STARTING YOUR OWN BUSINESS

A guide to setting up a company in Switzerland

BCV

CVCI
Chambre vaudoise
du commerce et de l'industrie



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Preface

Practical guidance to help you succeed in your business venture

Humans need to shape the environment around them. We see evidence of this all around, such as in architecture and the visual arts. This need is also the driving force behind entrepreneurship. The extraordinary level of personal commitment entailed in starting a business makes it a unique experience. Anyone who has been involved in a start-up knows just how rewarding it is, but also how intense and difficult it can be.

To help entrepreneurs in Vaud Canton get out of the starting block, Banque Cantonale Vaudoise (BCV) and the Vaud Chamber of Commerce and Industry (*Chambre Vaudoise du Commerce et de l'Industrie, CVCI*) have teamed up to prepare this guide. Starting a business is a multi-step process: assessing and honing the feasibility of a project, preparing a strategy and scenarios, and taking care of the administrative side of things. This guide provides practical information that will boost your chances of success.

Our two organizations enjoy close ties with small businesses and already support entrepreneurs in a variety of ways. We bring our respective expertise to bear in this guide, with the ultimate aim of contributing to the growth of the Vaud economy. BCV is the leading bank in Vaud Canton thanks to its financing solutions, banking services and financial advice, and it works closely with its commercial clients to help them grow. The CVCI, one of Vaud's leading economic associations, provides its corporate members with advice and useful training courses. It also offers a unique forum for discussion, allowing companies to benefit from each other's experience.

Helping entrepreneurs start a business on a solid foundation is doubly satisfying. Not only do we share in their satisfaction, but we also know that the start-up will strengthen Vaud's economy. While large corporations and multinationals tend to take the spotlight, micro and small businesses are also vital to the region and may even become tomorrow's large corporations.



Philippe Miauton
Director of the CVCI



Andreas Diemant
Head of BCV's Corporate Banking Division



I. Turning your idea into a plan

Have you always dreamed of starting your own business and being your own boss? Are you already a successful entrepreneur in another country and want to enter the Swiss market? Do you have a breakthrough idea for a start-up and feel ready to make the leap?

Whatever your goal, this guide provides you with the information, advice and tools you need to make the process as smooth as possible.

The first part of the guide starts you on the path to success. It covers the topics you will need to include in your business plan. A business plan is essential because it requires you to develop an overall vision of your project. It also helps you assess the feasibility of your project, which is a key concern for potential investors.

After reading the first part of the guide and following our recommendations, you should be in a position to decide whether to move forward. You may determine that the time is ripe – or that it makes more sense to wait. You may even make the difficult call to shelve your project indefinitely.

If you decide to pursue your business idea, you will want to read the second part of this guide very carefully. There we provide an overview of the administrative and legal requirements you need to be aware of.

As you will see, Switzerland is a business-friendly country, but turning your idea into reality has its complexities. The language barrier shouldn't be one of them.

Thanks to this guide, English speakers can navigate the Swiss system with confidence. Wherever possible we include links to useful English-language websites; where none are available, we include the best French-language ones we know. We also provide, both in the guide itself and in a handy glossary at the end, the most important terms and proper names, in both French and English, that you will encounter on the road to entrepreneurship.

While this guide provides a roadmap for starting a business in Switzerland, it's also a good idea to have English-speaking experts at your side throughout the process. For this, you can count on both the CVCI and BCV.



1. Getting to know your market

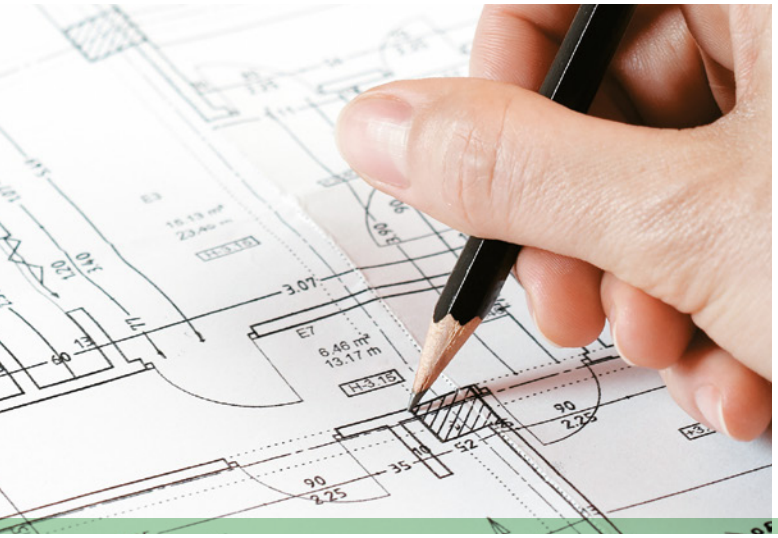
The starting point for any business venture is getting to know your market. Take the time to assess what you know and don't know, and then do the necessary research to fill the gaps. Here are some questions to get you started.

The market

Questions to consider
Is there a market for your product or service?
How big is this market?
Is it a niche market with a small number of potential consumers, or is your target audience sizeable?
What are the current trends in this market? Where does it seem to be headed?
Are companies in this sector subject to specific regulations?
Could technological advances affect this market in the future?

Where to find the answers
The internet is a good starting point.

Specific information on your target consumers may be available in studies published by the government or by professional associations, newspaper articles, specialized reviews and existing market studies.





Customers and suppliers

Questions to consider

Who will your main customers be? Can they be grouped by geographical, demographic, sociocultural or other criteria?

What are your customers' needs, and what drives their decisions? How many criteria are there? How are they likely to change over time?

Who are your main suppliers?

Are you likely to be reliant on any one of your suppliers? If so, can that supplier be replaced quickly if necessary?

Where to find the answers

Before starting out, try to survey potential customers about your product or service.

Depending on the size of your project and your timeframe, bringing in specialists to help with your market research may be worthwhile.

The internet is an effective tool for getting to know your customers and their needs. People often review products and services, specifying what they like and don't like.

Identify potential suppliers through internet research and/or professional associations.

Competitors

Questions to consider

Who are your competitors? What are their respective market shares? How are their market shares likely to change over time?

What are your competitors' main strengths and weaknesses?

What's their pricing policy? What's their approach to product/service differentiation?

Are the technical and/or financial barriers to entering the market low (raising the risk of new competitors appearing)?

How do you expect your competitors to react to your company? How will you react and adapt in response to your competitors' strategy?

Where to find the answers

To size up your competitors, visit their websites and points of sale or call them. Follow them on social media. Note down all prices, but pay special attention to the quality of the service and to the means of communication that they use.

To complete the picture, find internet reviews of your competitors' specific products and services.

Once you know your market, your competitors and your customers through and through, you will have a better idea of how to plan your own start-up and make your idea work.

2. Setting prices

One of the key success factors will be your pricing policy, as it will have a direct impact on your company's profitability. Poorly calculated prices can undermine all your other efforts in terms of product development, communications and sales.

Many companies apply this classic formula:

COST + PROFIT MARGIN = PRICE

One advantage of this formula is its simplicity. But it does not take into account important factors like:

- consumers' perception of your prices
- the type of product you are marketing
- your target market share.

So the first step is to gauge your customers' reaction to your prices and then factor that into your pricing policy.

Consumer behavior can be understood in a number of ways, including by the importance consumers attach to prices.

1 **Bargain hunters**	2 **Smart shoppers**	3 **Big spenders**
Looking for the lowest price	Seeking the best value for their money	Wanting the prestige and exclusivity that go with spending more

For the first category, bargain hunters, price is the key factor in the decision to buy.

The second category comprises value-oriented consumers. They consider themselves smart shoppers, as they care about the level of quality they get for a given price.

Big spenders, the third category, consider price an indicator of quality and exclusivity.

When deciding how much to charge, you should know what customers are willing to pay for your product or service. Do some research into your competitors' prices and draw up a table of prices that people currently pay for similar products. Be sure to take quality into account when setting your own prices.

The type of product or service proposed also plays an important role in your pricing policy. With some luxury products, for example, the cost price is a small component of the selling price and the rest consists of margin. But when it comes to everyday products, high margins may translate into low sales and make your revenue target unrealistic.

Your market-share target can provide some guidance. In general, if you want a large market share, you will probably have to set your prices close to those of the competition. On the other hand, if you are offering a higher-end product or service – suggesting a relatively small target market – you may want your prices to be above those of the competition in order to highlight the perception of exclusivity and quality.

Insight

There are other aspects worth considering when defining your pricing policy:

Quantity discounts: If you offer quantity discounts, you will have to set percentages that make sense.

Payment deadlines: Your pricing policy may take into account the payment deadlines you give your customers. In Switzerland, the payment deadline is usually 30 days following the invoice date. Will you grant a discount for early payment?

Related services or customer service: These can add value to your product, so consider whether you will provide them and, if so, whether you will charge for them or not.

3. Getting the word out

To let people know about your products and services, you will have to use the right advertising channels to reach your target consumers without going over budget.

Key steps

Prepare a budget.
Define your objectives and targets. For example, how many consumers do you aim to reach?
Select the promotional methods that fit your budget – you may find some ideas in the list in the next column.

Regularly analyze the results of your marketing efforts to assess the return on investment. Did you meet your objectives? If not, figure out what didn't work and then adapt your promotional methods or try other ones.

Promoting your product or service

Not sure how to market your product? Here are some ideas.

Website
These days, almost everyone uses the internet to buy products and services. Use the web – set up a website or a social media account – to present your product or service and highlight your strengths and special offers. Your web strategy will be dictated by your objectives, know-how, and financial means.

Social networks
Take advantage of any social networks you use to inform friends and acquaintances about your products or services. They may pass along the news to their own contacts. Facebook, Instagram, LinkedIn, and X can all be used effectively in this way.

You can also send out targeted ads on social media if you're on a tight budget.

Brochures and catalogs
These are essential for informing people about your business and promoting your products or services. You should distribute them to potential customers.

Newspapers
Advertise locally, because people are keen on supporting local businesses. You could also write an article about your business: local newspapers may be prepared to publish your article if you have something to say that's original or that refers to a hot topic.

Expos, fairs and trade shows
You can reach a large target audience this way, although the investment in terms of time and money can be significant.

Professional associations in your business sector
Joining a professional association gives you access to useful information and services and another opportunity to promote your business.

Crowdfunding
Getting your project onto a crowdfunding website will also create buzz. This may attract media attention, and your backers will spread the word too.

Word of mouth
In an age of sophisticated communication and marketing tools, word of mouth remains an effective way to let people know about your product or service and, ultimately, to boost your sales.

Encourage existing customers to recommend your company to friends and acquaintances. And be sure to develop a good relationship with other local businesses that could recommend you to their own customers.

Online directories
Most people use Google to get more information about local businesses. Creating a business listing in Google My Business will get the word out about your business and help people find you quickly when searching online.

4. Reality check

Before embarking on your business adventure, you need to know whether the product or service you wish to sell has real sales potential.
Ask yourself the following questions:

- Has my idea already been developed by someone else?
- How many other companies offer the same product or service?
- Is my idea really original, or is it better than existing products or services? Why, and how?

Insight
Put yourself in the shoes of a potential customer and look for products or services like yours. Do internet searches and check out the online yellow pages.

At this point, you should break down and assess your project through a SWOT analysis. You can then bounce your project off friends and family and see whether they are as enthusiastic about it as you are.

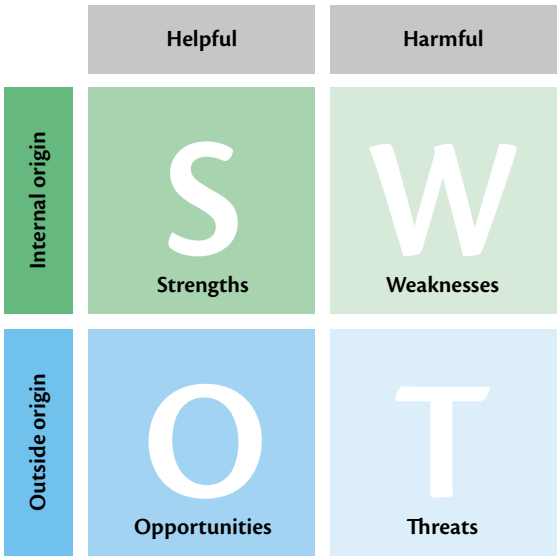


SWOT analysis

A SWOT (strengths, weaknesses, opportunities and threats) analysis is a quick way of gauging the relevance of your business idea and defining a strategy for moving ahead with it. With this tool you analyze the project's strengths and weaknesses and identify opportunities and threats in the business environment. One of the advantages of this method is that it focuses your attention on the importance of external factors, because one of the key success factors is being able to adapt to the market.



How does a SWOT analysis work?



1. Set up a matrix with four sections: strengths, weaknesses, opportunities and threats.

2. In the upper left box, list the strengths of your project along with your own strengths. Ask yourself the following questions:

- What are you best at doing? In what ways does your product stand out? How good of a salesperson are you? How extensive is your concept of service and support?
- Why is your idea a good one?
- What sets you apart from the competition?
- What are you bringing to the market?

3. In the upper right box, list your weaknesses and any internal risk factors that could have an impact on the smooth functioning of your business. Consider these questions:

- Do you have sufficient resources? Consider the start-up capital you'll need, but don't forget about human resources, and the space and equipment required.
- Will you be able to hire people with the necessary training and experience?
- Do you have the leadership skills you need?
- Do you have the money you need to properly market your product or service? Will your marketing match that of your competitors?

4. To identify opportunities in your target market, ask yourself:
- Is there demand for your product or service?
- Is the market large enough to absorb new entrants? Is it a growth market?
- Are any competitors faring badly?
- Could your sales be boosted if new markets open?
- Do you see any opportunities presented by technological advances or new ways of doing things?

5. Have a look at the final component of the SWOT analysis, i.e., external threats that could undermine your project:
- Is the market likely to experience a large influx of new entrants?
- Would business volumes be sharply impacted by new regulations?
- Could evolving technologies render your product or service obsolete?

Results of your SWOT analysis

Now that you have your SWOT profile, take some time to think about it. Focus on making the most out of the situation at hand. How can you maximize your strengths and opportunities? What measures can you take to overcome your weaknesses and minimize threats?

Insight
The SWOT analysis is based on your subjective judgment, so be as realistic as possible and assess each category without downplaying any negative factors. If possible, challenge your assumptions by running them past someone else.

5. Basic financing

You will have to determine the financing you need to start your company and reach your targets.
Do you have the money yourself, or will you have to seek outside financing? It is important to think this through as early as possible.

Equity capital

Do you plan to get funding for your project from outside investors? To win over investors, a viable project is not enough: you will have to prove your commitment by contributing some of your own money to the equity capital. The equity capital will be drawn on first if your business encounters financial difficulties.

Debt capital

In addition to equity capital, you may also need to take out bank loans.
Here are the main factors that banks will look at when analyzing your loan request:

- Financial factors: your income and assets, the financing structure you defined, and your company's ability to pay its bills, including the loan principal and interest (see financial plan on page 19).
- Qualitative factors: your professional experience, the market and the competition.
- Other relevant information, including any past payment problems or outstanding legal issues.

Types of bank financing

- **Operating line of credit:** This is a credit line on your current account and allows you quick access to working capital to pay for inventory, make up for insufficient cash flow and cover any short-term cash needs. This type of loan may be unsecured or you may have to provide some form of collateral.

- **Leasing or equipment financing:** These two solutions can be used to finance the purchase of machines, furniture, vehicles, computer equipment and other physical goods. These loans are made for a fixed period with a detailed repayment schedule.

- **Property financing:** Different types of mortgage loans allow you to purchase or renovate your offices or manufacturing facilities.

Insight
Speak with your bank advisor, who will give you expert advice in terms of financing and cash management and who can be a good sounding board for all other financial aspects of your project too.

Loan security (collateral and loan guarantees)
If you take out any type of bank loan, you will almost certainly have to provide some sort of loan guarantee or collateral. The bank will take into account the value and type of security you offer when it analyzes your loan application.

Generally accepted collateral includes listed shares, land and buildings, and, to a lesser extent, equipment, accounts receivable and the business itself.

How do loan guarantees work? To protect its loan, the bank may allow the borrower to name a person or company to act as guarantor for the loan. The guarantor agrees to repay the loan (together with interest and fees) if the borrower defaults. In French-speaking Switzerland, Cautionnement Romand acts as a loan guarantor. Its mission is to promote economic development and job creation in the region through loan guarantees. The company helps get loans for sole proprietors and small businesses that do not have the needed start-up capital or sufficient collateral.

For more on loan guarantees:
www.cautionnementromand.ch

Outside investors
For a large-scale project entailing a significant initial investment, you may need to call on outside investors. One potential source of investment is venture capital firms, which generally take a temporary, minority position in the capital of promising start-ups. In addition to financing, they also share their advice and experience.

Alternatively, you can seek funding from private investors like business angels, who invest in innovative businesses with high growth potential.

There are a number of ways to get into contact with angel investors in Switzerland. You can start with the CVCI (**www.cvci.ch**) or simply search for business angels on the internet.

Crowdfunding
Crowdfunding – which means getting a large number of people to invest in your start-up – is a growing business in Switzerland. And online crowdfunding platforms have become increasingly widespread with the expansion of the internet and social media.

There are several different crowdfunding models with dozens of platforms dedicated to each type. If you're interested in this type of funding, make sure you get all the information you can about the various platforms – such as how they work and the kind of users they attract – so that you can choose the one most suited to your business, image, and target audience.



6. Financial plan

All start-ups require a financial plan, which can be developed once you've nailed down your sales and marketing approaches. This plan, which includes financial projections, must be based on all the preparatory work you've done thus far. In other words, your task is to translate all the variables you defined in the previous steps into financial terms.

This financial analysis forces you to think about the future of your company in very concrete terms. The financial plan is also a key element of your business plan.

Your financial projections should cover a sufficiently long period – at least three years, if possible – and include a projected balance sheet, income statement, cash flow statement and financing plan. These documents then need to be regularly monitored and updated.

Projected balance sheet

Potential investors will be keen on seeing your balance-sheet projections for the first few years of operation.

The balance sheet provides a snapshot of your company's assets. It summarizes, at a given point in time, the company's assets and liabilities & equity (which are, by definition, equal):

- **Assets** refer to the resources available to the company to carry out its business. They are classified by degree of liquidity (i.e., availability).
- **Liabilities & equity** represent claims against the company's assets. They comprise equity and debt capital, and are ranked by seniority of the claims.

Available +	Assets	Liabilities & equity	Due +
	Current assets Cash and cash equivalents Accounts receivable Finished goods Raw materials	Current liabilities	
	Fixed assets Financial investments Tangible fixed assets Intangible assets	Long-term liabilities	
		Equity Retained earnings	
Available –			Due –

Rule of thumb
On your balance sheet, the liquidity of assets should be consistent with the due dates of liabilities. In other words, current assets should be sufficient to cover short-term debt obligations, and long-term capital (both debt and equity) should be sufficient to finance fixed assets.

Insight

You can derive a number of useful indicators from your balance sheet. These indicators can be used to assess the financial soundness of your company and to track its financial position over time.

For more information on the balance sheet, key indicators and how they are used, visit: **www.bcv.ch.**



Projected income statement

The projected income statement shows how you expect your company's revenues and expenses – and thus its overall performance – to evolve. You should do a three-year projection. This will require careful consideration of how various aspects of your business could change over time, such as sales, prices of raw materials, your actual products and services, rental costs, marketing expenses, and personnel costs.

In accounting terms, your analysis will lead to estimated figures for gross and net earnings. As this is a forward-looking exercise, the byword should be caution. Do not underestimate future charges and do not overestimate future revenues. Be realistic rather than optimistic.

Projected earnings figures need to be realistic, as they will allow potential investors to calculate their estimated return on your company.

	Year 1	Year 2	Year 3
Income statement			
Total revenues			
minus → Cost of goods sold			
Gross profit			
minus → Salaries			
minus → Payroll taxes			
minus → Consumables			
minus → Maintenance			
minus → Advertising			
minus → Insurance, fees, authorizations			
minus → Electricity			
minus → Rent			
minus → Debt service			
Operating income			
plus → Extraordinary gain (loss)			
plus → Other income (expense)			
minus → Taxes			
Net profit (loss)			

Insight

At this stage it may make sense to work on your longer-term vision for your company. Consider the following questions:

- What is my three-year target?
- How will I reach that target?
- How will the structure of my company change as the company grows?
- Do I have what I need to achieve my goals?

Cash flow projection

This forward-looking document can help you anticipate problems with cash flows or operational management. Don't underestimate the importance of cash flows: most young companies that go bankrupt can trace their woes to a momentary cash crunch.

The purpose of this document is to project how your company's cash position will change, preferably over 12 months, based on incoming cash (payments received) and outgoing cash (bills to pay). To quantify these movements, prepare a table in which you record projected cash inflows and outflows over the first year, broken down by month. You can use these figures to calculate your projected cash position. Each inflow or outflow should be recorded in the column of the month in which it is expected to take place. In order to plan incoming cash flows as accurately as possible, take into account the average amount of time it will take your customers to pay. Likewise, for outgoing cash flows, take into account your suppliers' payment deadlines.

Insight
BCV provides a cash flow projection model in Excel that can be downloaded from the Bank's website: **www.bcv.ch.**

	Cash flow projection				
	Month 1	**Month 2**	**...**	**Month 12**	**Full-year total**
Receivables from customers					
minus → Accounts payable to vendors					
minus → Salaries					
minus →Other operating expenses					
(add others)					
(add others)					
Net cash flow from operations					
Miscellaneous ordinary income					
Overhead					
Financial charges					
Taxes					
Leases					
Rents					
(add others)					
(add others)					
Total fixed costs					
Net cash flow from investments					
Purchase/sale of capital assets					
Borrowing/repayment of long-term loans					
Change in equity (capital/debt)					
(add others)					
Net cash flow from financing					
Net cash inflow (outflow)					
Credit limit on current account					
Debt service					
Cash balance at start of period*					
Cash at end of period					
Net increase/decrease in cash					
Closing cash balance					

* If the account is overdrawn, enter a negative figure, otherwise enter a positive figure

After completing this table you will know whether or not you will be able to make all necessary payments with your available cash.

Insight

If your cash flow projection points to a cash shortfall at any time, you will likely need to secure additional financial support before starting your company. Companies commonly obtain a line of credit on their current account to cover their working capital needs. Contact your bank advisor to select the financing that is most appropriate for your company.

Financing plan

Your financing plan is your roadmap for funding your start-up business. It shows how equity changes as a function of cash flow and whether you will need to borrow money. In drawing up this roadmap, you may see that you will have to reconsider the timing and/or amount of planned investments.

The financing plan should cover a three-year period.

	Financing plan			
	Year 1	**Year 2**	**Year 3**	**Total**
Financing need				
Investment 1				
Investment 2				
Investment 3				
(add others)				
Total financing needed				
Short-term loans				
Medium- and long-term loans				
Mortgage				
Shareholder loan				
Equity				
Cash and retained earnings				
Total financing available				

Review your financing plan together with your projected cash flows from operations when trying to identify the timing for planned investments.

Insight

The statements, plans and projections described so far in this guide will become part of your business plan and help attract investors. They also give you what you need to create financial indicators for your company. And you should update – and analyze – these figures monthly, as they will help you manage your company effectively.

7. Business plan

Whether you intend to become the market leader or just make a living pursuing a passion, you will benefit from having a business plan. It will contain all the information that you have gathered and prepared concerning your product, the market, customers and competitors. It will also include, of course, your financial projections and financing plan.

The business plan is the big-picture document in which you explain your strategy and assess the feasibility of your project. It is also a reference document that describes key aspects of your business. Your business plan serves as a calling card that shows how serious you are about your project.

You need a business plan to:
- show why your business idea is a winner
- convince potential partners and investors
- convince lenders (if you need outside loans)
- ensure all partners in the business share a common vision.

Here are a few tips to help you draw up your business plan:
- Keep it short and sweet.
- Be as objective as possible.
- Ask others to read it and give you feedback.
- Be sure it looks good.

Business plan vs. business model
While a **business plan** sets out your strategy in detail and can help win over investors and partners, a **business model** describes how your company will create and deliver value for your customers. To develop your business model and map out the key aspects of your idea, we would recommend using the template in the *Business Model Generation* handbook. It will help you ask the right questions, structure your thoughts, and maybe even come up with new ideas. Learn more at **www.strategyzer.com/library/business-model-generation**.

Model business plan

If you've followed all the steps described so far in this guide, you should be ready to write your business plan. You will find below a section-by-section list of all the information you need to include, whether you are starting a new business or taking over an existing one. Be sure to read through the second part of this guide, which provides information on the Swiss business environment (legal structures, taxes, intellectual property, social security, etc.)

Summary (1 page)
- Purpose of the business plan
- Business line, products/services, customers
- Management team, number of staff
- Opportunities and risks
- Sales strategy
- Financing needs
- Financing plan

Description of the company and its managers
- Legal structure, capital structure, purpose and location
- Internal organization
- External support (tax and accounting experts, professional associations, banks, etc.)
- Company background
- CVs of key people in the company; business succession plan; management succession plan
- Strengths and weaknesses of the managers

Insight
You can download a business plan template (in French only) from BCV's website: **www.bcv.ch**. More detailed information is available under each section of the template.

Products/services
- Description of products and/or services (product range, quality, patents, etc.)
- Quality assurance, certification
- Strengths and weaknesses of the products and/or services
- Your leading product and how important it is to projected sales
- Expected improvements in terms of products and earnings
- Customer service

Market, customers
- Target market, target groups, market segmentation strategy
- Target markets: background, changes, trends, technological advances, growth rate
- Main customers and their share of projected sales
- Main prospects and how to win them over
- Main supplier and projected annual purchases
- Strengths and weaknesses of the market and customers

Competitors and rival products
- Current and potential competitors
- Analysis of the competition
- Technical, financial and regulatory obstacles affecting the main market
- Products representing – or potentially representing – direct competition
- Your take on your competitors' price and/or innovation strategies
- Outlook for the competitive environment

Marketing plan
- Pricing strategy for each product/service
- Communications strategy (promotion policy, budget, staffing/support, impact measurement)
- Sales strategy (direct, indirect, other) and distribution channels
- Incentive policy for retailers and plan for working with business promoters

Infrastructure (production and management) and technology
- Manufacturing processes and patents
- Current production infrastructure
- Timetable for acquiring machines
- Condition of light and heavy vehicles
- Manufacturing and storage capacity now and over several years
- Volumes produced through subcontractors
- Production organization chart
- Production quality control
- Production risks, in particular environmental ones
- Sales/administrative organization chart
- Current infrastructure of sales and administrative offices, and planned additions
- Location of production facilities and administrative offices
- Rules on the use of premises (for owners: mortgage loan, condition of buildings; for tenants: lease contract)
- Plans to acquire or renovate land or buildings

Financial management
- Up-to-date indicators (budgets, order book, etc.)
- Qualifications of accounting staff
- Hiring external tax/accounting firm (*fiduciaire*), and any other outside expertise
- Company capital, compensation policy
- Debt financing, information on lenders and loan terms

Financial and operational plans
- Three-year balance sheet projection
- Three-year income statement projection
- Three-year sales targets
- Three best-selling products
- Top three customers
- Three-year cash flow projections
- Three-year financing plan

Risk assessment

- Internal risks
- Sales risks
- Financial risks
- Currency risk
- Environmental risks
- Other external risks

With your business plan in hand, financiers and other outside partners will see that:

- you know your business
- you know the strengths of your business idea while recognizing the risks, and you are realistic about your chances
- your financing plan is thorough, and your profit outlook is feasible
- you have the background and skills needed to manage the company.

Insight

If you intend to compete for a start-up award and funding, you should be aware that some awards require your business plan to be structured in a certain way.

For French speakers, the business plan guide drawn up by GENILEM, in association with a number of partner organizations, provides a table of what is requested by each organization. You'll also find information on how a business plan will help you and more useful tips to help you kick-start the drafting process. The guide can be found in the toolbox on the GENILEM website: **www.genilem.ch**.

8. What about you?

When it comes to starting a business, the person behind the idea is just as important as the idea. To maximize your chances of success, ask yourself whether you have what it takes to succeed in business.

The thought of being your own boss may certainly be enticing, but there are some downsides. When starting out, you won't be able to keep normal working hours or take vacation. Your income will most likely take a hit at first, and your company could very well be in the red for some time. What you gain in flexibility and freedom will be offset by uncertainty and pressure.

So weigh all these factors and read through this guide before deciding whether you are really cut out to be an entrepreneur.

Your skill set

Try to identify your skills as objectively as possible. Do they lend themselves to starting a company? Are they what you need for your company? Write down your answers. You could, for example, draw up a table that summarizes your main skills and that shows your strengths and weaknesses.

Insight
Focus on the skills you will need for your business venture.

The relative importance of the various skills depends largely on the type of business you want to start. Technical know-how, for example, will assume much greater importance for a high-tech start-up than for a coffee shop.





Skill set		Strength	Weakness
Sales	Acquiring new customers and negotiating and landing new contracts	✓	
	Designing and implementing a sales policy	✓	
	Being a people person and having a knack for communication and persuasion		
	(add others)	...	...
		...	...
Management	Managing and motivating a team		✓
	Delegating tasks	...	...
	Exercising oversight	...	...
	(add others)	...	...
Technology	Knowing the products and mastering their technical features	...	...
	Having a knack for technical things and being able to explain them	...	...
	Being innovative	...	...
	(add others)	...	...
Finance	Setting and fine-tuning a pricing policy	...	...
	Monitoring sales and cost figures and calculating indicators	...	...
	Using financial management tools and preparing reliable forecasts		
	(add others)	...	...
		...	...

Assess your personal skills

To help with your self-assessment, we have listed below some key traits of successful entrepreneurs. Don't worry if you don't have them all – most entrepreneurs lack some of them when starting out. What's most important is to be honest with yourself about where you stand.

Versatility
The key characteristic of a good entrepreneur is having a handle on all aspects of the business. You must have vision to start a company; you must know how to manage people to ensure the work gets done; you must be a good salesperson to bring in the money; and you must not underestimate the importance of both people…and paperwork.

Enthusiasm and energy
You have to be a fighter, with a burning desire to succeed.

Risk appetite
Starting a business is not for the fainthearted, since you will be navigating uncharted waters. That said, you will only be taking calculated risks, of course, so as not to jeopardize the future of your company.

Get up and go
You need to have self-confidence to start a business. When things get rocky, you'll have to dig in your heels and push through.

Persuasion and credibility
For your company to succeed, your arguments have to be convincing, yet you also have to be sensitive to your customers' needs.

All these traits are important, but you also need to keep things in perspective. Sure, your business venture is important and you will devote a lot of time and energy to making it work, but don't forget that this is only one part of your life.

To make up for any shortcomings in areas such as accounting, marketing or business finance, take a class or sign up for a seminar.

You may also be able to find a business partner with the skills you lack. Be careful to choose someone whose profile complements your own. And be sure that you get along well.

If you join the CVCI, you can meet people in the same situation as you and share your experience. The CVCI can also provide legal advice and other useful services for your business. Check out the CVCI website for more information: **www.cvci.ch.**

II. Turning your plan into a business

Your company will be operating within the Swiss legal and regulatory framework. Take the time to learn what this means for your business venture. The success of your undertaking – whether you are setting up your own company from scratch or buying a going concern – will depend in part on the type of company, proper bookkeeping and compliance with tax law, payroll obligations and labor law.

The following pages provide guidance in all these areas. But this information is just a starting point. You will need to get information specific to your business venture – and we advise consulting with professionals whenever necessary.

Insight
Check out the business start-up pages on the BCV and CVCI websites:
- https://bcv.ch/en/home/corporate-banking/creer-une-entreprise
- https://cvci.ch/services/nos-conseils-en-creation-dentreprise

1. Government authorization

The first thing you should do is check whether the company you want to start is a regulated business *(activité réglementée)* or if yours is a regulated profession *(profession réglementée)*.

Regulated businesses do not require special qualifications; government authorization will depend on criteria like the operator's reputation, proper oversight (for wealth managers, for example) and quota limits (for fields like traveling sales and professional fishing).

Regulated professions, on the other hand, require special training and a diploma or a minimum number of years of experience. Some fields are regulated at the federal level, others at the cantonal level.

Regulated professions are commonly found in the following sectors:
- health (e.g., doctor, pharmacist, dentist, optician)
- finance (e.g., auditor)
- transport (e.g., taxi driver, train operator)
- construction (e.g., architect)
- legal (e.g., notary, lawyer)
- tourism (e.g., mountain guide)
- training and education (e.g., guidance counselor, driving instructor).

For detailed information, contact the cantonal police office covering commercial activities *(Office de la police cantonale du commerce)*.

In Vaud, businesses that provide food, drink or lodging are subject to specific regulations concerning hotels and beverage sales. A permit is required to open such establishments (such as a hotel, café-restaurant, bar, drinks stand, night club, or catering service). The website **www.gastrovaud.ch** (in French only) provides basic information on these types of businesses.

Information on accreditations and professions regulated at the federal, cantonal, and municipal levels is available at **www.easygov.swiss/easygov/#/en**

2. Do you need a work permit?

Swiss permits and starting a business in Switzerland

Unless you are Swiss, you will need a permit if you wish to live and/or work in Switzerland. Depending on the type of permit, it may be referred to as a work permit, a residence permit or a settlement permit. The ability to get a permit depends mainly on your nationality and your employment situation. EU/EFTA nationals have the easiest time thanks to the bilateral agreements between Switzerland and these countries. These people generally have little trouble moving to Switzerland to accept a job offer, search for a job or become self-employed. People from all other countries of the world – referred to here as third-country nationals – do not have it so easy.

Permit types

- G permit: cross-border commuter permit. This renewable permit is for people who live in a bordering EU/EFTA country but work in Switzerland.
- L permit: short-term work permit. This permit is generally for jobs (or studies) in Switzerland lasting from 3 months to 1 year and is renewable.
- B permit: long-term work permit. This permit is generally valid for 5 years and can be renewed.
- C permit: residence permit. This permit gives the holder the most freedom, including the ability to change jobs and move from one canton to another without restriction.

Both nationals of EU/EFTA countries and third-country nationals are eligible for these permits, but the conditions for approval differ significantly. Owing to the extreme complexity of permit-related questions, please refer to official sources for the most up-to-date information.

Permit-related guidelines on setting up a company in Switzerland

Non-Swiss nationals must comply with a number of guidelines when it comes to starting a business in Switzerland. Bear in mind that a sole proprietorship is inseparable from its owner, and so the owner's legal status in Switzerland is fundamental. Limited liability companies and corporations, on the other hand, have separate legal personality and are somewhat more flexible in regard to the owners' or managers' status.

Sole proprietorships

To start a sole proprietorship in Switzerland, EU/EFTA nationals need to prove their self-employment plans are viable and:

1. already hold a B or C permit (if the person lives in Switzerland), or
2. be married to a Swiss citizen or to someone holding a B or C permit.

EU/EFTA nationals living in a neighboring EU country can apply for a G permit to run a sole proprietorship in Switzerland.
Third-country nationals who wish to become a sole proprietor in Switzerland must prove the viability of the business and:

1. already hold a C permit (if the person lives in Switzerland), or
2. already hold a G permit (if the person lives in a neighboring EU country), or
3. be married to a Swiss citizen or to someone holding a C permit.

Failing these, third-country nationals can still apply to become a sole proprietor in Switzerland if they can demonstrate that the business will be of lasting benefit to the Swiss economy.

Limited liability companies and corporations

The rules are quite different for limited liability companies (*société à responsabilité limitée, Sàrl*) and corporations (*société anonyme, SA*), as they are legal entities. In both cases, at least one person entitled to represent the company must live in Switzerland and hold a valid Swiss permit (or be married to a C-permit holder or a Swiss citizen).

3. Selecting the legal structure

The choice of legal structure for your company will depend on many factors, including the number of partners, the field of activity and its growth potential, the available capital, the desired decision-making authority, the risks and liability, and tax considerations.

The most common legal structures are sole proprietorship *(raison individuelle, RI)*, general partnership *(société en nom collectif, SNC)*, limited liability company *(société à responsabilité limitée, Sàrl)* and corporation or public limited company *(société anonyme, SA)*. Other legal structures are defined in the Swiss Code of Obligations, but they are quite rare and not discussed here.

These four common legal structures can be divided into two main categories:

- Unincorporated companies (such as sole proprietorships and general partnerships) are inseparable from their founders. The founders are the company, and the founders' assets are inseparable from those of the company.

- Incorporated companies (such as limited liability companies and corporations) have their own legal personality. Their assets are completely separate from those of the owners.



The table below describes the main features of sole proprietorships (which are similar to general partnerships), limited liability companies and corporations.

	Sole proprietorship *(raison individuelle, RI)*	Limited liability company *(société à responsabilité limitée, Sàrl)*	Corporation *(société anonyme, SA)*
Company name	Founder's last name, with or without first name; additional words acceptable as long as they don't imply a corporation	Company name followed by "Sàrl"	Company name followed by "SA"
Legal personality	No (the founder has legal personality)	Yes	Yes
Number of partners/ shareholders	1 individual	1 or more individuals or legal entities	1 or more individuals or legal entities
Commercial register	Registration is optional until full-year revenues exceed CHF 100,000	• Registration is mandatory when company is formed • The registration application must be signed by one or two members of management (depending on signing authority) • The registration application must be accompanied by certified copies of the articles of incorporation (*statuts*) and the notarized deed of incorporation (*acte constitutif*) • Confirmation that the initial share capital was paid in • Every partner is listed	• Registration is mandatory when the company is formed • The registration application must be signed by one or two members of the board of directors (depending on signing authority) • The registration application must be accompanied by certified copies of the articles of incorporation (*statuts*) and the notarized deed of incorporation (*acte constitutif*) • Document showing the appointment of the board of directors and the statutory auditors • Confirmation that the initial share capital was paid in • Shareholders are not listed
Equity capital	None; the founder's assets are considered its capital	• Minimum: CHF 20,000 • It must all be paid in when the company is formed • Cash or in-kind contributions can be used	• Share capital: at least CHF 100,000 • At least 20% (no less than CHF 50,000) must be paid in when the company is formed • Cash or in-kind contributions can be used
Company shares	None	• Par value: at least CHF 100 (1 franc in the event of capital reduction) • Transfer of shares: consent of 2/3 of partners and absolute majority of voting capital (unless otherwise stated in the articles of incorporation) • Company buyback of shares: maximum 10% of share capital permanently and 35% temporarily	• Registered or bearer shares • Par value: at least CHF 0.01 • Issued at par or higher • Transfer of shares: no restrictions unless otherwise stated in the articles of incorporation • Company buyback of shares: maximum 10% of share capital permanently and 20% temporarily
Articles of incorporation	Not necessary	• Mandatory • Required information: - company name and address - purpose of the business - value of the capital and number and par value of shares - how financial statements will be published	• Mandatory • Required information: - company name and address - purpose of the business - value of the capital and in-kind contributions - number, par value and type(s) of shares - how the annual meeting is convened and what shareholders' voting rights are - board of directors, statutory auditors - how financial statements will be published
Decision-making authority	Held by the owner	• Meeting of partners • Absolute majority of those present (unless otherwise prescribed by the law or the articles of incorporation) • Voting rights are proportional to the value of shares held (unless otherwise stated in the articles of incorporation)	• General meeting of shareholders • Absolute majority of those present (unless otherwise prescribed by law or the articles of incorporation) • Voting rights are proportional to the par value of shares held (unless otherwise stated in the articles of incorporation) • Preferential voting rights: proportional to the number of shares held (one vote per share)

	Sole proprietorship *(raison individuelle, RI)*	Limited liability company *(société à responsabilité limitée, Sàrl)*	Corporation *(société anonyme, SA)*
Duty to manage and represent the company	The owner, who can give signing authority to third parties	• All partners together, or as stated in the articles of incorporation, or as decided: - one or more partners - one or more third parties • Domicile: at least one manager or director must be domiciled in Switzerland	• Board of directors, unless: - otherwise stated in the articles of incorporation or company bylaws - delegated to one or several board members or outside representatives, apart from duties incumbent upon the Board. • Domicile: at least one board member or outside representative must be domiciled in Switzerland
Liability	Financial: Unlimited liability on all the owner's personal assets (no distinction between the owner's assets and those of the company)	• Financial: In principle, the capital alone is used to cover the company's debts. The articles of incorporation can include the obligation to make additional contributions (obligation linked to a share and limited to twice the par value of the share) and to provide additional services • Fault/negligence: Provisions applicable to corporations apply *mutatis mutandis* to limited liability companies	• Financial: The capital alone is used to cover the company's debts • Fault/negligence: Liability for fault or negligence can be attributed to the authors of the issue prospectus (a publication required by law that includes essential information for investors) or to the founders, board members, auditors or other individuals involved in the company's administration, management or liquidation
Rights of partners/ shareholders	No partners	• Voting rights • Right of oversight • Right to profit and proceeds from liquidation in proportion to the value of shares held (unless otherwise stated in the articles of incorporation) • Right to exit the company capital (subject to the terms of the articles of incorporation or following a court ruling) with penalty equal to the real value of the shares • Preferential subscription right	• Voting rights • Right of oversight • Right to profit and proceeds from liquidation in proportion to the value of shares held (unless otherwise stated in the articles of incorporation) • Preferential subscription rights
Accounting	Required if the commercial register is also mandatory	Required	Required
Statutory auditors	Not required	• Required, in principle • The auditors do a full or limited audit depending on the company size • A limited liability company can opt out of the audit if the following three conditions are met: - all partners agree - the company qualifies for a limited audit - there are fewer than 10 full-time staff	• Required, in principle • The auditors do a full or limited audit depending on the company size • A corporation can opt out of the audit if the following three conditions are met: - all shareholders agree - the company qualifies for a limited audit - there are fewer than 10 full-time staff
Social security obligations	The owner must register with the social security system and contribute as a sole proprietor	The partners are not covered simply by virtue of owning the company. If, however, they are also employees of the company, they will be covered in this capacity	Shareholders are not covered simply by virtue of owning the company. If, however, they are also employees of the company, they will be covered in this capacity
Taxes	The owner pays taxes	• Federal income tax • Cantonal and local income tax and capital tax	• Federal income tax • Cantonal and local income tax and capital tax
Change in legal structure	Not authorized	Provided for in the Swiss federal law on mergers	Provided for in the Swiss federal law on mergers

Should your company be incorporated?

The first point to consider when selecting the legal structure for your company is whether you want your company to be unincorporated (as in a sole proprietorship or general partnership) or incorporated (as in a limited liability company or corporation).

Advantages of sole proprietorships and general partnerships

- Easier and less expensive to set up than incorporated companies.
- No minimum capital requirement.
- In a sole proprietorship, the owner has full decision-making authority.
- More flexible structure and easy to adapt to changing circumstances.
- No double taxation: the owner alone is taxed on the company's income and assets.

Disadvantages of sole proprietorships and general partnerships

- Sole proprietors and general partners have unlimited liability, so they have to cover the company's debts with their personal assets.
- Equity capital is limited by the owners' financial wherewithal, which limits the company's growth potential.
- Business succession is more complicated, particularly in terms of taxes.

Advantages of limited liability companies and corporations

- The owners' liability is limited to the capital they invest in the company.
- Capital gains on the sale of company shares are generally not taxed.
- If the owners are also employees of their own company, they pay unemployment insurance and are thus entitled to unemployment benefits if the company fails.
- The company name can be freely chosen.

Disadvantages of limited liability companies and corporations

- More complicated and costly to set up than unincorporated companies.
- The owners must make at least a small contribution to the company's capital.
- Double taxation: the company pays income tax, and shareholders pay tax on any dividends.
- The structure is less flexible.

Choosing between a limited liability company and a corporation

If you want your company to be incorporated, would a limited liability company or a corporation be more appropriate? You will have to make your decision based on the details of your start-up project.

Advantages of limited liability companies

- Easier and less expensive to set up than a corporation.
- The structure is more flexible than that of a corporation.

Disadvantages of limited liability companies

- Company shares can be difficult to buy and sell since it requires the consent of two-thirds of the partners and the absolute majority of the voting capital.
- The law stipulates that partners cannot freely leave the company without good cause. The articles of incorporation, however, can grant this right and specify the circumstances under which it can be invoked.

Advantages of corporations

- Easier to bring in new investors and strategic partners.
- Founders can strengthen their position in the company, for example through preferential voting rights.
- This is the only legal structure that allows shareholders to own shares in a company anonymously. Ownership of company assets is not official (shareholders are not listed in the commercial register).
- Shares can be bought and sold freely, which makes it easier to allocate them among owners and to sell the company.

Disadvantages of corporations

- The minimum capital requirement is higher (CHF 100,000) than for a limited liability company.
- More complicated and costly to set up than a limited liability company.
- Double taxation: shareholders are taxed on income and assets, and the company is taxed on income and capital.
- Subject to strict accounting rules, including the need for legal reserves and measures for dealing with excess debt.
- Management expenses are higher: management reports, accounting, shareholders' meeting, board meetings, tax forms, and so on.

4. Choosing a company name

You will have to choose a company name (*raison sociale* or *raison de commerce*) at some point.

If you set up a sole proprietorship, your last name must be part of the company name. If you wish to include other words, they mustn't suggest the existence of a limited liability company or a corporation. Limited liability companies and corporations have a freer hand in choosing the company name. Some general legal considerations apply, nevertheless, such as the requirement to indicate whether it is a limited liability company (Sàrl) or a corporation (SA). It also must not contain any false information. And it must not be misleading as to the type of business the company is engaged in. This can happen when the company name includes words related to a business, product or service that is not part of the company's stated purpose or type of work or when it refers to an only minor aspect of the company's business.

For companies that will be registered on the commercial register, you can do a search of the register to make sure the name you select hasn't already been used. Once you have settled on the name, the commercial register will have to approve it.

Database of company names in use: **www.zefix.ch.**

The Federal Office of Justice (FOJ) has also issued a directive on company name requirements for the government agencies managing business registries. It is available in French, in the "*Economie* > *Registre du commerce*" section of the FOJ website.

5. Intellectual property

If your business venture is based on an original idea, you want to be sure no one else uses it first. This is the rationale underlying intellectual property protection which, in Switzerland, is managed by the Swiss Federal Institute of Intellectual Property.

You cannot protect an idea, but you can protect the way that idea can be turned into a profitable business, by applying for a patent or registering a trademark or design. These are the main types of intellectual property rights. Another form of protection is copyright, which is automatic upon the creation of personal works such as literature, art and software programs.

For more information:
www.ipi.ch (Swiss Federal Institute of Intellectual Property)
www.wipo.int (World Intellectual Property Organization)

Patents

Patents are used to protect inventions in terms of a product's specific features or its production process. The invention must represent a truly innovative solution that is technically feasible. You have to describe the technical solution down to the smallest details. You also have to ensure your invention is truly new and that there are no precedents.

Once you have been given a patent, you can fend off the competition by giving your company exclusive rights to take your invention to market. Patent protection is granted for a limited period of time and is only valid in the country in which it is registered. If you intend to market your product outside of Switzerland, you will have to file for patent protection in each target country.

Patent rights are granted for up to 20 years. Once this period ends, the invention goes into the public domain.

The general public is rarely aware of patents (unlike trademarks). That's why it is so important to do sufficient research to find out if a patent already exists in your field before attempting to market your original product or process. A good place to start is **www.espacenet.com.**

The patent application process can be expensive and time-consuming, especially if you intend to file abroad. We recommend you seek the services of a specialist in this area.

Trademarks

Under Swiss law, a trademark is a protected sign that differentiates between the product and services of one company and those of another. When you register for trademark protection, you alone will be entitled to use your trademark to sell your products.

Trademarks are ubiquitous and have become part of our daily life at work and at home. Hence the importance of precisely defining the words, letters, numbers, images and/or sounds that you will use to identify your product or company. All aspects of a trademark – dimensions, color, characteristics of the symbol, notes of the jingle – can be registered with the Swiss Federal Institute of Intellectual Property. You cannot, however, protect a number, image or word that is in the public domain.

Trademark protection can be complex, especially if you need to obtain it in other countries as well. We recommend you seek the services of a specialist.

Domain names

To enhance your company's visibility, you will probably set up a company website. For this, you will have to register your domain name (i.e., your internet address). You can search the website of the Swiss registrar of your choice to see if the name you want has already been taken; if not, you can register it there. This website has a list of registrars: **www.nic.ch.**
You can also check for available domain names here: **www.namecheck.com.**

For more information: **www.swizzonic.ch**

Insight
You'll probably want to set up social media accounts as well. You should check that your company name is not already being used. If it is, make sure the corresponding social media accounts are not going to be damaging to your company's image.





6. Setting up your company

If you opt for a sole proprietorship *(raison individuelle)* or general partnership *(société en nom collectif)* and meet the work-permit requirements (see page 34), all you have to do to set up your company is sign up with a social security office *(caisse AVS)* and register your company with the commercial register (this latter step is optional if the sole proprietorship's full-year revenues are below CHF 100,000). To be accepted by the social security office as a sole proprietor, you will need to meet certain requirements in accordance with the Federal Law on Old-age and Survivors' Insurance and rulings of the Federal Insurance Court. For example, you must bear 100% of the economic risk; you must be free to organize the work as you see fit; you must use your own premises; and you must have numerous clients (just one client is not enough). You are permitted to hire others and delegate all or part of the work to them. These criteria are not exhaustive and each case is treated individually (see pages 60-62 for more details on sole proprietorships).

The process for setting up a limited liability company *(société à responsabilité limitée)* or corporation *(société anonyme)*, either by yourself or together with other people or legal entities, is a bit more complicated.

Articles of incorporation

Limited liability companies and corporations must have articles of incorporation *(statuts)*. They are written up in a document, subsequently notarized, which contains basic legal information about the company.

The articles of incorporation must contain the following information:

For a corporation:
- company name, purpose and address
- value of capital and a list of contributions
- number, par value and types of shares
- voting rights and how the annual meeting is convened
- members of the board of directors, and name of the statutory auditor
- how it publishes its financial statements.

It may be worth including other information in the articles of incorporation, such as contributions in kind, how the general meeting works, how the board of directors operates, etc.

For a limited liability company:
- company name, purpose and address
- value of capital and number and par value of shares
- how it publishes its financial statements.

Like for a corporation, it may also be advisable to include the structure of management, signing authority, contributions in kind, how capital increases are done, whether there are preferential subscription rights for existing shareholders, etc.

At least one of the individuals authorized to represent the limited liability company or corporation must be domiciled in Switzerland. There are no restrictions on the nationality of the founders or company representatives. For a corporation, members of the board and, in some cases, the auditor need to be listed.

Insight
Various companies offer streamlined business creation services, such as EasyGov: **www.easygov.swiss/easygov/#/en.**

Paying in the required capital

When setting up a limited liability company or corporation, you will have to open a capital-deposit account *(compte de consignation)* at a bank. This is a bank account in which the new company's capital is held until the company is registered with the commercial register. The bank provides a receipt for the funds, which cannot be used until the registration process is complete. The bank will release the funds when you present a valid extract from the commercial register. The funds are then transferred to the company's current account, and the capital-deposit account is closed.

The founders must subscribe all the company shares through payments in cash or in kind. For a limited liability company, the shares must be issued at least at par value, which means that a minimum of CHF 20,000 must be paid in to start the company. For corporations, where the minimum share capital is CHF 100,000, at least 20% (but no less than CHF 50,000) must be paid in at the start.

Insight

If you would like to open a capital-deposit account with BCV, you can fill out the online application form at www.bcv.ch/en.



Notarization of company documents

Once these preliminary steps have been taken, the company founders will have to meet with a notary (*notaire*) in order to formalize the company's founding. The notary prepares the required deed of incorporation (*acte constitutif*) that will be signed by all the founders. In this document, the founders state their intention to create a limited liability company or a corporation, approve the articles of incorporation and appoint the managing bodies. They also state in this document that:

- all company shares have been validly subscribed
- the contributions add up to the total value of the company shares
- the contributions were made in accordance with the law and the company's articles of incorporation
- they accept the obligation (if the articles of incorporation contain one) to pay in additional funds or provide additional services.

Commercial register

Each canton has a commercial register. It is both an administrative service provided by the government and a freely accessible database providing complete and accurate information on registered companies. The commercial register protects the name of each company that registers and shows its legal structure, address, field of business, name(s) of its manager(s), partners, owners and board members, and people with signing authority. It provides all basic legal information on registered companies in a transparent way.

For most companies, registration is compulsory. This is certainly true for limited liability companies and corporations. Sole proprietors are not required to register unless their gross annual revenues surpass CHF 100,000. They may still wish to register, as this provides recognition of their business activity. It may even be required by some business partners and by some banks before they will provide a loan.

To register, send your application to the commercial register. It will check that your request has been properly completed, the company name meets the requirements and all necessary certified signatures are included.

For limited liability companies and corporations, the registration application must be signed by two members of management or the board of directors or by someone with individual signing authority. The signatures must be certified by a notary if the individuals are not present at the office of the commercial register or if their signature has not already been recorded on the commercial register.



Applications for limited liability companies and corporations must include:

- the notarized deed of incorporation (*acte constitutif*)
- the articles of incorporation (*statuts*)
- confirmation that the managers or members of the board of directors have accepted their appointment
- if applicable, confirmation that the statutory auditor has accepted its appointment.

Corporations must also include:

- the minutes (*procès-verbal*) from the first meeting of the board of directors in which the chairman's appointment and the assignment of signing authority are minuted
- proof of contributions in kind, asset acquisitions, planned asset acquisitions, offsetting claims or special privileges
- a declaration that there are no contributions in kind, asset acquisitions, offsetting claims or special advantages other than those mentioned in the supporting documents.

There is a fee for registering your company. And if your application is incorrect or incomplete, the commercial register will bill you additionally for returning the application to you.

By registering, your company agrees to keep books, to preserve business-related documents for at least 10 years and to submit to debt collection in the event of bankruptcy proceedings. Registered companies must inform the commercial register of any changes in the information provided (change in address, new partners, etc.).

For more information: **www.vd.ch/rc** (in French only)

Insight

Beware of private business registers!
Once your company is registered on the commercial register, this information will be published in the Swiss Official Gazette of Commerce (*Feuille officielle suisse du commerce*). At that point you will start receiving offers encouraging you to sign up for private registers for a fee. Be extremely careful, and keep in mind that these registers are not official. The law only recognizes the official commercial register for the canton. Inclusion in any other register is optional. Be sure it's worth the cost before accepting any of these offers.

Fees for setting up a limited liability company or a corporation

The set-up fees include:

- notary fees for the deed of incorporation: CHF 200 to 2,000 in Vaud Canton (not including preparing the articles of incorporation) along with a percentage of the total amount of capital
- hourly consulting fees (e.g., notary, fiduciary, etc.)
- the fee for recording your company on the commercial register (around CHF 600)
- the publication fee for the *Feuille Officielle Suisse du Commerce*, between CHF 25 and CHF 200
- federal stamp duty of 1% of any capital above CHF 1m.

Banking services

Your company will need banking services to operate. When it comes to managing your payment transactions and meeting your liquidity needs, BCV provides simple and effective solutions.

Managing your payment transactions
You will want a simple and easy way to manage incoming and outgoing payments. BCV's various small-business packs provide all the services you need for these purposes, with a monthly account-management fee starting at only CHF 4.

All small-business packs include:
- a current account with a number of credits and debits included in the monthly fee
- access to our online banking system
- a Visa Debit card
- a cash account (if needed)
- a subscription to BCV's corporate banking newsletter (French only)
- special offers for businesses from our partners.

Financing your company
When you prepared your cash-flow projection, you may have identified a cash shortfall. Whether you need cash for your company's working capital or to finance the purchase of capital assets (manufacturing facilities, vehicles, office equipment, etc.), BCV is ready with the financing solutions you need. These include short-term loans, fixed-term advances, medium- and long-term loans, leasing solutions, mortgage loans, bank guarantees and loan guarantees. Your financing request will be analyzed in conjunction with the business plan and financial projections you prepared (see the first part of this guide).

BCV's Crédit Direct PME is a line of credit that can be particularly interesting for small-business start-ups. It offers a fast and simple way of meeting liquidity needs ranging from CHF 20,000 to CHF 100,000, and the application can be submitted online.

Insight
For more information on each of our products and services, visit **www.bcv.ch** or contact us directly.

We have advisors throughout Vaud Canton who know the region well and understand the concerns of local entrepreneurs. They will find the right solutions to help you achieve your goals.

7. Accounting

Annual accounts

When you sign your company up with the commercial register, you assume the obligations of bookkeeping, preparing an inventory and a balance sheet when starting out and preparing an inventory, balance sheet and income statement at the end of each fiscal year. These documents must be kept on file for at least 10 years.

The purpose of bookkeeping is to enhance transparency and provide information on the company's financial situation and results. The income statement shows inflows (income) and outflows (expenses) of money, while the balance sheet lists assets (current and fixed assets), liabilities and equity. These financial statements must be prepared in accordance with the requirements in the Swiss Code of Obligations.

To ensure the annual financial statements reflect the company's financial situation and results most accurately, the following principles apply: the full-year accounts must present a true and fair view of your company; they must be prepared under the assumption that operations are ongoing (i.e., a going concern); there must be continuity in the presentation and evaluation of data; and offsetting between assets and liabilities or between income and charges is not permitted.

Corporations are subject to special rules for the preparation of annual accounts. Similar rules also apply to other types of companies if they are large enough.

Insight

Even if you don't know much about accounting, easy-to-use software is available to help you keep your books.
If you don't think you can do your accounting on your own, you can get a professional to do the work for you. Bear in mind that even if you don't do the accounting yourself, you still need to keep all your accounting documents and make sure that you can read and understand your company's financial statements.

Auditing

Both limited liability companies and corporations must have their accounts audited. Sole proprietorships and general partnerships are exempted from this requirement.

The type of audit required depends on the number of employees in the company and its financial heft. The audit may be ordinary or limited.

Ordinary audit

An ordinary audit *(contrôle ordinaire)* is necessary if two or more of the following thresholds are met two years in a row:

- total assets of at least CHF 20m
- revenues of at least CHF 40m
- at least 250 full-time employees.

Even if an ordinary audit is not required by law, it can still be done if set forth in your company's articles of incorporation or if the general meeting so decides. When an ordinary audit is done, a full report is delivered to the board of directors and a summary report is provided to the general meeting.

Limited audit

If the conditions listed above are not met, your company's annual accounts will be subject to a limited audit *(contrôle restreint)*. This audit procedure involves enquiries with management, analytical procedures and, whenever appropriate, detailed verifications. The proposal by the board of directors for the allocation of earnings is also checked. Only a short report is submitted to the general meeting.

If all your partners agree and if your company has no more than 10 full-time employees, you may even forego the audit process completely.

Audit options

The core rules described above come with a number of variants:

- For companies normally subject to a limited audit, an ordinary audit can be required by minority owners representing at least 10% of the company's capital (this is called "opting up").
- For companies with fewer than 10 full-time staff, it is possible, with the agreement of all partners, to partially waive an audit ("opting down") or fully waive it ("opting out").
- In practice, it is also possible for the company's creditors – particularly banks – to insist on an audit in a situation in which the company could normally waive it ("opting in").

Auditing firms

The requirements that auditors must meet depend on the type of audit required by law. There are three types of auditors: state-regulated audit firms *(entreprises de révision soumises à la surveillance de l'Etat)*, licensed audit experts *(experts-réviseurs agréés)* and licensed auditors *(réviseurs agréés)*. Licensed auditors are only authorized to conduct limited audits. Licensed audit experts can do both limited and ordinary audits, while state-regulated auditing firms can do all types of audits, including those for publicly listed companies. To find out your auditor's licensing level, consult the register kept by EXPERTsuisse (**www.expertsuisse.ch**, in French only).

Insight

In Switzerland, tax and accounting services are commonly provided by a *fiduciaire* even though this job title has no defined qualifications. Be sure the *fiduciaire* you choose is fully qualified by checking on the website of the Vaud section of the Swiss Union of Fiduciaries: **www.fiduciairesuisse-vd.ch** (in French only).

8. Taxes

Swiss tax system

The tax regime applicable to your company will depend on its legal structure:

Sole proprietorships: There is no distinction between the company and its owner. Sole proprietors pay taxes on income from their business and on their total assets, including any capital invested in the sole proprietorship.

General partnerships: From a tax perspective, these companies are treated in the same way as sole proprietorships. The general partners pay taxes on their proportion of the company's income and assets.

Limited liability companies and corporations: These are legal entities and therefore taxed on their income and capital. The companies' shareholders or managers are taxed separately on their income (salary, dividends, etc.) and private assets.

Tax advantages

The Vaud Cantonal Government (*Conseil d'Etat*) can grant a full or partial tax exemption to newly formed companies (or companies undergoing a major modification or creating a new business line) if they are of particular benefit for the canton's economic interests. Tax-exempt status is accorded for 10 years, including the year of the company's creation.

For Vaud Canton, the following business sectors have been given priority status:

- life sciences
- information and communication technologies (ICT)
- cleantech
- precision instruments
- agro-food
- luxury products
- international sports
- tourism

The full or partial exemption can apply to taxes on company capital and income but not to taxes on real-estate gains or the additional tax on buildings. To be eligible for tax exemption, a company must not distribute its profits but reinvest them in the company.

Requests for tax exemption are submitted to the municipality (*commune*) or cantonal tax authorities, while the final decision belongs to the Vaud Cantonal Government.

Corporate taxes

Taxation of legal entities

Limited liability companies and corporations are taxed on income and capital. The tax is calculated on the basis of net income earned during the fiscal year. The fiscal year is defined by your company independently of the calendar year.

Your company will be subject to taxes starting on the day it is created, i.e., the day it's recorded on the commercial register. Its tax obligations end on the day the company is dissolved or moved abroad.

Federal stamp duty

Capital contributions are subject to federal stamp duty, which is a form of federal tax. It is equal to 1% and is calculated on the net amount of contributions (but no less than the par value of the newly issued shares). This tax is also applied to subsequent capital increases. The federal stamp duty on issuance must only be paid if you are creating a limited liability company, a corporation or a cooperative, or if you increase the par value of the shares. The amount of capital up to CHF 1m is not subject to federal stamp duty.

Income tax

Net income is taxed at the federal, cantonal, and local level.

The tax is calculated by adding the following back in to the bottom line of the income statement: selling, general and administrative expense; interest expense; and any unusual provisions. A provision for future R&D spending is accepted up to a maximum of 10% of taxable profit, but no more than CHF 1m (this type of provision is also allowed for sole proprietorships).

The following items may be deducted from profits: losses from the previous seven years, taxes paid and certain payouts (such as donations to Swiss public-interest organizations of up to 10% of net profit, and contributions to the employee pension plan).

Since Vaud's third reform on corporate taxes came into force in 2020, the cantonal tax on net income is 3.33% for all companies, and the federal, cantonal and municipal (Lausanne) tax is 13.79%.

For associations, the cantonal tax rate is 4.75% and the federal tax rate is 4.25%.

These cantonal and local figures are simply base rates that must be multiplied by applicable coefficients.

Capital tax

Capital tax is levied at the cantonal and municipal levels only, not at the federal level. As of 1 January 2019, it is equal to 0.6‰ of taxable equity capital, under Article 118 of the Law on Direct Cantonal Taxes.

The capital tax for associations, foundations, other legal entities, and funds that hold real estate directly is levied according to the rates provided in Article 59 the aforementioned law. Capital is not taxable if it is below CHF 200,000. Only 50% of capital is taxable according to Article 106 (deduction for holdings), Article 94a (patents and similar rights), and loans extended to group companies.

Taxable capital for incorporated companies (limited liability companies and corporations) and cooperatives includes:

- share capital or paid-in share capital
- open reserves
- hidden reserves made up of taxed income.

In Vaud Canton, incorporated companies can deduct their income tax from their capital tax. One exception is holding companies already subject to a special tax regime (under Article 108).

Additional tax on buildings

In Vaud, legal entities are required to pay a yearly tax equal to 1‰ of the tax value of buildings they own. The following exceptions are allowed:

- buildings or parts of buildings that they use to engage in trade or manufacturing
- low-income housing.

This additional tax is due at the start of the year for the entire calendar year. If a property transfer tax is paid following the full or partial transfer of ownership of a property, the additional tax on buildings is refunded to the transferor. The amount of the refund, which is set by the tax office, cannot exceed 15 times the annual amount of the additional tax, nor can it exceed the amount of the property transfer tax that was paid.

Value added tax (VAT)

As an entrepreneur in Switzerland, you may already know that the federal government applies value added tax (VAT) at each step of the production and distribution process. Did you know that companies are permitted to recover the amount of VAT that they pay upstream? The purpose of VAT is to tax end consumption.

There are four VAT rate categories:
1. normal rate: 8.1%
2. reduced rate: 2.6% for the delivery of certain goods, such as food items and non-alcoholic drinks, books, magazines and newspapers, medications and tickets for sporting and cultural events. When food items are consumed in a restaurant, however, they are taxed at the normal rate
3. special rate in the hotel sector: 3.8%.

Any company or self-employed person subject to VAT whose full-year VAT-eligible revenue does not exceed CHF 5,024,000 is allowed to apply the net tax rate to that revenue if the resulting VAT bill will not exceed CHF 108,000 over the same period.

Under this method, the company calculates its VAT bill by multiplying the total VAT-eligible revenue (including VAT) received during the period in question by the net tax rate set by the Swiss Federal Tax Administration (FTA).

The net tax rates take into account the input tax levels currently in effect in the sector in question. These rates are set by the FTA after consultation with each sector's professional association. To qualify for the next tax rate method, companies must request approval from the FTA and then apply this method for at least one tax period. A company that opts for the effective method, on the other hand, must apply it for at least three years before switching to the net tax rate method. Any change in methods must take place at the start of the tax period.

VAT: applicability and waiver
Any company or self-employed person that has its registered office, domicile, or permanent establishment on Swiss territory, as well as any Swiss- or foreign-based company or self-employed person that provides goods or services in Switzerland, is potentially subject to VAT.

Companies and self-employed individuals that fall into those categories are exempt from VAT if:
a. their full-year revenue from VAT-eligible products and services provided in Switzerland or other countries is less than CHF 100,000
b. they are foreign-based and, regardless of their full-year revenue, they (i) only provide VAT-exempt products or services in Switzerland, or (ii) only provide services in Switzerland.

Insight
You can use the Swiss Federal Tax Administration's online questionnaire to determine whether your company is subject to VAT: **www.estv.admin.ch.**

Voluntary VAT registration
If your company is not required to register for VAT, it can still do so voluntarily (or, more accurately, you can waive your exemption). This is possible regardless of your company's top line. In other words, you have the right to have your company subject to VAT even if you do not yet have any revenues. Your request can be made as early as at the start of the current fiscal year, and the registration must be maintained for at least one fiscal year.

Onset of VAT obligation
A company's VAT obligation starts when the company forms. This takes place, for example, when a company is signed up with the commercial register or notarizes its deed of incorporation, when an association prepares its articles, or when a company signs a lease for commercial space.

You must register for VAT with the Federal Tax Administration within 30 days after your VAT obligation commences.

Insight
Even if your new company will not reach the required level of revenues during the start-up period and subsequent years, it may be in your interest to register for VAT voluntarily. If your company invests significant amounts of money in the construction of facilities and the purchase of capital equipment during this start-up phase, for example, it can deduct the entire amount of the VAT paid on these investments and related expenses.

9. Swiss pension system

Pension planning in a foreign country can seem bewildering. In Switzerland, the pension system is based on three pillars – social security, occupational pensions and private investment products. Together they provide disability and survivors' insurance and retirement benefits. Here is some general information on the Swiss three-pillar pension system to get you started.

The first pillar refers to core social security benefits provided by the government. This system is mandatory for everyone – whether employed, self-employed or unemployed – and financed by employee and employer contributions. It has three components: old-age and survivors' insurance (*assurance vieillesse et survivants, AVS*), disability insurance (*assurance invalidité, AI*) and loss-of-income insurance *(assurance perte de gain, APG)*. The first pillar is meant to cover an individual's most basic needs. If you move permanently from Switzerland to a country that does not have a bilateral agreement in this regard, your contributions will be refunded; otherwise they will be credited to your new country's social security system.

The second pillar, which refers to occupational (or company) pensions, is governed by the Swiss law known as LPP (in French) or BVG (in German). It is mandatory for all employees, and both employees and their employers contribute. Self-employed people have the option of paying into an occupational pension plan. The second pillar is designed to allow people to maintain their standard of living upon retirement. It also includes a disability component. You are entitled to cash out your savings if you become self-employed or if you move permanently out of Switzerland to a non-EU/EFTA country. You may also use or pledge your second-pillar assets in order to meet the downpayment requirement on a primary residence.

The third pillar represents private investment products that individuals can purchase. These include life insurance, for example, as well as certain tax-advantaged retirement accounts and other products. In some cases self-employed people enjoy greater tax advantages. The third pillar is broadly aimed at filling in gaps in the first two pillars or providing whatever extra coverage is desired. There are two types of third-pillar plans. Pillar 3A plans provide substantial tax relief, but strict conditions apply to contributions and to the plan's duration and terms of use. Pillar 3B plans are not subject to the same restrictions, but do not offer the same tax advantages.

10. Payroll taxes

Switzerland has a relatively comprehensive system for insuring its workforce. A number of obligations are incumbent upon both employers and sole proprietors with no employees. This section provides a general overview of the various types of insurance and benefits you need to be aware of when you start a company.

Insight
The figures provided in this section are those applicable at 1 January 2026 and are subject to change. For more detailed and regularly updated information, please refer to the pages of the CVCI website that discuss social security: **https://avscvci.ch/en.**

Employers' obligations

All salaried workers in Switzerland are covered by basic social security, which comprises (1) old-age and survivors' insurance (*assurance vieillesse et survivants, AVS*); (2) disability insurance (*assurance invalidité, AI*); and (3) loss-of-income insurance (*assurance perte de gain, APG*). As such, all companies belong to a social-security fund (*caisse AVS*). If the employer is a member of a professional or interprofessional association with its own social-security fund (such as the CVCI), this is generally the fund the company must join.

The company provides its social-security fund with a list of employees and their salary (including in-kind benefits, such as meals and housing), and it makes estimated social-security contributions to the fund (paid monthly or quarterly for small companies where the sum of salaries is below CHF 200,000).

A statement of all salaries paid for the year must be submitted to the social-security fund at the end of each calendar year. The fund will then issue a bill to the company for the difference it is owed or it will reimburse an overpayment.

The employer transfers the entire amount of social security owed for each employee to the social-security fund: 7% of the salary for old-age and survivors' insurance, 1.4% for disability insurance, and 0.50% for loss-of-income insurance. In reality, the employer and employee split the bill evenly: the employees' share is withheld each month from their pay.

For employees who continue to work in a company past the reference age for retirement (65), CHF 16,800 francs per year (or CHF 1,400 per month) of their salary is exempted from social-security contributions, unless they want to continue making contributions based on their whole salary. In that case, they must inform their employers that they want to opt out of the current pensionable salary deduction.

A low level of income from a second job (up to CHF 2,500 per calendar year per employer) is excluded from the salary amount used to calculate social-security contributions unless the employee requests otherwise. An exception exists for household workers (cleaners, babysitters, etc.) and workers in the culture and media industries (based on the complete list established by the Swiss Federal Social Insurance Office), for whom social-security contributions are mandatory.

The social-security funds charge administrative fees to cover the cost of billing and payment processing. Each fund sets its own fees.

Unemployment insurance (*assurance chômage, AC*)

Unemployment insurance premiums are paid to the company's social-security fund along with the social-security contributions discussed above. The premium is equal to 2.2% of the annual salary up to CHF 148,200. Employees who have reached the reference age for retirement no longer have to pay unemployment insurance premiums.

Occupational pension plan
Under Swiss pension law, employees whose annual salary is above CHF 22,680 must be admitted to the company's occupational pension fund (*prévoyance professionnelle*).

Employees who earn between CHF 26,460 and CHF 90,720 are subject to compulsory occupational pension insurance, with a maximum coordinated salary (portion of the salary on which compulsory occupational pension fund contributions must be paid) of CHF 64,260. For employees who earn at least CHF 22,680, the minimum coordinated salary is CHF 3,780. Employers are only required to contribute on the first CHF 90,720 of their employees' salary.

The company's contribution to the employee pension fund must at least match the employees' contribution. The employees' share is withheld from their pay.

The employer provides its social-security fund with the name of the financial institution that manages its pension fund.

The employer must inform the financial institution managing its pension fund if employees:
- suffer an accident or prolonged illness
- leave the company or significantly reduce their hours
- get married.

Supplementary family benefits and social-security bridge payments
Supplementary family benefits were created to provide financial assistance to families in need, while social-security bridge payments are designed to fill the gap for unemployed people who are no longer eligible for unemployment benefits and will qualify for social-security payments within two years.

These two types of benefits are financed by a small withholding tax applied to all employees. The tax is paid by the employer and is equal to 0.18% of salaries subject to social-security contributions (0.09% paid by the employer, 0.09% by the employee).

Family allowance
Family allowances are paid to help offset the cost of raising children. The employer is responsible for paying contributions to the fund calculated as a percent of the total payroll subject to social-security contributions. If the employer is a member of a professional or interprofessional association (such as the CVCI) that has set up a family-allowance fund, the employer should join that fund.

As a rule, eligible employees receive the family allowance together with their salary payments. The family-allowance fund pays the employer the difference between the family allowances the employer pays its staff and the amount the employer owes the fund from its employees' contributions. Some family-allowance funds provide the option of making payments directly to employees.

The minimum allowance stipulated by law is CHF 215 per month for each child from birth until the child's 16th birthday or until the child receives a training allowance. The allowance is paid until the child turns 20 if the child is unable to work because of sickness or a handicap. A professional training allowance (minimum CHF 268 per month) is paid for each child engaged in post-compulsory school training, beginning on the child's 15th birthday at earliest and until the end of the child's studies (no later than the 25th birthday). This training allowance is also paid to children who are 16 or older and still doing their compulsory schooling.

The cantons are free to pay more than the minimum amounts, and they can also pay a birth and/or adoption allowance as well. Vaud Canton pays a family allowance of CHF 322 per month for each

child, a professional training allowance of CHF 425 per month and an additional CHF 43 per month from the third child onward, and a monthly birth/adoption allowance of CHF 1,617 per child.

Accident insurance
The employer must provide all employees with insurance for accidents in the workplace. Employees who work at least eight hours per week must also be covered for non-work accidents. Some companies are required to get this insurance from SUVA, the national accident-insurance fund. Others can set up a policy with a private insurance company.

The employer can deduct the amount of the non-work insurance premium from the employees' pay. Employers are required to insure the first CHF 148,200 of each employee's salary.

The employer must inform the insurance company immediately of any accidents and cases of work-related illness.

Departing employees are covered for 30 days beyond the end of their contract. The insurance can be extended by up to 180 days upon request.

Health insurance
In Switzerland, employers are generally not required to provide staff with health insurance (i.e., to cover the cost of care or for loss of income owing to sickness). There are two exceptions: if the company is party to a collective employment agreement or is in a field subject to a standard contract which includes the obligation to provide staff with health insurance.

However, many employers arrange a private group insurance contract for loss of income owing to sickness for their employees. This sort of insurance policy can, under certain circumstances, release the employer from its obligation to continue paying an employee's salary following an insured event.

When employees leave a company, the employer must inform them of the option of switching from the group loss-of-income contract to an individual contract. The employee then has three months to decide whether to switch to an individual contract.

Maternity allowance
Women who are gainfully employed can take 14 weeks of maternity leave following the birth of a child. During this leave they will receive an allowance equal to at least 80% of their most recent salary (up to a maximum of CHF 220 per day).

Other-parent allowance
The child's other parent (either the father or the birthing mother's wife) has the right to take up to two weeks of leave, either all at once or as separate days during the first six months after the child's birth. While on leave, the other parent can receive up to 14 daily payments (including weekends).

This allowance is subject to the same conditions as the maternity allowance and is equal to 80% of the other parent's most recent salary (up to a maximum of CHF 220 per day).

Provisions concerning sole proprietors

Social security

Anyone doing paid work as a sole proprietor, even if that person employs no staff, must belong to a social-security fund *(caisse AVS)* in order to contribute to and be covered by old-age and survivors' insurance *(assurance vieillesse et survivants, AVS)*, disability insurance *(assurance invalidité, AI)*, and loss-of-income insurance *(assurance perte de gain, APG)*. If the sole proprietor is a member of a professional or interprofessional association with its own social-security fund (such as the CVCI), this is generally the fund the person must join.

The social-security fund will first examine your situation to ensure you meet the requirements to join the fund. In general, to be recognized as a sole proprietor, you have to bear all the economic risk of the business. This may include making significant investments for the needs of the business, renting or owning commercial or office space, procuring work, paying overhead and bearing sole responsibility for financial losses. You must also have a totally free hand in organizing your work: you define how you work, you set your own hours and you have the option of subcontracting the work to other people.

Your application to the social-security fund can take some time. To expedite things, be sure to include the requested documents (such as copies of bills, packing lists, signed contracts, any professional authorizations or credentials).

If your application is approved, you will be asked to provide the social-security fund with an estimate of your full-year revenues. The fund will calculate the amount of your premiums and send you a quarterly bill. The final amount of premiums due for the year is calculated the following year on the basis of the sole-proprietor income shown on your federal tax return (the tax office will send this information to the social-security fund). The social-security fund will bill you – or reimburse you – the difference between what you owe and what you paid.

As a rule, the quarterly payments must be made no later than the 10th day following the end of the quarter. If it turns out you underpaid for the previous year, you will receive a bill payable within 30 days.

Be sure to inform your social-security fund of any significant change in your revenues. You will also have to provide the fund with a copy of your financial statements at the end of each calendar year.

Social-security rates for sole proprietors: generally 10% of revenues (as shown on the federal tax return), less the interest on the capital you have invested in the company. This percentage rate breaks down as follows: 8.1% for old-age and survivors' insurance, 1.4% for disability insurance, and 0.50% for loss-of-income insurance.

A regressive rate applies for annual income below CHF 60,500. The minimum annual premium due is CHF 530.

If you are a sole proprietor and decide to continue working after the reference age for retirement (65), CHF 16,800 of your revenue per year is exempted from the premium calculation, unless you decide to continue contributing on the entire amount. If this is the case, you must inform your AVS pension fund that you wish to opt out of the current pensionable salary deduction. This may enable you to increase your pension payments by making up for prior-year gaps or raising your average annual salary, which is used to calculate your pension.

If a second job provides sole-proprietor income not exceeding CHF 2,500 per calendar year, you are not required to pay social security on it (but you are allowed to).

The social-security funds also charge administrative fees to cover the cost of billing and payment processing. Each fund sets its own administrative fees.

Unemployment insurance (*assurance chômage, AC*)
Sole proprietors do not pay unemployment insurance (and cannot claim unemployment benefits in the event they have no work).

Occupational pension plan
Sole proprietors are not required to sign up for an occupational pension plan. They may choose to do so, however, as such plans are not only available to employees of a company (but the sole proprietor obviously does not benefit from an employer's matching contributions). Sole proprietors who choose to enroll in such a plan will be subject to the law governing occupational pensions.

Sole proprietors can enroll with the pension fund that covers their employees (if they have any) or that is linked to their profession.

If you pay into a pillar 3 product (i.e., a private retirement product) you can deduct your contributions from your taxes within the following legal limits:
- around CHF 35,000 if you do not belong to an occupational pension fund
- around CHF 7,000 if you belong to an occupational pension fund.

Supplementary family benefits and social-security bridge payments
For sole proprietors, a single rate of 0.09% of the salary subject to social-security contributions is charged. (See page 58 for more information on supplementary family benefits and social-security bridge payments.)

Family allowances
Sole proprietors are required to contribute in respect of their salary subject to social-security contributions (the salary level is capped at CHF 148,200 per year).

Accident insurance
Sole proprietors are not required to have work-related accident insurance. You can, however, sign up for this type of insurance with SUVA, your health insurer or a private insurance company, depending on the sector in which you work. The minimum insured amount cannot be less than 45% of the maximum insured amount (CHF 148,200), which equals CHF 66,690 for the sole proprietor and CHF 44,460 for family members working in the company).

Premiums vary by sector from 2% to 11.5%.

The insurance company may reject an application in the event of pre-existing health conditions.

Loss-of-income insurance as a result of sickness
You can also get insurance that will pay a daily benefit if you cannot work owing to sickness or an accident.

Loss of income for military service and maternity
Swiss citizens who are sole proprietors will be paid an allowance when they do their military service. Just like salaried employees, sole proprietors receive a questionnaire from their unit accountant while they are on duty on which they note the number of days of duty served. The questionnaire must be completed and submitted to the social-security fund. The fund will then calculate the amount of the allowance and pay it.

Women who are sole proprietors are entitled to 14 weeks of paid maternity leave, with payments made by their social-security fund. Other parents (fathers and the wives of birthing mothers) who are sole proprietors are entitled to two weeks of paid leave.

The amount paid depends on your revenues (up to 80%). The maximum is CHF 220 per day.

Insight

When you set up your own business, you will be responsible for payroll taxes. The CVCI's social-security and family-allowance funds handle companies' obligations relative to social-security contributions, disability insurance, loss-of-income insurance and family allowances, all at a low cost. They can also give you a hand with the necessary paperwork. If you join the CVCI and its social-security funds at the same time, the CVCI membership fee and first annual fee will be waived. The CVCI also offers a "Pack Créateur" worth around CHF 480. It is designed for budding entrepreneurs and provides a free trial of the services the CVCI offers its members. Consider joining the 1,500 companies in Vaud Canton that already work with them: **https://avscvci.ch/en.**

11. Basic labor law

Employment agreement
If you hire staff, you will have to be familiar with the part of Swiss law applicable to employment contracts. A contract has been validly entered into when you and the prospective employee agree to the salary and the work to be done. The contract can be spoken or written. A written contract is required for an apprenticeship or when the contract terms differ from those set forth in the Swiss Code of Obligations (regarding the notice period, payment of the salary in the event of sickness or an accident, and so on).

The employment contract can be for a fixed term or open-ended. In the latter case, the law states that, unless otherwise agreed by the parties, the first month is considered a trial period during which the contract can be terminated by either party with only seven days' notice. The trial period cannot be set for more than three months, although it can be extended for apprentices.

Collective employment agreement
Collective employment agreements (*conventions collectives de travail*) are the result of negotiations between employers and unions in a given sector of the economy concerning topics such as employee benefits (e.g., minimum salaries) and the terms for entering and terminating individual employment contracts.

In Switzerland there are around 40 mandatory agreements and 1,500 non-mandatory ones. Mandatory agreements apply to all companies in the sector concerned. Non-mandatory agreements only apply if the employer and employees belong to the respective associations that signed the agreement.

Speak with the Vaud Employment Office (*Service de l'emploi*) to see if your company is covered by a collective employment agreement.

Working hours
The number of hours to be worked is set forth in the contract. Swiss law sets the maximum number of working hours per week at:

- 45 hours for people who work in manufacturing and for office staff, technical staff and other employees, including salespeople in large stores
- 50 hours for other workers, unless other regulations apply (e.g., chauffeurs, people working in clinics and hospitals, hotels, restaurants and cafes, construction and civil engineering).

Day and evening work
Daytime working hours run from 6am to 8pm, while evening hours go from 8pm to 11pm. An employer need not obtain official authorization to ask employees to work their shift during this 17-hour period. An employer must however consult with employees before instituting evening hours.

The 17-hour period can actually start as early as 5am or end as late as midnight as long as a majority of workers concerned approve. Individual workers must not work more than 14 hours during the day and evening period, and this includes breaks and overtime.

Night work
Employees cannot be asked to work outside of the defined day and evening hours. Exceptions are possible, however, in the case of urgent need, rare skills, etc. This can happen in companies and organizations subject to special treatment under the law (clinics and hospitals, hotels and restaurants, bakeries, etc.). The employer must bump up the normal pay by at least 25% for workers who occasionally work nights (maximum of 24 nights per calendar year). Employees who regularly or periodically carry out night work are entitled to additional time off (10% of the time spent on night work). This additional time off must be taken within one year.

Working on Sunday
Employees are not allowed to work between Saturday 11pm and Sunday 11pm. Exceptions can be obtained here, just as for night work (urgent need, required skills, etc.). The employee's pay must be increased by 50% for occasional work on a Sunday (maximum of six Sundays per calendar year). If the employee works up to five hours on a Sunday, the person is entitled to one day off in the following four weeks. If the work lasts more than five hours, the employee must be given one full day of rest of at least 24 consecutive hours (beginning at the end of the employee's normal non-working hours) during the week before or after the Sunday in question.

Salary payments for employees unable to work
If employees are prevented from working through no fault of their own (sickness, legal obligations, etc.), the employer must continue paying their salary for a limited period of time, as long as they have worked for the employer for at least three months or the term of the contract is longer than three months. The salary will continue to be paid for up to three weeks during the first year of employment, up to one month during the second year, up to two months for the third and fourth year, up to three months for the fifth through ninth years, and so forth. The employer can agree to pay beyond these periods or can provide employees with equivalent loss-of-income insurance.

If any of the employees' mandatory insurance policies (such as accident insurance) covers 80% of the salary during the period in question, the employer will not be required to pay anything. The employer will, however, have to pay 80% of the salary if there is a waiting period for the insurance payments to begin and will have to make up for any difference if the insurance covers less than 80% of the employees' salary.

Vacation and holidays
The law sets the minimum number of vacation days at five weeks up to the age of 20 and four weeks after that age. The employee's salary must continue to be paid in full during the vacation. With few exceptions, the vacation entitlement cannot be replaced by monetary benefits. The vacation dates must be approved by the employer and include at least two consecutive weeks.

Legal holidays (New Year's Day, 2 January, Good Friday, Pentecost Monday, Easter Monday, Ascension, 1 August, the *Jeûne Fédéral*, and Christmas day) are treated like Sundays and are therefore not counted as vacation days.

Terminating an employment contract
Employees must be given notice if their employment contract is terminated (except in cases of immediate dismissal for good cause). The same notice periods apply when an employee resigns.

Unless otherwise stated in the contract, the notice period is:
- seven days during the employee's trial period
- one month during the first year of employment
- two months from the second to the ninth year of employment
- three months from the tenth year onward.

Apart from during the trial period, the notice period begins at the end of the month in which it is given.

Employees cannot be dismissed under certain circumstances: while carrying out military service (or four weeks before or after), in the event of total or partial inability to work (from 30 to 180 days, depending on the number of years employed), during pregnancy and 16 weeks after giving birth, or if engaged in foreign assistance on behalf of the federal government. If the dismissal was announced before one of these situations arose, it may be suspended. In some situations, a dismissal may be considered wrongful termination (e.g., for a personality conflict).

Group layoffs (for financial difficulties) do not release the employer from the above obligations.

Insight
If you are a member of the CVCI, you can seek its help if you need advice in the area of labor law. The CVCI's legal department can:
- analyze the problem, within its areas of expertise
- refer you to specialists
- inform you about applicable rules and regulations.

https://cvci.ch/services/nos-conseils-juridiques

12. Land and buildings

When selecting the site for your company, there are two things to keep in mind. The first concerns the desired technical characteristics of the building (surface area, volume, height, bearable weight), while the second has to do with specificities of the sector your company is in and general infrastructure needs (tax rates, availability of labor, required equipment, transport lines, etc.).

In addition to the financial aspects of this decision, keep in mind the following legal and administrative concerns.

Renting property
If you choose to rent your company's space, you will sign a commercial lease. Bear in mind the following factors:

- The term of the lease can be set freely (although it is generally for five years with five-year renewals).
- The termination notice will be at least six months.
- You have the option of recording the lease on the land register for a small fee (by registering, you ensure that the lease will be maintained by any subsequent buyer for the remaining term of the lease contract).
- You may be requested to provide some form of collateral (security deposit, joint or several guarantee).
- The amount of the rent can only be raised when the lease contract ends, and the proper termination period must be respected. Rents are generally adjusted as a function of the Swiss consumer price index.
- You may be allowed to sublet or transfer the lease.

To make this process easier, you can consult the model lease contract available from the Vaud Real Estate Chamber (*Chambre vaudoise immobilière:* **www.cvi.ch**, in French only).

Coworking
If you're looking for a workspace to start your business, just want to get out of the house, or think it would be helpful to be in contact with other entrepreneurs, then coworking could be for you. There are a growing number of coworking spaces across Vaud; they are particularly popular among the self-employed in the tech and internet industries, as these professionals don't always need an office and work primarily with their computer or in small groups.

To find the coworking space nearest you, visit the following website: **www.coworking.ch.**





Buying property
You will need to work with a notary if you intend to purchase real estate. Property transfer fees are paid by the parties to the contract, but in reality it is normally the buyer who pays. Real-estate transactions are also subject to various charges and taxes. Once the purchase contract has been signed, the property will need to be recorded in the name of the new owner in the local land register.

Insight
Vaud Canton has identified 19 zones throughout the Canton where it encourages new business creation. Its aim is to provide start-ups with affordable, strategically located land that meets environmental standards. The sites also offer both built and partly developed spaces. The Vaud Office of Economic Promotion and Commerce (*Service de la promotion économique et du commerce, SPECo*) can provide useful information on available land in the development zones, in conjunction with the regional associations that keep the register up to date.
www.vd.ch/economie/soutien-aux-entreprises/recherche-de-terrains-et-de-locaux (French only)

Foreign individuals and companies do not need special authorization to acquire commercial property (manufacturing facilities, warehouses, offices, commercial centers, retail stores, hotels, restaurants, workshops, doctor's offices, and so forth).

Building from the ground up
Buying land and building on it are a major undertaking for which you will need to consult with specialists.

For starters, you will have to become familiar with local zoning laws (distance from neighboring plots, height limits, nuisances, density, etc.) and then begin the process of applying for a building permit.

Insight
BCV has developed a number of financing solutions if you intend to buy a building or build your own: **www.bcv.ch.**

Zoning
Before embarking on the long and costly process of acquiring, renovating or building, be sure your plans comply with local zoning laws. Each municipality *(commune)* has a zoning plan that precisely identifies which plots can be used for what purposes.

If your project does not meet the requirements of the zoning plan, you can apply for a variance. In certain cases the municipality will post your request for public comment before it makes a decision. If a given area is not zoned for commercial or artisanal businesses, the municipality may agree to come up with a "neighborhood plan" *(plan de quartier)* under which a given part of the zoning area is subject to special regulations.

This process can be long and complex.

Building permits
A building permit is required for new buildings and for the demolition, renovation, reconstruction or zoning change of existing buildings. The municipal government has the authority to grant building permits. The procedure in Vaud Canton is explained on the website of the Building Authorization Office *(Centrale des autorisations en matière de construction, CAMAC)*.

Once your application for a building permit is complete, the municipality may open it to public comment for a period of 30 days. The notice is posted in the town center and published in the official cantonal gazette *(Feuille des avis officiels du canton de Vaud)*, as well as in a local newspaper.

As long as the project is open for comment, people can oppose the project, write comments on the notice or send comments to the municipality.

The permit application is then sent to the canton, which has 30 days to issue, or refuse, any special preliminary authorizations required. The canton will announce its decision within this period. Once the canton's decision has been received, the municipality has another 30 days to accept or reject the building permit application and reply to anyone raising objections. Opponents to the project can appeal the municipal decision in the administrative court *(tribunal administratif)* up to 30 days after the municipality's decision is announced.

13. Financial assistance from the Canton of Vaud

The Canton of Vaud offers various forms of direct financial support to companies in the manufacturing industry, manufacturing-related services and high technology. This support, provided by the Vaud Office of Economic Promotion and Commerce (*Service de la promotion économique et du commerce, SPECo*), targets start-ups and small and medium-sized businesses in the canton that are seeking to expand.

Investment aid

Guarantees for bank loans

The Canton guarantees bank loans in an effort to promote large-scale and innovative manufacturing projects that will create jobs. The guarantee applies to capital investment loans made by a bank or another lending institution (an insurance company, a financial firm or a pension fund). The Canton may also agree to pay the bank's interest charge.

Partial payment of bank's interest charge

Apart from guarantees, the Canton can help cover the bank's interest charge if the project meets certain criteria (nature, cost, type of financing, etc.). This sort of support may be granted irrespective of any loan guarantee. This applies only to capital investment loans, however.

Support for innovation

Companies active in the high-tech sector are especially prized. A number of initiatives have been put in place to help these high-value-added companies succeed. In Vaud, various cantonal entities provide support and technological cooperation, including through the specialized schools located in the Canton. If you plan on creating a company in the high-tech sector, take the time to explore these opportunities.

Financial support for innovation is available in several forms:

- up to CHF 5,000 for the acquisition of intellectual property rights
- up to CHF 30,000 for developing new products, for building or improving means of production, or for obtaining needed certifications or approvals.

Support for growth and international expansion

The Vaud Office of Economic Promotion and Commerce also provides financial assistance to companies to support their growth and international expansion.

This type of assistance covers up to 50% of the total cost of the project and can be used for:

- participating in a business expo or convention (max. CHF 5,000)
- market studies and the search for business opportunities (max. CHF 30,000).

Training support

Companies that provide their employees with technical or scientific training can also receive financial aid. The amount of aid cannot exceed CHF 15,000 per employee and cannot amount to more than 50% of the employee's gross income during the training period.

Training programs aimed at incorporating environmental concerns and considerations of social responsibility in the company's management can also qualify for financial support (50% of the cost, max. CHF 3,000).



III. Alternatives to starting a company
1. Buying an existing company

If you have the financing needed to buy an existing company, this may be a viable option in your quest to be an entrepreneur.

Before signing on the dotted line, be sure to evaluate the opportunity very carefully, closely analyzing the financial and commercial health of the company. And you should find out why the owner is selling the business. There could be a number of reasons: the owner may be moving, retiring or have died, or the company may be facing sales problems, insufficient revenues, or the arrival of a new competitor. If you will face an uphill battle from the start, it may be better to start your own company in the first place. You also need to know whether the change in ownership will affect customer loyalty.

One upside of buying a going concern is that you will be able to project revenues on the basis of existing financial data. One potential downside, however, is the need for you to adapt to existing practices and an established culture.

Insight
If you plan to take over a sizeable company that already has staff, you will need the advice of an expert in order to negotiate the right price for the business.

Several companies specialize in buyouts. You can also seek assistance from a fiduciary:
www.fiduciairesuisse-vd.ch/fr (in French only)
www.expertsuisse.ch/en-home

Management buyout
If you are part of the management team of a company, the team may wish to acquire most or all of the company in a management buyout.

Advantages
- Continuity is generally assured in terms of expertise, business relations, staff management and company strategy.
- Internal succession means you can maintain confidentiality (the company is not required to reveal information to outsiders).
- The management team is well acquainted with the company's true health.
- A number of variants are possible (including a gradual takeover).
- The price can usually be set fairly and objectively, taking into account expected growth.

Disadvantages
- If the company partly finances the acquisition, the financial burden may be excessive (depending on the value of the company and the financial resources of each of the managers).
- Financing can be difficult and often requires extensive outside sources.
- Shared company ownership is a potential source of conflict.

How do you calculate the value of a company?
The real value of the company that interests you depends on numerous parameters linked to its internal structure (equipment, organization, staff skills, etc.) and the external environment (customers, competitors, market risk, etc.).

There are various approaches to calculating the takeover value:

- asset approach, through the valuation of net assets, i.e., the proportion of assets belonging to shareholders (and that corresponds roughly to the company's equity); this valuation can be based on selling value, replacement value or liquidation value
- income approach: various methods are possible, such as the present value of future earnings
- comparison approach: the deal is compared with other, similar deals in the same sector or the company is compared with listed companies (whose value can be calculated).

We strongly recommend working with a specialist in this area.

Insight

When taking over a company, be aware of the following risks and concerns:

- Is the company dependent on a small number of clients?
- Does the outgoing head of the company have a personal relationship with the major customers and suppliers?
- Could a similar company be set up by a competitor or an employee?
- Are future investments required?
- Are there any ongoing legal disputes?
- Will you need to transfer a lease contract?

2. Buying a franchise

With a franchise, a franchisee is licensed by a franchisor to use a given concept (product, trademark, operating model, etc.) for a fixed period of time and in a given region. Franchisors commonly provide various forms of support to franchisees (such as training courses and marketing help). The franchisee pays a licensing fee to the franchisor and is accountable to the franchisor for the business's performance.

Before buying a franchise, find out as much as you can about the franchisor and the business and ensure that you are very familiar with the exact terms of the deal.

Issues to consider before buying a franchise:

- The brand's reputation
- Local competitors
- Restrictions and obligations imposed by the franchisor
- What is included in the purchase price
- The required percentage fee
- Whether you have exclusivity in your region
- The condition of facilities (including equipment and fittings)
- Training opportunities for staff
- Inspections and checks required by the franchisor.

If these concerns meet your approval, a franchise may be a good alternative. Bear in mind, however, that you will have to accept the franchise rules and abide by the image developed for a chain of businesses.

Insight

Be sure to perform a detailed analysis of the financial aspects of the deal, including the franchisor's trustworthiness and solvency. And look closely at all legal concerns (rights, obligations, terms of renewal, length of the contract, etc.). It may be a good idea to seek the services of a specialist or legal expert.

For more information, visit the Swiss Franchise Association website: **www.swissdistribution.org.**

IV. Glossary

AC – see *assurance chômage*
acte constitutif – deed of incorporation
actifs – assets
action – share
action au porteur – bearer share
action nominative – registered share
actionnaire – shareholder
activité réglementée – regulated business
AI – see *assurance invalidité*
allocation familiale – family allowance
APG – see *assurance perte de gain*
associé – partner
assurance accident – accident insurance
assurance chômage (AC) – unemployment insurance
assurance invalidité (AI) – disability insurance
assurance maladie – health insurance
assurance maternité – maternity insurance
assurance perte de gain (APG) – loss-of-income insurance
assurance vieillesse et survivants, AVS – old-age and survivors' insurance
AVS – see *assurance vieillesse et survivants*

bilan – balance sheet
bilan prévisionnel – projected balance sheet
brevet – patent
budget de trésorerie – cash-flow projection

caisse AVS (or caisse de compensation) – social-security fund
caisse de compensation (or caisse AVS) – social-security fund
capitaux étrangers – debt capital
capitaux propres – equity capital
cautionnement – collateral
commune – municipality, town
compte de consignation – capital-deposit account
compte de résultat – income statement
compte de résultat prévisionnel – projected income statement
concurrence – competition
concurrent – competitor
conseil d'administration – board of directors
contrôle – audit
contrôle ordinaire – ordinary audit
contrôle restreint – limited audit
convention collective de travail – collective employment agreement
crédit d'équipement – equipment financing
crédit d'exploitation – operating credit

droit d'auteur – copyright

entreprise – business
entreprise de révision soumise à la surveillance de l'Etat – state-regulated audit firm
expert-réviseur agréé – licensed audit expert

Feuille des avis officiels du canton de Vaud – official cantonal gazette
fiduciaire – tax and accounting expert
financement immobilier – property financing
forme juridique – legal structure

garantie – loan security
garantie bancaire – bank guarantee
gérant – manager

marque – trademark

Office de la police cantonale du commerce – cantonal police office covering commercial activities

passifs – liabilities
personne morale – legal entity
personne physique – individual person
plan de financement – financing plan
plan financier – financial plan
prestations complémentaires vaudoises pour familles – supplementary family benefits
prévoyance professionnelle – occupational pension fund, company pension
profession réglementée – regulated profession
propriété intellectuelle – intellectual property

raison de commerce – company name
raison individuelle (RI) – sole proprietorship
raison sociale – company name
registre du commerce – commercial register
rente-pont – social-security bridge payment
réviseur – auditor
réviseur agréé – licensed auditor
révision – audit

société – company
société à responsabilité limitée (Sàrl) – limited liability company
société anonyme (SA) – corporation (or public limited company)
société de capital – incorporated company
société de personnes – unincorporated company
société en nom collectif (SNC) – general partnership
statuts – articles of incorporation

Important legal information

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