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NEWSLETTER

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The 10 biggest challenges for the owner of an SME

Dear Ladies and Gentlemen,

In day-to-day business an entrepreneur should never lose sight of the biggest challenges:

1. Profit: Making profit is the first and most important target for any entrepreneur. Profit means your business model is financially successful. Let the envy of others be water off a duck's back and let them call you a capitalist.

2. Making profit in subsequent years: financial success needs to be repeated, or the SME is not sustainable. Only thus can you create stability and provide secure employment.

3. Red tape within the canton of Basel-Stadt: While you are concentrating on making profit and on strengthening your company, the bureaucrats are out and about to justify their jobs. Basel has around 15'000 employees on a full-time basis, amounting to costs of CHF 2bn, which means around CHF 135'00 per head per year. Please be so kind and show some understanding when those bureaucrats concern themselves with your company and heap administrative work on you. The state is an attractive employer, with high salaries, guaranteed pay-rises, an unwritten law of a secure job for life, pension plan with a state guarantee in case of underfunding, and a lot more. In the war for talent, the state has to offer lucrative conditions.

4. Red tape on a federal level: Equally, the 40'000 employees of the federal state must also be kept busy. The average personnel costs amount to CHF 150'000 per employee. For these, work needs to be found as well. Since the Confederation was formed the number of federal employees has always risen, in absolute and relative proportion to the population. In 2050 there will be two pensioners for every working employee, and in the private sector – assuming current rate of growth – there will be one public sector worker and two pensioners for every employee.

5. Financial duties: On average an SME-owner has a tax burden of around 40 - 50% (cantonal and communal taxes 25%, federal tax 12%, plus church taxes, wealth taxes, etc.), be it in taxation on salary or via taxed profits, which then are taxed again as dividends in personal income. Additionally the consumer is burdened with 8% value added tax. Add to that a compulsory levy on consumed commodities like TV, electricity, health insurance and so forth. A well-balanced structure helps you optimize taxes.

6. *Social security*: A further tax burden is social security. Though part of this is returned in form of services and is thus a social insurance, a considerable part is just payment without any return, and is a pure tax - any income above the maximum pension contribution, unemployment insurance without entitlement to daily allowance, and so on. Choose the right way in terms of social security. The tax and social security burden (without services in return) amounts to around 50 - 60%.

7. *Private insurance*: AIA (Accident Insurance Act), HIA (Health Insurance Act) and in particular OPA (Occupational Pensions Act) are costly. Plan carefully and choose wisely, and you can save on premiums without loss of services.

8. *Employees*: As an employer you have obligations towards your employees. Good leadership and adequate salaries increase efficiency. Get the best out of your team by creating a stimulating atmosphere at the work place.

9. *Finances*: Structured processes, oversight, controlling and regular information allow you an overview on earnings.

10. *Strategy*: Even as an entrepreneur on a small scale, have a strategy. What do you want to achieve, what are the goals of your company, and where would you like to be in five years. Clear targets help avoid time wasted.

About the author

Dr. iur. Bernhard Madörin: Licensed Audit Expert RAB, Licensed Insurance Intermediary FINMA.

The author has a PhD in law and is an audit and tax expert. He has published some 20 books, most of them on corporate law, taxes and audit. Dr. Madörin is a board member on over 50 executive bodies. As a professional board member he advises companies on developing targets and improving performance.

Kind regards

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