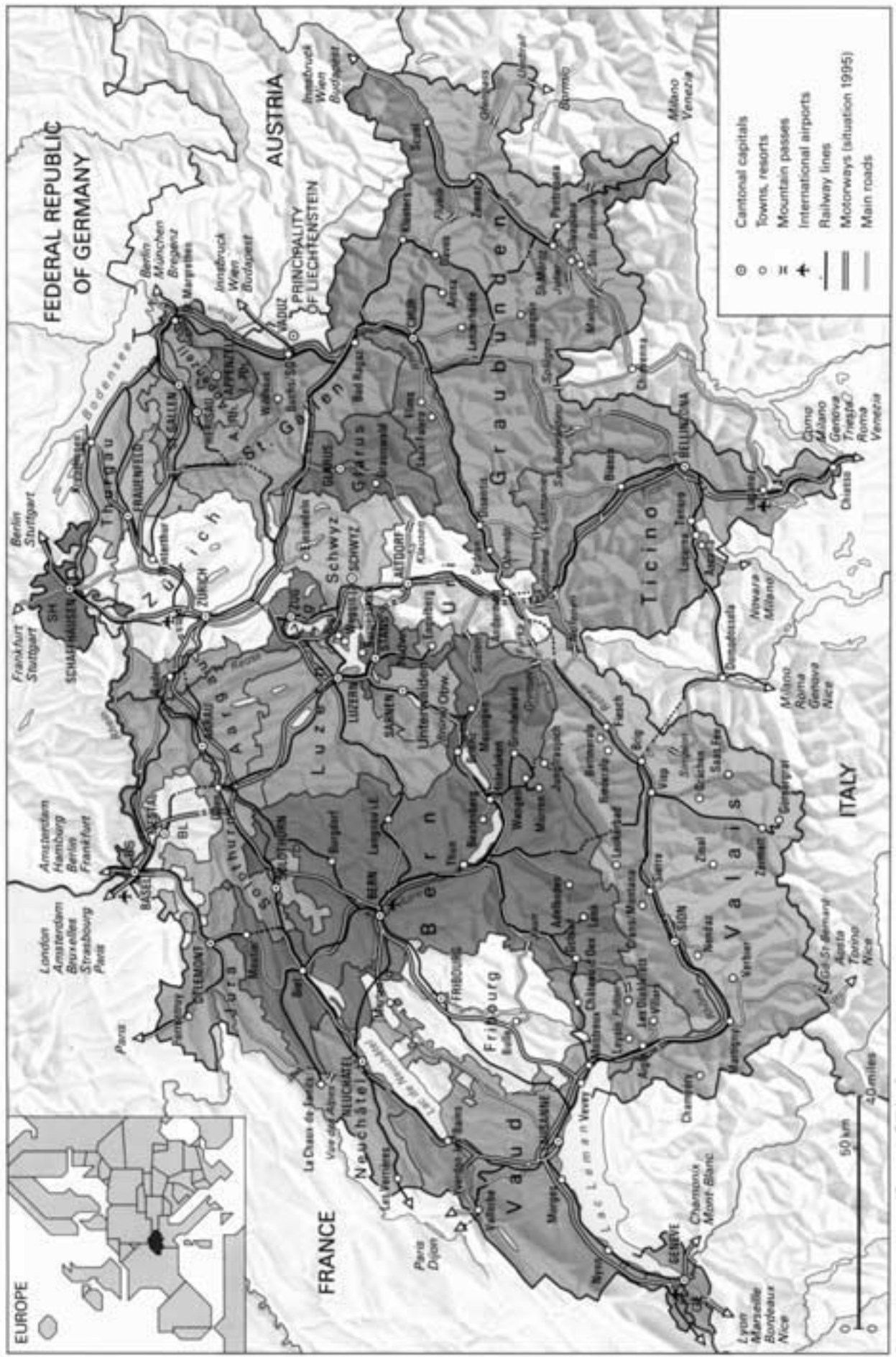
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