
**Contract Work in
Switzerland.
A Brief Guide**





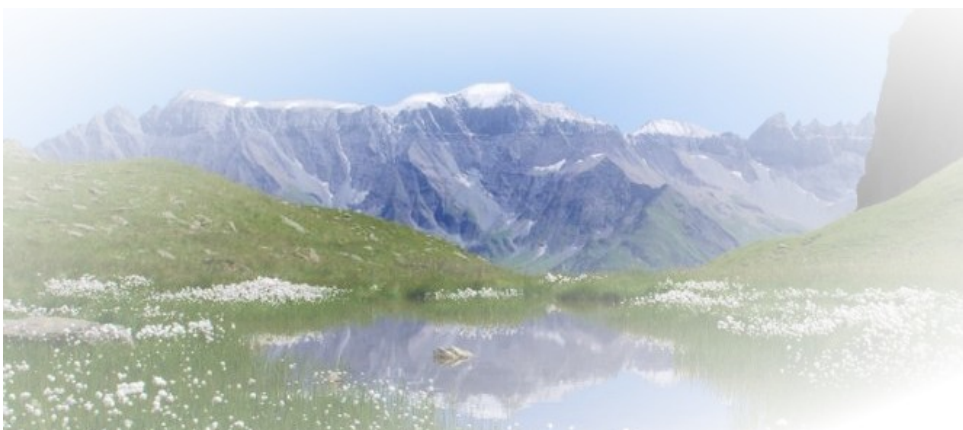
Introduction to Swissroll

There are approximately 1,000,000 foreign employees in Switzerland, 25% of which commute from outside the country.

Swissroll are 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 employing an individual who is then supplied to work under the control of another party that is not the contractor's own employer. This business is tightly regulated in Switzerland to protect both the worker and control the Swiss labour market.

This guide is of equal application to the Swiss client employing contract staff, the recruitment companies they deal with and the contractors themselves. Swissroll will take you through a summary of Swiss employment and labour leasing laws and explain what is permissible under Swiss law and what is not. We will show you that solutions proposed by Swissroll are not only a simple and effective way to ensure that everyone involved stays within the law but that the financial results for the contractors are more attractive than many competing offers available in the market.

As a labour leasing company, we take care of all contracting formalities and legalities for companies, agencies and contractors. Our services benefit the employer by looking after local compliance, the agency by ensuring them a satisfied client and, of course, the contractor by maximising his earnings by providing legally compliant solutions. All of our solutions maximise the take-home-pay in a legitimate manner by reducing the burden of tax and social security.

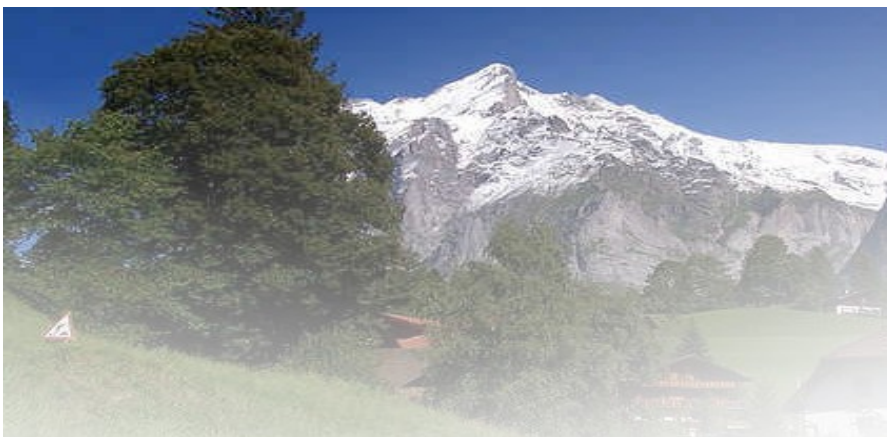




What differentiates Swissroll from other management companies?

- Swissroll is authorised to operate as a labour leasing company in Switzerland.
- Working in partnership with Swissroll will ensure all parties are respectful of the law and run no risk of being fined for illegal employment operations.
- Swissroll will obtain a work permit for the contractor.
- The contractor is provided with a full declaration payslip with tax and social security deductions.
- Higher retention rates can be offered to the contractor through the use of 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 rapidly.
- Access to the best banking system in the world. 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.
- Information and advice provided about travel and accommodation

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





Rules & Regulations in Switzerland

Immigration

On 1st June 2002 The Free Movement of Persons Agreement and its additional protocol came into effect lifting to a certain extent restrictions on EU nationals wishing to live and work in Switzerland.

Information on work permits

Tier 1

(Obtaining a work permit for Tier 1 countries is a straightforward process)

Austria	France	Liechtenstein	Romania
Belgium	Germany	Luxembourg	Spain
Bulgaria	Greece	Malta	Sweden
Cyprus	Italy	Netherlands	United Kingdom
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	Slovenia

Tier 3

All other countries

Swiss employment agencies who 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 obtain one for the contractor.

Insurance and Pension	Employer	Employee	Total
Social security—1st Pillar (AHV) *	5.15%	5.15%	10.3%
Disability insurance	0.7%	0.7%	1.4%
Military income loss compensation	0.15%	0.15%	0.3%
Unemployment insurance (ALV) **	1.1%	1.1%	2.2%
Unemployment insurance (ALV II) ***	0.5%	0.5%	1%
Sickness insurance (KTG)	0.52%	0.52%	1.14%
Professional Accident insurance	0.1021%	Not liable	
Non-Professional Accident insurance (NBU)	Not liable	~2.0%	
Family Allowances ****	~1.5-3%	Not liable	

Occupational Benefit Plan—Pension 2nd Pillar

Social charges

* This is the basic compulsory insurance for all person 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 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, survivors 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.

Men's Age	Women's Age	Contributions (estimated figures)
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 15 to 35%. This is lower than in most other European countries.



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 individuals using their own foreign limited company cannot hire their services to a Swiss based company for more than 3 months. After this period, the individual will have to be employed by a Swiss management company. Although there was an agreement signed on the 'Free Movement of Persons' there was no agreement on the free movement of companies. It is therefore not permitted.
- 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.

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 CHF 50,000—100,000 'deposit' 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.



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:

- Solutions precisely geared to the 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. We can assist you to open a Swiss bank account if necessary. We can also pay you anywhere you want and in most major currencies.



Employment solution for Contractors (see next page for detailed solution)

We offer to:

- Help obtain a work permit for the contractor.
- Employ the contractor legally through Swissroll.
- Place the contractor on our Swiss payroll.
- Arrange Health Insurance cover for the contractor.

We provide:

- Legal employment for the contractor during their temporary mission in Switzerland.
- Higher retention rate possible through approved Swiss pension scheme.
- Full declaration payslips with tax and social security deductions.

Contractors: working for a Swiss-based company

A contractor cannot work for a Swiss-based company using a recruitment agency based abroad.

A contractor cannot be supplied to a Swiss-based company by a management company not authorised to labour lease in Switzerland.

A contractor cannot use his own foreign limited company to work for a Swiss-based company for more than 3 months. After this period the individual will have 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 labour lease in Switzerland.



Switzerland Employed Solution Summary (Companies, Agencies & Contractors)

Status of contractor

Employed by Swissroll

Work permit

Obtaining a work permit for contractors from the original 15 EU member states is a straightforward process. It is more difficult for citizens from the new EU entrant states to come and work in Switzerland and much more difficult for non-EU nationals. Citizens from the original EU member states may work in Switzerland for up to 90 days without a permit. After 90 days they must hold a valid permit.

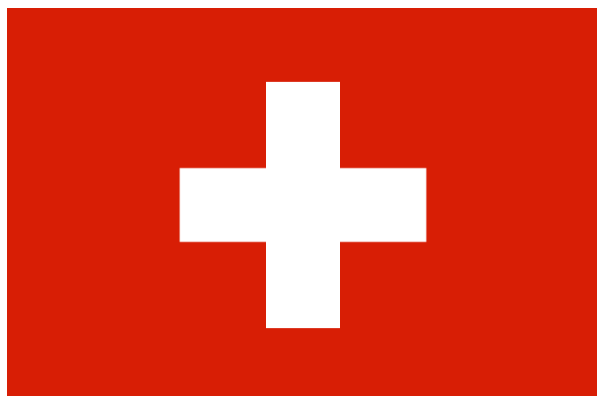
Other nationals must hold an authorisation to obtain a work permit before arriving in Switzerland and requirements will vary from canton to canton. Permits generally given to contractors are L permits based upon a fixed contract duration or B permits where the position is continuing.

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 savings 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.

Health Insurance

There is no national health service in Switzerland. Everyone settling in Switzerland has to 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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