Legal forms compared

Sole proprietorship, GmbH and AG: what the choice means for liability, tax and your own pension.

IN BRIEF

The legal form determines who is liable for debts, how profit is taxed and how you yourself are insured. With a sole proprietorship (Einzelfirma) you are self-employed. In a limited liability company (GmbH) or a company limited by shares (AG) you are an employee of your own company. This difference runs through AHV (old-age and survivors' insurance), the pension fund and accident insurance. Changing the legal form later is possible, but it takes time and fees.

	SOLE PROPRIETORSHIP	GMBH	AG
Liability	Unlimited, with all your private assets.	Company assets only. Additional contributions only if the articles of association require them.	Company assets only.
Minimum capital	None.	CHF 20,000 nominal capital, fully paid in at formation (in cash or in kind).	CHF 100,000 share capital, of which at least 20%, but no less than CHF 50,000, paid in.
Formation	No formalities; it starts when you begin trading.	Public deed at a notary. The company comes into existence when it is entered in the commercial register.	Public deed at a notary. The company comes into existence when it is entered in the commercial register.
Commercial register	Required from CHF 100,000 turnover a year, voluntary below that.	Required. Partners are listed publicly by name.	Required. Shareholders are not in the register but in the internal share register.
Accounting	Below CHF 500,000 turnover a year, simplified bookkeeping is sufficient.	Double-entry accounts. An audit can be waived with no more than 10 full-time positions and the consent of all partners.	Double-entry accounts. An audit can be waived with no more than 10 full-time positions and the consent of all shareholders.
Tax	Profit is taxed together with your other income, business assets together with your wealth.	The company pays profit and capital tax. You pay income tax on your salary. Dividends are only partly taxed from a 10% holding (federal 70%, cantons at least 50%).	As for the GmbH.
Social insurance	Self-employed: AHV/IV/EO contributions on profit, no unemployment insurance, pension fund and accident insurance optional.	Employed by your own company: AHV/IV/EO and unemployment insurance split equally, pension fund mandatory above the entry threshold, accident insurance mandatory.	As for the GmbH. As an owner with decisive influence, your claim to unemployment benefits is limited (applies to both).
Suitable for	Starting out with low financial risk and low costs, often alone or with a few employees.	When liability should be limited, often with several founders and smaller teams.	Larger projects, higher capital needs, outside investors or planned succession. Shares are easier to transfer than GmbH units.

What the choice means for your finances and pension

SOLE PROPRIETORSHIP

- AHV/IV/EO: in 2025 up to 10% of income (from CHF 60,500; a sliding scale applies below), plus administrative costs of the compensation office.
- A pension fund is optional. Without one, you can pay into the large pillar 3a: 20% of earned income, up to CHF 36,288 (2025).
- For illness, accidents and disability you are only covered to the extent that you take out insurance yourself.
- Business debts can reach your private assets, including savings outside your pension.

GMBH AND AG

- You draw a salary from the company and are insured on it like other employees: AHV, unemployment insurance, pension fund, accident insurance.
- The company pays at least half of the pension fund contributions. For you, the small pillar 3a applies: CHF 7,258 (2025).
- Profit can be paid out as salary or as dividends. Dividends carry no AHV contributions, but they are not insured either. The compensation office checks whether your salary is appropriate.
- The founding capital is tied up in the company and not available privately.

SALARY OR DIVIDEND

A low salary with a high dividend saves AHV contributions and often tax. At the same time, benefits in the event of disability and death fall, and so does the retirement capital in the pension fund. Set the split with your cover in mind, not just your tax bill.

CONVERTING LATER

A sole proprietorship can later be transferred into a GmbH or AG. This can be done tax-neutrally if the business continues and you do not sell the new shares within the following five years. VAT registration from CHF 100,000 turnover a year applies equally to all three forms.

QUESTIONS FOR YOUR DECISION

- How high is the liability risk of your business, for example from contracts, leases or staff?
- How much profit do you expect in the first years? With low profit, a sole proprietorship is cheaper to set up and run.
- Are you founding alone or with partners, and how should shares be transferred later?
- How do you want to be covered for disability and death, and how much do you want to save for retirement with tax relief?

HOW WE CAN HELP

In the starter package, we work out with you which legal form suits you and your business model and what it means for your finances and pension. We work for a fee, without commissions.

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