



What Startups Need to Know about Taxes



October 19, 2017

BaseLaunch, Basel

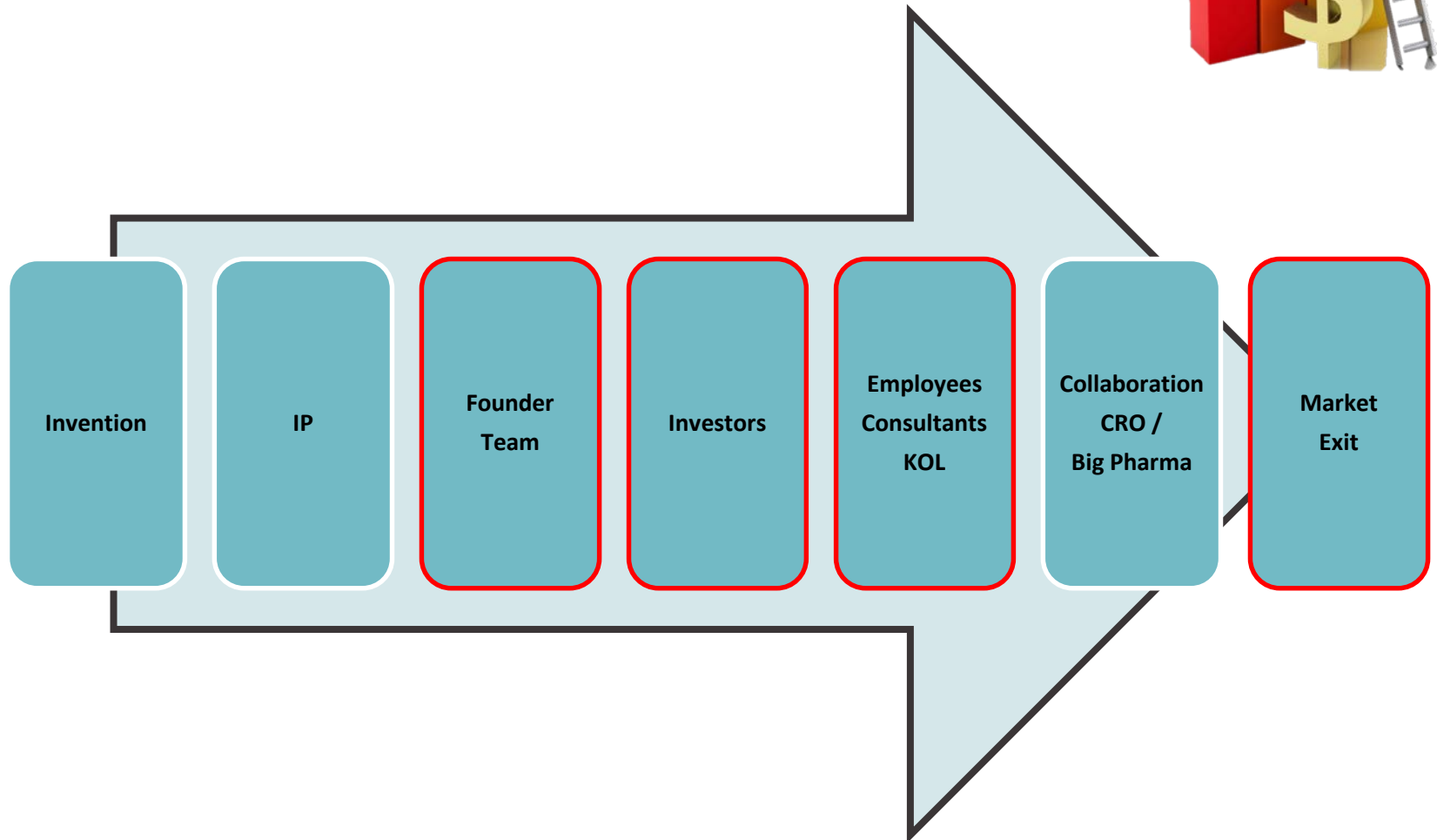
Nadia Tarolli, Attorney at Law, Swiss Certified Tax Expert,
Head of Tax, VISCHER AG



Content:

- Foundation
- Tax Compliance
- VAT?
- Funding
- Shareholders
- Employees
- Sale / Exit

● Value Chain



● Foundation – Domicile



Different cantonal **profit** tax rates:

Basel City	approx. 20%
Zug	approx. 14.6%
Lucerne	approx. 12.3%
Schaffhausen	approx. 16%

From 2019 or 2020:

Basel City	approx. 14%
Zug	approx. 12%
Lucerne	approx. 12%
Schaffhausen	approx. 12%

Including Federal tax rate

● Foundation – Tax Privileges?



- **Tax privileges** still an option? Generally yes.
- **Tax holidays?** Different requirements depending on practice of cantons. In Basel-Stadt life sciences companies are generally in a good position. Number of employees is an important factor.
- As long as a company is generating losses, tax rates/privileges are not that relevant. Losses can be carried forwards for 7 years.

● Compliance



Filing duties:

- VAT registration and quarterly VAT declarations
- Registration re several social security institutions (if any)
- Quarterly wage tax declarations (if any)
- Stamp duty within 30 days after capital increase / capital contribution
- Annual tax return
- Annual social security declarations

● Value Added Tax (VAT)?



- **Registration for VAT is mandatory** if worldwide turnover **exceeds CHF 100'000**
- **Voluntary registration** possible under certain circumstances in order **to reclaim input VAT**
- VAT has to be paid irrespective of turnover in the case of **import of services** such as R&D, which can often occur in a start up period

● Funding



Loan or Equity?

Pros loan:

- easy repayment
- interest expenses reduce taxable profit

→ both rather irrelevant for start-ups

Cons loan:

- risk of over indebtedness
- hidden equity → non deductibility of interest, withholding tax issues

● Funding



Equity

Share capital: Stamp duty (1 %) **above CHF 1 Mio.;** up to CHF 1 Mio is tax exempt

Capital contribution without increase of share capital:
no tax exempt amount!

Loan

More than 10 loans at the same conditions or **more than 20 loans at different conditions with a total of CHF 500'000** may trigger withholding taxes on interest payments if lenders are not banks

● Shareholders



Salary of founders / shareholders:

- Minimum salary for AHV purposes CHF 4'667.- (per year) at least if company is profitable
- No 'compensation' of initially low salaries in future year

Reallocation amongst shareholders / founders:

- To be carried out as early as possible
- Implement written agreements otherwise transactions might be treated as salary or gift → expensive tax consequences

● Shareholders



Valuation of shares:

- Financing rounds may increase tax value of shares
- Various cantons (including Basel-Stadt) rely on equity value for start-ups for a certain time

Wealth taxes:

- To be paid irrespective of income
- Progressive tax rates

● Employees



Participation of employees; stock appreciation rights

- For start-ups with few employees often too complicated
- Only limited possibilities to achieve tax free capital gains
- Alternative solutions: phantom stocks, bonus provisions
- Taxation of options (if not quoted) at exercise
- Taxation of shares at grant, reductions for shares with vesting periods

● Exit / Sale



Advantage of CH : Possibility of tax free capital gain for private shareholders

But be careful with:

- So called partial liquidation (in case of sale to corporation)
- Earn-out provisions
- Continuing activity for company and deferred payment of share price
- Non-competition clauses

- Questions?





Your contact at VISCHER

Nadia Tarolli
VISCHER Ltd. Zurich
Attorney at Law,
Swiss Certified Tax Expert, Partner
Phone: +41 58 211 33 54
ntarolli@vischer.com

