

## 1. Government requirements

Registration requirements

### Overview of the Swiss social insurance system

The Swiss social insurance system is based on a so called “Three-column Principle” and divided into the following areas:

- Old age, survivors’ and invalidity/disability insurance (AHV and IV)
- Occupational pension schemes/employee pension funds (BVG)
- Unemployment insurance and insolvency compensation (ALV)
- Family allowances (FAK)
- Protection against the consequences of illness and accidents (KVG and UVG)
- Income compensation allowances in case of military service and in case of maternity (EO and MSE)

### The Three-column Principle

**First column:** The first column consists of mandatory old age, survivors’ and invalidity/disability insurance (Alters- und Hinterlassenenversicherung (AHV) and Invalidenversicherung (IV)). These insurances cover the basic subsistence needs of the insured persons in old age or in the event of disability. In case of death, the insurances pay benefits to survivors. AHV and IV are general schemes for anybody residing or working in Switzerland.

**Second column:** Industrial insurances (occupational pension schemes or employee pension funds) aim to maintain the recipients’ accustomed standard of living after retirement. The law - Berufliche Vorsorge (BVG) requires minimum contributions to the employer’s pension scheme to be withheld from income, up to a specific ceiling. In practice, many companies offer more comprehensive pension schemes since the mandatory minimum amounts may not suffice to achieve the target level of benefits.

**Third column:** To supplement the Government’s pension schemes, individual investment in private savings plans offered by banks or insurance companies is encouraged. Incentives include tax deductibility of contributions to so called qualified savings plans, i.e., where funds cannot be accessed freely (column 3a for employees, column 3b for self-employed persons).

The listed different types of insurance offer protection in the form of

pensions, unemployment benefits and family allowances, as well as paying for costs incurred through illness and accidents. The benefits paid out by the different types of social security are in principle financed by contributions of employers and employees, and levied on employees' income. In some cantons, there are additional contributions to pay (e.g., contributions to vocational education funds or various family funds). With the exception of the third column, all of these insurance types are compulsory.

### **Registration for old age, survivors', disability and loss of income insurance (AHV, IV or EO)**

The old age, survivors' and invalidity insurance (AHV/IV i.e., "Alters-, Hinterlassenen- und Invaliden-versicherung") is managed by cantonal, occupational and federal compensation funds, which collect contributions and pay benefits. There are about 100 such offices, which operate under the auspices of various professional associations, of the cantons and of the federal administration.

After a company's registration with the commercial registry, the respective cantonal compensation fund (kantonale Ausgleichskasse) will send the employer an application form for registering.

Employers are bound by law to deduct the employees' contributions from all salaries or salary-like benefits and pay these, along with the contributions they, as employers, have to pay, to the compensation fund office to which they are affiliated.

The total contributions to the AHV/IV/EO insurance are currently 10.60% of the applicable annual salary.

Employers and employees each pay half of the contribution, i.e., 5.30%. Employees who have reached the statutory retirement age (65 for men and 64 for women) and continue working need to pay contributions to the AHV/IV, but not to the unemployment insurance — ALV. However, CHF1,400 per month or CHF16,800 per year is exempted from AHV/IV contributions. The registration of new hires who do not have a Swiss social insurance number needs to be made within 30 days of their start date with the company. The forms are available at the respective cantonal compensation fund.

The registration of new employees who already have a Swiss social insurance number, and the de-registration of leavers, need to be submitted with the annual salary declaration or reporting (regulation as of 1 June 2016).

Income compensation (EO) is a compulsory Swiss social insurance paying compensation for loss of income to persons while serving in the army, civilian service or civil defense, as well during maternity. The total EO contribution of 0.5% is included in the total contribution for AHV/IV/EO.

The compensation funds also charge an administrative fee. The contribution rate varies from office to office and is fully borne by the employer.

### **Registration for the occupational pension scheme (BVG/Pensionskasse)**

The Occupational Old Age, Survivors' and Disability Benefit Plan (second column) — together with the old age, survivors' and invalidity/disability insurance — should enable the retired

person to maintain his or her previous lifestyle in an appropriate manner. Adherence to the scheme is compulsory and it is financed principally by 50% from both employees and employers, i.e., the sum of the contributions of the employer should be at least equal to the sum of the contributions by their employees. If a company does not have an own registered pension institution, it has to choose an existing pension fund with the consent of its staff. Some of the pension funds also provide benefits in case of invalidity and to survivors in case of premature death. Under certain conditions, this second column can be used before retirement to partially finance a principal home or to start an independent activity. It is workplace-based and mandatory. Employers are obliged to insure their employees with a registered pension fund (Federal Act on Occupational Retirement, Survivors' and Disability Provision, BVG, Art. 11 para. 1).

Employees whose annual earnings exceed CHF21,510 with the same employer have to join this compulsory Swiss pension system under the Occupation Benefits Act (LPP).

Employees on a temporary work contract of less than three months may be exempt from contribution. Persons of 18 to 24 years of age are solely insured for risk of death or invalidity/disability, but also for old age benefits in the case of individuals older than 24. Unemployed persons with a daily allowance of at least CHF81.20 are insured for the risks of death and disability.

The system stipulates a minimum level of benefits to be provided by all employers, but the mixture of compulsory or voluntary features of the system can be seen in the fact that many large employers offer benefits that go well beyond the prescribed minimum.

Depending on the age of the insured, the contribution rate varies between a minimum of 7% and a maximum of 18% of the employee's salary (Koordinierten Lohnes). The total contributions increase with the age of a person. The insurance scheme can be run by a company pension, state or private fund. Company pension plans can set terms and conditions in excess of these minimums, and most offer extra-mandatory benefits as a means of attracting and retaining qualified people in a firm.

### **Registration for unemployment insurance (ALV)**

Unemployment insurance provides benefits in the case of loss of

employment, shortened working hours, lack of employment due to weather conditions for certain sectors, e.g., construction, or insolvency on the part of the employer. This insurance also pays for re-integration measures.

All persons in gainful employment are obliged to contribute to the unemployment insurance scheme with the exception of some family members of persons working in the agricultural sector and persons who have reached the official retirement age.

Employers are bound by law to deduct the employees' contributions from all salaries or salary-like benefits, and pay these, along with the contributions they as employers have to pay, to the compensation office to which they are affiliated. The registration for unemployment insurance is included in the registration form for AHV/IV.

Up to a limit of currently CHF148,200, the contribution rate to the ALV is 2.2% of the applicable annual salary. For any amount exceeding CHF148,200, the contribution rate to the ALV is an additional 1% (unlimited upward).

Employees and employers have to each pay half of the contributions.

### **Registration for family allowances (birth or adoption of child or education allowance)**

An employer must be affiliated to a family compensation fund in the canton of the place of business, branch office or other workplace of the employees. This is an obligation whether the employed staff have children or not. There

is a family compensation fund in each canton run by the cantonal compensation funds.

Occupational compensation funds may provide family compensation schemes for the employers affiliated to them, but they are not obliged to do so. The employers finance the family allowances by paying contributions to the family compensation fund on the basis of a percentage of the AHV compulsory wages they set up. The contribution rate varies according to the canton and family compensation fund. In the canton of Valais, for example, employees have to participate in the financing whereas in other cantons the family allowance is fully financed by the employers. The registration at the family compensation fund is part of the registration process for AHV/IV.

Employees can claim child and education allowances while resident in Switzerland even with children remaining outside of the country. Allowances are for children up to the age of 25 as long as they are still in education, which periodically needs to be proven by a confirmation of education.

Only one allowance is paid per child, even if both parents may be working.

Employees must apply for family allowances to their employers, who will forward the application to the relevant family allowance office for approval.

The application forms are available at the respective cantonal family compensation fund.

Nationals of an EU or European Free Trade Association (EFTA) country,

whose children live in an EU or EFTA country, are entitled to full family allowances. The family allowances need to be paid out together with the monthly salary according to the instructions of the respective family allowance office.

Pursuant to the Federal Law on Family Allowances, the following minimum allowances shall be disbursed per child and month:

- A child allowance of at least CHF200 for children up to the age of 16
- An education allowance of at least CHF250 for 16–25-year-olds still in education

These provisions apply to all cantons.

### **Registration for occupational and non- occupational accident insurance (BU/ĤBU)**

It is mandatory for an employer to insure his or her employees with the Swiss Accident Insurance Institution (SUVA) or another licensed insurer (private insurer, health insurance fund or public accident insurance fund) depending on the area of activity. The Federal Law on Accident Insurance lists the companies and administrations which are compulsorily insured by SUVA.

The accident insurance covers medical treatment, daily allowances and pensions. Insurance claims concerning accidents which occur abroad are also covered. All gainfully employed persons are compulsorily insured. The insurance covers accidents occurring in the workplace, diseases caused by working conditions and also non-occupational accidents of employees working at least eight hours per week. Depending on the type of business, accident insurance is handled by the Swiss Accident and Insurance Fund (SUVA) or other approved accident insurance providers.

In the event of an accident, employers are obliged to continue paying their employees at 80% of their salary for a certain period. This period is not clearly specified by law but on the basis of a legal precedent, the minimum duration is three weeks during the first year of service. The so-called Bern, Basel and Zurich scales are used to determine all other durations (which must be specified in the employment rules and regulations for a company). The contribution rates depend on the economic sector and risk level of the company.

### **Health insurance (Krankenkasse)**

Individual health insurance is compulsory in Switzerland but is a private matter, i.e., not mandatorily supported by an employer. On the contrary, paid health insurance to an employee would need to be considered and taxed as a benefit in kind.



Any person living and working in Switzerland, irrespective of age and state of health, must be insured for basic nursing care by a health insurance company within three months after his or her arrival in Switzerland. There is no national health service and individuals have to arrange insurance coverage for themselves (there is no duty for the employer to do this). Any health insurance company throughout Switzerland can be freely chosen.

Cross-border commuters domiciled in certain EU states have the option of requesting an exemption from this health insurance in their country of residence while they are insured in Switzerland.

In some cases, employees may be exempted from taking health insurance in Switzerland, for example:

- Employees being sent to Switzerland for a limited time by a foreign company (international assignments), and having an obligatory health insurance scheme in the home country which covers the same medical cost as the basic insurance scheme during the stay in Switzerland, are exempted from the insurance.
- Those who are living temporarily in Switzerland due to an exchange or other international program, (i.e., for students, interns and scientists). In those cases, an employer has to guarantee that all medical costs during the employee's stay in Switzerland are covered by a health insurance scheme in the home country and all expenses not covered by an insurance scheme will be covered by the employer.

### **Sickness daily allowance (KTG)**

Under Swiss law, every employer is obliged to provide sick pay for a specific period of time which progressively increases in line with the number of years of service of an employee (Article 324a ss. Swiss Code of Obligations - OR). Usually, employers provide daily sickness allowance insurance for their employees covering 80% of salary during a period of up to a maximum of 730 days of illness per incident. It is not uncommon for an employer to agree to pay the remaining 20% of salary as a social benefit.

The duration and amount of this continued salary payment depends on the employee's number of service years, the geographical region of the workplace and the provisions

in the employment contract. Employers can voluntarily exclude coverage for the financial consequences of this obligation in the form of a group daily sickness allowance policy. The employer has the possibility to insure the employee against loss of earnings in case of illness. The aim of the daily sickness allowance insurance is to cover loss of income resulting from incapacitation. The employee must inform the employer immediately in case of sickness. The respective insurance company usually pays the daily allowance directly to the employer who is then obliged to pass the allowance on to the employee.

#### Registration for Tax at Source (QST)

Foreign nationals (without a C-permit, i.e., a residence permit) who are permanently or temporarily resident in Switzerland and individuals (regardless of their nationality) with no tax domicile or tax residence in Switzerland have tax deducted directly from their income by their employers each month. The tax amount is calculated on the employee's gross salary. The applicable tax at source tariffs is progressive (i.e., the higher the gross income, the higher the tax rate) and take into account whether the employee is married or single, living with children and their number, as well as subject or not to church tax. Employers have to register their employees with the respective cantonal tax at source office. The tax office in charge depends on the employee's canton of domicile and the forms vary from canton to canton.

Depending on the employee's status, different tax at source tariffs apply:

- Tariff A: Single persons without children or persons who need support, living in the same household
- Tariff B: Married couples with only one earner
- Tariff C: Married couples with two earners
- Tariff E: Assessment under the simplified assessment procedure
- Tariff F: Italian cross-border commuters
- Tariff H: Single persons with children or persons who need support, both living in the same household
- Tariff L – P: German cross-border commuters

Foreigners living in Switzerland with a residence permit (C-permit) have to declare their income and assets in a standard individual tax return but are not subject to tax at source.

## **Registration of employees working for an employer not liable for contributions in Switzerland (ANobAG)**

Anyone resident in Switzerland and working for an employer not liable for contributions in Switzerland, mainly employers abroad, has to pay the fully due social security contributions as an Arbeitnehmer ohne beitragspflichtigen “Arbeitgeber” (ANobAG), meaning “employee, with an employer not liable for contributions”.

AHV/IV, ALV, FAK and accident insurance are obligatory even if the employee has no employer based in the EU or EFTA. If the yearly salary paid by this employer exceeds CHF21,510 the employee is subject to occupational benefits insurance (BVG) as well. Registration needs to be done at the cantonal compensation fund either by the employee himself or by the employer.

### **Ongoing compliance requirements**

#### **Social insurance contributions (AHV/IV, ALV and FAK contribution)**

It is the employer's obligation to remit the social insurance contributions (AHV/IV, ALV and FAK) periodically to the respective compensation fund. For an annual company's payroll sum of up to CHF200,000 (gross), the contributions need to be remitted on a quarterly basis. Above CHF200,000 (gross), the contributions need to be remitted monthly, at the latest by the 10th day of the following month (e.g., contributions for March need to be submitted at the latest on 10 April). The amount of contributions to be paid for the ongoing year will be determined by the respective social insurance office on the basis of the estimated annual gross salary sum. At year end, the employer has to report a detailed annual declaration to the compensation fund. The process and forms vary from office to office. Most of the compensation funds offer electronic filing (“Elektronisches Lohnmeldeverfahren” (ELM) in an XML-format) for the year-end declaration.

Social insurance audits at the employer's offices will take place occasionally, roughly every fifth year, and are usually initiated by compensation funds.

**Occupational Pension Scheme — notification of salary changes and personal data changes** Any of the following

personal data changes need to be reported immediately to the respective occupational pension fund:

- Salary changes
- Suspension or resumption of work
- Unpaid leave
- Termination
- Early retirement
- Announcement of death
- Incapacity to work

### **Family allowances**

The children and education allowances paid to employees together with the monthly payroll will be refunded by the family compensation fund (FAK) on a monthly basis. In general, the credit balance will be offset against the monthly contributions for AHV/IV, ALV and FAK.

At the end of the year, the employer has to submit a detailed annual declaration to the family compensation fund, the compensation fund, or both, together with the annual declaration for the AHV/ALV/FAK contribution.

### **Income compensation in case of maternity (MSE) and military service (EO)**

Income compensation is a compulsory Swiss social insurance paying compensation for loss of earnings to persons while serving in the army, civilian service or civil defense, as well as to expectant mothers. All persons living and working in Switzerland mandatorily insured with the AHV may at the same time benefit from EO/MSE which is being financed through separate contributions.

Women who, prior to childbirth, have been insured with AHV for at least nine months, and have worked for at least five months of those (part- or full-time), are covered by the maternity insurance (MSE). The contributions made in an EU/EFTA country count as well. The compensation is paid as a daily allowance and depends on the income before the birth of the child. The amount of compensation is about 80% of the average income before maternity, capped at CHF196 per day. The application forms may vary from one compensation fund to another. Both the employee and the

employer have to complete information on the application form to be submitted to the respective compensation fund.

An employee is entitled to loss of earnings (EO) during Swiss military service and equally treated J and S courses (Jugend and Sport or Youth and Sports), whether living in Switzerland or abroad. The rate of compensation depends on different factors: rank and type of military service, number of children on charge, average income before absence, etc. The amount of compensation is about 80% of the hitherto average income, at least CHF62 per day capped at a maximum of CHF196 per day. During this covered absence, an employee needs to complete an EO-form and hand it over to the employer for completion and submission to the respective compensation fund.

Employees still being paid as usual by their employer during the duration of maternity or military service are not entitled to this compensation which, in these cases, will be paid directly to the employer.

### **Accident insurance (NBU/BU)**

For this insurance, the employer is obliged to remit the entire premium to the employees' accident insurer (NBU means non-occupational and BU means occupational accident insurance). The maximum amount of insured income is currently CHF148,200.

Premiums for occupational accident insurance (BU) are fully borne by the employer. The premiums for non-occupational accidents (NBU) are, as a matter of principle, borne by the employees. Agreements in favor of the employees can be and are regularly applied by an employer.

The cantons monitor compliance with employers' and employees' insurance obligations. Employers are obliged to provide the necessary information to the cantonal compensation fund. At the end of the year, the employer has to submit a detailed annual declaration to the chosen accident insurer.

Following an accident — regardless of whether it is occupational or non-occupational — employees have to notify their employer without delay. The employer in turn needs to notify the insurance company immediately about the accident. The employee or the treating physician has to truthfully complete a form to be sent, without delay, to the company's accident insurance provider.

## **Tax at source declaration**

A detailed statement of accounts shall be made on the cantonal form for the settlement of accounts concerning the deducted tax at source (QST). If there is no decision on the settlement period, the settlement of accounts shall be established on a monthly basis or, if fewer than 10 employees are subject to tax at source, on a quarterly basis. The frequency of filing and settling tax at source and the forms which need to be provided to the cantonal tax offices differ from canton to canton. Some cantons offer electronic filing (ELM). The settlement of accounts shall be submitted to the cantonal tax office within 15 days from the expiry of the settlement period. Employers can withhold a tax entitlement provision (Quellensteuerprovision) as remuneration for administrative work. The percentage of the provision varies from canton to canton.

The tax office in charge depends on the employee's canton of domicile. In some cantons, employers may be asked to provide additional reports and documents at the year end (e.g., a "liste récapitulative" and "attestation quittance" in Geneva). More information is available from the tax office in the respective canton.

## **Annual salary certificates (Lohnausweis)**

At year end, each employer is mandatorily obliged to issue salary certificates for all their employees employed during the past calendar year. This is to declare all benefits paid to active or inactive employees, or both, during the calendar year. This salary certificate is intended for the employee's individual annual tax return, as in Switzerland this is a private matter. Some cantons, at present Basel-Stadt, Basel-Land, Bern, Fribourg, Jura, Neuchâtel, Solothurn, Vaud and Valais, request to receive a copy of the employee's salary certificate and attachment (if any) directly from the employer for information reasons.

In addition to the salary certificate, there are reporting obligations for employees entitled to equity and similar awards (mainly as an attachment to the salary certificate). However, in any case, after the termination of employment, direct reporting is required for the purposes of income tax, withholding at source and social security, as well as for taxable benefits realized. Employers must report equity-based employee benefits at grant and, if taxable, at a later stage at realization or vesting of the taxable benefit. For example, in the

case of options that are not quoted, reporting must occur at grant and at exercise.

Equity awards	Taxation point	When to declare in the salary certificate			
		Grant	Attachment	Exercise or payout	Attachment
Shares	At grant	x	x	Not applicable	Not applicable
Options	At grant	x	x	Not applicable	Not applicable
	At exercise	x	x	x	x
Restricted stock unit	Share delivery at vesting	x	x	x	x
Phantom shares	Realization or payout	x	x	x	x

## 2. Pension requirements

Pension is part of the Swiss social insurance system and therefore the same registration and compliance requirements mentioned in the government requirements section apply here.

## 3. Employment obligations

### Work permit

Switzerland has a dual system for the admission of foreign workers. Gainfully employed nationals from the EU-27 or EFTA states can benefit from agreements on the free movement of persons. Only a limited number of management level employees, specialists and other qualified employees are admitted from all other countries.

A work permit is principally required before the commencement of work (although residents from EU-17 countries, i.e., the “older” EU member countries, do not require a work permit to commence work, just a residence permit). Different types of permits are available, including short and long stay, and each type offers a differing degree of freedom (e.g., B-permits allow the holder to change job and canton, whereas L-permits do not, and C-permits afford the same freedoms as Swiss citizens with regard to work-related matters). The Swiss authorities also make a distinction between temporary stays (of limited duration), short stays (of less than one year) and permanent stays (of unlimited duration).

The cantons are responsible for issuing these permits. For detailed information on the application procedure (where to apply, which form to complete, how long it will take, etc.), contact the respective cantonal authorities. The following rules apply to cross-border commuters from EU-27 or EFTA member states:

- The place of residence must be in an EU-27 or EFTA member state.
- The employer or self-employed activity must be based in Switzerland.
- Cross-border commuters must return at least once per week to their place of residence outside of Switzerland.
- Cross-border commuters have the right to occupational and geographical mobility all over Switzerland.



## **Swiss Labor Law**

Although there is no specific Swiss Labor Law, the main source that regulates labor law in Switzerland is the Federal Legislation. The federal ordinances (i.e., Swiss Code of Obligations – OR, articles 319 - 343) play a very important role, together with collective agreements (if any agreed) and standard contracts. There is a distinction between private labor law, which empowers the provisions of the employment contract and public labor law which imposes some minimal standards for work protection.

### **4. Payroll requirements**

Employees must be paid monthly no later than the end of the month. In Switzerland, it is common practice to pay out salaries on the 25th of the month (depending on weekend and legal holidays). The payments are made in Swiss francs unless otherwise specified (OR, article 323b), usually into the employee's bank account.

#### **Payslip**

All employees must be provided with a standard payslip on their pay day. Hardcopy payslips can be handed to the employee directly, provided via mail to the employee's home address (still the most common way) or provided as a softcopy electronically through an employee self-service internet portal.

### **5. Banking requirements related to payroll**

Payments can be made via bank account or PostFinance account. It is recommended that all employees have a bank or PostFinance account, or several if they wish for payments to be split. It is not common in Switzerland to pay salaries by check or cash (payroll cash payments at the place of work are now uncommon in Switzerland).