



# NEWS INTERNATIONAL

E-MAIL NEWSLETTER  
Fourth edition of 2018

Dear Sir/Madam,

## Directorships in Switzerland and their pitfalls

It is common practice for foreign enterprises to appoint a board of directors for their Swiss group companies.

Remunerations for these directorships are subject to Swiss withholding tax. The Swiss company is obliged to collect the withholding tax and pay it to the Swiss tax authorities. This is consistent with international practice and most directors are aware of it.

However, with regard to **social insurance contributions**, it conceals a peril for the unwary which can become expensive:

In Switzerland, the function of director on a board of directors is classified as **paid employment**. Accordingly, a director with a place of residence abroad is always considered to be an employee by definition in Switzerland. In contrast to this, some EU Member States (including Germany) classify activity as a member of a board of directors as **self-employed work**.

Now if the individual is active professionally in several EU Member States and Switzerland, his tax liability must be regulated.

To do this, the subordination agreements regarding social insurance exist as part of the Treaty on the Free Movement of Persons in Switzerland and the EU.

According to these agreements, the obligation to pay social insurance **exists in the country in which employed activity is exercised**. This means that if an individual pursues an employed occupation both outside Switzerland and in Switzerland, the **country of residence** is designated the country of priority for purposes of social insurance (provided that more than 25 % of the employed activity is exercised in the country of residence). In these cases, the individual concerned may request exemption from the obligation to pay social insurance contributions in Switzerland.

However, if the individual only engages in **self-employed activity** (for example has seats on several boards of directors) in his country of residence according to the subordination agreement, the social insurance payments based on his entire earned income (in both EU and Switzerland) are payable in Switzerland because in Switzerland, company directorship is classified as paid employment. Since in Switzerland there is no upper limit for assessment of social insurance, the individual is liable to pay the approximately 12.5 % of gross earnings on the total income earned throughout the EU.

Best regards

Aline Dénéreáz



The author

**Aline Dénéréaz**

Tax Expert, Lawyer

Aline Dénéréaz is co-founder of Transforma Consulting AG in Zurich. She is a certified Tax Expert and lawyer. Since 1999, Aline Dénéréaz is consulting private persons in the field of international tax law for private individuals and companies in the field of national and international corporate tax law. Further focus areas of her consultancy work are international tax structures, restructuring and M&A (merger, spin-off, conversion, MBO, LBO, acquisition and sale of companies, financing), employee relocation, private-asset structuring and advice on succession planning.

Aline Dénéréaz has grown up bilingual - French and German, furthermore, she speaks and negotiates fluently in English and Italian. She is living in Zurich for 19 years.

#### Contact

Transforma Consulting AG  
Olgastraße 10  
8001 Zurich, Switzerland  
Phone +41 43 222 58 42  
Mail [aline.denereaz@transforma.ch](mailto:aline.denereaz@transforma.ch)

## Company presentation

### transforma consulting

Transforma Consulting is an independent consulting boutique headquartered in Switzerland and managed by two partners. We focus on the provision of advice to individuals, companies and institutions undergoing transformation processes. In providing our services, we aim to address the challenges that arise at such moments at a business, tax and legal level.

Together with our customers, we develop tailored, pragmatic and inventive solutions. The latest specialist knowledge, long-standing experience and a national and international network - with DORNBACH in Germany amongst others - form the basis on which we perform this work. To ensure that the solutions are built on solid foundations and are viable as regards their key dimensions, we apply a holistic advisory approach: Our way of working integrates business, tax and legal expertise that is appropriate for the situation at hand.

We are personally familiar with the international context. Thanks to our origin, multi-lingual capabilities and experience, we know that it is essential to take account of cultural differences. We take a respectful approach to this subject, with the conviction that diversity is an opportunity.



Detailed information on the group companies can be found here:

IMPRINT

**Publisher: DORNACH GMBH**, Auditing, Tax consulting,  
Anton-Jordan-Straße 1, 56070 Koblenz, Telefon +49 (0) 261 94 31-438, E-Mail: [international@dornbach.de](mailto:international@dornbach.de)

The newsletter is intended to provide general information on selected topics for our clients. Concrete action should not be taken without advice from your DORNACH consultant.

If you want to cancel your subscription, [please click here](#).

Copyright 2018 DORNACH. Alle rights reserved.

The newsletter is not displayed correctly? [Please click here](#).