SWITZERLAND

Legislative update

- Switzerland has signed a large number of tax treaties to provide for the exchange of information in line with the standards of the Organisation for Economic Development and Co-operation (OECD). it has also signed the OECD administrative assistance convention. This will introduce an automatic exchange of information
- Switzerland is an active participate in the Financial Action Task Force (FATF).
- Switzerland has abolished non-disclosed retrocessions, kickbacks and other payments made to financial institutions/ asset managers.
- Switzerland is participating in the Foreign Account Tax Compliance Act (FATCA) by which the US government is to get all information from the Swiss banks and asset managers on capital held in Switzerland by people liable to pay American taxes.
- Switzerland is combating the financial market crime via the Groupe d'action financière (GAFI). Switzerland AML new draft law proposes a restricted use of bearer shares, a limitation of CHF 100.000 for cash payments, and serious tax offence will become an AML offence.

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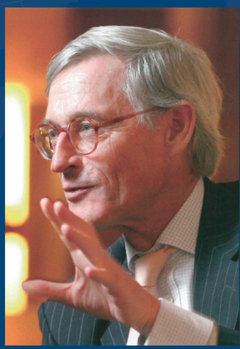
Profile



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In 2003 he founded the ATC fiduciary activities in Geneva and Zug.

After a successful development of the ATC business, he joined Reliance Trust Company, in Geneva, in 2014. Reliance is a fully independent , specialised fiduciary service provider. It offers its services to private and corporate clients.

Content snapshot

Switzerland is currently experiencing some bad press, but the country has taken a lot of corrective action since 2008. Soon, Switzerland will have changed for the good, resulting in a significantly-improved operational environment and tax regime. Once this has taken place the focus of international organisations will surely switch to other countries leaving Switzerland as a front runner of best practice.

Switzerland – out with the old and in with the newer, stronger and uniquely positioned

BY HERMAN KRUL

The financial world is experiencing a total transformation. In June 2008, the US Senate panel announced action against UBS and some other banks. This was the trigger of the change.

Since then, the focus has primarily been on Switzerland. This is not a surprise. Bradley Birkenfeld was an ex-employee of UBS Switzerland and Switzerland is still the number one centre for offshore money, with a market share close to 25%.[1]

But since 2008 Switzerland has taken a lot of corrective action (see legislative update), which has had a serious impact.

These new initiatives have forced the banks to clean up their act. Non-compliant clients are requested to either become compliant or leave. The FINMA supervision has become much stricter. The net effect of this action is that:

- The importance of the financial sector is down to 6% of GNP, or 10% when including the insurance sector.
- Since 2008, about 25% of foreign owned-banks have closed and this trend will continue.
- There is a global de-risking policy, which has resulted, or will result, in banks withdrawing services from particular groups and/or particular countries.
- A large number of banks are exiting all, or a large part, of the trust administration. It has, in general, not been one of the core competencies of the banks. This activity is moving to specialised independent fiduciary companies, like Reliance Trust Company.

In addition to these changes, the banks also have to cope with the strong, overvalued, Swiss Franc (CHF). This has had a significant negative impact on profitability since most of the banks have between 25% to 75% of revenues in US Dollars and Euros, with costs in Swiss Francs. The recent dollar strength has partly mitigated the negative impact.

Recently 'SwissLeaks' reported details about the stolen names of HSBC clients. The information dates back to the 2006-2007 period. Bank clients will and should be concerned about information leakage since hacking has become a general worldwide concern.

Positives

But the end of the old era does not, however, mean the end for the Swiss financial sector. Far from it. Switzerland has a first-class infrastructure, industry knowledge and a skilled labour force that allows it to adjust to the new situation. The country is an island of stability in a world full of change, revolution, violence, etc. It has strict laws to limit the maximum debt in relation to its GNP and Switzerland, as a safe-haven country, is the favorite custodian of the world. This will not change.

In addition, the International Monetary Fund (IMF), Thomas Piketty and others have been talking about a one-time solidarity tax to be paid by the wealthy people, to governments, which do not always spend the contributor's money wisely. These discussions have created a lot of uncertainty and demand for asset protection structures. While a solidarity tax may, one day, get implemented by various countries, it is highly unlikely that Switzerland will ever do so, since it goes against the philosophy of the government and the population. In addition, there is no financial need to implement it.

However, with an unchanged high level of client service, one will need to become more focused on the investment performance. And although the fees in Switzerland may be a bit higher than abroad, banks will reduce costs by rationalising activities, using technology more efficiently and outsourcing part of their routine work to other countries with lower costs.

The OECD, with the support of a number of ONG, has started a drive towards nearly complete transparency. This makes sense to the extent that it creates a tax-compliant environment, but it goes further than this. The potential EU introduction of registers with names of shareholders, UBO, settlors and beneficiaries, creates a serious risk of losing confidentiality and privacy. This development could create a serious security risk. In spite of the recent negative reports, Switzerland highly values privacy and will take all the necessary steps to maintain it[3].

Tax

In a recent referendum, the Swiss population voted with a large majority to maintain the lump-sum taxation system. This is an attractive alternative for the UK non-domiciled status. Switzerland has accepted change to its corporate tax system. As from 2019, Switzerland should no longer have a high tax rate applicable to the domestic companies and low-tax rate applicable to companies operating internationally. The new tax system will have one corporate tax rate, applicable to all companies. This will vary per canton, around 13% in Geneva, it is thought.