Dryden Associates SA

CHARTERED ACCOUNTANTS AND TAX ADVISERS

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Audit options in Switzerland

Risk to clients not currently audited

When setting up a limited liability company in Switzerland you can choose between two different legal forms – a Société Anonyme (SA) or a Société à responsabilité limitée (SàRL). In either case, at the time of incorporation consideration has to be given to various audit options. New companies on incorporation often opt out of a Swiss statutory audit. This can be done for a variety of reasons but is often done to save costs at the time when a start-up company needs all the funds it has at its disposal. In addition, companies already in existence may have opted out of an audit in the past to save costs or for another reason. However, in both cases an issue can arise in later years when companies that have opted out of an audit suddenly meet the audit criteria, which are set out as follows.

Opting out

It is possible to opt out of an audit altogether where there are fewer than an average of 10 full time employees during the year and assuming all shareholders agree to the option of opting out. This option can be attractive to start-up companies that may take years to reach an average of 10 full time employees. The risk is that a company that eventually has an average of 10 full time employees forgets that it is obliged to have a limited audit carried out.

Limited audit

Companies with more than an average of 10 full time employees, rather than incur the cost of undergoing a full scope audit, may instead have a limited audit carried out ("limited statutory examination" or LSE). This is possible when certain criteria are met, the most common of which is where 2 out of the following 3 criteria are met for 2 consecutive years:

- Turnover is CHF 40 million or less;
- Balance sheet total is CHF 20 million or less;
- Average number of full time employees is 250 or less.

A limited audit is therefore appropriate for small and medium sized companies with 10 or more average full time employees.

Full scope audit

A full scope audit is compulsory when certain criteria are met (e.g. a full scope audit is compulsory for publicly quoted companies and when the criteria for a LSE are not met).

Voluntary audit

A further audit possibility is a voluntary audit i.e. a non-statutory audit. This can be useful for Swiss based entities with overseas companies located in countries without a statutory audit requirement (e.g. trusts administered from Switzerland with trust investments in the form of overseas companies).

To find out more about any of these options, please contact Graham Paul, Head of Audit, who joined our team in April of this year.

Who are we?

Dryden Associates SA is an independent firm of Chartered Accountants based in Geneva focused on providing services to international corporate and personal clients. We have supported many companies establish subsidiaries or branches in Switzerland. If you would like more information on the topics in this newsletter please email geneva@dryden.ch quoting 'Newsletter' in the subject line, or go to our website www.Dryden.ch.

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