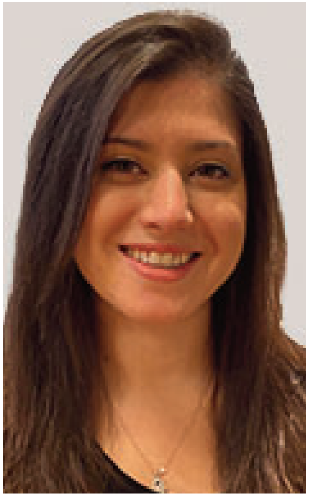
What Can Swiss Companies Do When Facing the 39% U.S. Customs Duty?

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Introduction

The recent introduction of a 39% customs duty on selected Swiss exports to the United States has sent shockwaves through the Swiss manufacturing community. The U.S. market is a cornerstone for many Swiss companies, particularly in the fields of machinery, precision instruments, pharmaceuticals, and specialty goods. With tariffs suddenly raising the cost of market access by more than a third, Swiss firms must respond quickly and strategically to safeguard their competitive position. However, the Swiss have always been good in adapting themselves even to adverse situations – remember the sudden price shock when the Swiss National Bank aborted the guaranteed Euro exchange rate of 1.20 francs in 2011. Then, approximative 1.8 million working places were affected by a price increase of 20%. According to recent studies the U.S. customs duty will affect about 10% of that. However, these working places are often situated in highly specialised, value adding areas.

Hence, when confronted by barriers, the Swiss industry has often responded by innovating, adapting their structures, and leveraging foreign partnerships to maintain or even expand their market share. In this article, we explore three pragmatic pathways for Swiss manufacturers: namely, relocating part of their production to the European Union (e.g. Poland), to the United Kingdom, or directly to the United States.

Establishing a Production Base in the European Union: The Case for Poland

By producing within the European Union, Swiss firms benefit from a reduced 15% U.S. customs duty instead of 39%. While still a tariff, the difference is significant and allows Swiss companies to remain competitive compared to domestic and other international players.

Poland has become one of Europe's most appealing investment destinations, combining low operating costs, a skilled workforce, and the advantages of EU membership. Incorporating a company is straightforward – the most common vehicle, the *Spółka z ograniczona odpowiedzialnoscia* (Sp. z o.o.), mirrors a limited liability company and requires only modest share capital, much lower than in Switzerland.

Swiss firms may also enter the Polish market via a branch or a representative office. A branch functions as a true extension of the parent company, able to trade, employ staff, and conclude contracts locally, while paying tax solely on Polish-sourced profits. Registration is electronic, inexpensive, and usually completed within weeks.

By contrast, a representative office cannot engage in commercial activity but serves as a cost-efficient platform for market research, brand promotion, and building relationships, with minimal regulatory or financial commitment. The maximum tax rate for companies stands at 19%, which is, in many cases, lower than in Switzerland as well.

Poland's strategic location, economic stability, and growing sectors – notably IT, fintech, logistics, and precision industries – position it as an excellent gateway for Swiss businesses seeking to expand into Central Europe. Additionally, the Polish government actively encourages foreign investment, particularly in manufacturing. Investors can benefit from special economic zones, tax reliefs, and EU-funded programs supporting innovation and industrial growth. Industrial parks and clusters further provide a ready-made infrastructure for production facilities.

Conclusion for Poland: For Swiss companies looking to balance costs and proximity to their home base, Poland combines the benefits of EU access, reduced customs duties, attractive taxation and favorable investment conditions. It is often chosen also by large companies as a production site and has a skilled workforce.

Establishing a Presence in the United Kingdom

Following Brexit, the UK has negotiated its own trade arrangements with the United States. For qualifying goods produced in the UK, the tariff rate stands at 10%, making it significantly more attractive than direct Swiss exports.

The UK remains a world-class hub for international business. Incorporating a company is highly efficient: a private limited company (Ltd) can be established online within 24 hours, with minimal share capital requirements. The process is straightforward and provided that the relevant document (IN01) is complete, a Certificate of Incorporation and Memorandum of Association can typically be received within a few hours of submitting the application. A key requirement at incorporation is that there must be a person with significant control of the company. This will be any entity that holds more than 25% of the voting rights and/or shares in the company. Alternatively, they will have the right to appoint or remove a majority of the board of directors or have the right to exercise significant control over the company.

New regulations are coming into force in respect of UK companies that will require all officers and persons with significant control of UK companies to verify their identity. These will come into effect in November 2025.

The regulatory and legal framework is clear and familiar to many Swiss executives, given the UK's long tradition of common law and its openness to foreign investment.

The UK government supports industrial investments with programs such as the Investment Zones initiative, offering tax breaks and streamlined planning processes. Additionally, grants and subsidies may be available for companies involved in advanced manufacturing, green technologies, or research and development.

Conclusion for the UK: The UK combines low customs duties, ease of doing business, and a global financial and legal ecosystem. For Swiss companies seeking a base with both U.S. market access and an international talent pool, the UK remains a compelling choice. Switzerland and the UK enjoy a traditionally good cooperation and share values.

Moving Production Directly to the United States

By producing within the United States, Swiss firms eliminate customs duties entirely: 0% tariff. This provides a decisive cost advantage, especially for companies with large volumes or highly price-sensitive products.

The U.S. market offers both scale and diversity. Company formation is straightforward, with incorporation possible only at the state level. Many Swiss companies choose states such as Delaware for incorporation, due to favorable company law, and then establish their actual manufacturing site in regions with lower costs (e.g. Texas, Tennessee, or the Midwest), although that requires a second corporate filing in the state of operations.

The U.S. federal government and many individual states provide significant investment incentives. These range from tax credits and training grants to direct subsidies for building factories, especially in sectors considered strategic (such as pharmaceuticals, clean energy, or high-tech manufacturing). The Inflation Reduction Act (IRA), for instance, has triggered a wave of subsidies for companies investing in energy-efficient and sustainable production.

Offshore companies must exercise caution with the Branch Profit Tax, which is a 30% tax imposed on the U.S. earnings of foreign corporations operating a branch in the U.S. when those profits are not reinvested in the U.S. However, opening a branch can open immigration opportunities for executives sent to work at the U.S. branch.

Conclusion for the U.S.: While establishing a U.S. production site requires higher initial capital and operational commitment, the long-term benefits – duty-free market access, closeness to customers, and government support – can outweigh the costs for many Swiss firms.

Turning Barriers into Opportunities

The imposition of a 39% U.S. customs duty is undoubtedly a major challenge for Swiss manufacturers. Yet it also acts as a catalyst for strategic thinking and international expansion. Whether by relocating part of their value chain to Poland, the United Kingdom, or directly into the United States, Swiss companies have viable pathways to secure market access, preserve margins, and sustain growth.

Swiss industry has a long tradition of adapting to changing global conditions – whether through innovation, partnerships, or geographical diversification. By embracing international opportunities, today's challenges may well become tomorrow's competitive advantages.

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