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# Watches

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# Watches in Switzerland

- Switzerland is well known for its manufacturing of watches.
- Many of the world's most famous watch brands are made in Switzerland
- This includes manufacturers of “everyday watches” as well as luxury watches.





# Watches in Switzerland

- About 15 - 20 million watches are produced in Switzerland each year. The majority are exported.
- Watches are small and easy to carry.
- Watches are therefore ideal for fraudulent business.





# Watches in Switzerland

- Watches always have a serial number. The manufacturer wants to know who owns the watch (warranty).
- Watch manufacturers are interested in maintaining a good working relationship with the authorities. They do not want their watches to be used in fraudulent activities.





# Different Export Cases

**Case 1:** Limited-edition watch for select customers

**Case 2:** Watches export for personal use  
(Tourists)

**Case 3:** Watch is “fictitiously” exported.





# Watches for select customers

- Luxury watch manufacturers produce limited-edition watches. These are available only to select customers.
- Watches are sold by the manufacturer to the select customer through an official retailer.



- Customers are not permitted to resell these watches; this is a requirement of the manufacturer.
- These watches are highly sought after, and collectors often try to purchase them on the “grey market.”



# Watch for select customers

- Customer A was able to purchase a watch for 4 million euros through his retailer.
- However, he wanted to sell the watch on the “grey market.” He found a buyer in Canada who was willing to pay 4.5 million euros.
- As a private individual, he is not registered for VAT and cannot claim the input tax on the 4 million euros.





# Watch for select customer

- When the watch was exported, the retailer was listed as exporter and Customer A as the freight forwarder. The retailer then failed to pay VAT on the sale of the watch and declared it as an export.
- Customs became suspicious because the freight forwarder was a private individual – Customer A
- An inquiry with the manufacturer revealed that only Customer A was authorized to purchase the watch.
- Additional VAT for the retailer: 300'000 Euros

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# Export for personal use

- Switzerland is a tourist destination. Tax-free shopping is very popular. The top exports are chocolate, cheese, pocket knives, and **watches.**

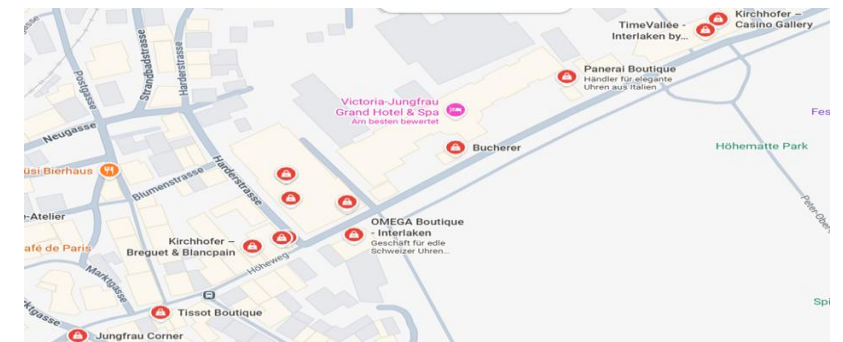


- Tax-free shopping only for personal use!



- Watches are very popular among foreign tourists

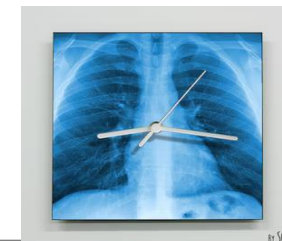
(Interlaken: 13 watch stores within 300 meters)





# Export for personal use

- At airport customs, an export document was presented for 10 watches with a total value of 2 million Euros intended for tourists.
- Customs officials became suspicious; 10 watches of that value for a single person is not allowed.
- The exporter claimed that he had used the wrong export document.
- Customs X-rayed the package and found that there were only 8 watches inside.





# Export for personal use

- The export status was approved by customs once the correct form was submitted.
- Two watches were probably sold on the “grey market” in Switzerland. Additional VAT to the seller 30'000 Euro





# Fictitious export

- The entire export process is conducted electronically. Shipping company must enter all import and export data into the customs system.
- Customs inspections are conducted on a selective basis only, as the volume of goods makes it impossible to inspect everything.





# Fictitious export

- A company purchased expensive watches from various watch retailers in Switzerland
- He created fictitious export documents in the customs system. However, the watches were never exported.
- This allowed him to claim input tax and does not pay VAT on sales.





# Fictitious export

- A sample check by customs showed that no shipments were sent abroad.
- He was able to provide proof that two watches had been exported to a third country.
- All other watches were taxed in Switzerland. Additional VAT: 500'000 Euros.





# Conclusion

- In 2024, over 16 million watches were exported; complete control is not possible.
- We do not know whether the watches, for which fictitious export certificates were created, are actually still in Switzerland.
- Good cooperation between customs, the tax administration, and watch manufacturers is important.
- However, we are always one step behind, and there are many cases we cannot detect.





# Thank you for your attention

