

Free zones and the comparison with Geneva

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

Free zones differ from open customs warehouses in that they are enclosed areas in which goods of many depositors are stored under the general supervision of the customs office. They are often operated by a company in which a canton or municipality holds an interest. Historically they were linked to railway stations and border towns. Chiasso had a free zone from 1925, as noted above.¹ The best-known Swiss free zone is that of Geneva, the Ports Francs et Entrepôts de Genève, whose role in the art market and in the Bouvier affair is treated in the Geneva volume. Geneva's free zone stores works of art, wine, precious metals and other high-value goods for long periods, which made it a symbol of the discretion of Swiss storage. In Ticino the free zone tradition has had a smaller and more commercial character, connected with railway goods traffic and the storage of goods awaiting onward shipment. The federal audit reports on free zones published since 2014 do not name a free zone in Ticino among the sites they examined.²

The distinction between the two types of facility has practical consequences. A depositor in an open customs warehouse deals with a private warehouse keeper who holds an authorization and keeps records for the customs office. A depositor in a free zone deals with the free zone operator, who in turn answers to the customs office. Both procedures suspend import duties and VAT, and neither of them makes the goods invisible to the authorities, since the stock records must identify the goods, their owner and their movements. The misconception that goods in a Swiss free zone are outside the reach of Swiss law has been corrected by the reforms that followed the audit of 2014.

1 The Federal Audit Office's report of 2014

The reforms began with a report of the Swiss Federal Audit Office (SFAO) published on 14 April 2014. The SFAO found that about a dozen free zones

and 245 open customs warehouses were operating in Switzerland in 2013, the latter with a sharply rising trend. Goods worth more than CHF 100 billion were stored under customs suspension. It criticized inconsistent regional practices, the broad discretion of local customs offices and inadequate checks when authorizations were granted and renewed. It also pointed to the long-term storage of high-value goods, in particular works of art, with few documented movements.³ It identified risks of tax optimization, of circumvention of the rules on cultural property, war material, pharmaceuticals and rough diamonds, and of VAT refunds and export subsidies claimed for goods that never left Switzerland. The head of the audit project described the quality of the stock records as insufficient, and about 25 warehouses were found to store high-value goods for years or decades.⁴ The Federal Department of Finance undertook to present a strategy for reducing these risks by the end of 2015.

The Federal Council implemented the strategy mainly through a revision of the Customs Ordinance in force since 1 January 2016. Authorizations for open customs warehouses are now limited to five years and those for free zones to ten years. Open customs warehouses must show at least two hundred movements a year and free zones at least five thousand. Stock records must identify the owner of the goods, and free zone operators must keep current lists of their tenants.⁵ The SFAO's follow-up report of 8 April 2019 found that the number of open customs warehouses had fallen from 245 in 2014 to 194 in 2018 and that of free zones from ten to seven. The customs administration had withdrawn authorizations from more than fifty warehouses and three free zones with insufficient movements or deficient IT systems. It also found that the changes to the operating conditions of free zones fell short of expectations, particularly as regards requirements for tenants and prior controls.⁶

Common misconception. Swiss free ports are sometimes said to have been reformed by FINMA after 2014. FINMA supervises banks, insurers and other financial institutions and has no competence over customs warehouses or free zones. The reform of free zones and open customs warehouses was initiated by the Federal Audit Office's report of April 2014. The Federal Council implemented it through the revised Customs Ordinance in force since 1 January 2016, and the customs administration supervises its application.⁷ Antimoney laundering rules reach storage facilities only indirectly, for example through the obligations of dealers who accept large cash payments and through the duties of banks that finance stored goods.

2 Notes

1. Bianchi, "Chiasso" (above). ↩
2. On the Geneva free zone and the art market see the Geneva volume. The Canton of Geneva is the majority shareholder of the Geneva Freeport, which it leases to a private operator: Wikipedia, "Geneva Freeport", https://en.wikipedia.org/wiki/Geneva_Freeport (consulted as a last resort). The SFAO's follow-up report (below) names Genève Aéroport, Genève-Routes, Pratteln and Zürich Flughafen as sites visited and does not mention Ticino. ↩
3. Swiss Federal Audit Office, press release "Zollfreilager und offene Zolllager: eine Strategie zur Minderung der Risiken ist zu verabschieden" (14 April 2014), https://efk.admin.ch/wp-content/uploads/publikationen/berichte/wirtschaft_und_verwaltung/oeffentliche_finanzen_und_steuern/12490/12490_mm_d.pdf. ↩
4. SFAO (14 April 2014, above); SRF, "Schweiz: ein zoll- und steuerfreier Ort für Schätze aller Art" (14 April 2014), <https://www.srf.ch/news/schweiz/schweiz-ein-zoll-und-steuerfreier-ort-fuer-schaetze-aller-art> (statement of project leader Laurent Crémieux; about 25 warehouses with high-value goods). ↩
5. Swiss Federal Audit Office, Follow-up zur Evaluation der Kontrolltätigkeiten im Bereich der Zollfreilager und der offenen Zolllager (CDF-17458, 8 April 2019), https://efk.admin.ch/wp-content/uploads/publikationen/berichte/wirtschaft_und_verwaltung/oeffentliche_finanzen_und_steuern/17458/17458be_wik_d.pdf; Customs Ordinance (above), Art. 183 (list of tenants, sub-tenants and depositors of a free zone), <https://www.droit-bilingue.ch/de-fr/6/63/631.01-183-208.html>. ↩
6. SFAO, Follow-up (8 April 2019, above). ↩
7. SFAO (14 April 2014, above); SFAO, Follow-up (8 April 2019, above). FINMA supervises under the financial market acts and the Financial Market Supervision Act of 22 June 2007 (FINMASA), SR 956.1, Art. 6, <https://www.droit-bilingue.ch/de-fr/9/95/956.1-6-9.html>. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/lugano-free-zones-and-the-comparison-with-geneva