Foreign Direct Investment (FDI) of China based companies in Switzerland

How can China based companies benefit from the Swiss-Chinese investments?
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Assisting China based companies to establish and deepen relationships between Swiss and Chinese counterparts.

In this presentation, we covered different services that the EY Switzerland China Business Desk can provide and further explain how we can play a central role in facilitating business between China and Switzerland. We assist you step by step in your journey to Switzerland and accompany you through the different challenges that may occur along the way.

A key element for us is to help you establish yourself in Switzerland and to further deepen the ties between Switzerland and China. We believe that the two countries share a lot of aspects and that bringing together their ideas and cultures is in both sides mutual interest and benefit.

Our interdisciplinary team of experts is ready to address any questions you may have. Our holistic approach will allow you to fully exploit new markets, tax benefits, investment opportunities and equip you with the necessary services in assurance, tax, legal advice or business consulting.

Your EY Team
**About Switzerland**

**Advantageous position in Europe and multilingualism**

- **26 Cantons**
- **8.7 Million Inhabitants**

- **2 hours** To all other major European cities

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**INNOVATION RANKING (2022)**

1st in the Global Innovation Index by WIPO

**WORLD TALENT RANKING (2022)**

1st in the development, attraction and retention of talent by IMD

**COMPETITIVENESS (2022)**

2nd in the World Competitiveness Ranking by IMD

**R&D SPENDING OF CHF 22.5 Bn** that accounts for 3% of Swiss GDP (approx. CHF 732 Bn in 2021)

**GDP PER CAPITA (2020)**

2nd highest on a global scale that amounted to USD 86,850

**FROM SWISS EXPORTS**

52% were chemicals and pharmaceutical products

**SWITZERLAND RANKS**

4th as one of the EU’s vital service market with FDI at CHF 1,088 bn (2021)

**ATTRACTING MORE THAN**

850 companies here with headquarters or other functions here

**ACCESS TO A MARKET SIZE OF**

500 Mn consumers thanks to agreements concluded with the EU

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**Switzerland’s unique multilingualism**

- German 63%
- French 23%
- Italian 8%
- Romansh >1%

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**Language Distribution**

- 0%
- 10%
- 20%
- 30%
- 40%
- 50%
- 60%
- 70%
Swiss Industries

Key economic facts as of 2021

The financial sector

- Total value added by the financial sector (in CHF bn):
  - Banking sector: 36.4
  - Insurance sector: 30.5
- 211,605 employees, representing 5.2% of Swiss overall employment
- 11.7% of public tax revenue stems from the financial sector

- 9% of Swiss GDP contributed by the Swiss financial sector that had a total value added of CHF 66.9 bn

Life sciences - Swiss Biotech

- Capital investments in Swiss biotech companies reached CHF 3.3 bn with 75% invested into public and 25% into private companies*
- The Swiss biotech industry generated revenues of CHF 6.7 Bn compared to CHF 4.9 Bn in 2020*
- 17,855 employees in Swiss R&D biotech companies, an increase of 9.5%

Luxury goods - Swiss watch industry

- CHF 22.3 bn worth of Swiss watches exported, 2.7% increase to 2020
- 95% of Swiss watches produced were exported

- Swiss watch exports per market in 2022 (Mil of CHF): USA 15.7%, China 10.3%, Hong Kong 7.7%, Japan 6.8%, United Kingdom 6.5%
Doing business in Switzerland

Key measures of the Swiss taxation regimes

Taxes are levied at three levels:

Federal level
- The federal income tax rate is 7.83%.

Cantonal level
- The cantonal income tax rates vary depending on the canton and the municipality involved.
- Switzerland has approximately 2,600 municipalities with varying income tax rates.
- The combined federal, cantonal and communal statutory income tax rates vary from 12%-15% in most cantons.

Communal level
- Stamp duties, annual capital taxes and other taxes, such as real estate transfer tax are also levied in Switzerland.

Other taxes

At the federal level

In addition to corporate income tax rates, there are other tax benefits that makes Switzerland a preferred location for companies that include the following:

Relationship with tax authorities
- Business friendly local tax authorities committed to helping you integrate within the Swiss tax environment

Reorganizations
- Tax neutral reorganization schemes for mergers, demergers, value transfers, etc.
- No non-resident capital gains tax (exceptions: real estate & dormant companies) nor change of ownership rules
- Tax neutral disclosure of hidden reserves including goodwill upon migration and subsequent amortization over 10 years
- Migration to Switzerland possible with legal continuity

Other benefits:
- Attractive ETRs of 11.8% to 14% in most cantons
- In addition there exists possibilities for tax holidays of up to 10 years
- A patent box and R&D super deduction that result in tax rates as low as 9.1% for the Canton of Zug
- An extensive treaty network of > 100 treaties that allow for a 0% WHT rate on dividends (retained earnings)
- Lastly, EU tax regulations do not have a direct impact on the Swiss tax framework (i.e. No ATAD I+II, No EU state aid, No MDR)
Doing business in Switzerland
EY as your partner for

**AUDIT & ASSURANCE**
- Provide insights into Swiss financial reporting and accounting standards
- Provide high-quality audits to promote transparency and trust
- Provide assistance to acquire funds via the optimization of internal systems

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**TAX & LEGAL**
- For indirect tax we provide assistance in VAT advisory and registration, fiscal representation, turnover reconciliation, global trade advisory, and subordination license
- In legal matters we provide services in incorporation, corporate law, and labor & employment law

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**CONSULTING**
- To provide aid in cross border transaction, to enable creation and implementation of business strategies (i.e. establish local partnerships, and supply chain diversification and management)

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**PEOPLE ADVISORY SERVICE**
- Provide tailored solutions for culture adaptation, talent support, social costs, immigration services, or work authorization for your business entity in Switzerland

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**STRATEGY & TRANSACTION**
- We provide aid to Chinese inbound clients the following service offerings of Mergers & Acquisitions (M&A), transaction legal, due diligence and exit readiness, transaction tax and real estate, valuation, modeling and economics, capital and debt advisory, transaction & execution services, strategy, and turnaround & restructuring strategy

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EY as your partner

Global organization

Interdisciplinary teams ready to assist you

Our steering team involving EY Switzerland and EY China are available at your disposal to address any questions you may have. We aim to facilitate the process of establishing new businesses in Switzerland and investing into Switzerland as a new business location. Our team has extensive experience in relation to multiple industry sectors, with a large focus on technology and innovation companies.
EY as your partner

EY's integrated approach

The EY network has global extensive experience in end-to-end incentive planning and application process as well as other connected areas such as legal, tax, etc. To ensure business decisions do not negatively impact tax cost base and compliance and vice versa, we holistically address important layers of feasibility, design and implementation. Our approach is based on a proven methodology applied across different industries.

EY can support your new establishment or investment in Switzerland by leveraging both our internal and external networks to enable a smooth and efficient expansion into Europe/Switzerland. EY is committed to ensure the services provided meet our clients’ expectations.

Why EY

- Every project is tailored to individual business requirements
- Global connectivity with local knowledge available in relevant jurisdictions, advising on options and eligibility based on your project
- Significant experience in relevant industries
- Holistic approach: legal, tax (including indirect tax), transfer pricing perspectives – all in one place

Leveraging our internal and external networks

- Local expertise available in each country: advising on eligibility and best schemes for your project
- Network of investment agencies to discuss specific conditions and probability of funding of the project

Customizable solutions

- Significant experience with various sectors
- Approved methods – tailored for your business

Common growth

- You are always centered in our focus – whatever the approach.
- Our aim is to help our clients grow.

One-stop-shop services

- Legal, direct and indirect tax, and accounting perspective – all in one hand

Operating model effectiveness

- Our interdisciplinary specialist team at EY Switzerland works with all layers of business transformations and operating model effectiveness.
- We can provide a holistic approach in integrating Switzerland as a new business location in your current structure and supply chain.
About the global EY organization

The global EY organization is a leader in assurance, tax, consulting. We leverage our experience, knowledge and services to help build trust and confidence in the capital markets and in economies all over the world. We are ideally equipped for this task— with well trained employees, strong teams, excellent services and outstanding client relations. Our global purpose is to drive progress and make a difference by building a better working world— for our people, for our clients and for our communities.

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