



Legal Forms of Enterprises

The most favourable legal form for a foreign enterprise in Switzerland depends, among other things, on the type of business, its temporal horizon, the legal and tax conditions, as well as the strategic goals of its management. An enterprise and/or private person from abroad can freely choose the most appropriate legal form for its business. This requires careful evaluation. As described in the brochure "Location Advantages - Taxation," taxation aspects in particular can be a deciding factor.

Sole Proprietorship

Characteristic of a private firm is that a natural person participates directly in economic events. The founder can be domestic or foreign. All rights and responsibilities arise directly in the person of the proprietor. The owner carries the entire business risk, and liability is unlimited – including private assets. Business income as well as business and private assets are taxed jointly.

The founding of such a firm requires no special course of action. The commencement of business itself constitutes foundation. Foundation fees amount to approximately CHF 500; entry in the Commercial Register is obligatory starting at a turnover of CHF 100,000.

Advantages:

- Simplicity

Disadvantages:

- Liability exposure with relatively high risk for entrepreneur

Limited Liability Company

A limited liability company is an enterprise consisting of at least 2 natural or legal persons joined under one firm and with a previously determined amount of share capital. The share capital is fixed and recorded in the company's statutes. It must amount to at least CHF 20,000 and cannot exceed CHF 2 million. Half of the capital must be paid-in. The minimum partner's share is CHF 1'000. Only the company's assets are liable in case of debt. No further liability exists for the partners.

The principle of the self-integrated company is prevalent with limited liability companies; common executive management and representation by the active partners. Managing directors can be both domestic and foreign.

Advantages:

- low minimum capital
- only 2 founders necessary
- limited liability

Disadvantages:

- complicated transferability of shares
- low structural flexibility



Public company

In the case of public companies, several legal entities and private persons join together. The company's name can be chosen freely. Upon entrance in the Commercial Register the name is legally-protected throughout Switzerland.

The equity capital is broken down into shares and defined beforehand. The minimum capital of a public company is CHF 100'000, of which 20% and no less than CHF 50'000 must be paid-in. The minimum capital is liable for the debts and obligations of the company. The shareholders are obliged solely to pay the subscription amount of their shares. The managing bodies of the company are the board of directors, the general assembly and the auditor. The general assembly is the highest body. In addition, a public company is required to keep official accounting records. An annual business report, consisting of an annual financial statement and an annual report, must be prepared.

The founding of a public company requires a minimum of 3 members. The act of foundation must be publicly notarized.

Advantages:

- extensive anonymity of investors
- no required public disclosure
- limited liability
- simple transferability of shares

Disadvantages:

- high costs
- double taxation (corporate entry, shareholders' dividends)



Summarized overview

	Sole Proprietorship	Collective company	Public Company	Limited Liability Company	Branch subsidiary
Formation	No required act of foundation; in some cases entry into Commercial Register required	No required act of foundation; no forms; entry into Commercial Register obligatory	Formal, notarized act of foundation; entry into Commercial Register obligatory	Similar to Public Comp.: Statutes fixed, public notarization; entry into Commercial Register obligatory	Entry into Commercial Register obligatory
Founder	Domestic or foreign persons	Private persons; min. one chairperson with Swiss residency	Min. 3 private or legal founding members	Min. 2 private or legal founding members	Main enterprise
Liability	Founder bears unlimited liability	Second-degree liability beyond company assets; owners liable in solidarity, personally and without limitation	Company assets	Company assets	Main enterprise is liable
Minimum capital	None	None	CHF 100'000. min. 20% and min. CHF 50'000 paid-in	CHF 20'000, of which min. CHF 10'000 paid-in, max. CHF 2 Mio.	None
Advantages	<ul style="list-style-type: none"> - Simplicity - Independence - Flexibility - Low founding costs 	<ul style="list-style-type: none"> - Lower tax burden than with a Corp - Flexibility - No requirements for business founders' nationality (see above Founder) - Low founding costs 	<ul style="list-style-type: none"> - Anonymity - Limited liability - Simple transferability of shares 	<ul style="list-style-type: none"> - Modest minimum capital - Limited liability - Only 2 founders necessary - No requirements for business founders' nationality - Auditor optional 	<ul style="list-style-type: none"> - Own capital unnecessary - Moderate founding costs - No board of directors with Swiss majority
Disadvantages	<ul style="list-style-type: none"> - Unlimited liability - Lack of Anonymity 	<ul style="list-style-type: none"> - Limited liability - Lack of anonymity 	<ul style="list-style-type: none"> - Costs - Double taxation 	<ul style="list-style-type: none"> - Lack of anonymity - Complicated transfer of shares - Little flexibility of structure 	<ul style="list-style-type: none"> - Main entrepreneur also liable - Taxation demarcation problems

Further information regarding legal forms of enterprises can be found at:

www.aargauservices.ch

www.ag.ch/handelsregisteramt