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The 2022 Global Philanthropy Environment Index Switzerland

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Edited by the Indiana University Lilly Family School of Philanthropy

QUICK FACTS

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

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

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

Average cost for registering a philanthropic organization: USD 500

The cost for the registration is 500 USD, not included additional fees or expenses such as legal advice.

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal, 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 on the national level, foundations with regional and cantonal purposes on the state level, and foundations with local purpose on the local level. However, current political tendencies try to reduce local influence and favor the cantonal level.

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	5.00	4.85	4.50	4.60	5.00	5.00	4.83
2018 GPEI	5.00	4.75	4.50	4.50	N.A.	5.00	4.75

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

Key Findings

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

The three indicator 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 One: To what extent can individuals form and incorporate the organizations defined?

Score: 5.0

Associations and foundations are the most common legal forms for philanthropic organizations (POs). Both can be set up by individuals without any government interference. For an association, registration is not mandatory, and only two individuals are needed to establish an association. Registration is mandatory only if the revenue from own activities (not including donations and member fees) exceeds USD 150,000. A foundation has to be registered in the Register of Commerce, and afterwards 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 USD 30,000 to 50,000 is recommended by supervisory authorities to establish a foundation.

Question Two: 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 along their own needs. Only if a PO receives public funding will the government execute more influence and require more detailed reporting. These are based on general and transparent standards, such as Swiss GAAP FER 21, an accounting standard published by a private foundation. Communications and international contacts are not regulated. Because of liberal legal regulations, the nonprofit sector pushes for self-regulation. For instance, there are two certifications for fundraising organizations (Zewo seal and SEA seal) and the Swiss Foundation Code acts as a self-regulation of grantmaking foundations. The Swiss Foundation Code was currently revised and published in a 4th edition in 2021.

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

Score: 5.0

For associations, only the governing body (the 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 changed perspectives in the foundation board. Involuntary termination by a government entity is only possible in response to 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 for the federal supervisory authority was discussed but not yet realized. Hence, termination of a foundation can only be done by the supervisory authority and by no other government entity.

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 Four: 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 the taxable income (20% of the net profit for corporations) are deductible. Only in two cantons is the rate lower (5% and 10%), and in one canton it is 100 percent. Usually, the minimum amount for a single donation to be deductible is between USD 100 and USD 500 in the cantons. In some cantons, the government may grant a higher tax deduction for very large donations in one year. The regulations for tax exemptions are clear, as the regulation is the same for any kind of donation. Thus, differences depending on purposes or types of recipient POs do not exist.

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

Score: 4.7

POs are eligible for significant tax exemptions if their purpose is classified as public benefit. The decision is made by the state tax authorities and is based on two cumulative requirements: promotion of the public interest and disinterestedness. Due to these two requirements, some POs that may be tax-exempt in other countries are not exempt in Switzerland. In particular, member serving organizations (e.g., sports clubs) are not eligible for tax exemption. However, the public interest criterion is not limited to domestic activities. A PO which is not active in Switzerland but only abroad may also be tax-exempt. 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 Six: 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). There are no other government interferences for cross-border donations in terms of process or ruling.

Question Seven: 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. Tax incentives for 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 laundering.

IV. Political Environment

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

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 5.0

The basic democratic political system of Switzerland on all governmental levels facilitates interactions between POs and government. There are various opportunities for exchange, and often, the government commissions POs to fulfill a certain task. There exists 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. However, recently, a debate on the political rights of POs has been launched as a follow-up after strong support by NGOs to a people's initiative. The Federal Council has generally rejected further limitations for nonprofits.

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

Score: 4.2

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, in several cantons, the authorities have started initiatives to promote the philanthropic sector. In Aargau, Berne, Geneva, Basel, and Zurich, studies have been executed to better understand the sector, and further activities such as regular exchanges between the state and the philanthropic sector have started.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 5.0

Switzerland is a strong and wealthy economy. This favors private donations and engagement in philanthropic action. In a narrower perspective, the Swiss philanthropy sector is highly institutionalized. There are several organizations and associations that offer an infrastructure for philanthropy, including certifications, research, lobbying, executive trainings, consulting, etc. With its humanitarian history, Switzerland attracts many international organizations and is the home of many international associations. Nowadays, many new organizations emerge, supporting and executing new forms of philanthropy, such as venture philanthropy and impact investing.

VI. Socio-Cultural Environment

Question Eleven: 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, which dominated in 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.

VII. 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

Philanthropy has a strong foundation in Swiss society. Current debates such as in the United States or in France are recognized in the Swiss media but do not have the same intensity. However, the number of new foundations established is declining, and new forms of philanthropic action and engagement are developing. Thus, it can be expected that the philanthropic sector in Switzerland will change within the next years.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

- Parliamentary Initiative to promote the Swiss foundation sector by Ständerat Werner Luginbühl. The initiative aimed at improving the legal framework of foundations and make it more favorable for future founders. In hearings and written comments, many aspects, especially related to taxes, were rejected. Finally, only organizational aspects will be promoted into the law.
- Study on economic relevance of philanthropy in the Canton of Zurich. The study was initiated by the government to better understand the factors that drive philanthropy and the settlement of

POs. The study was finalized in December 2020 and will be used to improve relations between state authorities and the philanthropic sector.

Future development trends in the philanthropic landscape

New forms of philanthropy are developing, especially in the form of impact investing, development impact bonds (ICRC, UBS Optimus foundation), and new forms of collaboration (Co-Impact, donor circles). New service providers developed (public databases on foundations, online project exchange platforms, new media coverage through a specific magazine for the sector). In the French-speaking part of the country, foundations bought one of the most important newspapers to fund journalism. Most recently, service providers for board development and board member selection have been established.

Three key recommendations to improve the environment for philanthropy

- Increase transparency through a public register for public benefit organizations.
- Create more possibilities for exchange between state and PO representatives.
- Develop new education and training programs to further professionalize the sector.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

Informal help for strangers; support for individuals and organizations in the arts and culture, education, and social services; support to the healthcare system.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

Development of digitization internally, in communication with beneficiaries and presentation of outcomes. POs became more flexible in supporting their beneficiaries.

Impact of COVID-19 on the philanthropic environment

So far, the pandemic has not improved or limited the environment for philanthropy (except for the general limitations applicable to everybody else).

Anticipated impact of COVID-19 on the philanthropic environment in 2021

The anticipated impact of COVID-19 on the philanthropic sector is the high demands for financial support, especially in the fields of arts and culture, education, and social services.

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