

Pay structure in Geneva: challenge and opportunity of anticipation

The annual barometer of the most attractive business cities in Europe, as drawn up by Cushman & Wakefield, sets Geneva as the 11th most attractive city in 2008.

International companies or entrepreneurs desirous to set up a business in Switzerland often focused mainly on the sole comparison of corporate tax level between various locations. Nowadays, these entrepreneurs or companies must also seriously consider the tax and social advantages from which their future employees may benefit.

When starting a business, one of the key issues is the evaluation of the burden of taxes and social contributions which the future employees will have to bear. Too many entrepreneurs or international companies, do not sufficiently recognize, when starting a project, the importance of defining and implementing as quickly as possible –and ideally before work or mission contracts are signed- an optimized remuneration policy that takes into account all plans to reduce tax and social charges to the extent allowed by the regulatory environment. And yet these advantages, either in the form of tax deductions or reduced social contributions that will benefit future employees, are now as important as the tax exemptions granted to newly set up businesses.

Switzerland is in the leading pack of countries that practice the most lenient taxation for qualified employees. From a tax point of view, Geneva is considered one of the most competitive towns and ranked as the 5th most attractive business city in Europe.

Within this framework, international companies or entrepreneurs desirous to start a business in Switzerland should be able to offer to their future managers and highly qualified employees, whether local, cross-border or expatriates, modern salary schemes, optimized from a tax deduction and social contributions angle.

Switzerland, and Geneva in particular, offer an attractive regulatory environment. Various means allow decision-makers to set up pay structures that can fit any particular company profile. Some examples are: deductions for expatriates (removal costs, housing costs, schooling fees for minors), representation costs, transportation costs, participation schemes and stock options, insurance premiums reductions, up-front bonuses, parking slots, expense packages, and other fringe benefits.

An international group, or an entrepreneur desirous to adopt a modern and optimized pay structure for the benefit of its future employees could take the following steps:

1. Get advice regarding the overall fiscal situation and procure a list of the advantages allowed by the local legislation and the usual practice of the fiscal authorities (with all details regarding specific conditions if any)

2. On the basis of this list, plan out a remuneration policy and a salary package which is in accord with the project and its needs and with the company culture
3. Formalize this remuneration policy: set up rules and internal processes as required, negotiate them and secure the agreement of the local tax authorities where necessary.
4. Sign work contracts that include all elements of the firm's remuneration policy
5. Make sure that the payroll is adequately managed

Attracting and keeping the best actors is a key operational challenge for all businesses.

Selecting an optimized salary package plays a key role in ensuring the strategic success of any business desirous to settle in Switzerland.

For that purpose, the group or the entrepreneur will have to:

- Call on local experts able to provide the most complete and precise advice;
- Anticipate. As to be able to select an optimized salary package using most of the tools offered by the regulatory environment, the group or the entrepreneur will have to work on the pay structure as soon as possible once he decided to start a business in Switzerland. Indeed, making use of all the possibilities offered by the regulatory environment of the Swiss Confederation and the Canton of Geneva will guarantee that the remuneration policy is optimized from the start and will enhance its motivational effect on the future employees.

Olivier Kettler
Sr Tax Manager