



GLOBAL
EMPLOYER
GUIDE

SWITZERLAND





Basic Country Facts

Full name

- Swiss Confederation

Capital

- Bern (de-facto capital)

Main Languages

- German
- French
- Italian
- Romansh

Population

- 8.57 million

Monetary unit

- Swiss Franc

Internet domain

- .ch

International dialing code

- +41

Currency

- Swiss Franc

STATUTORY LABOR REQUIREMENTS

Probation Period

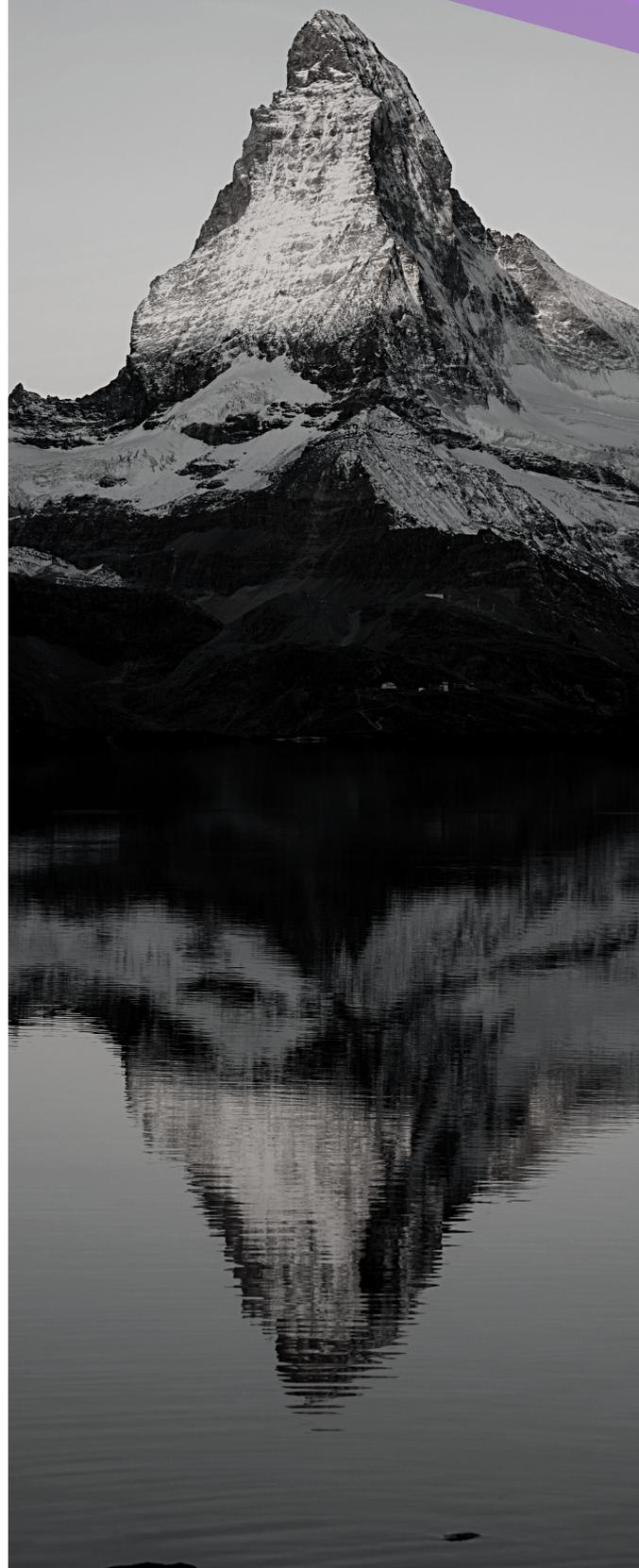
- The first month of the employment relationship is deemed to be the probationary period.
- By written agreement, the parties may extend the probationary period up to a maximum of three months (in exceptional cases, six months for apprenticeships), shorten or waive it entirely.

Annual Leave

- Currently, the legal minimum number of holidays in Switzerland is four weeks (20 days) per year, or five weeks for those under the age of 20.
- However, contracts – individual or collective – can, and often do, provide for a higher number of annual days.
- Employees over 50 years of age are often granted more paid leave.

Public Holidays

- There are 26 cantons (states) that make up Switzerland and each canton sets its public holidays independently. The exception is National Day, which is the only federal holiday.
- Most of the cantons celebrate the following public holidays, for which employees are given the day off, including:
 - New Year's Day (1st January)
 - Good Friday (10th April)
 - Easter Monday (13th April)
 - Ascension Day (21st May)
 - Whit Monday (1st June)
 - Swiss National Day (1st August)
 - Christmas Day (25th December)
 - St. Stephen's Day (26th December)



Maternity Leave

- Maternity leave is a legal right in Switzerland and employees are eligible for maternity pay after at least three months in continuous employment with the same employer, provided that social insurance contributions have been made for a minimum of 9 months and that a minimum of five of these months were spent in employment.
- A new mother will be paid at 80% of her full wage for 14 weeks after childbirth (or CHF 196 where 80% of salary would exceed this figure).
- Only the canton of Geneva differs, extending this to 16 weeks.
- The mother is also protected against dismissal during the pregnancy and for 16 weeks after giving birth.

Paternity Leave

- There is currently no statutory paternity leave, new fathers may at the discretion of their company be permitted to take paid leave, although this varies from a single day to five days according to the employer.

Sick Leave

- Sick leave entitlement depends on the number of years' service in Switzerland and an employee has to be continuously employed for three months to qualify for payment.
- During the first year of work, an employer will be expected to pay a maximum of 3 weeks of sickness pay (depending on the canton), but is entitled to ask for a doctor's certificate for an absence of more than 3 consecutive days.

- After a year, the period for which a sick employee would be paid will depend on the canton, length of service, and other conditions.
- Sick leave insurance (KTG) provides coverage for 730 days in total out of 900 consecutive days.

Work Hours

- The standard work week in Switzerland is 45 hours for industrial workers, office personnel, technical personnel, and retail employees.
- For all other workers, the limit is fixed at 50 hours.

Overtime

- The standard work week in Switzerland is 45 hours for industrial workers, office personnel, technical personnel, and retail employees.
- For all other workers, the limit is fixed at 50 hours.

Notice Period

- Dismissal during the probationary period requires 7 days' notice.
- For dismissals during the first year of employment, a month's notice is standard.
- This increases to 2 months from the 2nd to the 9th year of employment and to 3 months from the 10th year of employment onwards.
- It may be possible for an employer and employee to agree to an immediate termination of contract where it is of mutual benefit.





Severance

- Under the Code of Obligations (Articles 339b et seq), severance payments must only be paid if the employee affected is over the age of 50 and has worked for more than 20 years for the same employer.
- In that case, the statutory minimum severance payment is equal to two months' salary.

13th Month

- 13th month pay is customary in Switzerland
- In December, an employee receives, in effect, two months' salaries (which helps pay their end-of-year bills, Christmas and New Year expenses, etc).



Income Tax

- All tax-resident individuals are taxed on their worldwide income and wealth.
- Non tax-resident individuals are only taxed on Swiss sources of income and wealth.
- Income taxes are levied at three different levels:
 - at the federal level (which is the same all over Switzerland),
 - at the cantonal level (which is the same within a certain canton and is based on the canton's own tax law and tax rates), and
 - at the municipal level (municipalities follow the cantonal tax law, but are entitled to set their own communal tax rate within certain parameters).
- Income tax rates are progressive at the federal level and in most of the cantons.
- Some cantons have recently introduced flat rate taxation.
- All income is taxed on the basis of the same tax return with generally the same tax rate (i.e. all income sources are added together), and from such total income all applicable deductions are subtracted.
- This results in an applicable tax rate that is levied on all taxable income. Based on applicable double taxation treaties (DTTs), the actual taxable income in Switzerland may differ from the tax rate determining income.
- Furthermore, dividend income from substantial participations may be taxed at a lower tax rate based on domestic federal and cantonal law
- Maximum cantonal and municipal tax rates range from approximately 12% to 36%.



Direct federal tax on income

I - Single taxpayers

Taxable income (CHF)		Tax on column 1 (CHF)	Percentage on excess (%)
Over	Not Over		
0	14,500	-	-
14,500	31,600	-	0.77
31,600	41,400	131.65	0.88
41,400	55,200	217.9	2.64
55,200	72,500	582.2	2.97
72,500	78,100	1,096	5.94
78,100	103,600	1,428.6	6.6
103,600	134,600	3,111.6	8.8
134,600	176,000	5,839.6	11
176,000	755,200	10,393.6	13.2
755,200		86,848	11.5

Note: For taxable income above CHF 755,200 the overall tax rate will be 11.5%.



Direct federal tax on income

Married taxpayers and single taxpayers with minor children

Taxable income (CHF)		Tax on column 1 (CHF)	Percentage on excess (%)
Over	Not Over		
0	28,300	-	-
28,300	50,900	-	1
50,900	58,400	226	2
58,400	75,300	376	3
75,300	90,300	883	4
90,300	103,400	1,483	5
103,400	114,700	2,138	6
114,700	124,200	2,816	7
124,200	131,700	3,481	8
131,700	137,300	4,081	9
137,300	141,200	4,585	10
141,200	143,100	4,975	11
143,100	145,000	5,184	12
145,000	895,900	5,412	13
895,900		103,040	11.5

Note: - For taxable income above CHF895,900 the overall tax rate will be 11.5%.

Social Security Contributions

- Swiss retirement benefits are derived from the following sources:
 - The mandatory social security system (old-age and survivors' insurance). Pensions are based on premiums paid and on the number of years worked. Benefits generally satisfy minimum living requirements.
 - Company pension plans. Pension plans must be segregated from the company. These benefit plans complement the benefits of the Swiss social security program and are compulsory for employees' subject to the old-age and survivors' insurance.
 - Individual savings.
- The Swiss social security contribution rate is 10.25% of total salary, with no ceiling; the employer and employee each pay 5.125%.
- The employee's share is withheld monthly by the employer.
- In addition, contributions at a rate of 2.2% on annual salary up to CHF148,200, and 1% on annual salary exceeding CHF148,200, must be made to the unemployment insurance fund.
- This cost is also divided equally between the employer and employee.
- In general, employees who pay into the Swiss social security system must contribute to a pension plan.
- The employer must make contributions of at least 50% of the total contribution. Contributions to both schemes are fully tax-deductible.
- Furthermore, contributions to special types of individual savings schemes are tax-deductible, up to a certain amount.
- Self-employed individuals must make social security contributions at a maximum rate of 9.65% of their income from their business or profession.
- The 9.65% rate also applies to partnership profits.
- Self-employed persons are not required to be members of a pension plan.
- Nonresidents who carry on a business activity within Switzerland (including serving on the board of a Swiss company) are subject to Swiss social security contributions on income derived from that activity, unless a social security treaty provides otherwise.

Social Security Contributions			
	Employers	Employees	Self-employed Individuals
Social Security contributions	5.125%	5.125%	9.65%
Unemployment Insurance Fund	1.1%* 0.5%**	1.1%* 0.5%**	



Deductible Expenses

- Necessary expenses incurred in connection with employment income, maintenance and operating costs of real estate, any kind of debt interest, contributions to qualified pension plans, Swiss or foreign compulsory social security premiums, and other specific items are deductible from taxable income.
- For some expenses, tax-deductible amounts are standardized (insurance premiums, education costs and lunch expenses).
- These rules apply for federal as well as cantonal and municipal taxes. However, other items may be treated differently among the cantons.
- For expatriates (as defined), an annual deduction of CHF18,000 is allowed, which is intended to cover an expatriate's housing fees and other expenses related to being an expatriate.
- Expenses in excess of CHF18,000 may be deductible if they can be proven.
- Other typical expenses of an expatriate, including moving expenses and tuition, are also deductible.
- No specific personal deductions and allowances are granted to individual taxpayers, except some minor standardized deductions granted in most cantons (for example, deductions for children).
- Alimony and subsistence payments paid to minor children are tax deductible for the payer and taxable for the recipient for federal tax purposes and in many cantons
- A deduction (actual) for donations made to a qualifying Swiss based charity organisation can be claimed on the tax return. On the federal level, and in many cantons, the deduction is capped with a certain ratio of the taxable income.
- Nonresidents may deduct necessary expenses incurred in operating a business or profession and in the maintenance and operation of rental property.



Deductible Expenses

Employment Deductions

- Necessary expenses incurred in connection with employment income, maintenance and operating costs of real estate, any kind of debt interest, contributions to qualified pension plans, Swiss or foreign compulsory social security premiums, and other specific items are deductible from taxable income.
- For expatriates (as defined), an annual deduction of CHF18,000 is allowed, which is intended to cover an expatriate's housing fees and other expenses related to being an expatriate.
- Expenses in excess of CHF18,000 may be deductible if they can be proven.

Personal Deductions

- Alimony and subsistence payments paid to minor children are tax deductible for the payer and taxable for the recipient for federal tax purposes and in many cantons
- A deduction (actual) for donations made to a qualifying Swiss based charity organization can be claimed on the tax return.
- Depending on the circumstances, actual childcare costs up to a capped amount may be claimed at federal level and also in many cantons.

Business Deductions

- Nonresidents may deduct necessary expenses incurred in operating a business or profession and in the maintenance and operation of rental property.



Immigration

- Any foreigner who wants to perform a gainful (productive) activity in Switzerland must, in principle, be in possession of an authorization.
 - Any activity (self-employed or employed status) that normally procures a gain is a gainful activity, even if the activity is performed for free or if the remuneration consists only of coverage of basic expenses.
 - Switzerland has the following dual system for the admission of foreign workers:
 - The provisions of the Agreement on the Free Movement of Persons (AFMP) and its directives for European Economic Area (EEA) citizens locally employed in Switzerland
 - The provisions of the Foreign Nationals and Integration Act (FNIA) and its provisions for non-EEA citizens and EEA citizens seconded to Switzerland
 - **EEA citizens**
 - EEA citizens under local (Swiss) employment contracts benefit from the AFMP and, accordingly, are entitled to obtain a work permit.
 - They may perform a gainful activity in Switzerland as soon as they have registered in Switzerland.
 - In the case of EEA citizens seconded to Switzerland, their employer needs to file a formal work permit application with the authorities because they fall under the Swiss FNIA.
 - Further requirements (quotas and minimum salary requirements) also apply to them (see below).
 - They may only start working after having received the respective approvals from the Swiss immigration authorities.
 - As of 1 June 2019, the Swiss Federal Council has granted the full unrestricted free movement rights to Bulgarian and Romanian nationals and therefore abolished the quotas that were in force until May 2019.
 - On 1 January 2017, the AFMP was extended to Croatia. Since then, special transitory measures with quotas and restrictions regarding the access to the labor market (priority clause for local workers as well as control of salary and work conditions) apply to Croatian nationals.
- **Non-EEA citizens**
 - Switzerland's immigration policy for foreign nationals is selective and restrictive in the sense that only a limited number of executives, specialists and other qualified employees are admitted to work in Switzerland.
 - The following significant criteria apply:
 - Non-EEA citizens may be permitted to work only if it is proven, by way of a labor market search, that no suitable domestic employees or EEA citizens can be found for the job.
 - Certain exceptions apply with respect to seconded foreign employees and international transfers of specialists and executives within a group of companies.
 - Quotas limiting the number of work permits also apply (except for L-4-month/120-day work permits).
 - Non-EEA citizens may be admitted to work only if the salary and employment conditions customary for the location, profession and sector are met.



- Some of the main permits are Permit L (short term residence permit), Permit B (initial/temporary residence permit) and Permit C (permanent residence permit)
- After staying in Switzerland for ten uninterrupted years, nationals from third states may, in principle, obtain a C permit. Nationals from the US and Canada must stay for five uninterrupted years. A C permit holder can change employers freely and live in any canton.

Type of Visa/ Permits	Documentation	Validity	Eligibility
Permit L	<ul style="list-style-type: none"> • Completed application form • Valid passport • 3 Copies of the passport • 4 passport size pictures • Employment contract • Proof of professional activity • Copy of academic qualifications • CV 	1 year	<ul style="list-style-type: none"> • Available for non-EU nationals and EU/EFTA nationals. • A short term residence permit • It is tied to the terms of the contract • Non-EEA citizens are eligible if no domestic employees or EEA citizens can be found for the job • Workers must be highly qualified and experienced • The L Permit is restricted by quota if the duration is longer than 4 months.
Permit B	<ul style="list-style-type: none"> • Completed application form • Valid passport • 3 Copies of the passport • 4 passport size pictures • Employment contract • Proof of professional activity • Copy of academic qualifications • CV 	<ul style="list-style-type: none"> • 5 years (for EU/ EFTA nationals) • 1 year (non EU/EFTA nationals) 	<ul style="list-style-type: none"> • It is issued if the foreign national is in possession of an employment contract of at least twelve months' duration or of unlimited duration. • There are a limited number of these permits, which are subject to quotas. • Non-EEA citizens are eligible if no domestic employees or EEA citizens can be found for the job • Workers must be highly qualified and experienced



Value Added Tax (VAT)

- Switzerland standard VAT rate: 7.7%.
Switzerland reduced VAT rate: 3.7% (Hotels).
- Further reduced VAT rate: 2.5% (Foodstuffs, books, foodstuffs, water).
- Exempt from Swiss VAT: insurance, financial services, education, health.

VAT Rates	
Standard Rates	7.7%
Reduced Rates	3.7%
Reduced Rates	2.5%
Exempt Rate	0%

Withholding Tax

Dividends

- Dividends paid are subject to a 35% withholding tax
- Swiss residents will be able to obtain a full refund of the withholding tax
- Under the Switzerland-EU agreement, which provides Switzerland access to benefits similar to those in the EU parent-subsidiary directive, withholding tax is reduced to 0% on cross-border payments of dividends between related companies that are resident in EU member states and Switzerland provided the capital participation is 25% or more and certain other criteria are met
- In addition, many Switzerland's tax treaties provide for reduced rates for qualifying investments

- The repayment of nominal share capital and capital contribution reserves is exempt from withholding tax

Interest

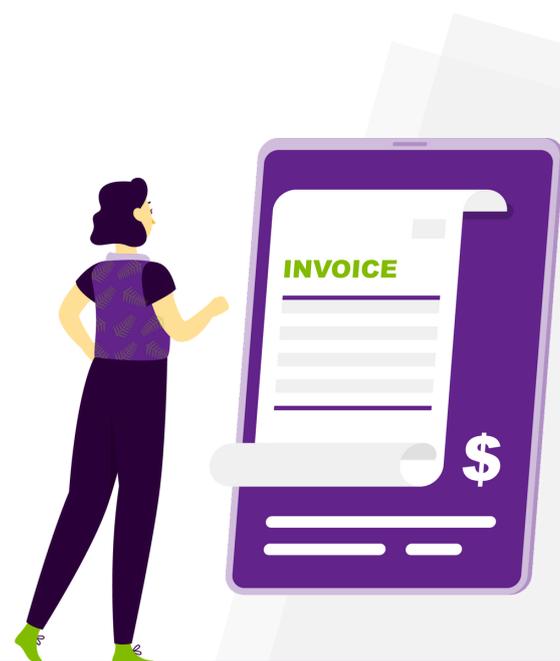
- Switzerland generally does not levy withholding tax on interest under domestic law
- Exceptions apply to interest derived from deposits with Swiss banks, books, and bond-like loans, which are subject to a 35% withholding tax at the federal level
- Interest paid to a nonresident on receivables secured by Swiss real estate is subject to tax at source
- The 35% withholding tax and the tax at source levied under domestic law may be reduced under a tax treaty

Royalties

- Switzerland does not levy withholding tax on royalties

Fees for technical Services

- Switzerland does not levy withholding tax on service fees





Type of Payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	35%	35%	35%	35%
Interest	0%/35%	0%/35%	0%/35%	0%/35%
Royalties	0%	0%	0%	0%
Fees for technical services	0%	0%	0%	0%



Termination

- If an employment contract has been concluded for a specific term or for the performance of a specific task, it terminates without notice at the end of that term or upon fulfilment of the task, unless the employment contract is continued.
- In the latter case, the employment contract becomes a contract for an indefinite period
- Irrespective of the fixed duration of the employment contract, the parties to the contract are free to agree upon immediate termination of the contract at any time.
- If an employment contract has no specific term, either the employer or the employee may terminate it at will (see exceptions in chapter II/1 below) by giving notice of termination, whilst the minimum notice period to be observed varies according to the previous duration of the employment relationship
- The employer as well as the employee may terminate the employment contract without advance notice (i.e., with immediate effect) if there is a "serious cause" (Art. 337 CO).
- A serious cause is any circumstance under which the terminating party can (pursuant to the principle of bona fides) no longer be reasonably expected to continue the employment relationship with loyalty and trust.
- Dismissal during the probationary period requires 7 days' notice.
- For dismissals during the first year of employment, a month's notice is standard.
- This increases to 2 months from the 2nd to the 9th year of employment and to 3 months from the 10th year of employment onwards.
- It may be possible for an employer and employee to agree to an immediate termination of contract where it is of mutual benefit.

Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, maternity leave, sick leave, overtime pay, notice period, severance pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Sick Leave

Overtime Pay

Notice Period

Severance Pay

Social Security Benefits

Payments and Invoicing

- Federal taxes are due 31 March of each year.
- Tax filing and payment procedures vary widely from canton to canton and also depend on individual circumstances.
- Married persons are taxed jointly, not separately, on all types of income.
- In general, nonresidents must file tax returns if they have income from certain sources, including employment, which is taxed at the regular rates.
- In most cantons, directors' fees and payments by Swiss pension funds are subject to special withholding provisions (covering cantonal and municipal, as well as federal, income taxes)

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value)
- indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Switzerland ranked 36th in the World in 2019 in terms of ease of doing business.



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