

Compensation and the invoice

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)

Cash was the simplest method, but it was not the only one. The second classic technique was compensation (*compensazione*). An Italian resident who wanted to move money to Switzerland paid lire in Italy to a person who needed lire there, for example an Italian subsidiary of a foreign company, an emigrant family receiving remittances, or a foreign resident with expenses in Italy. In exchange, the counterpart's funds in Switzerland were credited to the Italian's account in Lugano. Since no money crossed the border, the transaction left no trace in the foreign exchange statistics.¹ Swiss banks and fiduciaries could organize such offsets by matching clients with opposite needs. The Swiss banks' code of conduct later named "participation abroad in the setting up of offset transactions" as a form of active assistance to capital flight, which shows how familiar the technique was to the drafters.²

The third technique used the invoice. An Italian importer who bought goods through a Swiss trading company could pay a price above the real value and leave the difference in Switzerland. An Italian exporter could invoice below value to a Swiss intermediary that resold the goods at full price, with the margin remaining in Lugano or Chiasso. Over-invoicing of imports and under-invoicing of exports were common forms of capital export throughout the post-war period and connect the history of flight capital to the later history of trading companies in Ticino (Chapter F.I).³ They required a company in Switzerland, which explains part of the demand for the domiciliary companies and fiduciary services described below.

In figures. The mechanics of the lira economy: - Capital exports from Italy were estimated at 2.5 per cent of Italian GDP in 1963 and 2.3 per cent in 1969.⁴ - Italian assets in Swiss banks were estimated at over CHF 9 billion in 1969.⁵ - In a single case of 1976, 180.3 million lire in small notes were imported into Switzerland in fifteen trips within ten weeks and exchanged

for large denominations.⁶ - The Swiss ordinance of 14 April 1976 limited the import of foreign banknotes to CHF 20,000 per person and quarter.⁷

1 Notes

1. On compensation as a technique of capital flight see M. Kuder, *Italia e Svizzera dal 1945 al 1970* (2012), on which Berbenni (as above) relies for the mechanisms of exchange-control evasion. ↩
2. Swiss Bankers Association, Agreement on the Swiss banks' code of conduct with regard to the exercise of due diligence (CDB) of 28 January 1998, Art. 7, English text at <https://unodc.org/documents/archive/imolin/chbcoc.pdf> ("participation abroad in the setting up of offset transactions when the bank knows or ... should know that the offset is aimed at furthering the flight of capital"). ↩
3. On over- and under-invoicing as channels of Italian capital exports see Segreto (as above) and Kuder (as above). ↩
4. Berbenni (as above), 335. ↩
5. Berbenni (as above), 329, citing Segreto (as above), 223–224. ↩
6. BGE 104 IV 270 (as above). ↩
7. BGE 104 IV 270 (as above). ↩

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