

# Topic 94

## Switzerland 2020: year of pause?

Dr. Ariel Sergio Goekmen-Davidoff

[Arielsergio.goekmen@lindemannlaw.ch](mailto:Arielsergio.goekmen@lindemannlaw.ch)

### **Was it really a Year of Pause?**

The shut-down in Switzerland happened, like everywhere in the surrounding European Union. Switzerland imports 70% of its goods from and exports 52% of its production to the EU, and is the EU's third biggest trading market. Switzerland was happy that, for example, the building industry, which accounts for about 6% of GDP in most parts of the country, could continue thriving. People were able to move about, but of course the shops in general were closed and working from home was strongly recommended. Working from home meant that many people sat for hours in telephone or online conferences, but the business activity in banks, insurances, trade and other areas was not impacted so much. Tourism, with nearly 20 billion CHF revenues, is important for Switzerland, being about 3% of GDP, but not as important as the pharmaceutical and chemical industry which represented about 10% of GDP. The fall in GDP in 2020 is assessed by experts to be in the region of 6%, and in 2021 it is thought to

rise by about 5% again, which of course will not compensate the loss. Unemployment might rise to 3.6%.

### **What else happened?**

At the beginning of 2020, Fidleg and Fidint came into effect, which are laws regulating the financial industry. There are of course transitional periods for these laws, but they affect mainly external asset managers and trustees, which are now for the first time regulated like external asset managers. This means they are put under the supervision of the Swiss national regulator FINMA, and many of the smaller competitors have to make arrangements that they meet the requirements in good time.

### **What do clients from abroad do?**

According to latest statistics of the Swiss national bank, never before have so many assets been concentrated in Swiss custody accounts – assets, that is, which are invested, not just sums in an account. The financial sector accounts for about 10% of the Swiss GDP. About half of the assets deposited in Switzerland are from abroad, from institutional and private clients. With nearly 7bn CHF in total custody assets, Switzerland holds the position of largest cross-border private banking market in the world, with a market share of 27%. Zurich as a financial centre is amongst the ten first ones globally.

The client activity we hear about is not yet statistically recorded. It is apparent that foreign clients perceive Switzerland, with its first-class health system and a proportional relationship between citizen and state, as a place they want to be during the next lock-down. We have helped several wealthy families

from Europe and farther afield to apply for residence and invest in local real estate. At the same time, we see them relocating companies from elsewhere to establish them here, on the one hand thanks to favourable double taxation treaties, but also due to the attractive tax environment and the strong domestic demand. For example, intellectual property rights can be relocated to Switzerland and benefit from attractive taxation, thanks to a law which entered into effect at the beginning of 2020.

### **What is the outlook?**

Nobody knows the future, but if the appreciation of the Swiss franc against other currencies is a measure, despite negative interest rates, it could mean that foreigners continue to perceive Switzerland as a place to be.

Long may it last!