

KEY FIGURES



Sources: WEF; BFS, 2018

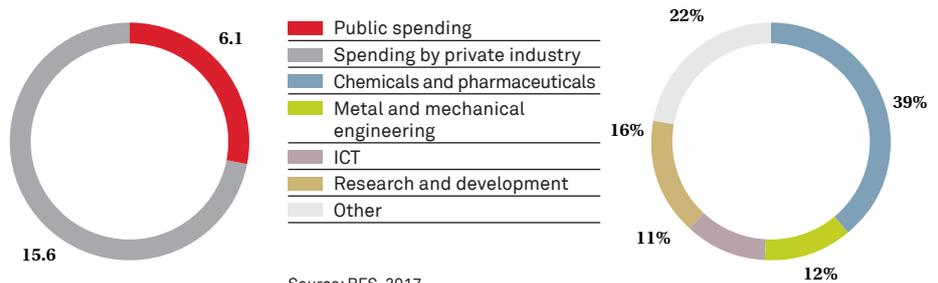
SWISS INNOVATION

AT A GLANCE

Switzerland's prosperity stems from its propensity for innovation. Swiss global corporations, as well as numerous small and medium enterprises, habitually strive to make improvements to their products, services and processes by investing heavily in research and development. This has meant that Swiss companies have been able to maintain their competitiveness over the last few years, despite the strong Swiss franc. This success is due, in part, to the presence of renowned research institutes and the ability to effectively turn research results into marketable products. Ideal conditions in the field of intellectual property and the availability of specialists in IP management also result in optimum conditions for protecting and harnessing innovation.

R+D Expenditure in Switzerland

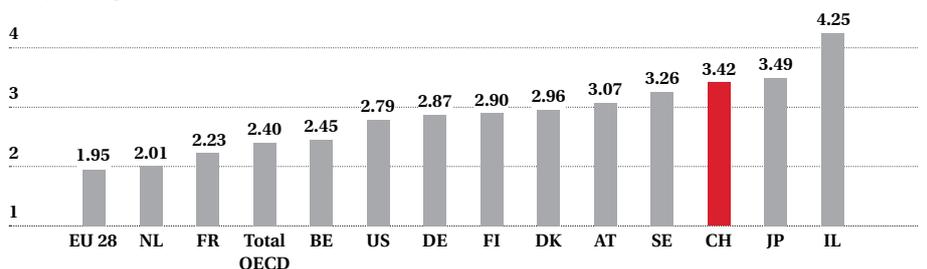
R+D spending in 2015 in billion Swiss francs (left) and proportion of private sector spending by economic sector in % (right)



Source: BFS, 2017

International Rankings for Gross Domestic Expenditure on R+D

As a percentage of GDP



Source: BFS, 2017

OFFICIAL PROGRAM

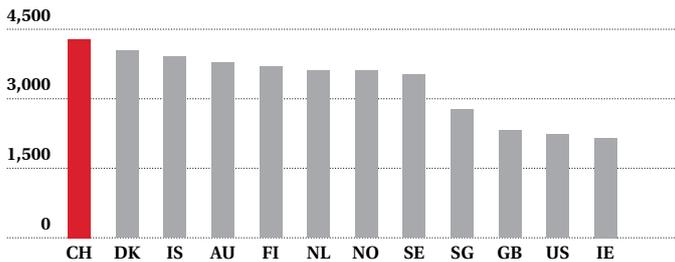


RESEARCH AND DEVELOPMENT (R+D)

- Switzerland is home to excellent public fundamental research thanks to the presence of renowned universities boasting global networks (ETH Zurich and EPF Lausanne, as well as research institutions and cantonal universities). In technical and scientific circles, Swiss publications are among the most frequently cited in the world.

Scientific articles per 1 million inhabitants

Per year, 2011-2015



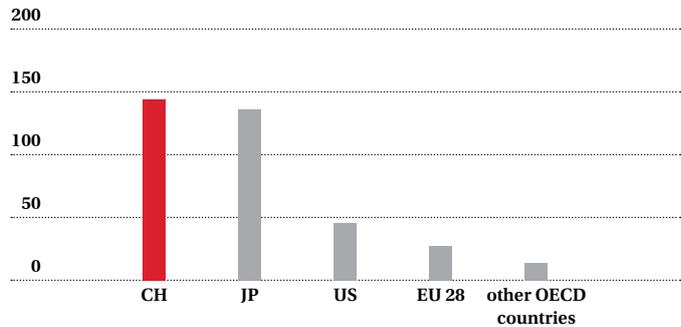
Source: SBFI, 2017

- The **Swiss National Science Foundation (SNF)** promotes research projects in every scientific discipline, with a budget of 9.3 billion Swiss francs (2016).
- A **significant amount of knowledge and technology is transferred between companies and universities** in Switzerland as a result of government funding of **applied research and development** and public-private research platforms and networks.
- Swiss companies are extremely innovative when it comes to **combining technologies from different industries**. For example, digitization technology is one of the most important growth drivers in many sectors of the economy. In the precision goods industry, IT and electronic applications are crucial to 55% of all production processes. Switzerland has excellent specialists in these sectors.
- The Swiss vocational training system ensures the **availability of qualified technical personnel** (lab technicians, IT technicians, polymechanics, etc.), who play a key role in the advanced technology sectors. A third of the qualified Swiss personnel in the field of R+D are educated via this non-university approach.
- Switzerland Innovation** is intended to contribute to securing the leading role of Switzerland as an innovation nation and thus maintaining its competitiveness. The Innovation Park was launched at the start of 2016. It includes the two hubs near the two Federal Institutes of Technology in Zurich and Lausanne, as well as the three network locations in Aargau, Basel and Biel.

- In terms of the number of **patent applications per capita**, Switzerland occupies a **leading position worldwide**.

Research Productivity – a Global Comparison

Number of triadic patents per million inhabitants in 2015



Source: BFS, 2018

- Switzerland has a **high success rate in its participation in the EU's Framework Programmes for Research and Technological Development (FP)**. As part of the European Union's 7th Framework Programme, grants amounting to CHF 172.4 million (2.2% of all grants) have been promised for the period 2014 to 2020. The high success rate of the Swiss project proposals is worthy of particular note.
- Companies have ready **access to capital for private R+D**. In 2016, over two thirds of all R+D investments in Switzerland were in the private sector (15.6 billion Swiss francs).
- The Swiss Innovation Agency **Innosuisse** specifically promotes cooperation between science and the market through innovation projects, networking, training and coaching. Innosuisse has an annual funding budget of around 200 million Swiss francs. The lion's share of this goes to supporting innovation projects.
- Current R+D expenditure is tax-deductible**. Companies can also use up to 10% of their taxable profits (up to a maximum of CHF 1 million) to form provisions for future R+D orders in conjunction with third parties.

- Startups and spin-offs are supported by first-class research institutions and have access to the infrastructure provided by **technology and innovation parks**, such as the Technopark Alliance.

International Rankings for Innovation

Global Innovation Index rankings, 2017

Country	Rank
 Switzerland	1
 Netherlands	2
 Sweden	3
 United Kingdom	4
 Singapore	5
 USA	6
 Finland	7
 Denmark	8
 Germany	9
 Ireland	10

Source: Global Innovation Index, 2018

FRAMEWORK CONDITIONS AND MARKET ENTRY

- The Swiss legal system, being both stable and liberal, offers both **significant protection for intellectual property and a high degree of investment security for R+D activities**. As it ensures straightforward and affordable market entry for domestic and foreign partners, Switzerland is often selected as the setting for arbitral jurisdiction for international agreements.
- The **Swiss Made** label stands for quality, precision, safety and reliability – attributes which contribute to buyers abroad being willing to pay higher prices for Swiss products.
- Switzerland is a member of all important international IP treaties and IP organizations, such as the **European Patent Office (EPO)** and the **World Intellectual Property Organization (WIPO)**, based in Geneva. Having access to these protection systems makes it possible to employ a central registration procedure without the need for a local representative in each individual country.
- Switzerland's **processes** for the protection of intellectual property are **simple and efficient**.
- Companies in Switzerland have easy **access to IP specialists** (e.g. patent attorneys). The multilingual nature of Switzerland also makes it easier to operate across national borders, for example in the EU region.

- In contrast to foreign business locations, such as Germany, in Switzerland there are no legal restrictions on the **transfer of intellectual property** (sales, licensing, franchising, security rights, etc.).
- In Switzerland, Swiss law (Art. 332 Swiss Code of Obligations) dictates that inventions and designs which an employee produces while performing his/her duties and fulfilling his/her contractual obligations belong to the employer and not – as in many other countries such as Germany and Austria – to the employee.

IP MANAGEMENT IN SWITZERLAND

Switzerland offers ideal legal and fiscal conditions for managing and exercising IP rights centrally through a single licensing company:

- Depending on whether the majority of license income is generated domestically or abroad, or within or outside of a company group, a reduced tax rate is applied to the license fee income of holding, principal, domiciliary or mixed companies.
- Swiss tax is not applied to the transfer of IP rights from abroad into Switzerland.
- Switzerland possesses a close network of double taxation conventions (approximately 110 conventions) with other countries, which also encompass license fee income.
- Swiss withholding tax is not levied against licensing fees or interest payments and, in most cases, there is also no obligation to pay value-added tax.
- IP rights can be written off over five years.
- Centralizing the IP management procedure through a single licensing company in Switzerland also offers numerous strategic and administrative benefits (lower administration costs, better control of the IP portfolio, more straightforward transferability, fewer risks due to increased legal certainty, proximity to international patent organizations, etc.).

EXAMPLE OF LICENSE BOX

- License box calculation sample: The fixed profit tax for net license fee income amounts to 20% of the standard profit tax rate of 6%. Including tax levied by the federal government, this amounts to an effective tax rate on income of just 8.84% (after tax).
- The reduced tax rate applies to a wide range of intellectual property rights and complies with the internationally recognized OECD standards (license fee income stemming from copyrights, patents, brands, designs and procedures, etc.).
- The reduced tax rate also applies to intellectual property still in the course of registration proceedings. This is particularly advantageous for patents that may take several years to be granted by the authorities.
- All legal entities can take advantage of these benefits no special company form is required.
- No local R+D activities are required. Withholding tax for foreign license fee income may be deducted should a double taxation convention be in place.

CURRENT DEVELOPMENTS

- The Swiss parliament has asked the national government to develop proposals for setting up a Future Fund (www.zukunftsfonds.ch). This fund is intended for use by pension funds for the investment of venture capital in promising economic sectors.
- Bilateral agreements provide Swiss companies with privileged access to the EU job market, as well as programs promoting research within the EU. Switzerland and the EU are currently engaged in negotiations aimed at maintaining the framework conditions for market access, research partnerships and the recruitment of specialists.
- Switzerland is currently in the process of modernizing its corporate tax system. The goal is to provide an attractive tax environment for companies and to ensure that taxation arrangements are in line with internationally established tax practices. The Swiss Federal Department of Finance (FDF) has already prepared a new proposal with tax proposal 17 (SV17). The reform is expected to come into effect no earlier than 2020. Until then, the current attractive tax regime will remain valid at national level.

CONTACTS AND FURTHER INFORMATION

Authorities and regulators

State Secretariat for Education,
Research and Innovation
www.sbf.admin.ch

Swiss National Science Foundation
www.snf.ch

Swiss Federal Commission for
Technology and Innovation
www.kti.admin.ch

Rectors' Conference of the Swiss
Universities
www.swissuniversities.ch

External Network of Swiss
Universities
www.swissnex.org

Swiss Federal Institute of
Intellectual Property
www.ige.ch

World Intellectual Property
Organization
www.wipo.int

European Patent Office
www.epo.org

Innovation and startup support
www.agire.ch
www.baselarea.swiss
www.swissparks.ch
www.switzerland-innovation.com
www.technopark-allianz.ch

Associations and networks
Portal for Research and Innovation
www.myscience.ch

Action Committee for Creativity and
Innovation
www.idee-suisse.ch

Swiss Transit Lab
www.swisstransitlab.com

Publications

Research and Development in the
Swiss Private Economy
www.bfs.admin.ch

Research and innovation in
Switzerland
www.sbf.admin.ch

International Research and
Innovation Cooperation
www.sbf.admin.ch

Swiss Brand, Patent and
Design Register
www.swissreg.ch

Collection of Swiss Intellectual
Property Laws
www.admin.ch

IP Publications of Thouvenin
Rechtsanwälte
www.thouvenin.com

S-GE resources

Handbook for Investors
[www.s-ge.com/
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