Deloitte & Touche

Quick Guide to Taxation in Switzerland

Deloitte & Touche

Quick Guide to
Taxation in Switzerland

Table of contents

Switzerland is a landlocked country situated in west central Europe. It has several neighbors – Austria, France, Germany, Italy and Liechtenstein – and is an important crossroads for continental and intercontinental traffic. Switzerland has an area of approximately 41'300 square Kilometers (15'900 square miles) and a population of about 7.3 million.

Switzerland is a federal republic; it is divided into 26 constituent states, called cantons, as well as more than 3'000 municipalities. The cantons have considerable independent powers, so foreigners proposing to open a business in Switzerland should consider the laws of the canton in which they plan to operate. A politically neutral state, Switzerland is a member of the United Nations (UN) as well as the European Free Trade Association (EFTA). It has four national languages – German, French, Italian, and Romansch. However, English is also often used in business.

Tax Services: Tony Widler, Zurich / Yvon de Coulon, Geneva

Telephone – Zurich: +41 (1) 421 60 00
Facsimile – Zurich: +41 (1) 421 66 66

Telephone – Geneva: +41 (22) 747 70 00
Facsimile – Geneva: +41 (22) 747 70 70

Telephone – Basle: +41 (61) 285 14 14
Facsimile – Basle: +41 (61) 285 14 15

1. Investing in Switzerland

Forms of Business Organization. The principal forms of business entities in Switzerland include the corporation and the general partnership. Other forms include the limited liability company, branch, limited partnership, and partnership limited by shares. Foreigners usually choose to form corporations, which are subject to corporate taxes, as are branches, limited liability companies, and partnerships limited by shares.

The other partnerships are not liable for corporate taxes, the partners being taxed on their individual shares.

Currency. The monetary unit is the Swiss franc (CHF).

Exchange Controls. There are no restrictions on inward or outward investments.

Local Participation or Management Requirements. The majority of members of a corporation's board of directors must be Swiss citizens resident in Switzerland; if there is only one board member, that individual must be a resident Swiss citizen.
Each director must hold at least one share. There are comparable rules for other entities.

Investment Incentives. Switzerland's central location in Europe, stability, skilled labor force, banking secrecy, and international financial expertise make it attractive to new investors. The promotion of new activities is largely a matter for the cantons, but the federal government provides support. The major types of incentives are interest subsidies, job-related subsidies, guarantees, and administrative assistance. Real estate may be made available for commercial and industrial purposes at preferential terms. A federal tax holiday may be granted to a business that relocates to an area in need of economic development and federal tax incentives are available for certain Swiss Venture capital investments. The Tax Harmonization law allows cantons to grant tax holidays of up to ten years to new enterprises and to significant expansion projects of existing companies. The condition for such tax reliefs are that the companies are of a certain economic importance for the canton. Moreover, all cantons allow tax benefits for foreign-source income and grant income tax exemptions to domiciliary companies/mixed companies (those registered in the canton, but with no or limited activities there) and to holding companies. Privileged tax treatment is also available to companies performing management services for related or subsidiary companies, such as those coordinating international sales and/or those conducting international headquarter operations.

2. Federal Tax Harmonization Law

As per January 1, 2001 the Federal Tax Harmonization Law is directly applicable where the 26 cantons have not yet adjusted their cantonal and communal law to the federal provisions, i.e. conflicting cantonal and communal rules are overridden by the new provisions. With the Harmonization Law cantons and municipalities received a framework law which contains principles of tax liability and standardized assessment over time etc. However, tax rates and tax-free allowances are still within the jurisdiction of the respective cantons.

3. Taxation of Resident Entities

Resident companies are taxed on their worldwide income and capital, excluding income from - and capital in - foreign permanent establishments and foreign real estate. Excluded items are, however, taken into account for determing the tax rates. Income taxes are imposed on three levels, namely on federal, cantonal and communal level. Net wealth taxes are, however, imposed only on cantonal and communal level.

Corporate Tax Rates. The federal tax is levied on net income (whether distributed or not) at 8.5%. Since taxes are deductible, the effective rate is slightly below 8%.

The cantons and municipalities impose taxes at higher rates. Several cantons apply a flat rate, others apply progressive tax rates, calculated by means of two or even three-graded tariffs. The tax rates vary significantly from canton to canton and within the canton from municipality to municipality. Depending on the locality and not considering any privileged tax status, the approximate minimum is 6% and the approximate maximum 30%.

Taxes are deductible, so effective rates are lower. For an ordinarily assessed company located in the city of Zurich, for example, the effective overall minimum income tax rate is approximately 15.4% and the maximum approximately 24.7%, taking into account federal, cantonal, and communal taxes.

Taxable Income. Taxable profits are, in general, determined by reference to Swiss generally accepted accounting principles, as adjusted for tax purposes.

Inventory valuation. Inventories must be stated at the lower of cost or net realizable value. This value may be reduced by a tax-free reserve of one-third.

Dividend income. Swiss dividends received are taxed on their gross amount, but the withholding tax is refunded upon application. Stock dividends are not regarded as income unless they are reflected in the books. Dividend income is basically exempt from federal tax when received by a company holding a substantial interest (shares worth at least CHF 2 million or constituting at least 20% of equity) in the payer. Cantons apply similar provisions.

Foreign-source income. Exemption is given unilaterally for income from and the value of a foreign permanent establishment or foreign real estate when no treaty applies. Foreign dividends, interest, and royalties are assessable, and a lump-sum tax credit for foreign non-recoverable taxes is given only if a double tax treaty provides for it.

Exchange differences. Realized exchange gains are taxable, and realized losses deductible. Unrealized losses are deductible, but unrealized gains are taxable only when reflected in the books.

Capital gains. Capital gains (the difference between the sales price and acquisition costs) are treated as income for federal and cantonal tax purposes. In some cantons, gains from disposals of real estate are normally excluded from income; instead, real estate gains tax is charged on them (see “Real Estate Taxes” at 11). For federal income tax purposes, an exemption similar to the exemption applicable to dividend income applies to capital gains on sales of qualifying participations. The exemption is granted if the company has held at least 20% of the capital of the participation for at least one year prior to the sale. In the case of participations held on January 1, 1997, the exemption applies only if the participation is sold after January 1, 2007. Special rules apply to group transactions.

Deductions. All economically justified expenses are deductible.

Depreciation. Depreciation is allowed for all assets that decline in value. Normally, the declining-balance method is used, but the straight-line method is also acceptable. Federal declining-balance rates include 4% for commercial property, 8% for industrial buildings, 25% for office furniture and equipment, 30% to 40% for manufacturing machinery, and 40% for motor vehicles and capitalized goodwill. Cantonal rates ordinarily do not differ significantly from federal rates.

Interest. Interest is deductible as a normal business expense. However, interest paid to related parties is subject to maximum rates which are defined by the Federal Tax Authority on a yearly basis. Interest is also subject to thin capitalization rules (see 5).

Directors' remuneration. Director fees are normally deductible, but excessive fees may be regarded as hidden profit distributions and treated accordingly.

Taxes. Direct and indirect taxes may be deducted for federal and cantonal tax purposes.

Provisions. Provisions are deductible if they reflect normal commercial practice. A general provision for doubtful debts may be created, usually (e.g. canton of Zurich) up to 5% to 10% of domestic receivables and 10% to 20% of foreign receivables. Enterprises may set up a tax-free job creation reserve under federal and most cantonal laws subject to conditions.

Other items. Dividends paid in any form are generally not deductible. Gifts made in the normal course of business are deductible, as are charitable donations to qualifying Swiss institutions (up to 10% of net income for direct federal purposes, e.g. 20% of net income in the canton of Zurich).

Tax Treatment of losses. Losses (including capital losses) incurred in the normal course of business are deductible. Taxpayers may carry forward losses to a maximum of seven years. This rule applies for direct federal as well as cantonal and communal tax purposes. Neither federal nor cantonal laws allow for the carry-back of losses.

4. Taxation of Non-resident Entities

Non-resident companies are taxed in Switzerland on the same basis as the type of Swiss company that they most closely re-semble. Branches may be taxed on income from (or the value attached to) Swiss source and on foreign sourced income. The Swiss income and value of a Swiss permanent establishment may be arrived at either by apportioning worldwide figures or by adopting the permanent establishment's accounting figures. The rules for computing taxable profits generally follow those for resident companies, and tax rates are the same for resident and non-resident companies.

5. Tax Treatment of Groups of Companies

There are no provisions permitting fiscal unification of companies either internally or on an international level, nor are there provisions permitting the transfer of losses between companies. In principle, assets may not be transferred between companies free of tax, but there are exceptions in the case of restructuring.

Debt-to-equity ratios between 4:1 and 6:1 are usually acceptable, but thin capitalization rules vary according to the composition of the assets and the type of company involved. For finance companies the maximum interest bearing liabilities may not exceed 6/7 of the total of the balance sheet.

Capital tax is also due on outside capital which economically must be regarded as equity.

The tax authorities closely investigate inter-company transfer pricing if it does not reflect arm's length principles. There are no specific rules for international transactions.

6. Tax Treatments of Branches and Subsidiaries Compared

Although branches of foreign companies are not separate legal entities, the rules for computing their taxable profits are broadly the same as for resident entities. The table on page 9 offers a comparison of the two forms.

There are no specific provisions governing the conversion of a branch into a subsidiary. The tax consequences are similar to

TABLE Branch Versus Subsidiary Comparison		
	Branch	**Subsidiary**
Federal, cantonal, and communal income taxes	Same rates as for a subsidiary	Same rates as for a branch
Withholding tax	Not levied on profits remitted to a foreign head office	Levied on dividends paid to a foreign parent
Interest and royalties	Generally not deductible when paid to a foreign head office	Deductible when paid to a foreign parent

those arising in mergers and reorganizations, and entitlement to tax reliefs depends on a number of conditions being fulfilled. It is advisable to reach an agreement on these matters with the tax authorities in advance.

7. Corporate Assessments and Payments

Direct federal income taxes as well as direct cantonal and communal income taxes are levied under the current assessment method. A tax period is considered the financial year of a company; that is, income taxation is based on the current financial year's profit.

Cantonal capital taxes are typically levied on the basis of the equity at the end of the tax period after profit distribution, and they are levied on the paid-in share capital at the minimum.

Corporate tax returns must be annually filed.

Annual payments for federal tax are normally required by March, 31 in the year following the assessment period. Cantonal taxes are usually levied annually in installments. Interest may be levied on late payments of both federal and cantonal taxes.

Both the taxpayer and the tax authorities may, within prescribed time limits, object to an assessment, and the objection may, if necessary, be referred to a cantonal court, to the Federal Supreme Court, or to both.

8. Taxation of Individuals

Residents are subject to federal, cantonal and communal taxes on their worldwide income. However, foreign income from real estate or a business situated abroad is added to the taxable Swiss income only for the purpose of calculating the tax rates, i.e. such income is exempt from Swiss tax. In general, non-residents are subject to Swiss taxes only on income from Swiss sources, such as income from Swiss real estate, income from businesses in Switzerland and on income from other Swiss sources.

Individuals domiciled in Switzerland under civil law are deemed to be resident. However, foreign individuals not qualifying under civil law as resident are regarded as resident for tax purposes if, notwithstanding temporary interruptions, they work for at least thirty days in Switzerland or if they stay for at least ninety days in Switzerland.

Resident foreigners who do not perform work in Switzerland may apply to be taxed on an income based on their living expenses. Such expenses are deemed to equal at least five times the cost of the Swiss accommodations. Special rules apply to Swiss-source income and income affected by a treaty but, in effect, foreign-source income in excess of living expenses is exempt in Switzerland.

Special tax reliefs are available for expatriates for specific professional expenses incurred in connection with the expatriate's temporary assignment to Switzerland. Under certain conditions the expenses for moving to and from Switzerland, Swiss housing, schooling of minor children in foreign language speaking private schools can to a large extent be claimed as a deduction against the taxable income.

Treatment of Families. For federal as well as for cantonal and communal tax purposes, married couples are, except in the year of their marriage, taxed as a unit. Separated or divorced couples are taxed separately.

Taxable income of a household is the total of the combined taxable earnings of both husband and wife. Married couples are granted higher deductions than single persons, and they are usually taxed at lower rates; a special relief is granted if both spouses earn income.

Income of dependent children (children up to age seventeen) is normally taxed together with their parents' income. The only exception of this rule applies for dependent children earning income from a gainful activity. Such income of dependent children is subject to Swiss income taxes and taxed separately.

Tax Rates. Individuals pay federal income tax at progressive rates, from 0% on taxable income up to CHF 12'899 to 11.5% on taxable income over CHF 664'400 (CHF 24'999 and CHF 788'300, respectively, for a married couple). Slightly different amounts apply to the cantons of Ticino, Valais and Vaud due to the two-year assessment period of these cantons until 2003.

Cantonal and communal income tax rates vary considerably; the total charges to income tax can vary by as much as 100%. The overall rate that typically applies to managers is in the range of 20% to 30% of taxable income.

Taxable Income. Income is aggregated for federal tax purposes, regardless of its nature or source. To the extent that lump sums, such as those received under a pension scheme, are chargeable, they generally benefit from a special rate and may be viewed as a separate class of income. Cantonal and communal taxes are based on principles similar to those on which federal tax is based.

Employment Income. Employment income includes all remuneration in cash and in kind. Expenses necessarily incurred in earning this income may be deducted, including job-related travel expenses, costs for meals outside the place of residence and costs of continuing education or retraining related to the employment.

Self-employment Income. All regular and casual income from a profession, as well as income from a commercial or industrial enterprise, agriculture, or forestry, is chargeable under rules similar to those outlined as for companies.

Foreign-source Income. Refunds may be possible of taxes withheld from foreign dividends, interest, and royalties received by a Swiss resident from countries with which Switzerland has concluded a tax treaty. No refund is given if there is no treaty.

Capital Gains. Capital gains from disposals of real estate situated in Switzerland are not subject to federal tax unless they are derived from a business activity. Private capital gains from real estate are, however, generally subject to real estate gains tax (see "Real Estate Taxes" at 11). Gains on assets other than real estate are generally not taxable at all unless realized by the seller in a profession or business.

Exempt Income. Foreign income, e.g. income from real estate or a business situated abroad is only considered for the determination of the tax rate, but not taxed itself in Switzerland. Among other, capital payments deriving from life insurances with surrender value as well as income deriving from gifts and legacy are exempt from income tax.

Deductions and Reliefs. Most tax laws grant allowances for children and other persons supported by the taxpayer. Insurance premiums and medical expenses are deductible up to a ceiling, which varies considerably from canton to canton. Social security contributions payable by employees and businesses as well as alimonies are generally deductible, as are payments into an employer's pension fund and, within limits, contributions to a self-employed individual's pension fund. Interest paid up to a certain amount is deductible. The same applies for charity contributions to Swiss non-profit institutions.

9. Personal Assessments and Payments

Under the Federal Tax Harmonization Law, cantons may choose between two different assessment systems, the one-year assessment regime and the two-year assessment regime. Under the one-year assessment system the tax period and the assessment period coincide and correspond to a calendar year. The taxes due are based on the income of one calendar year. Under the two-year assessment system the taxes due are based on the average taxable income of the preceding two-year period. With the exception of the cantons of Ticino, Valais and Vaud, which have decided on the two-year assessment method, the cantons levy income tax for periods comprising one calendar year. This system is also used on the federal level.

The dates for filing returns vary significantly. Generally the tax return has to be filed until end of March following the calendar year. However, extensions are normally available. All individuals are required, as a rule, to submit a return, even if no taxes are due. Families usually file only one return.

At federal, cantonal and communal level, foreign em-ployees without a permanent residence permit are subject to a withholding tax at source on income from gainful employment. If his or her annual Swiss salary exceeds CHF 120’000, the employee must file an ordinary tax return. Directors, mortgage creditors, recipients of social security payments, and so forth who are living outside of Switzerland may also be subject to withholding tax at source on the corresponding Swiss income.

10. Withholding Taxes

Basic Rates. The standard withholding tax rate on payments of dividends, as well as interest on bank deposits and bonds is 35%. This rate applies to resident and non-resident companies as well as to resident and non-resident individuals. There is no withholding tax on interest paid on ordinary loans. Also no withholding tax is imposed on payments of rents and royalties.

The Direct Federal Tax Law and the Federal Tax Harmonization Law provide for a withholding tax on interest payable to foreigners on particular types of secured loans on property. On direct federal level the applicable tax rate is 3% on gross interest due, on cantonal level the rate varies, depending on the location of the property. For the canton of Zurich a rate of 14% is applied on gross interest due.

TABLE
Witholding Tax Rates for Treaty Countries

Country of Recipient[a]	Dividends: Major Rate (%)	Dividends: Minor Rate (%)	Dividends: Major Holding (%)	Interest[b] (%)	Royalties[c] (%)
Australia	15	15	—	—[d]	—
Austria	0	5	20	—	—
Belgium	10	15	25	—[d,t]	—
Bulgaria	5	15	25	—[d,t]	—
Canada	5	15	10	—[d]	—
China	10	10	—	—[d]	—
Czech Republic	5	15	25	—	—
Denmark	—	—	—	—	—
Ecuador	15	15	—	—[d]	—
Egypt	5	15	25	—[f]	—
Finland	0	5	20	—	—
France	—[s]	15	10	—	—
Germany	5[g]	15[g, h]	20	—	—
Greece	5	15	25	—[d]	—
Hungary	10	10	—	—[d]	—
Iceland	5	15	25	—	—
India	10	10	—	—[i]	—
Indonesia	10	15	25	—[d]	—
Ireland	10	15	25	—	—
Italy	15	15	—	—[j]	—
Ivory Coast	15	15	—	—[f]	—
Jamaica	10[k]	15[k]	10	—[d, l]	—
Japan	10	15	25	—[d]	—
Korea	10	15	25	—[d]	—
Liechtenstein	35	35	—	—[u]	—
Luxembourg	—[k, m]	15[k, m]	25	—[d]	—
Malaysia	5	15	25	—[d]	—
Mexico	5	15	25	—[n]	—
Morocco	7	15	25	—[d]	—
Netherlands	—	15	25	—	—

continued on page 15

continued from page 14

Country of Recipient[a]	Dividends Major Rate (%)	Dividends Minor Rate (%)	Dividends Major Holding (%)	Interest[b] (%)	Royalties[c] (%)
New Zealand	15	15	—	—[d]	—
Norway	5	15	25	—	—
Pakistan	15	35	33.33	—[f]	—
Poland	5	15	25	—[d]	—
Portugal	10	15	25	—[d]	—
Romania	10	10	—	—[d]	—
Russia	5[o]	15	20	—[v]	—
Singapore	10	15	25	—[d]	—
Slovakia	5	15	25	—[d]	—
Slovenia	5	15	25	—[e]	—
South Africa	7,5	7,5	—	—[p]	—
Spain	10	15	25	—[d]	—
Sri Lanka	10	15	25	—[d, l]	—
Sweden	—	15	25	—[e]	—
Thailand	10	15	10	—[f]	—
Trinidad and Tobago	10	20	10	—[d]	—
Tunesia	10	10	—	—[d]	—
Ukraine[q]	35	35	—	—	—
United Kingdom	5	15	25	—	—
United States	5	15	10	—	—
Venezuela	—	10	25	—[e]	—
Vietnam	7[r]	15[r]	50	—[d]	—

a. The 1954 treaty with the United Kingdom was extended by an exchange of notes to a number of members of the British Commonwealth. However, the extension does not lower the non-treaty rates on dividends and interest.

b. Under Swiss domestic law, only interest derived from deposits with Swiss banks, bonds, and bondlike loans is subject to withholding tax (at 35 %) on the federal level (although professional assistance should be sought to determine whether a payment is taxable). Interest paid on mortgages secured by Swiss real estate is subject to withholding tax in most cantons.

c. Switzerland does not levy a tax on royalties; therefore, royalties are always exempt, regardless of treaty provisions.

d. The treaty rate is 10 %, but the non-treaty rate applies when it is lower. In the case of Canada, Ecuador, Jamaica, Japan and Korea, the treaty provides a zero rate in special cases.

continued on page 16

continued from page 15

e. The treaty rate is 5 %, but the non-treaty rate applies when it is lower.

f. The treaty rate is 15 %, but the non-treaty rate applies when it is lower. The treaty provides a zero rate in special cases.

g. If the payer is a power plant as specified in the treaty, the rate is 5 % regardless of the size of the holding.

h. The rate is 30 % on profit-sharing bonds.

i. Under the treaty the rate is generally 10 %. The rate is 0 % if the loan is approved, guaranteed or insured by a public office. However, the non-treaty rate applies where it is lower.

j. The treaty rate is 12.5 %, but the non-treaty rate applies when it is lower.

k. Non-treaty rates apply to certain entities eligible for incentive regimes.

l. If the recipient is a bank or, in some cases, other financial institution, the treaty rate is 5 %.

m. Exemption applies if the recipient is a company that has held directly at least 25 % of the capital of the payer for two years prior to payment of the dividend. If the recipient has held at least 25 % of the capital of the payer for fewer than two years, the rate is 5 %. Otherwise, the rate is 15 %.

n. Under the treaty the rate is generally 15 %; however, if the interest is paid to a bank the rate is 10 %. The non-treaty rate, however, applies when it is lower. The treaty provides a zero rate in special cases.

o. The foreign capital invested must exceed CHF 200’000 or the equivalent in another currency.

p. The non-treaty rate applies when the interest is not taxable under South African law. When the interest is taxable in South Africa, the treaty rate is limited to 10 %. The non-treaty rate always applies when it is lower.

q. These rates apply under the treaty signed with the Soviet Union. Application of the treaty to members of the Commonwealth of Independent States (other than Ukraine) must be checked in advance with the Swiss Federal Tax Administration on a case-by-case basis.

r. The 7 % rate applies if the recipient is a company that holds directly at least 50 % of the capital of the payer. If the recipient holds between 25 % and 50 % of the capital of the payer, the rate is 10 %. Otherwise, the rate is 15 %.

s. The rate of 15 % applies if the recipient is a company which is controlled by non-EU residents unless the shares of the recipient or the payer are stock exchange quoted or traded over-the-counter.

t. Interest is exempt if paid
   1. in connection with the sale on credit of any industrial, commercial or scientific equipment; or
   2. in connection with the sale of credit of any merchandise by one enterprise to another; or
   3. on any loan of whatever kind, not represented by bearer securities, granted by a bank.

u. Interest on a loan secured on real estate in a Contracting State and paid to a resident of the other contracting state, can only be taxed in that other state.

v. The rate is 10 %, however in case of loans granted by a bank the rate will be 5%. The non-treaty rate applies when it is lower. Interest shall be exempt if paid:
   1. in connection with the sale on credit of any industrial, commercial or scientific equipment; or
   2. in connection with the sale of credit of any merchandise by one enterprise to another entreprise.

Resident individuals may generally credit the tax withheld against their income tax liabilities (and recover any excess). Companies are not granted a credit but may apply for a refund from the federal tax authorities. Non-residents are not, as a rule, entitled to relief in the absence of a treaty, and the withholding represents their final liability.

Rates Under Double Tax Treaties. Most of Switzerland's treaties are based on the Model Treaty of the Organization for Economic Cooperation and Development and grant foreign tax credits. The table on the pages 14 – 16 gives current treaty withholding tax rates.

11. Other Taxes

Value Added Tax. Switzerland levies a value added tax (VAT), similar to that applied in most European Union member states. In principle, VAT is levied on the consumption of goods as well as services. The liability to register for VAT is based on the yearly turnover, which must exceed CHF 75'000. The law differentiates between turnovers which are excluded (tax exempt without credit, e.g. services performed in the areas of health, social services, social security, education, cultural activities, insurance sales, turnover in the area of money and finance, etc.) and those which are exempt (tax exempt with credit, e.g. turnovers concerning export deliveries, transport services over the border, services to be used or evaluated abroad etc.). For the determination of the tax liability, exempt supplies and services are not taken into account in determining the VAT liability. Furthermore, VAT applies to those persons, who receive services from abroad for more than CHF 10'000 per year and those who are subject to import duty taxes.

However, exempt from the tax liability are persons with an annual turnover of up to CHF 250'000 in so far that after the deduction of input tax, the remaining tax liability would regularly not exceed CHF 4'000 a year.

VAT registered entities are entitled to deduct input VAT provided the acquired goods and services are used for the production of taxable supplies of goods and services, for turnover for which the option to tax was exercised or for activities which would be taxable if the person were to carry them out within the Swiss territory.

The standard rate of VAT is 7.6%, but hotel services are taxed at a rate of 3.6%. Some basic supplies, such as food and beverages (with the exemption of alcoholic beverages), medication, newspapers and books benefit from a 2.4% rate.

Social Security Contributions. Social security contributions are administered partly by the federal government, partly by cantonal governments, and partly by private institutions under government supervision. The main types of contributions are the following:

- Contributions for the federal old-age, survivors' and disability insurance. The contributions amount to 10.1% of the wages and salaries paid, however, the contributions are shared equally between employees and employers.

- Contributions to retirement plans to be organized by employers supplementing the above and providing minimum pension benefits. The contributions vary considerably, however generally the contributions amount to 10% to 15% of the wages and salaries paid. The employer must bear at least half of the contributions.

- Contributions to the family allowance plan at rates varying from 0% to 3.3% of total wages and salaries paid. The employer must bear the full contribution.

- Contributions for federal unemployment insurance equal to 3% of wages and salaries paid up to an annual gross income of CHF 106'800. Wages and salaries that exceed CHF 106'800 but are no more than CHF 267'000 are subject to an additional contribution of 2%. The total contribution is shared equally between employees and employers.

Foreigners employed or resident in Switzerland are liable for contributions, but they may claim relief from old-age and survivors' contributions under a social security treaty. Switzerland has treaties with most European countries and the United States.

Stamp Tax. A stamp tax at a rate of 1% is currently charged on the issuing of shares, bonds, share and participation certificates and money market securities. In the course of a foundation or capital increase, the first CHF 250’000 of nominal share capital is exempt. A stamp duty of 2.5% applies to life insurance policies that are financed by single premiums. Duty on the transfer of securities is charged on Swiss dealers for Swiss and foreign securities as well as on foreign members of the Swiss stock exchange dealing with stock quoted Swiss securities. The transfer tax rate amounts to 0.15% on the sales price of Swiss securities and 0.3% on the sales price of foreign securities.

Capital Taxes. No capital tax is levied in Switzerland on federal level. Cantons and municipalities levy capital taxes at rates that vary within a range of approximately 0.08% to 0.53% for ordinary taxed companies. Significantly lower capital tax rates are levied for companies with a special tax status (holding, domicile and mixed companies)

Trade Tax. There are no federal trade taxes and no cantonal or communal trade taxes except a professional tax levied in the canton of Geneva and similar levies termed “minimum taxes” charged in other cantons. The Geneva professional tax rate depends considerably on the activity of the taxable person. The minimum rate amounts to 0.02%, the maximum rate in Geneva is 0.6% of the total trade.

Net Worth Taxes. No federal net worth tax is levied on individuals, but the cantons and municipalities do levy net worth tax. Rates are progressive; they generally do not exceed 1% of the tax base.

Real Estate Taxes. The only capital gains tax for individuals is a cantonal tax on real estate gains. The real estate tax rate depends on the capital gain and on the period of ownership. The lower the gain and the longer the period of ownership the lower is the tax rate. There are considerable differences within Switzerland. Short term real estate capital gains may be taxed at rates up to 60% in some cantons whereas long term gains may be taxed at considerably lower rates or not taxed at all. Furthermore, most cantons levy real estate transfer tax at rate of up to 4%, averaging 1%, on the value of real estate transferred. Again the period of ownership is decisive for determining the tax rate. In addition, some cantons and municipalities levy an annual real estate property tax.

Inheritance and Gift Taxes. Inheritance and gift taxes are levied at varying rates at the cantonal level. The canton of Schwyz has no such taxes, and the canton of Lucerne has no gift tax. Several cantons do not levy inheritance tax on direct descendants. Generally, non-residents are liable for these taxes if the deceased or donor was resident in Switzerland or the property is Swiss real estate. A number of double tax treaties are in force.