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PAYROLL AND CONSULTANCY SOLUTIONS

Contract Work in Switzerland | a brief guide

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Swissroll Payroll Solutions - Introduction

Located in the beautiful medieval town of Neuchâtel Swissroll GmbH is registered with the State Secretariat for Economic Affairs (SECO) and the Employment Service to engage in labour leasing and payroll management activities within Switzerland.

Labour leasing is defined as: *the employing of an individual (contractor) who is then supplied to work under the control of another commercial party that is not the contractor's own employer.* This business is strictly regulated in Switzerland to protect both the worker, as well as control the Swiss labour market.

This guide is of equal value to all Swiss companies engaging contractor staff, the recruitment agents these deal with, and the contractors themselves.

In this brief update, Swissroll takes you through a summary of Swiss employment and labour leasing laws and explains what is permissible under Swiss law and what is not. We show that the solutions proposed by Swissroll, are not only simple and effective and ensure that everyone involved stays within the law - but that the financial results for the contractors are more attractive than with many competitors in the Swiss market.

As a leading labour leasing company, Swissroll takes care of all contracting formalities and legalities for company clients, recruitment agencies and contractors alike. Our services benefit the company client - by looking after local compliance - the recruitment agency by ensuring these have a satisfied client - and the contractor, by maximising their earnings and providing a legally compliant payroll solution.

There are approximately 1.7 million foreign nationals employed in Switzerland – 20% of whom commute daily from France, Italy Germany and Austria.

"Our goal is to maximise the contractors' take-home-pay in a legitimate manner by reducing the burden of tax and social security."

Our expert knowledge of the Swiss labour market and Swiss employment law ensures that we provide you with professional and legally compliant advice.

What differentiates Swissroll from other payroll management companies?

- Swissroll GmbH is authorised to operate as a labour leasing company in Switzerland and our caring and knowledgeable team is here to listen to your needs.
- When working with Swissroll, we ensure all our partners are in adherence of the law and run no risk of being fined for illegal employment operations.
- Swissroll will obtain a work permit for the contractor if possible.
- The contractor is provided with a full declaration payslip with tax and social security deductions.

"We want contractors to enjoy their stay in Switzerland – and not spend their time filling out forms"

- Higher retention rates can be offered to the contractor, using approved Swiss pension schemes.
- Offshore accounts or split income solutions, which are illegal in Switzerland, *are not used by Swissroll.*
- Provision of an efficient payroll service, ensuring contractors receive their payments on time.
- We can assist the contractor to open a Swiss bank account if necessary. We can also pay contractors anywhere they want and in most major currencies.
- We can provide Information and advice about travel and accommodation.

Rules & Regulations

Immigration

On 01. June 2002, The Free Movement of Persons Agreement came into effect. In 2018 this became more restrictive in certain areas and at the end of 2020, the UK fell under the same rules as 3rd tier nations.

Information on work permits

Tier 1

(Obtaining a work permit for Tier 1 countries is a relatively straightforward process). These are:

Austria	France	Liechtenstein	Romania
Belgium	Germany	Luxembourg	Spain
Bulgaria	Greece	Malta	Sweden
Cyprus	Italy	Netherlands	
Denmark	Ireland	Portugal	
Finland	Iceland	Norway	

Tier 2

(Obtaining a work permit for Tier 2 and Tier 3 countries will depend on the individual canton authorities).
Czech Republic, Latvia, Hungary, Slovakia, Estonia, Lithuania, Poland, Slovania.

Tier 3

All other countries, now including the United Kingdom - Swiss employment agencies which are not registered as labour leasing companies with Swiss Authorities are unable to apply for work permits on the contractors' behalf, but Swissroll being registered can apply for one for the contractor

Insurance & Pension	Employer	Employee	Total
Social security - 1st Pillar AHV*	4.35%	4.35%	10.60%
Disability Insurance	0.7%	0.7%	1.4%
Military Income loss compensation	0.25%	0.25%	0.30%
Unemployment insurance (ALV) **	1.1%	1.1%	2.2%
Unemployment Insurance (ALV II) ***	0.5%	0.5%	1.0%
Sickness Insurance (KTG)	1.27/1.67%	0.00%	1.27/1.67%
Professional Accident Insurance	0.1021%	Not Liable	
Non-Professional Accident Insurance (NBU)	Not Liable	-2.0%	
Family Allowances****	-1.5-3%	Not Liable	
Pension 2nd Pillar / Occupational Benefit Plan			

Social charges

* This is the basic compulsory insurance for all persons who live or work in Switzerland.

** The % rate applies to wages up to CHF 126,000 per year.

*** The % rate applies to wages between CHF 126,000 and CHF 315,000 per year. Above this amount the individual is not subject to further insurance.

**** Contributions to family allowance schemes vary across cantons. Specific rules apply to resident foreign employees if their children live outside Switzerland.

Being employed by Swissroll, the contractor will receive a payslip proving all compulsory deductions have been paid and ensuring the contractor remains within Swiss law.

Social Security

The Swiss employer is fully liable for social security contributions for their employees—Pillar 1 (AHV). If you are working, the contributions are shared between you and your employer, who pays half of the amount at a flat rate of 5.05%. This is the first part of the Swiss Federal social security system (compulsory old age insurance, survivor's insurance and disability insurance called the 1st pillar).

Pension Fund

The second part of the Swiss social security system is called the 2nd pillar. Membership of a company pension fund (LPP) is compulsory for all employees earning over CHF 20,520 a year and over 17 years of age. The contributions vary depending on age, salary, sex, and employer's particular pension fund.

The employer contributes at least 50% to the employee's pension fund. Swissroll will apply the Compulsory Pension Plan.

Other

AHV Administration charges 1.8% of total AHV/IV/EO contribution

FFPP: Reintegration to work 0.087%

LAE: crèche subsidy 0.18%

LFFD: support for apprenticeships 0.58%

GAV: Contribution to recruitment collective bargaining agreement 0.7% 0.3% (only for salaries under CHF 148 200)

Rules & Regulations (Continued)

Men's Age	Women's Age	Contributions (Estimated)
25-34	25-34	7%
35-44	35-44	10%
45-54	45-54	15%
55-65	55-64	18%

Employees may also benefit from a third social security called the 3rd pillar if they wish. It consists of voluntary tax-deductible private pension savings and life insurance.

Swissroll has preferred partners who can help the contractor build long-term investments and start a 3rd pillar scheme. Please ask us for more information.

Health Insurance

Health insurance is compulsory for everyone living in Switzerland and must be obtained within three months of arrival. Swissroll can advise the contractor on obtaining a health insurance scheme via our insurance partners.

Income Tax

Income tax is deducted under 'Withholding tax' rules (deductible at source) by the canton you are resident in if you are neither a Swiss citizen nor a C permit holder. The average rate, depending on income and canton, is between 15 to 35%. This is lower than in most other European countries

"Swissroll has been active in the Swiss market since 1996, and we know exactly what matters most to our customers.
We offer a full, comprehensive and compliant set of solutions for contractors including Swiss payroll and work permit coordination".

Chris Lyon, Managing Director Swissroll

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Knowing what is permitted and what is not is vital for all stakeholder partners. Deviations from the law are strictly controlled and punishable.

Federal Employment and Labour Leasing Law

What is authorised?

- A client in Switzerland hires labour from a Swiss management company that holds the necessary authorisations.
- A foreign company can send contractors to work in Switzerland if they have been hired to a Swiss management company that holds all necessary authorisations.
- A foreign management company can operate in Switzerland if it opens offices in the country and registers itself as a management company with the Swiss authorities.
- Contracting is permitted between companies providing they are part of the same group.

What is not authorised?

- Direct contracting from abroad to Switzerland: A foreign management company is not authorised to supply foreign based contractors to a Swiss-based company.
- Indirect contracting from abroad to Switzerland: a) A foreign management company supplying contractors to foreign companies is not authorised to engage in labour leasing business in Switzerland.
- b) A foreign company working in Switzerland is not authorised to employ contractors through a management company based abroad.
- Self-employed workers based in Switzerland, using their own non-swiss limited company, cannot hire their services to a Swiss based company for more than 3 months. After this period, the worker will be required to be employed by a Swiss employment services management company.
- Self-employed workers based outside of Switzerland using their own foreign limited company, are permitted to invoice a Swiss based company directly for the services they deliver remotely.
- A foreign recruitment company cannot supply staff to a Swiss client nor bill the Swiss client directly.
- A Swiss management company cannot contract directly with a foreign recruitment company to take on staff permanently or temporarily, to labour lease to a Swiss client.

Federal Employment and Labour Leasing Law (Continued)

What risks are you taking operating through an illegal management company?

- The State Secretariat for Economic Affairs (SECO) regulates the Swiss market to stop Swiss-based companies recruiting contractors through foreign management companies. It is illegal for Swiss employers to recruit staff in this manner and there are heavy financial penalties for this kind of operation.
- Since the introduction of the 'Free Movement of Persons' Agreement between Switzerland and the European Union, access to the Swiss labour market has been somewhat liberalised. This agreement though does not allow management companies based in EU or EFTA member states to contract directly with Swiss- based companies. To be able to offer this type of service, the management company must be in possession of a Swiss government authorisation.
- To obtain this authorisation the management company must be registered with the 'Registre du Commerce Suisse' under the 'Service de Location' register. A deposit of between CHF 50 - 100,000 must be provided to the authorities as a guarantee for possible salary claims.
- Thus, management companies abroad that do not have offices in Switzerland are not eligible to apply for this authorisation.
- There is a maximum penalty of CHF 100,000 imposed on management companies operating in Switzerland without authorisation. A Swiss-based company having recruited staff through a foreign management company not legally registered is at risk of being fined up to a maximum of CHF 40,000.
- An employer faces a fine of up to CHF 5,000 for each illegal employee. It is also possible that the company will be refused work permits for its contractors in the future.
- Those who organise or help illegal workers enter Switzerland can face possible imprisonment and be fined up to CHF 100,000.
- Employees without permits have no entitlement to federal or company pensions, unemployment pay, health or accident insurance and no job protection, even if they normally have the same rights as other workers.

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Summary of our role

Our solutions help contractors maximise revenue while contracting abroad. We assist contractors to achieve more in the market by way of optimum tax planning and income handling in their home and work countries.

Swissroll offers:

- Payroll Solutions precisely geared to our clients' needs
  - we do not operate one-size-fits all for our own convenience.
  - Our custom, end-to-end solutions are compliant, flexible and uncomplicated.
- Automated timesheet, invoicing, payroll and payments system to ensure we follow the contractor's instructions faultlessly.
- To manage invoices generated and their payment due dates and ensure that the amount is received fully and on time.
- Access to the best banking system in the world where we can assist contractors to open a Swiss bank account if necessary. We can also pay contractors anywhere they want and in most major currencies.

Contractors Working for a Swiss Based Company

- A contractor cannot work for a Swiss based company using a recruitment company based outside of Switzerland.
- A contractor cannot be supplied to Swiss based company by a management company not authorised to lease labour in Switzerland.
- A contractor cannot use their own foreign limited company to work for a Swiss based company for more than 3 months. After this period, the contractor has to be employed by a Swiss management company.
- A contractor wishing to work for a Swiss based company must contract through a Swiss Management Company authorised to lease labour in Switzerland.

Employment Solution Highlights for Contractors

We Provide Support

- Help to obtain a work permit for the contractor.
- Employ the contractor legally through Swissroll.
- Place the contractor on the Swissroll payroll.
- Arrange Health Insurance Cover for the contractor.
- Legal employment for the contactor during their temporary mission in Switzerland.
- Higher retention rates through approved Swiss pension schemes.
- Full declaration payslips with tax and social security deductions

Switzerland Employed Solution Summary (For Companies, Recruitment Agencies & Contractors)

Status of Contractor
Employed by Swissroll

Work permit
Obtaining a work permit for contractors form EU member states is a straightforward process. It is now much more difficult for non-EU nationals. Citizens from EU member states may work in Switzerland for up to 90 days without a permit. After 90 days they must hold a valid permit.

Other nationals must hold an authorisation to obtain a work permit before arriving in Switzerland and requirements will vary from canton to canton. Permits generally given to contractors are L permits based upon a fixed contract duration or B permits where the position is continuing.

120-day permits may be applicable in some circumstances. In order to obtain a permit, there needs to be a Swiss employer who will place the contractor on a Swiss payroll. Such employers must hold an authorisation and provide a guarantee to the authorities of CHF 100,000.

The Swiss labour leasing company MUST invoice the Swiss client and not a foreign recruitment company based abroad.

Registration programme
Report to the local commune and police within 8 days of arrival.

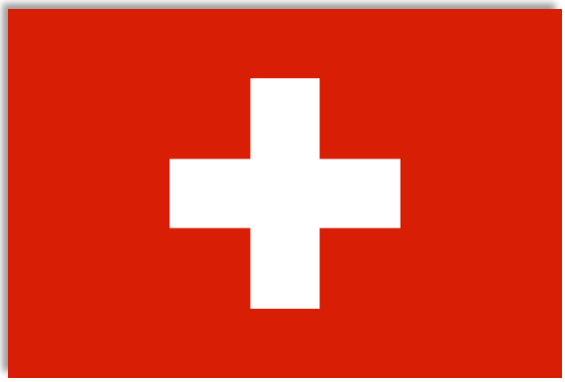
Tax year
January-December

Taxation
Swiss tax is very complex since it is levied on a cantonal level. There is also a communal level depending upon where you live in the canton. Contributions for the 2nd and 3rd pillars are tax deductible. For further details, please contact us as there are significant variations in cantonal tax rates.

Social security
Social costs are approximately 17.6% of taxable salary. The savings of the contributions are not normally refundable before retirement age. Nevertheless, these saving can be refundable in some restrictive cases

Expenses
An expatriate worker is entitled to deduct expenses, especially travel expenses. The laws vary depending on the cantons. For further information about expenses, please contact us.

Switzerland Employed Solution Summary (Cont.)



Health Insurance

There is no national health service in Switzerland. Everyone settling in Switzerland must arrange suitable health insurance cover within 3 months of arrival. The admission to a health insurance scheme is private and not via the employer so the contractor must arrange this personally. The insured person has a free choice of doctors and hospitals and participates in the costs with a fixed annual excess.

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