

Different legal forms

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How do I find the right legal form for my project? This work aid provides a comparison of the most important legal forms in Switzerland, with a focus on associations. It starts by providing an overview of the legal forms suited to projects pursuing non-profit-making objectives, followed by a summary of those that are more suitable for commercial (economic) purposes.

These legal forms are suited to non-profit projects *that do not pursue an economic objective*:

	Association	Non-profit foundation	Simple partnership
Typical profile	An association must pursue a "non-profit-making objective". Suitable for an association of individuals pursuing a political, religious, scientific, artistic, charitable, social or other non-economic task.	Designating assets for a specific purpose. An association is determined by three characteristics: <ul style="list-style-type: none"> - Designation - of certain assets - for a specific purpose. 	Governs the simplest relations in which several persons work towards a common purpose. Subsidiary legal form. In the event of more complex relations, another legal form should be selected.
Foundation	First general meeting with minutes. See work aid on founding an association, www.vitaminb-e.ch/tools/work-aids/	Deed of foundation and foundation charter, voluntary preliminary review of the deed and charter by the supervisory and tax authorities, notarial certification, application for supervision by the supervisory authority for foundations, application for tax exemption to tax authorities.	No formalities The simple partnership is based on the pursuit of a common objective.

Founding members	At least two natural persons are needed to found an association. See work aid on founding an association, www.vitaminb-e.ch/tools/work-aids/	A founder may be anyone, as well as a member of the foundation's board.	At least two natural persons. The rights of partners are determined according to personal membership and not according to capital expenditure. A change of partners is not possible in principle. If a partner decides to leave the partnership, the simple partnership will be dissolved.
Founding capital	No requirements.	To set up a foundation, assets need to be designated for a specific purpose. The initial assets must be sufficient enough to enable significant foundation activities to take place (at least CHF 50,000 – according to guidelines by the Swiss Federal Supervisory Authority for Foundation, for a traditional foundation.)	Not required.
Articles of association	Compulsory. See work aids on founding an association, sample first general meeting minutes and sample articles of association, www.vitaminb-e.ch/tools/work-aids/	Notarial deed or testament. Articles of association compulsory.	None, possible on a voluntary basis.
Entry in the commercial register	Entry in the commercial register only compulsory if a form of commercial enterprise is being conducted.	Entry in the commercial register necessary for setting up a foundation.	No entry possible.
Supreme body / supervisory body	General meeting compulsory See work aids on organising and running an association, www.vitaminb-e.ch/tools/work-aids/	There are no members. Voluntary foundation board, at least three natural persons or representatives of legal persons. At least one authorised signatory must be resident in Switzerland. Supervisory body: Switzerland, cantonal or municipal supervisory body of foundations depending on area of activity	Partnership: no separation between membership and management.

Management body	Executive committee compulsory. Exclusion obligation pursuant to Article 68 of the Swiss Civil Code must be observed.	Management / foundation board	No separation between membership and management.
Accounting	The executive committee is obliged to keep accounts on income and expenditure as well as on the financial situation of the association. Auditing obligation pursuant to Article 69b of the Swiss Civil Code. In the event that commercial trade is conducted, accounting pursuant to the provisions of the Swiss Code of Obligations.	The highest foundation body maintains the foundation's business ledgers pursuant to the provisions of the Swiss Code of Obligations on commercial accounting	Accounts to be kept and financial reports to be filed pursuant to Section 957 et seq. of the Swiss Code of Obligations for an annual turnover of CHF 500,000.
Profits	Profits must be used for the purpose of the association.	The distribution of profits is laid down in a regulation (annex to the articles of association).	Profits are distributed following a discussion.
Taxation	Associations must generally pay taxes on profits and assets. If profits and assets are lower than a certain amount (varying by canton), no taxes will be imposed. Associations may, on request, receive an exemption from taxes in full or in part for charitable, public or cultural purposes. See work aid on tax exemptions https://www.vitaminb-e.ch/tools/work-aids/	By sending a request to the relevant tax authority, non-profit foundations may be exempt from taxes.	Not subject to taxation as a company as not a legal person. Each individual entrepreneur pays taxes on their private and business income as well as the business assets as a whole.
Liability	Only for association assets unless an additional contribution has been agreed. See work aid on liability, https://www.vitaminb-e.ch/tools/work-aids/	Foundation boards and persons entrusted with administration.	Primary, unlimited, joint liability of partners, partnership not liable.
Legal nature	Legal person	Legal person	Partnership, no legal person.

Legal principles	Articles 60 to 79 of the Swiss Civil Code	Articles 80 to 89 of the Swiss Civil Code	Article 530(2) of the Swiss Code of Obligations
Advantages	<p>Flexible membership structure</p> <p>Association exists independently of individual persons. Members may influence operational business activities via the executive committee, minimal foundation costs.</p> <p>No member liability, tax benefits.</p> <p>Advantage in securing means: association account.</p>	<p>Good reputation and high level of credibility.</p> <p>Tax exemption</p>	<p>Suitable for very simple projects that do not lead to a financial risk.</p>
Disadvantages	<p>May not be profit-oriented.</p> <p>Less acceptance on the capital market.</p> <p>The general meeting of an association has more power in comparison to a general meeting for a company limited by shares (Aktiengesellschaft).</p> <p>Democratic decision-making processes sometimes slow.</p>	<p>Articles of association can only be changed by the supervisory body at the request of the foundation board. Once the foundation has been set up, it can no longer be dismantled by the founder. The founder has no direct influence on the assets designated to the foundation.</p>	<p>No liability through the company, personal liability of owners.</p>

These legal forms are particularly suited to *commercial projects*:

	Limited liability company (GmbH)	Company limited by shares (Aktiengesellschaft)	Cooperative	Individual company
Typical profile	Suitable for small and medium-sized organisations. A non-profit limited liability company (GmbH) is managed in an entrepreneurial way, with profits put back into fulfilling the objectives. Any liquidation gains must go to a non-profit organisation with a similar purpose.	Profit-oriented company with high capital requirements with no distribution of profits to shareholders. A company limited by shares (Aktiengesellschaft) with a non-profit purpose is managed entrepreneurially, but does not distribute any dividends and reinvests any surplus into ensuring that the company remains a going concern.	A company focused on the ideas of development and economic self-help.	Suitable for one-person operations (painting company, hairdresser, artist, etc.)
Foundation	First general meeting of members before a notary and entry into the commercial register. Company name can be freely selected.	First general meeting of shareholders before a notary and entry into the commercial register. Company name can be freely selected.	Created through entry into the commercial register. Name of the cooperative can be freely selected.	Few formalities, company exists from the first action taken. Company name must contain the name of the founder. For general partnerships the name can be freely selected.
Founding members	At least 1 natural person (resident in Switzerland)	At least 1 natural person resident in Switzerland	At least 7 natural or legal persons	1 natural person (two persons or more = general partnership). Residency requirement varies by canton
Founding capital	CHF 20,000	CHF 100,000 (of which at least CHF 50,000 is to be paid up.)	No founding capital necessary.	No founding capital necessary.
Articles of association	Compulsory	Compulsory	Compulsory	None

Entry in the commercial register	Limited liability company (GmbH) is first founded upon entry in the commercial register.	Company limited by shares (Aktiengesellschaft) is first founded upon entry in the commercial register.	Cooperative is first founded upon entry in the commercial register.	Entry in the commercial register necessary if the annual turnover exceeds CHF 100,000.
Supreme body / supervisory body	Managing director	General meeting	Meeting of cooperative members	Owner
Management body	Managing director	Managing director	Executive committee	Owner
Accounting	Obligation to keep accounts and file financial reports pursuant to Article 957 et seq. of the Swiss Code of Obligations No auditors necessary for fewer than 10 full-time positions.	Obligation to keep accounts and file financial reports pursuant to Article 957 et seq. of the Swiss Code of Obligations No auditors necessary for fewer than 10 full-time positions.	Obligation to keep accounts and file financial reports pursuant to Article 957 et seq. of the Swiss Code of Obligations	Dependent on annual turnover: Obligation to keep accounts and file financial reports pursuant to Article 957 et seq. of the Swiss Code of Obligations from CHF 500,000
Profits	Profits distributed pursuant to the articles of association.	General meeting decides on the distribution of profits	Profits distributed in accordance with the purpose of the cooperative (see articles of association).	Profits = income of the owner.
Taxation	The limited liability company (GmbH) is taxed as a legal person. Profits (dividends) are taxed both through the limited liability company (GmbH) as well as through the individual members (double taxation). A limited liability company (GmbH) with a non-profit purpose may apply to the cantonal tax administration body for a tax exemption. This is subject to a public, non-profit	The company limited by shares (Aktiengesellschaft) is taxed as a legal person. Profits (dividends) are taxed both through the limited liability company (GmbH) as well as through the individual shareholders (double taxation). A company limited by shares (Aktiengesellschaft) with a non-profit purpose may apply to the cantonal tax administration body for a tax exemption. This is	The cooperative is taxed as a legal person. Profits (dividends) are taxed both through the cooperative as well as through the individual cooperative members (double taxation).	The owner must pay tax on their income as well as on their professional and private assets

	<p>purpose; lack of distribution of profits to members; and the obligation to pass on any assets obtained through the dissolution of the limited liability company (GmbH) to a similar, tax-exempt organisation in Switzerland.</p> <p>See work aid on tax exemptions, www.vitaminb-e.ch/tools/work-aids/</p>	<p>subject to a public, non-profit purpose; lack of distribution of profits to members; and the obligation to pass on any assets obtained through the dissolution of the limited liability company (GmbH) to a similar, tax-exempt organisation in Switzerland.</p>		
Liability	<p>The designation "limited liability" refers only to the members and not to the company as a whole. The latter is liable for its debts without restriction.</p> <p>Liability may be assigned to members for VAT or social security debts.</p>	<p>The liabilities of a company limited by shares (Aktiengesellschaft) are covered by its own assets.</p> <p>Liability may be assigned to members for VAT or social security debts.</p>	<p>Cooperative members are personally liable for company debts up to a certain amount where provided for in the articles of association (Article 870 of the Swiss Code of Obligations). Where the articles of association provide for an obligation to make additional contributions, they will be liable for the corresponding amount specified in the articles of association (Article 871 of the Swiss Code of Obligations).</p>	<p>The owner is liable for liabilities with their entire business and private assets.</p>
Legal nature	Legal person	Legal person	Legal person	Partnership, no legal person.
Legal principles	Articles 772-827 of the Swiss Code of Obligations	Article 620-763 of the Swiss Code of Obligations	Articles 828-926 of the Swiss Code of Obligations	Article 530(2) of the Swiss Code of Obligations

Sources

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