



Switzerland

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Foundation, Cooperative, Corporation, Limited Liability Company

Five main social issues addressed by these organizations: Higher Education, Arts and Culture, Health and Medical Research, Environment, Social Services

Average time established by law to register a philanthropic organization: 0-30 days

Average cost for registering a philanthropic organization: US \$500

The cost of registration is US \$500. It does not include additional costs, such as legal advice, etc.

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government, State Government, Local Government.

Usually, registration is done on the cantonal (state) level. For foundations, the level of the supervisory authority depends on the radius of activity. Foundations with international and national purposes are supervised at a national level, foundations with regional and cantonal purposes at the state level, and foundations with local purpose at the local level.

Philanthropic Environment Scores:

Year	Ease of Operating	Tax Incentives	Cross-Border Flows	Political Environment	Socio-Cultural Environment	OVERALL SCORE
2018	5.0	4.8	4.5	4.5	5.0	4.75

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration, (B) operations, and (C) dissolution.

Question 1: To what extent can individuals form and incorporate the organizations defined?

Score: 5.0

Associations and foundations are the most common legal forms for nonprofits. Both can be set up by individuals without any government interference. For an association, registration is not mandatory and only two individuals are required to establish an association. Only if the revenue from its own activities (not including donations and member fees) exceeds US \$150,000, then registration is mandatory. A foundation has to be registered in the Register of Commerce and afterward it is under state supervision (as there are no internal control organs). By law, there is no minimum capital required to establish a foundation. However, in practice, a minimum of US \$30,000-\$50,000 is recommended.

Question 2: To what extent are POs free to operate without excessive government interference?

Score: 5.0

Government interference is very limited. POs are free to organize internal governance structures based on their own needs. Only if a PO receives public funding will the government execute more influence and require more detailed reporting. Reporting requirements are based on general and transparent standards, such as the Swiss GAAP FER 21, which is an accounting standard published by a private foundation. Communications and international contacts are not regulated. Because of the liberal legal regulations, the nonprofit sector pushes for self-regulation. For instance, there are two certifications for fundraising organizations (Zewo seal, SEA seal) and the Swiss Foundation Code 2015, a code specifically for grant making foundations.

Question 3: To what extent is there government discretion in shutting down POs?

Score: 5.0

For associations, only the governing body (i.e. general assembly) can terminate the organization. For foundations, only the supervisory authority can terminate the organization, based on a request by the foundation board. This is to protect the will of the founder against any changing perspectives among the foundation board. Involuntary termination by a government entity is only possible due to a severe violation and failure to correct said violation.

Note: The cantonal supervisory authorities are independent state entities and do not belong to the government itself. A comparable structure is in discussion for the federal supervisory authority, as well. Hence, only the supervisory authority, no other government entity, can terminate a foundation.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question 4: To what extent is the tax system favorable to making charitable donations?

Score: 5.0

Tax deductions for individuals and corporations exist on the federal and state level. On the federal level, and in most cantons, 20 percent of tax income (20 percent of net profit for corporations) is deductible. Only in two cantons is the rate lower (5% and 10%) and in one canton it is 100 percent. Usually, there is a minimum amount for a single donation to be deductible between US \$100-\$500 in the cantons. In some cantons, the government may grant a higher tax deduction for a very large donations in one year. The regulations for tax exemptions are clear, e.g. the regulation is the same for any kind of donation. Thus, differences that depend on the purposes or type of receiving PO do not exist.

Question 5: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 4.5

POs are eligible for significant tax exemptions, if their purpose is classified as charitable. The decision is done by the state tax authorities and is based on two cumulative requirements: on one hand, promotion of general public interest and on the other, disinterestedness. Due to these two requirements, some POs that may be tax-exempt in other countries are not in Switzerland. Particularly, member-serving organizations (i.e. sports clubs etc.) are not eligible for tax exemption. If tax exemption is granted, POs are exempt from profit and capital taxes, inheritance and gift taxes, and property gains tax (cantonal differences exist). POs can receive large amounts of private funding, up to 100 percent of their revenues.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question 6: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 4.0

Cross-border donations can be sent without any additional costs or taxes. However, cross-border donations are not eligible for tax incentives (unless they run through a Swiss nonprofit first, then they get the same tax exemptions).

There are no other government interferences for cross-border donations in terms of process or ruling.

Question 7: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 5.0

In general, there are no regulatory differences for domestic or cross-border donations to a Swiss PO. There are no additional costs or taxes for receiving cross-border donations as a PO in Switzerland. The tax incentives for the POs are the same, and there is no limitation on the purpose. However, cross-border donations have to be compliant with the law on money laundry.

IV. Political and Governance Environment

The three indicator questions in the next two sections concern the political and governance context, socio-cultural characteristics, and economic conditions that influence the environment for philanthropy.

Question 8: To what extent is the political and governance environment favorable for philanthropy?

Score: 5.0

The basic-democratic political system of Switzerland on all governmental levels facilitates interactions between POs and the government. There are various opportunities for exchange and often the government commissions POs to fulfil a certain task. There is a constitutional right for associations to be included in the legislative process. Additionally, environmental and homeland associations have a general right of appeal against construction projects.

Question 9: To what extent are public policies and practices favorable for philanthropy?

Score: 4.0

Traditionally, the government does not interfere in the philanthropic sector. Thus, the State has no strategy for the philanthropic sector, but it offers very liberal regulations. However, there is a lack of transparency of the sector, and the State could do more about it.

V. Socio-Cultural Environment

Question 10: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 5.0

Switzerland has a long tradition of philanthropy, dating back to the middle ages. It is based on shared beliefs of personal responsibility for the society and the Calvinistic protestant religion that dominated Switzerland for several centuries. Donating and volunteering are widely spread in the society and are highly accepted. POs benefit from a high level of trust.

VI. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

The Swiss philanthropic sector is highly institutionalized. There are several organizations and associations that offer infrastructure to philanthropy, including certifications, research, lobbying, executive trainings, consulting, etc.

Switzerland attracts many international organizations, and is the home of many international associations. Nowadays, many new organizations have emerged, supporting and executing new forms of philanthropy, such as venture philanthropy, impact investing, or pay-for-success models.

Three major recent events affecting the philanthropic landscape between January 2014 and December 2016

- Swiss Foundation Symposium (annual conference by Swiss Foundations) involving 200-300 participants;
- Swiss Foundation Day (annual conference by pro-Funds) involving about 200 participants; and
- The presentation of the national Volunteering Survey 2016 in Zurich (February 19, 2016). The most important data source on volunteering in Switzerland.

Future development trends in the philanthropic landscape

One major trend is the increase of philanthropic activities like impact investing and pay-for-success models. The necessary infrastructure will be developed in the coming years and will facilitate foundations and others to invest in such programs.

Another major trend is the increase of transparency. Because of international pressure and public interest, a public register for charitable foundations will be established.

A third trend is the increasing need for new board members in associations and foundations. As the current generation of board members grows older, and with increasing regulatory rulings, POs report difficulties in finding people willing to serve on boards.

Finally, professionalization will further increase, based on new forms of education and knowledge transfer.

Three key recommendations to improve the environment for philanthropy

- Increase transparency through the creation of a public registry for charitable organizations;

- Develop new education and training programs to further professionalize the sector; and
- Increase public awareness of the sector through more communication and better presentation of the social impact of organizations in the philanthropic sector.