



## Amt für Wirtschaft und Arbeit

▷ Wirtschaft

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Department of Economic, Social and Environmental Affairs of the Canton of Basel-Stadt

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# Fact Sheet: Enterprise Foundation and Self-Employment

## General information about the fact sheet

Published by the Economic Development of the Canton Basel-Stadt, the purpose of the leaflet at hand is to provide individuals planning to found a company or become self-employed in the Canton of Basel-Stadt with a brief summary about the basics. The main objective of the fact sheet is to offer clarification of the most important formal and legal matters pertaining to the formation of an enterprise. If you require more comprehensive information and advice on the subject of setting up a company or starting self-employment, you may also want to visit the websites of the following organisations and institutions:

- [AWA Basel-Stadt Bereich Arbeitgebende und Unternehmen](#)
- [Basel Area Business & Innovation](#)
- [KMU Portal des Bundes](#)
- [Startups.ch](#)
- [Startup Academy Basel](#)

In addition, the IFJ (Institut für Jungunternehmen) offers interested parties start-up support and courses free of charge on how to start a business. You can find more information about the IFJ [here](#).

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## 1 Legal form

When founding an enterprise, the legal form is of the utmost importance. The selection of a specific legal form does not only inform the process of the founding itself, but also determines its duties in terms of taxation, social insurances, and liability in the event of business failure. In the following outline, we focus on the legal forms of Sole Proprietorship (in German: Einzelunternehmen), Limited Liability Company<sup>1</sup> (in German: Gesellschaft mit beschränkter Haftung (GmbH)) and Limited Public Company/Corporation (in German: Aktiengesellschaft (AG)). They are the most common legal forms of enterprises. Other possible legal forms include the General Partnership (in German: Kollektivgesellschaft), Limited Partnership (in German: Kommanditgesellschaft), Co-operative, Foundation and Association.

|                                | <b>Sole Proprietorship</b>  | <b>LLC/GmbH</b>                                     | <b>AG (Limited Public Company)</b>      |
|--------------------------------|-----------------------------|-----------------------------------------------------|-----------------------------------------|
| Initial capital                | No minimum capital required | CHF 20'000 (fully liberated, i.e. paid up/ covered) | CHF 100'000 (at least 50'000 liberated) |
| Number of founders             | One natural person          | At least one partner                                | At least one shareholder                |
| Liability for business failure | Private assets              | Company assets                                      |                                         |

Additional and more detailed information on legal forms can be found here:

- [Link](#) to the topic 'Legal Forms' on the SME Portal of the Federal Government
- [Link](#) to the topic 'Legal Forms' on Startups.ch

## 2 Trade register

The cantonal trade register (in German: Handelsregister HR) is where companies with operations in their respective canton are registered. Being listed in the trade register comes with rights and duties.

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<sup>1</sup> It should be noted that the Swiss LLC is not the exact equivalent to an LLC in the US, or Ltd. in the UK.

|                          | <b>Sole Proprietorship</b>                                               | <b>LLC/GmbH</b>        | <b>AG</b>            |
|--------------------------|--------------------------------------------------------------------------|------------------------|----------------------|
| Registration requirement | Mandatory registration if annual revenue > CHF 100'000; voluntary below. | Mandatory registration |                      |
| Fee (one-time)           | CHF 120                                                                  | CHF 600 <sup>2</sup>   |                      |
| Company name             | ( <i>Name</i> ) + surname                                                | ( <i>Name</i> ) + GmbH | ( <i>Name</i> ) + AG |
| Name protection          | In the municipality of the business location.                            | In all of Switzerland  |                      |

Additional and more detailed information about the trade register can be found here:

- [Link](#) to the Cantonal Trade Register of Basel-Stadt
- [Link](#) to the topic 'Trade Register' on the SME Portal of the Federal Government

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<sup>2</sup> If the initial, nominal or allotted capital exceeds CHF 200'000, the basic fee will increase by 2 tenths of a percent on the difference between actual capital and this limit, but only up to a maximum of CHF 10'000.

### 3 Taxes

Sole Proprietorships themselves are not taxable, only their owners are subject to taxes → i.e. their income from self-employment and business assets (according to taxation of assets). LLC and AG are stand-alone taxable entities and subject to taxes on earnings and capital. Distributions to owners are taxed as income, corporate shares or interest are subject to taxation of assets.

#### 3.1 Value Added Tax (VAT)

The Value Added Tax (VAT) is a tax levied by the Federal Government. VAT is only paid on finished products, goods and services. Taxes on intermediate inputs can be deducted from the VAT, including inputs provided and imported from abroad. Companies with annual sales over

|           | LLC/GmbH                                                                                                                                                        | AG |  | Sole Proprietorship                                                                                                                                              |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Income    | Income/salary will be taxed in the residential municipality of the salary earner.                                                                               |    |  | Salaries, distribution of earnings (dividends) and interest earned from a Sole Proprietorship will be taxed as income of the company owner (as a natural person) |
| Profit    | An earnings tax is levied on profits (rate in Basel-Stadt: 13 %, retroactive to 1st January 2019).                                                              |    |  |                                                                                                                                                                  |
| Dividends | Dividends are taxed privately as income of the dividends earner.                                                                                                |    |  |                                                                                                                                                                  |
| Expenses  | Business expenses reduce earnings and hence lower taxes on the LLC's profit.<br><br>Business expenses reduce earnings and hence lower taxes on the AG's profit. |    |  | Business expenses qualify as tax deductions; they must however be clearly separated from private expenses.                                                       |

CHF 100'000 are liable to VAT. Companies are independently responsible for the declaration

and accounting of VAT owed. Normally, the VAT rate is 7,7 percent. The hotel sector and food industry, however, are taxed at a rate of 3,7 and 2,5 percent respectively.

Additional and more detailed information about taxes and taxation can be found here:

- [Link](#) to the Tax Administration of the Canton of Basel-Stadt
- [Link](#) to the topic 'VAT' on the SME Portal of the Federal Government

#### **4 Insurance and Social Security**

Entrepreneurs are required by law to attend to and manage social insurances for themselves and their employees (if any).

The legal form of a company determines whether social insurances are voluntary or mandatory for entrepreneurs. The basic rule is: With respect to social insurance, founders of Sole Proprietorships, Limited and General Partnerships are considered self-employed. For the most part, they themselves are responsible for their personal insurances, social security and pension funds.

Founders of Limited Public Companies and Limited Liability Companies are both entrepreneurs and their own employees. With regards to social insurances they are therefore considered as employed persons and wage earners. In this case, the majority of social insurances are mandatory.

Switzerland follows a three-pillar model of social insurance, resting on public, corporate and individual/private insurance and retirement plans, providing protection in case of old age, disability or death, and ensuring adequate living standards after retirement from the workforce.

|                                                                                             | Contribution rates                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                              |                                                                                                                                                             | Insurer responsible                                                                                                                                             |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                             | Employers (share of gross wages)                                                                                                                                                                                                                                                      | Employees (share of gross wages)                                                                                                                                                                             | Self-employed (share of income)                                                                                                                             |                                                                                                                                                                 |
| <b>AHV / IV / EO (Old Age and Dependents / Disability / Military Income Loss Insurance)</b> | 5,275 %<br>Administrative costs up to 5% of contribution<br>Mandatory                                                                                                                                                                                                                 | 5,275 %<br>No administrative costs<br>Mandatory                                                                                                                                                              | 9,95 % (decreasing scale of contributions)<br>Administrative costs up to 5% of contribution<br>Mandatory                                                    | Cantonal compensation offices or private compensation office associations                                                                                       |
| <b>Family allowances</b>                                                                    | 0,1–3,5 % (contribution rate varies depending on cantons and family compensation offices (FAK)); mandatory in all cantons                                                                                                                                                             | CHF 275.00 per month and child                                                                                                                                                                               | 0,3–3,3 % (contribution rate varies depending on cantons and family compensation offices); mandatory in all cantons; capped at annual income of CHF 148'200 | Cantonal family compensation offices (FAK); FAK managed by AHV compensation offices; professional and inter-professional FAK approved by cantons                |
| <b>ALV (Unemployment Insurance)</b>                                                         | 1,1 % up to CHF 148'200<br>An additional solidarity percentage of 0,5 % is levied on income share above CHF 148'200                                                                                                                                                                   | 1,1 % up to CHF 148'200<br>An additional solidarity percentage of 0,5 % is levied on income share above CHF 148'200                                                                                          | Non-insurable                                                                                                                                               | Contributions to: Cantonal compensation offices or private compensation office associations.<br>Benefits from: Unemployment insurance funds (public or private) |
| <b>Pension fund</b>                                                                         | 2–8 % of gross wages (depending on age, salary, and pension regulations)                                                                                                                                                                                                              | 2–8 % of gross wages (depending on age, salary, and pension regulations)                                                                                                                                     | Voluntary                                                                                                                                                   | Multi-plan foundations, community-based or company-owned pension funds                                                                                          |
| <b>Private pension funds</b>                                                                | Voluntary                                                                                                                                                                                                                                                                             | Voluntary                                                                                                                                                                                                    | Voluntary                                                                                                                                                   | Swiss life insurers                                                                                                                                             |
| <b>Occupational accident</b>                                                                | Net premium on wages qualifying for Occupational Accident Insurance (UVG) premiums, max. CHF 148'200; varies according to industry and occupational risk<br>Mandatory                                                                                                                 | None                                                                                                                                                                                                         | Voluntary<br>Net premium for occupational and non-occupational accident insurance                                                                           | Suva (Swiss National Accident Insurance Fund), private insurers, public accident insurance or health insurance companies                                        |
| <b>Non-occupational accident</b>                                                            | Voluntary                                                                                                                                                                                                                                                                             | Net premium on wages qualifying for Occupational Accident Insurance (UVG) premiums, max. CHF 148'200; varies according to industry and occupational risk; mandatory if employed for a minimum of 8 hrs./week | Voluntary<br>Net premium for occupational and non-occupational accident insurance                                                                           | Suva (Swiss National Accident Insurance Fund), private insurers, public accident insurance or health insurance companies                                        |
| <b>Health Insurance</b>                                                                     | Basic healthcare insurance is mandatory, premiums vary according to place of residence, health insurance purchased, and choice of special insurance models or packages; additional insurance benefits and per diem sickness indemnity optional, costs depending on extent of coverage |                                                                                                                                                                                                              |                                                                                                                                                             | Health insurers<br><br>Source: KMU-Retgeber SME platform of the Federal Government                                                                              |

Additional and more detailed information about the insurance system can be found here:

- [Link](#) to Compensation Office of Basel-Stadt
- [Link](#) to the topic 'Insurance' on the SME Portal of the Federal Government
- [Link](#) to PDF "KMU-Ratgeber" PDF (01.01.2020) of the Federal Government

## 5 Nationality and residence as regulatory requirements when starting a business

### 5.1 Founding a company as EU/EFTA citizen

|                            |                                                                                                                                                                                                                                                                                                                     |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Sole Proprietorship</b> | The Sole Proprietorship is the exclusive property of the company owner. Accordingly, labour market regulations for natural persons apply. The basic requirement for working in Switzerland is to hold both a valid residence and a work permit.                                                                     |
| <b>LLC/GmbH</b>            | As a legal entity, the Limited Liability Company (LLC/GmbH) must be represented by at least one natural person who is a resident of Switzerland. This person can be the company's managing director or an executive. Accordingly, this individual must have both a valid residence and work permit for Switzerland. |
| <b>Limited Company/AG</b>  | For a Limited Company to a legal entity, the person authorized to represent the AG must have their place of residence in Switzerland. Accordingly, this individual must have a valid residence and work permit for Switzerland.                                                                                     |

Additional and more detailed information can be found here:

:

- [Link](#) to the topic 'EU/EFTA citizenship' on the SME Portal

- [Link](#) State Secretariat for Migration (SEM), FAQ: Living and Working in Switzerland EU/EFTA
- [Link](#) Migrationsamt, Office for Migration, Canton of Basel-Stadt

## 5.2 Founding a company for citizens of third countries

Individuals from third countries, i.e. persons without a Swiss passport and who are not citizens of a EU/EFTA country, require a 'C Residence Permit' to count as self-employed. All applicants for residence permits are advised to contact the respective cantonal authorities for further information about how to apply.

Additional and more detailed information about self-employment for citizens of third countries can be found at the following organisations:

- [Link](#) to AWA Basel-Stadt: Third Countries: Self-employment
- [Link](#) to the SME-Portal: Founding a Company for individuals from third countries

Additional and more detailed information about the subjects of migration and work permits can be found at the following organisations:

- [Link](#) to the Office for Population and Migration of Basel-Stadt (Amt für Bevölkerungsdienste und Migration)
- [Link](#) to AWA Basel-Stadt: Work Permits

## 6 Additional permits

Depending on the area of occupational expertise of your company, you may require additional permits and licences, for instance in the gastronomy sector. (In Basel, this industry is monitored by the Inspectorate for Construction and Gastronomy ([Bau- und Gastgewerbeinspektorat](#))). You can find further information about additional permits and licences on the cantonal website of Basel-Stadt [Bewilligungen-BS](#).

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