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Switzerland in the UK

5/08

£50,000 prize to tempt bright young Swiss to return home

Potential young Swiss entrepreneurs now living in Britain and other overseas countries are being encouraged to return to Switzerland and set up new businesses in their homeland.

And if they can come up with the right idea for a ground-breaking product with commercial possibilities, they could win themselves a CHF 100,000 prize, plus financial and specialist help in setting up their new company.

The proposal comes from the de Vigier Foundation, which was started by the late Swiss industrialist Bill de Vigier, who made his own not inconsiderable fortune from a company he originally started in Britain.

Bill de Vigier, who died in his home city of Solothurn five years ago, set up his Foundation in 1987, determined to give young people the helping hand he never had when he first dreamed of owning his own business.

Bill's father, a Solothurn lawyer who lost most of his money when Bill was 17, wanted him to follow him into the law. When Bill decided otherwise his father told him: "In that case you'll never get another centime from me."

Undaunted he found himself a job with the big engineering firm von Roll at Klus, and later with Scintilla, but always looking for an chance to become his own boss.

At the age of 24, with just a thousand francs in his pocket – but with a brilliant idea to create a new form of scaffolding – he moved to London and opened his own workshop under a railway bridge at Bow.

He had found that builders all over the world were still using wooden scaffolding that hadn't changed since the time of the Pharaohs but Bill had a much better idea – he was convinced that adjustable steel props could revolutionise the construction industry. And he was right.

Within three years there were more than 40,000 of his props in use. Then war broke out, and he started making frames for the RAF's Mosquito and then building Mulberry harbours for the Normandy landings.

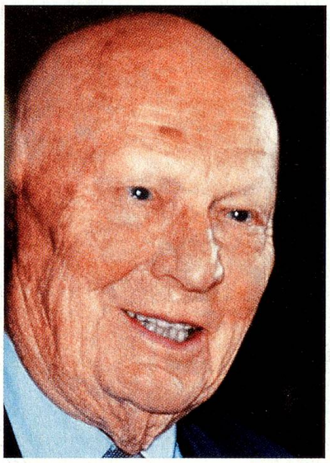
After the war Bill de Vigier, one of whose many mottos was "If you can dream it, do it", established a string of overseas companies, in the US, Peru, South Africa, India and Australia.

But while he relished the challenge of business, money meant little to him and by 1999 he had sold the last of his companies to employee buy-outs.

Now he had all the time, and the funds, to devote to his beloved Foundation, and nothing pleased him more than to watch how young Swiss entrepreneurs flourished with the seed money he had provided.

To date 56 young innovators have been helped by the Foundation, and two thirds of them are now running profitable businesses.

- To find out more, and how to contact the de Vigier Foundation, go to: http://www.devigier.ch



Swiss industrialist Bill de Vigier's advice: 'If you can dream it, you can do it'

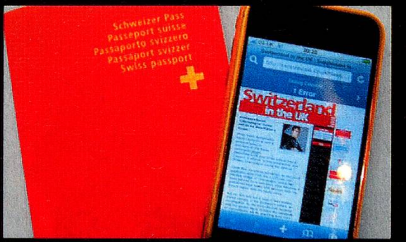
After 67 years, Land Army girl Nelly gets her medal

In 1939 she left her home village of Bischofszell in Canton Thurgau to spend a year in Britain learning English. Instead she got caught up in the war, and found herself working on a farm as one of many thousands of Land Army girls. Now Nelly Robson – seen here with her proud sons Denis and Alan – has been honoured by the British Government and awarded the new, specially minted Land Army Medal. See Nelly's story on Page 3.

Non-doms: The facts

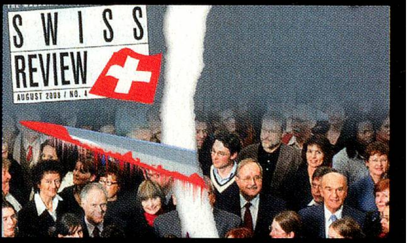
Since our last issue many readers wrote asking for clarification about the new tax regime for non-noms and how it might affect them. See Pages 4-5.

iPhone's Swiss bombshell



Why taking the UK's most expensive mobile phone to Switzerland can be a costly mistake. One reader tells about his £800 bill shock. Go to Page 7.

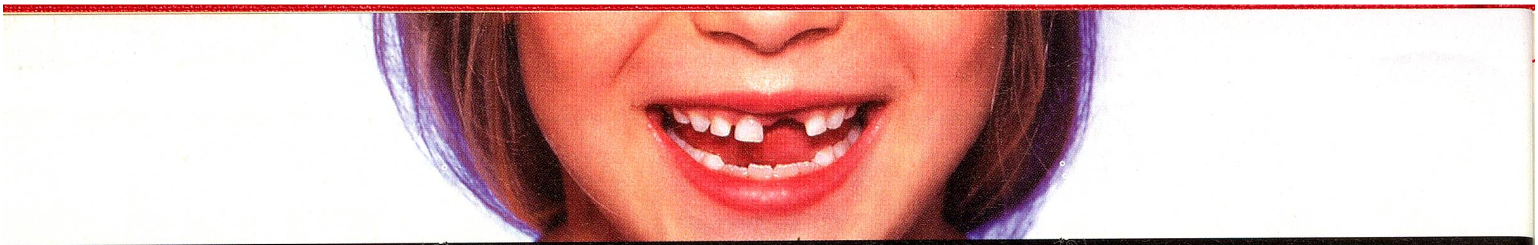
Swiss Review's future



Swiss MPs are to decide whether to approve drastic cuts in the cost of the Swiss Review. Now you can give your views. Find out how on Page 8.

Switzerland in the UK has its own Internet site, continually bringing you up to the minute news of the latest events as well as major stories from the most recent issues and links to other interesting sites in both the UK and Switzerland. To access it go to: *www.swissreview.co.uk*

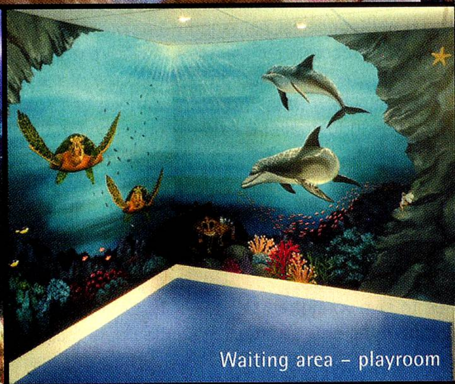
News about any forthcoming events that will be of interest to our readers should be emailed to: *editor@meakin.net*



swiss smile kids

Dear Parents
Dear Children

At swiss smile kids we believe in making the dental care experience for children stress free, fun and educational. After all, children with healthy teeth and gums grow up to be adults with healthy teeth and gums and with a positive attitude towards their oral health.



Waiting area – playroom

Dr Dr Michael Atar, DDS PhD MClinDent is the Head of swiss smile kids and internationally recognised as one of the leading paediatric dentists in the world. After obtaining his dentistry degree from the University of Basel, Switzerland he went on to get his PhD. After completing his Master in Paediatric Dentistry he was for several years a Clinical Lecturer at Queen Mary's School of Medicine and Dentistry, University of London where he taught Paediatric Dentistry to undergraduate and postgraduate students.

Dr Dr Atar is Member of several international Paediatric Dental Associations and has presented his extensive research findings in preclinical and clinical paediatric dental research at various international conferences. His investigations were acclaimed with 4 international research prizes. From 2008 he is affiliated in the "Who is Who in the World".

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How a 18 year Swiss au pair helped Scotland's war effort

When 18 year old Nelly Robson and her friend Ida left Switzerland for Scotland in the spring of 1939 with the intention of learning English they didn't intend staying longer than a year.

But within five months war had broken out and it was another six years before they would be allowed to leave.

The girls found work as au pairs at a grand manor house in Dumfriesshire and as aliens they had to report to the police every few weeks.

Then they found they could help Britain's war effort, and like many girls of their age joined the Land Army.

For four years they worked on a hill farm between Thornhill and Sanquhar, ploughing the fields with giant Clydesdale horses.

They became friendly with some Scottish girls who were also working on a neighbouring farm, who would occasionally invite them to spend the weekend at their home.

During one of these visits Nelly met her friend's brother, Jim, when he came on leave from the Royal Navy.

They fell in love and became engaged, but when the war ended Nelly and Ida couldn't wait to return to their families in Switzerland.

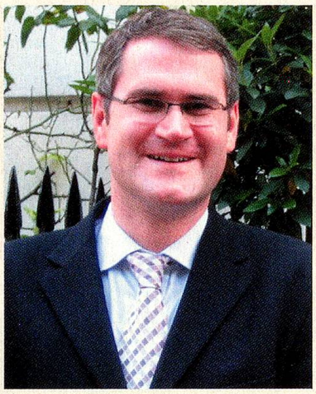
Undeterred, Jim too took every opportunity he could to join Nelly and her family, and eventually persuaded her to return to Scotland and become his wife. In 1948 they married, and soon their sons Denis and Alan arrived.

Nelly Robson, now widowed, still lives in Scotland, and recently she had a big surprise when she was told she had been awarded a special medal by the British Government to commemorate her wartime service.

At the age of 87 she is one of only 4,000 Land Army girls to survive.

At its peak, in 1943, there were about 80,000 girls working in the fields of Britain while the men were away on war duty.

London's Swiss Business Hub gets a new head

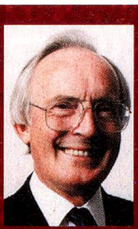


Head of the Hub: Thorsten Terweiden

Four years after joining the Swiss Business Hub at the Swiss Embassy as marketing executive, 33 year old Thorsten Terweiden has succeeded Claudio Mazzucchelli as head of the body that plays a leading role in stimulating business between the UK and Switzerland.

German-born Thorsten first came to the UK in 1997 on a work placement scheme at the German-British Chamber of Commerce, where being involved in export promotion projects gave him invaluable experience in cross-border business relationships. Currently he is engaged in encouraging major Swiss companies to join together in the Swiss Pavilion at next year's IFE 2009 – Britain's leading food and drink trade event which is being held at ExCel, London's newest exhibition centre, from March 15 to 18.

The last time the show was held in London it attracted many prominent Swiss exporters. This time the Swiss Business Hub is hoping to bring over newcomers to the British market who are impressed by statistics showing that the the UK now imports £20 billion of food and drink products a year.



How to contact the editor

Reports of Swiss society activities and coming events, and articles and correspondence for the 'Switzerland in the UK' section of the Swiss Review, should go to the editor:

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His email address is: editor@meakin.net.

All enquiries regarding advertising should go to :

Jeffrey Long
30 Finsbury Drive
Bradford BD2 1QA.
Tel/fax: 01274 588 189.

• The 'Switzerland in the UK' supplement appears four times a year. The deadline for the next issue containing UK news, to be distributed in February 2009, is January 8.

New dates required

Swiss 'non-doms' contemplate mass exodus to avoid Brown's tax hike

The £30,000 dilemma

How the Swiss Review broke the story

How the UK's new tax regime affects Swiss non-doms

The UK tax system affords a special status to Swiss and other foreign nationals resident in the UK who are not domiciled here (the 'non-doms'). However, political pressure has now resulted in major changes to this regime which took effect in April. This article, by a specialist in tax planning, examines what happened before then, looking at some of the most common tax planning techniques that non-doms were able to deploy, and then discusses the situation as it is today.

How the non-doms have fared until now

In order to appreciate the extent of the reforms, it is essential to understand the tax regime which applied to non-doms previously.

UK resident individuals who are domiciled here are subject to UK tax on worldwide income and gains.

However, non-doms were previously only taxed in the UK on their income and gains arising from overseas assets to the extent that such income or gains were remitted to the UK.

This rule gave rise to a vast array of planning techniques which allowed the relevant funds or assets to be brought to the UK with no charge. Among these were:

- Segregation: If income was directly credited to a specific income account, the original capital could be brought to the UK without tax charge.
- Cessation of source: Income could only be taxed in the UK if the source of that income existed in the tax year of charge. Thus if, say, a bank deposit account were closed in one tax year and the income remitted in the following tax year, no charge to UK tax arose.
- Alienation abroad: A gift of income made by a non-dom abroad converted the gifted money into tax free capital in the hands of the donee (even if the donee was the donor's spouse). This allowed the donee to remit the gifted money to the UK without UK charge.
- Remittance claims basis: The fact that a UK resident individual was not UK-domiciled did not automatically trigger a remittance-based treatment of overseas income. Rather, the non-dom had to claim for such treatment to apply.
- Thus a non-dom could claim the remittance basis for a year in which income arose overseas, leave such income offshore, and then fail to claim the remittance basis in the following year during which the income was remitted to the UK tax free.
- Remittances "in specie": In order for a remittance of overseas income (other than employment income) to be taxed on the remittance basis a sum of money had to be received in the UK. Hence a non-dom could use overseas income to purchase a chattel overseas and then bring that asset to the UK without charge.
- Offshore trusts: Generally speaking, anti-avoidance provisions which tax settlors of "settlor-interested" trusts did not apply to non-doms.
- Offshore companies: Non-doms were largely excepted from the anti-avoidance provisions which tax UK residents, who transfer assets offshore (e.g. to an offshore company), on the income and gains that became payable to them offshore.

Everything changed for non-doms on April 6

By ANDREW WHITE

Senior Partner at Gordon Leighton, Chartered Accountants. He can be contacted for an initial no-obligation discussion on 020 7831 8300 or e-mail andyw@gordonl.com

From April 6 this year, non-domiciled individuals aged 18 and over who have been resident in the UK for seven out of the last ten years, and who have unremitted income and gains in excess of £2,000 a year will only be able to use the remittance basis if they pay an additional tax charge of £30,000 a year.

Furthermore the seven year clock commences when the individual became resident, so many individuals will already have either fully or partially completed their seven years and they may have to pay the £30,000 fee from 2008/2009 onwards.

Clearly payment of the additional tax charge will only benefit a non-dom if he or she will save more than £30,000 in any given year through the remittance basis.

Whether he or she will do so or not depends on various factors in relation to the level of overseas income and/or gains which he or she would need in a particular year such that payment of the charge in that year could be beneficial.

Calculations, incorporating any UK/Swiss double tax relief, will have to be performed annually.

However, even ignoring the additional tax charge, the remittance basis will no longer be as beneficial as it has been up until now.

The reforms eliminate many of the planning techniques, shown on the left, by which non-doms have effectively been able to remit income and gains to the UK without charge.

These changes will apply to all non-doms, whether or not they have been in the UK for seven out of the last ten years. Specifically:

- The "cease source rule" will be removed,
- Alienation abroad will be ineffective unless the donee is unconnected with the donor, and
- The remittance claims loophole will no longer apply.

Remittances "in specie" will be caught by the new wider definition of a "remittance", though there will be exemptions for certain "exempt" assets.

As regards offshore companies and trusts established by a non-dom, with the exception of gains arising in offshore trusts, the tax treatment of the income and gains arising in these structures from April 6 2008 will be the same as if the income/gains accrued to the non-dom directly, thus removing any tax planning advantage in the use of these structures.

There will still be some benefit in establishing an offshore trust for capital gains purposes as any gains arising in such trusts will only be taxable to the extent that they are distributed to beneficiaries and remitted to the UK.

Importantly, this treatment will apply to gains arising on both UK and overseas assets.

As the remittance basis only applies to gains on overseas assets if such assets are held directly, an offshore trust will continue to provide a useful tax planning opportunity.

For example, many non-doms hold UK property through an offshore trust. This will continue to be useful tax planning, though it will not be possible for the gain arising on the ultimate sale to be brought to the UK without charge (unless principal private residence relief is available to eliminate the gain in the first place).

Where an offshore trust has already been established by a non-dom by April 6 2008, the revised proposals include further capital gains advantage in that the trustees will be able to rebase all assets held by the trust to their market value as at April 6 2008, meaning that only any future uplift in value will be potentially chargeable.

In short, of the planning techniques described above, the only ones which appear to have survived are:

- Segregation of income and capital;
- Remittances in specie where these involve Exempt Assets; and
- Establishing an offshore trust (CGT) (though no scope for any gains to be brought to the UK without charge).

HMRC have confirmed that the £30,000 additional tax charge will operate as a tax on a non-dom's unremitted overseas income or gains, and will therefore be treated either as income tax or CGT (or a combination thereof).

For example, in the case of income tax, the non-dom would nominate £75,000 of his unremitted overseas income to be treated as effectively taxed.

This will have two effects:

(i) The charge should be creditable income tax or CGT for the purposes of the UK's double tax treaties (as discussed above); and

(ii) The relevant unremitted overseas income or gains will not be taxed again even if later remitted to the UK.

However, ordering rules will deem the individual's untaxed overseas income/gains to be remitted before his/her taxed overseas income/gains and planning opportunities may still be available in this area.

- **The above represents only a brief overview of the new regime and, as with all tax planning, professional advice should be sought before taking any action.**

Don't ever take an iPhone to Switzerland, says angry reader

Any owner of the iconic iPhone who is planning to take it to Switzerland should think again, warns a *Swiss Review* reader. Otherwise the unsuspecting user could be faced with punitive extra charges to an already horrendously expensive bill.

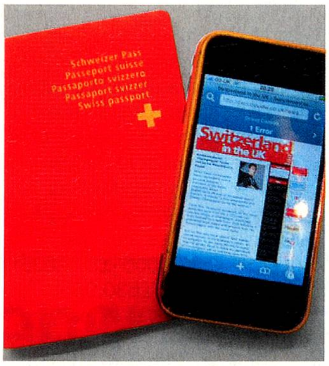
The reader, whose bill normally keeps within the O2 minimum monthly tariff of £35, was shocked to find on his return from Switzerland that he was faced with the swingeing sum of more than £800.

He complained to O2 and was told the high cost was mainly due to using the Internet while abroad. He had been charged at the rate of £7.05 for each megabyte of data.

On one day alone he was charged £608.49 for allegedly downloading an incredible volume of 244,352KB.

He was completely unable to understand how this had happened as he said he had only used his iPhone very rarely, either to check the weather forecast or to look at the map to see where he was.

"I would consider this to be very minimum usage," he said. "I would certainly never consider downloading anything like a video or music or similar service – even if I knew how to do so."



What has made the bill even harder for him to swallow is that O2 makes no charge at all for downloading data over the Internet in the UK.

He went on: "I find the amount of this bill astronomically high, and I have simply no idea what I could have done to be charged this extortionate amount.

"If I had known about such hidden and onerous charges I would never have bought an iPhone."

His problem was compounded by the fact that he travelled to Switzerland and not to one of the other countries in Europe.

Amazingly, O2 charges £6 per megabyte for downloads in Switzerland, but only £3 in the EU.

This seems to fly in the face of a bilateral agreement between the EU and EFTA, the Economic Free Trade Area, of which Switzerland is a leading member.

Switzerland is also a member of the European Telecommunications Standards Institute, which is responsible for overseeing standardisation between EFTA countries and the EU.

During the FOSSUK AGM held at the Swiss Embassy on June 14 a raffle was held and the following corporate donors donated prizes:

Swiss International Airlines, St. Moritz Restaurant, London, Silver Jubilee Guest House, Newquay, Dr. Louis Guenen, London, Swiss Smile Dental Clinics, London, Genorel Soft Drinks, Dorking, Burgers of Marlow, Switzerland Tourism, London, Embassy of Switzerland, London, as well as many Swiss clubs, societies and individuals.

A very big thank you to all who so generously support the Swiss community in the UK.

swiss
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No second life for Swiss fish

Reader Dominic Garrett writes: As an Anglo-Swiss fisherman and writer I love to visit my family in Switzerland and try the beautiful lakes and rivers. But I have been very surprised and angered by some recent news.

As from 2009, Swiss law dictates that NO 'catch and release' fishing is permitted. In other words, the authorities are saying it is ILLEGAL for me to release any fish I catch!

I can't believe a law this ridiculous has come from the Swiss of all people. Anglers all over Europe are shaking their heads.

Why are they doing this? I can only assume that it is on the grounds of humane values – that it is unethical to fish simply for sport. This seems a bizarre rule to a UK angler.

If we killed all the fish we caught, many fish populations would be endangered. If the Swiss want to be that hardline, why not just ban fishing and be done with it? For much of the world, 'catch and release' is standard practice. Fish handled carefully suffer no ill effects and populations remain strong.

MPs to vote on future of the Swiss Review

Swiss MPs are to vote in December on whether the Government subsidy for the Swiss Review should be cut by almost a third – putting into question its future viability in its present form.

Federal Councillor Micheline Calmy-Rey, the Foreign Minister, is proposing to slash the subsidy by half a million francs, from the current Sfr. 1,800,000 (£873,630) to Sfr. 1,300,000 (£630,955).

Swiss communities in many parts of the world are already lobbying the Government and MPs with their protests at the move.

It is not yet known what would be the effect of the cut. It could mean a reduction in the number of issues from six a year to four, or fewer pages.

But these are just possibilities. At the end of the day it will be Parliament that will make the final decision.

However, there is every hope that the *Swiss Review*, in one form or another, will still be distributed to expatriates all round the world – a total circulation of more than 400,000 copies.

For several years the Swiss Peoples' Party has been extremely critical of the *Swiss Review*, but there are other groups in Parliament who are well aware of the magazine's value in keeping Swiss overseas fully aware of what is happening in the homeland.

This will become even more important when electronic voting, already tested in the Canton of Neuchâtel and soon to be available in the Canton of Zurich, makes it much easier for the Swiss Abroad to cast their vote in Federal elections and referenda.

In his First of August message this year, Swiss President Pascal Couchepin told his compatriots overseas: "You are an impressive body of potential ambassadors."

And it is through the pages of the *Swiss Review* that those 670,000 'ambassadors' are kept regularly informed of the latest developments in Switzerland.

The magazine, which was launched 35 years ago, is printed in St Gall in five languages – English, French, German, Italian and Spanish – and is delivered by post to all Swiss citizens overseas who are registered with their embassy or consulate.

Readers who would like to make direct contact with Federal Councillor Calmy-Rey and tell her why they think the Swiss Review should be allowed to continue in its present form can do so by email to her website at: http://www.eda.admin.ch/eda/en/home/dfa/head.html