

Postcard from...Switzerland

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The dust is settling on the banking secrecy saga of the past few months. To those with a clear conscience, it is evident that the Swiss government's decision in March to ease its banking secrecy regime will make this sophisticated Alpine jurisdiction even more attractive than before.

Amid increasing international pressure, in particular by the United States, Germany and France, the Swiss government announced that it will adopt the standard of the Organisation for Economic Cooperation and Development (OECD) on administrative assistance in tax matters. As a result it will renegotiate its double taxation agreements with more than 70 countries.

It's important to note that the core credentials of Swiss bank-client confidentiality remain intact. It is only banking secrecy that is being eroded. In practice this means that a clear distinction will be drawn between tax evasion and tax fraud. This is a welcome development for those service providers and their international clients who have always sought long-term compliant management of their worldwide wealth.

Switzerland is in fact growing in attractiveness to private clients, investment funds and companies. We have advised several clients on moving from the United Kingdom and elsewhere to Switzerland and they all cite the country's political stability, natural splendour and quality of life as major advantages. Indeed, the Mercer annual review consistently ranks Geneva and Zurich among the top five locations for a high quality of life. Certain cantons allow a lump-sum tax ruling for wealthy foreigners wishing to settle in Switzerland. In this, you do not pay tax on your income or assets, but only on your expenses.

Another growth area is Switzerland's fledgling hedge fund industry. This is developing as the credit crisis forces the industry to focus on lower-cost centres. Continental European fund managers are increasingly attracted by the better personal tax rates in some cantons, improving tax terms for fund firms and a high quality of life.

Multinational corporations are attracted by the advantageous tax rates in the canton of Zug, as well as the preferential long-term tax rates granted to corporations that set up their European headquarters in Geneva. As a result, there is a large expatriate community in Geneva.

So, far from fading in popularity, Switzerland is looking strong. Both as a jurisdiction and for service providers that have the infrastructure and knowledge to provide sophisticated tax-planning solutions of substance. The truly international elite will continue to enjoy the benefits that Switzerland has to offer.