

# Roadmap to Creating a Legal Entity:

*The story of how I launched a crypto company*

A Catalyst Fund 7 Project

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**Crypto** Alley

[www.cryptoalley.ch](http://www.cryptoalley.ch)

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## 1. INTRODUCTION

Launching my own business has been an exciting and rewarding opportunity. I am eager to share the details of the legal and financial aspects of my experience.

While not nearly as fun as designing a product or service and bringing it to market, establishing solid fundamentals for the administrative side of the business is almost as important as the product itself. Getting started with the right legal, financial, and operational structures will position a venture for long-term growth and success. Failing to master these basics could lead to fines, lawsuits, or even prohibitions on certain activities.

I wrote this document based on my own experience of establishing a company in Zug, Switzerland. While the details might be especially interesting to any Swiss entrepreneurs, the goal is to tell my own story in a way that may suggest issues to consider, questions to ask, and partners to seek, regardless of the jurisdiction. Additionally, regulations and laws will change and evolve, especially regarding the rapidly developing cryptocurrency industry. While the general principles should continue to apply, the specifics will undoubtedly go quickly out of date. In each section, I have highlighted the issues I considered, and the questions I had to answer, to provide a starting point for any entrepreneur who is considering launching their own legal entity.

**Please note** – nothing in this document is intended as legal, financial, or tax advice, or as advice of any kind. There is no guarantee regarding the accuracy of any information, which is provided based on my own limited understanding. This is the story of my personal journey. Consult local professionals for specific questions and recommendations.

## 2. CHOOSING A NAME

Choosing a name is exciting!

The legal name I choose for my company needed to differ from other company names in my jurisdiction. In Zug, there is a website that allowed me to check for other similarly named companies:

<https://zg.chregister.ch/cr-portal/suche/suche.xhtml>

The legal name for a company is a combination of the chosen name, and the initials that indicate the company structure (more about this later). I learned that it is important to pay attention to the exact legal name of the company, as this should be used consistently in all legal documents. Although Crypto Alley is the name I use for most of my business activity, the company's legal name is: Crypto Alley Consulting GmbH.

Once I had dreamed up the name Crypto Alley, a simple google search revealed that the domain name [cryptoalley.ch](https://cryptoalley.ch) was available. I was so excited that I immediately purchased the domain on GoDaddy, even though at the time I was still debating whether or not to start the company. The cost to buy the domain was not expensive, and I was happy to pay for the peace of mind of knowing that I could launch a website when (and if) I was ready.

*Key issues I focused on during this phase of the process:*

- ▶ Comparing my intended entity name with other entities already registered in my jurisdiction
- ▶ Whether a suitable website domain name existed for my chosen name

[www.cryptoalley.ch](https://www.cryptoalley.ch)

## 3. LEGAL ENTITY TYPES AND CAPITAL REQUIREMENTS

A Swiss company can take a variety of different forms. I worked directly with LEXcellence, a local law firm, for advice on how to structure Crypto Alley. I also found that this website (<https://www.ubs.com/ch/en/corporates/foundation/legal-form.html>) provided a good summary of different legal structures.

A Sole Proprietorship offers the simplest form of organization. There is no requirement that the founders put their own capital (money) into the company. Additionally, the state does not mandate significant accounting requirements when the company revenues are low. However, the company can only involve one person (it is not possible to hire employees). And the liability for the company's debts extends to both business and personal assets. In other words, if Crypto Alley got into debt for any reason, the company's creditors could go after my own personal wealth, if the company was unable to pay. While this is a highly unlikely scenario, I am fairly risk-averse regarding these types of issues, and besides this, there were a few other reasons why the Sole Proprietorship structure didn't work.

I have a vision that Crypto Alley will grow to become a global player in the Self-Sovereign Identity industry, particularly regarding Cardano's Atala PRISM technology. I fully intend to hire employees and pursue clients around the world. I knew that I would eventually need to grow the business, and for me, it made sense to start with a structure that would support this eventual growth. Additionally, I thought that creating a separate company, rather than working as a Sole Proprietorship, would provide my business with more legitimacy.

A public limited company (AG) requires at least one shareholder as the founder. The founders must contribute at least CHF 100,000, with a minimum deposit of CHF 50,000. While I liked having the ability to add additional shareholders as the company grew, I found the capital requirement prohibitive.

A limited liability company (GmbH) requires at least one partner as the founder, but the capital contribution minimum is CHF 20,000 (more about the process of opening a bank account to hold the capital contribution in Section 6). With both the GmbH and AG structures, the liability for the company's debts is limited to the company assets (not personal assets). Unlike a Sole Proprietorship, for both AG and GmbH entities, the company is required to follow proper accounting rules, regardless of the revenues earned. While this adds additional cost and complexity (more about this in Section 8), for me the benefits outweighed the drawbacks.

In Switzerland, at the time that I formed Crypto Alley, I learned that at least one of the partners must be a local Swiss resident. My family had moved to Switzerland from the US because of my husband's job. His employer had only managed to secure what is known as an "L" permit for our family. While the "L" permit allowed him to work and allowed our family to reside in the country, it is viewed as a more short-term situation than other types of work permits. Unfortunately, the local Zug authorities would not allow me to serve as the resident director of Crypto Alley because of my "L" permit status.

As a result, the LEXcellence attorney who helped me with the formation process agreed to serve as the Swiss Director of Crypto Alley. In return for the liability that she accepted in this role, I paid her a monthly fee. We organized the formation documents (more about these in the next section) so that she did not have any decision-making authority over the company's activities, but her role as a Director satisfied the Swiss authorities' need for a local partner.

Due to my family history, after I had launched Crypto Alley, I had the good fortune to apply for and receive Austrian citizenship. As an EU citizen, I managed to change our family's permit status from "L" to "B." As an EU citizen with a "B" permit, I was allowed to serve as the resident Swiss Director of Crypto Alley. While I remain very grateful to my attorney for her help in getting Crypto Alley launched, we were both happy that I could replace her as the company's local Director.

*Key issues I focused on during this phase of the process:*

- ▶ Research into the legal entity options available in my jurisdiction
- ▶ Understanding of the legal capital investment requirements
- ▶ Understanding of the legal Director/Shareholder/Partner/Founder Requirements

Additional Note: DAOs (Decentralized Autonomous Organizations) are gaining popularity as an innovative alternative to the traditional legal entity structures that I considered. I did not research forming a DAO and do not have any experience regarding the interactions between a DAO and the legacy legal entity requirements and processes.

## 4. FORMATION DOCUMENTS

Signing formation documents brings the company to life!

My attorney created two key documents that led to the birth of Crypto Alley Consulting GmbH:

- ▶ Öffentliche Beurkundung (Articles of Incorporation) – This is a public document, signed in front of a public notary, and filed with the local Swiss authorities. My document contains the following information:
  - The name and identity of the founder
  - The company name
  - The type of legal entity (GmbH / limited liability company in my case)
  - A reference to the statutes or bylaws (see below)
  - The amount of registered capital and total number of shares
  - A reference to the duties of the founder
  - A reference to the deposit of the registered capital
  - A reference to the appointment of an Executive Director
  - A reference to the appointment of an authorized signatory (the attorney serving as the local Swiss Director fulfilled this role, and was later removed as described in the previous section)
  - A reference that the founders will refrain from an audit of the company, and meet the requirements for this election
  - An acknowledgement that the document will be entered into the official commercial registry

- ▶ *Statuten* (Statutes or Bylaws) – This is a private document, also signed in front of a public notary, which describes how the company must be run. My document contains the following sections:
  - Company name, registered office, and purpose
  - Seat, or official location of the company
  - Purpose
  - Capital
  - Share Register (a list of owners)
  - Assignment (an explanation of how shares are given (or assigned) to owners)
  - Reference to what happens to the shares upon the death of the owner
  - Usufruct – (an explanation of how the shares can be used by someone who inherits them)
  - Right of lien – how the company can enter into loan/debt agreements to use the company's assets as collateral
  - Rights and duties of the shareholders
  - Description of the Shareholders' meeting and associated tasks
  - Description of the election, dismissal, and tasks of directors
  - Discussion about whether Auditors are needed
  - Discussion about accounting practices
  - Process for shareholders to resign
  - Process for the company to dissolve
  - Requirements regarding notices and publications

Following the signing of these documents with a public notary, the notary filed the Articles of Incorporation with the local commercial registry. Importantly, in order to sign the documents, I needed to have already made the capital contribution into a special account Crypto Alley opened for that specific purpose (more on this process in Section 6). I received an official form confirming the company's entry into the registry.

Using the same website I had referenced above (to check if an existing company was using the same or a similar name), I can search for my own company's name and find all the details from the Articles of Incorporation in the official registry:

<https://zg.chregister.ch/cr-portal/suche/suche.xhtml>

I feel a particular thrill every time I see Crypto Alley in the official registry!

*Key issues I focused on during this phase of the process:*

- ▶ Understanding the basic legal documents required to form a legal entity
- ▶ Understanding which documents need an official signature (in front of a notary)
- ▶ Understanding which documents will be publicly filed
- ▶ Finding a law firm and attorney willing to draft the documents, coordinate the signature process, and file the documents with the relevant officials

## 5. OPENING A BANK ACCOUNT

### 5.1. Opening a Capital Account

I needed to open two different types of bank accounts to launch Crypto Alley. First, I needed an account to hold the registered capital. A capital account serves a special purpose because at the time the account is opened, the company does not yet legally exist. Opening and funding the capital account is a prerequisite for the company to come into existence through the registration process. Companies in the process of becoming registered must open their capital account with a bank located in Switzerland. I encountered a couple of problems with this step of the process.

My family had opened our personal accounts with UBS, so I contacted our local branch to inquire about opening a business account. For regulatory compliance reasons, banks need to document who ultimately owns the companies that open accounts. The idea behind the regulation is to prevent criminals, particularly those on international sanctions lists, from forming companies to hold their assets and thus evade the sanctions. Banks refer to the ultimate owners of each business as the “beneficial owner.” The UBS system would not allow for the collection of documentation from an American with an “L” permit, and so UBS could not provide Crypto Alley with the necessary capital account.

Other banks were concerned about the company’s name, as many financial institutions still view the cryptocurrency industry as high risk. Ultimately, Raiffeisenbank agreed to provide the capital account. However, due to the bank’s risk profile, they refused to provide an operating account. I knew I would need to find another solution (more about this below). But at the time, I put that problem on hold and moved forward with the registration process using the Raiffeisenbank account details.

As the next step, I needed to transfer my savings from my US bank in Pittsburgh, Pennsylvania to the new Raiffeisenbank account, because I needed to have the funds in the account to register the company. I was surprised to learn that my US bank would not allow me to initiate an international wire over the phone or online. As this all occurred in the summer of 2020, when Covid basically eliminated most international travel, I could not easily go to a branch to initiate the wire in person. Luckily, a friendly customer service agent at my bank suggested I explore using Wise.com (at the time, the company was called Transfer Wise) to move the funds.

I found the Wise interface for international wire transfers extremely easy to use. I knew I would face additional due diligence due to the company name containing the word “crypto.” Having previously worked for a bank and having assisted my own corporate customers with navigating the bank’s compliance processes, I have always found honesty and transparency to be the most effective ways of responding to bank requests for information. After several emails back and forth with the Wise team regarding why I was moving the funds and what Crypto Alley would be doing, my savings made their way into the new Crypto Alley capital account.

*Key issues I focused on during this phase of the process:*

- ▶ Understanding the requirements for the account that would hold the company’s initial investment capital
- ▶ Understanding the process to open a business account (different than opening a personal bank account)

### 5.2. Opening an Operating Account

A company can only use the capital account to hold the registered capital. A company therefore needs to also open an operating account, for all the normal incoming and outgoing payments that occur during the course of business. As noted above, Raiffeisenbank declined to provide Crypto Alley with an operating, due to concerns about the cryptocurrency industry.

I had learned that while the company must open the capital account with a Swiss bank, the operating account can sit with any bank, domestic, international, or virtual. After some searching, I discovered that the Swiss PostFinance financial services

company was willing to open an operating account for Crypto Alley. They offered a nice start-up package, with very low fees. I met with a friendly and helpful banker, who took as much time as I needed to explain how the processes and features worked. I found their online banking platform reasonably intuitive.

As an aside, I should mention that I only speak basic German (although I am working hard to learn and improve!). Throughout this process, and really throughout my entire experience in Switzerland, I have been amazed and grateful at the level of English spoken by everyone with whom I interact.

*Key issues I focused on during this phase of the process:*

- ▶ Understanding the requirements for the account that the company would use to manage ongoing operations
- ▶ Understanding the process to open a business account (different than opening a personal bank account)

### 5.3. Opening an Exchange Account

Crypto Alley regularly needs to convert ADA (the cryptocurrency token of the Cardano blockchain protocol) into Swiss Francs (CHF) to cover expenses incurred in CHF. Choosing an exchange is an important consideration, as different exchanges demonstrate a large variety of security, usability, and liquidity factors. Crypto Alley self-custodies ADA (using an Eternl wallet) and does not use an exchange to store funds for any significant period. However, as sums of money important to the Company will go into and out of the exchange, choosing a good one was important.

For the same reason it can be difficult for Americans to open bank accounts, many Swiss-based crypto exchanges and brokers don't want to have account signers with an American passport. Some wonderful crypto banks have chosen Switzerland for their home, but they focus on High-Net-Worth individuals and larger companies. In the end, Crypto Alley opened an account with Kraken, which is headquartered in the US. Kraken is well regulated, has a reputation for good customer service, and recently secured a banking license from the US State of Wyoming, all of which give me confidence in their platform.

Just as there is a different process for opening an individual bank account versus an account for a legal entity, I needed to open a business account on the Kraken platform for Crypto Alley. I needed to provide the corporate formation documents (described above) along with personal identification to open the account in the name of Crypto Alley.

Once the account was open, I decided to exchange ADA for USD because there is much more liquidity in the ADA/USD market than in the ADA/CHF market. To move the funds from Kraken to Crypto Alley's PostFinance account, I opened another account with the Fintech platform, Wise. I had good experiences using Wise to transfer personal funds from the US to Switzerland (as noted above). I like their user-friendly platform and transparent fees, and I think they offer the most competitive exchange rate. It is possible to use Wise just for foreign exchange purposes, or the Company can pay a small fee to have an actual account on the platform. I needed to pay the fee to use the account feature.

Kraken will only let users withdraw fiat into a bank account that is owned by the same entity. In other words, if the Kraken account is in the name of Crypto Alley Consulting GmbH, I can only withdraw USD into a bank account that is in the name of Crypto Alley Consulting GmbH. Therefore, I needed to have an account with Wise in the name of the company. It was important for me to take these steps to ensure proper tracking, and proper separation of company money from my own personal accounts.

*Key issues I focused on during this phase of the process:*

- ▶ Choosing a secure and reliable Cryptocurrency exchange
- ▶ Opening a business account with the exchange
- ▶ Developing a process to transfer ADA into fiat and bring those funds to a fiat bank account

## 6. ACCOUNTING

In Switzerland, limited liability companies must keep financial records. Since Crypto Alley is organized as a GmbH, the German abbreviation for a limited liability company, I knew that I needed formal financial records, or accounting statements, for the company. While my accounting knowledge is fairly strong, formal financial records generally require that a qualified accountant prepare them. Luckily, the town of Zug hosts many companies transacting with cryptocurrency. I found an accounting firm, called Brag Buchhaltungs und Revisions AG, willing to work with Crypto Alley, even given the number of transactions occurring in ADA. Brag assists me with properly accounting for every financial transaction performed by the company, and turns those transactions into formal financial statements.

The company's financial statements will ultimately show every transaction in terms of Swiss Francs (CHF). Therefore, I need to track the exchange rate between ADA and CHF on the date that each transaction occurs. At the end of the year, for any balance I am holding in ADA, I will need to account for an "unrealized" gain or loss to account for the difference between the value of the ADA at the time I received it and its value at the end of the year. While the local authorities don't prescribe a particular source for the exchange rate, it should be something publicly available, where it is possible to use a consistent method to record each date's exchange rate.

### 6.1. Accounts Payable

Accountants refer to outgoing funds that the company pays to other companies or individuals as "Accounts Payable." I need to track every expense incurred on behalf of the company and ensure that I have invoices to support those transactions. Paying employees via the payroll process is an exception to this process and does not require an invoice. Payroll transactions will be covered in the following section.

The professional service providers that help Crypto Alley, such as lawyers, accountants, insurance providers, and graphic designers, all issue their own invoices to the company. I pay those bills in fiat, keep copies of the invoices, and provide them to Brag as supporting documentation for the financial expenses.

For smaller expenses, or charges that I pay with a credit card, I could have applied for a Crypto Alley credit card from Post Finance. If I had formed the company in the US, I probably could have received a credit card for free. However, in Switzerland Post Finance would have charged Crypto Alley an annual fee to issue a credit card. As a result, when I need to pay something via credit card, I use my own personal card but document the purchase. I then reimburse myself from the Crypto Alley bank account. This process is a bit more complicated than having a company card, but I don't have that many expenses at the moment. I decided that the administrative work required did not justify the cost of a company credit card, although that will probably change in time. I know that it is important to keep track of all expenses, but particularly the expenses I reimburse to myself. I need to show the financial condition of Crypto Alley on its own, and keep all business transactions separate from personal ones.

I also need to pay co-proposers based on the budgets submitted during the proposal stage. When the co-proposer invoices in USD, I document a clear agreement that I will forward the ADA received from the Cardano Treasury to the co-proposer using the same exchange rate as the initial distribution. In other words, if I receive funds using an exchange rate of 1 ADA = 1 USD, I will

pay the co-proposer using the same exchange rate. This arrangement creates some stress on the funding days, as I need to send the ADA to co-proposers as quickly as possible to minimize the exchange rate risk.

Because Crypto Alley holds a balance of ADA (more on this below) I realized that I could send any co-proposers an advance payment on the day of funding (using the IOG funding calendar) based on the approximate exchange rate. I agree with co-proposers that we will settle any difference using the next month's payment. While this means a bit more tracking and calculating, it also frees me from being tied to my computer, watching for the exact moment when the funds hit my wallet.

Whenever Crypto Alley sends ADA, the company must, of course, pay a small transaction fee. The Company similarly incurred transaction fees to register with a Stake Pool (more on this below) and to register to vote. While these fees are incredibly small, to follow best accounting practices, I keep a record of each fee so that I can account for every Lovelace (the ADA sub-unit, analogous to the Swiss Franc's "rappen" or the US Dollar's "penny") that comes into or goes out of the Crypto Alley wallet.

*Key issues I focused on during this phase of the process:*

- ▶ Creating a process to document all outgoing funds flows
- ▶ Ensuring the separation of personal and business expenses
- ▶ Negotiating a process to account for the exchange rate and pay any co-proposers in ADA
- ▶ Ensuring good tracking of Cardano protocol transaction fees
- ▶ Ensuring good tracking of the ADA exchange rate on the date of each transaction

## 6.2. Accounts Receivable

Accountants refer to incoming funds that the company receives from customers or other sources as "Accounts Receivable." As Catalyst currently provides all of Crypto Alley's incoming funds (aside from staking rewards; more on this below), I needed to create a lot of structure to carefully track the ADA the company receives.

Funded proposals serve as the primary source of revenue. There is a slight difference in the process I created for proposals where I do not serve as the lead proposer, and proposals where I am the lead proposer. Regardless of whether or not I was the lead proposer, I needed to develop a system to manage the exchange rate volatility.

When someone else is the lead proposer, I need to wait for that person to allocate funds they receive from IOG into my wallet. Because proposals are denominated in dollars (at least as of the writing of this document) I will not know exactly how much ADA I will receive until the funds appear in my wallet. As the Catalyst ecosystem evolves, projects are building capacity around how to manage exchange rate volatility, but there are not yet any perfect solutions. While I generally have a good sense of the dollar amount I will receive in exchange for work done on someone else's proposal, the exact amount of ADA received depends both on the exchange rate at the time IOG/Catalyst disburses funds to the lead proposer, and the exchange rate at the time the lead proposer disburses the funds to me.

I try to have a discussion with the lead proposer in advance regarding how the disbursement mechanics will work. One of the most important discussion items is to clarify the wallet address which will receive the funds. I use the Eternl wallet, which allows me to create an unlimited number of different wallet addresses, all tied to the same seed phrase. Ideally, I generate a different wallet address for each proposal. As a result, when funds appear in my wallet, I can see which address the sender had used, and link the funds to the specific proposal. I created a spreadsheet to track all this information. The appendix provides an example spreadsheet.

Importantly, using different wallets to track funds related to different projects does not provide additional privacy, it simply helps me to organize and track my funds. Anyone could look at the blockchain and know that the different wallets were connected by looking at their associated “stake key.” To segregate funds in a way that preserves privacy, for example, for my Proposal Assessor rewards where maintaining anonymity is important, I create a separate “account” within the Eternl wallet. An account is different than a wallet, and each account will not be linked to other accounts as each one will have its own “stake key.”

Once I see that I have received new funds, I create an invoice to provide all the details of why Crypto Alley has been paid. Typically, an invoice should reference the address of the counterparty, or the entity that is benefiting from the company’s services and sending revenue in return. This is a particularly tricky issue for funds received from Catalyst, as these funds come from the Cardano Treasury. In theory, the funds are owned by the Cardano Blockchain, and are not under the control of any legal entity. I learned a lot about how the Treasury operates from a presentation and conversation with two IOG employees, which is documented in the link below:

<https://quality-assurance-dao.gitbook.io/community-governance-oversight/governance-processes/governance-parameters/cardano-treasury-with-kevin-hammond>

Therefore, for my proposal invoices, I address the document to:

Project Catalyst  
Cardano Blockchain  
Input Output Global, Inc.  
2015 Ionosphere Street, Unit 201  
Longmont, Colorado 80504  
USA

I include the US legal entity of Input Output Global (IOG) due to the information provided in the conversation linked above. As of the time of that conversation, it was clear that IOG maintained control of the process to disburse funds from the Cardano Treasury. IOG controls the keys that govern the release of funds from the Treasury, and IOG employees set all the rules and determine all the parameters for the functioning of the Catalyst process.

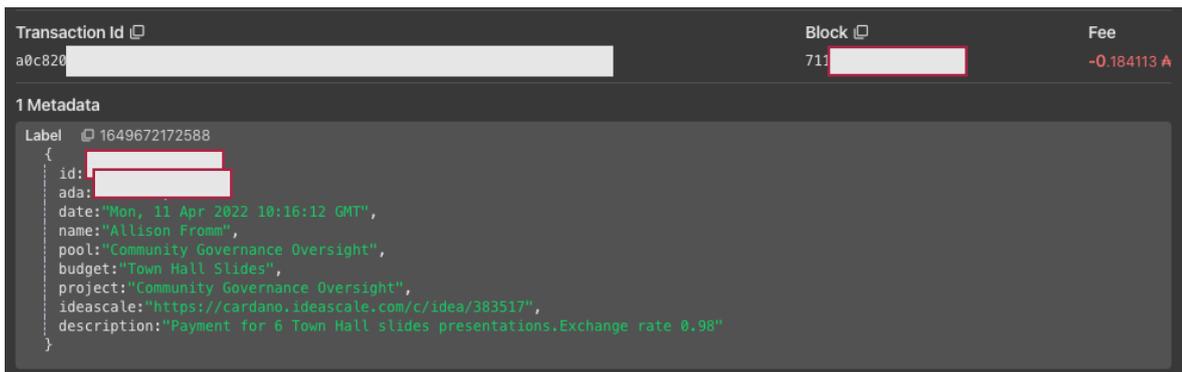
I created a numbering system for each invoice, beginning arbitrarily with the number 0001. I realized that some proposals would result in multiple payments, because IOG disburses the funds in increments over the course of the project. For any project with multiple disbursements, I reference the first payment by adding a letter to the number. For example: 0001a for the first payment, then 0001b for the second payment, etc.

I date the invoice according to the date I received the funds in my wallet. I also provide a summary of the service I provided, the date I provided the service (or the time frame when I worked on the project) and the total amount due that I received in ADA.

To further document the work effort, I provide a link to the proposal in Ideascaple on the invoice. Ideascaple provides the online platform where proposers submit their proposals and serves as a record of proposal documents. Finally, I reference that payment should be provided to the wallet address I had designated for the proposal. I create the invoice using stationery designed for Crypto Alley. An example invoice is provided in the appendix.

One of the revolutionary aspects of blockchain is that a sender can attach metadata about the payment to the value itself. This may not seem all that exciting, but having worked as a corporate banker for many years, I can attest to the huge sums of money that companies pay to develop systems and process that match the data in their accounting systems with the values in their bank accounts. Crypto Alley has received several payments related to proposals associated with the Catalyst Circle. A group called the Treasury Guild has formed to manage the disbursement of payments related to the Circle activities. I appreciate that the Guild includes a significant amount of metadata that accompanies each payment, which makes it particularly easy to track why funds are being received. The screenshot below provides an example transaction:

[www.cryptoalley.ch](http://www.cryptoalley.ch)



For the proposals where I am the lead proposer, I follow essentially the same process. However, I create a new wallet address at the time I drafted the proposal in Ideascale. I include the new wallet address in the Ideascale submission, and also track it on my wallet spreadsheet. For any proposals that aren't funded, I indicate that on the wallet tracking spreadsheet. This helps to explain any gaps in the invoice numbering system, so that it doesn't appear that I am not reporting funds.

The Company holds a balance in ADA. To earn a yield on those funds, Crypto Alley delegates them to a Stake Pool, and earns rewards of about 4% annually, paid out every Epoch (every five days). While the tax authority views staking rewards earned personally as something like interest income, initial indications suggest that the Company will need to treat staking rewards more as a fee for service. Fortunately, the Staking Rewards ultimately come from the exact same source as Catalyst Funds – the Cardano Blockchain Treasury (see the link above about the Treasury for additional details). I can therefore prepare a similar invoice to account for these earnings.

*Key issues I focused on during this phase of the process:*

- ▶ Creating a process to document all incoming funds flows
- ▶ Creating an invoice tracking system
- ▶ Creating a system to match invoices, wallet addresses, and business activities
- ▶ Understanding how local rules account for staking rewards earned by a company (rather than an individual)
- ▶ Ensuring that the accounting firm prepares official financial statements encompassing all business activities

## 7. PAYROLL AND INSURANCE

Once I had formed a legal entity, I needed to put myself on the payroll as an employee. I looked into doing all my work as the "owner" or as the "managing director" and not taking salary. However, after discussing the situation with my accountant, I learned that the Swiss regulations required me to work as an employee.

I found it very difficult to decide on a salary for myself. I would have preferred to take a more flexible approach, but the social benefit and insurance payments require the establishment of a set salary. I picked a fairly low number that I was reasonably confident I could achieve, based on the proposals in progress and in the pipeline. My accountant also reassured me that I could adjust things at the end of the year, if necessary.

In Switzerland, the government-run social benefits program is called AHV (*Alters- und Hinterlassenenversicherung*). Everyone in the country participates in this program, which provides support upon retirement, disability, or death. I first needed to register the company with AHV, which I could do online. I then used the online portal to submit myself as an employee and declare the salary the company would pay me for the year.

I receive an invoice each quarter, which the company pays directly to the AHV. However, a portion of that total charge is deducted from my own salary. The total amount paid to the AHV for each employee is about 12% of the salary. However, the employee pays half (roughly 6%) and the employer pays half (roughly 6%).

As mentioned above, my Swiss residence is tied to my Austrian citizenship and I have a "B" permit. With this type of Permit, the Canton of Zug (where Crypto Alley is registered) requires that local taxes are deducted directly from salary and paid by the employer to the Canton. In other situations, employees don't pay any tax in advance but wait for the final calculation. The process of the Company paying local taxes directly is called "Taxation at Source" or "*Quellensteuer*." This requirement necessitated another set of forms and registrations and another ongoing invoice for the Company to pay.

In addition to the AHV and "*Quellensteuer*", Crypto Alley also needed to establish insurances programs for accidents and sickness. My accountant referred me to Bütikofer & Partner AG, a broker, to assist with these policies. The broker's job is to work with a variety of different insurance companies and find the best and cheapest policies for the company. For Crypto Alley, Helsana provided the best offering. The broker helped to coordinate the receipt of the official contracts from Helsana, along with more invoices for Crypto Alley to pay. These charges are also split between the employee (me) and the company (Crypto Alley). In the event I would become sick, or have an accident, these policies would cover my costs and pay some portion of my salary (based on strict rules regarding the time away from work).

Finally, Crypto Alley must provide a pension, which will give additional benefits upon retirement. The Bütikofer broker arranged for the company to set up a pension plan with AXA Foundation for Occupational Benefits. Unlike the insurance policies, the pension is a fund, and the employee can view the balance attributed to him or her at any time. Additionally, since I had a balance in my pension fund as a result of my previous employment contract, I was able to move that balance into the newly established Crypto Alley pension.

The accounting firm can assist with the calculation of the payroll. For each employee (which, as of now, for Crypto Alley is only me), the accounting firm starts with the defined salary amount, deducts all the amounts for social benefits, insurance, and pension that the employee is responsible for, and calculates the net amount that is due to the employee. That net amount is then paid monthly.

There is some payroll tracking and reporting work required. Since only the net amount is paid to the employee, the company must be careful to keep track of the amounts that came out of the employee's salary, and which must be paid to the AHV, the insurance provider, and the pension fund. Those amounts do not belong to the company and must be sent to the appropriate providers on behalf of the employee.

Making these regular payments necessitates using fiat currency (Swiss Francs). My previous experience as a corporate banker taught me that it is difficult to work in multiple currencies, and impossible to time the system to take the maximum benefit of the exchange rate differences. I decided that Crypto Alley would hold some balance in ADA, in order to pay ADA-related expenses, generate staking rewards, and to have some voting power. However, I am selling ADA as soon as I receive the funding on my larger proposals, to ensure that I have the fiat I need to cover my expenses. In fact, because ADA is fungible, and due to the ADA balance Crypto Alley holds, I realized I could exchange my ADA on the morning of the funding day, using an approximate exchange rate (as I do for payments to co-proposers) thus eliminating the need to watch for the exact moment that funds are distributed.

Other types of business insurance exist, such as liability insurance, cybersecurity insurance, and business interruption insurance, to name a few. As Crypto Alley is a very early-stage company, and with the help of the Bütikofer broker, I determined that I did not need any additional insurance.

*Key issues I focused on during this phase of the process:*

- ▶ Determining the social benefit requirements for my jurisdiction
- ▶ Ensuring a tracking system to account for payroll withholdings
- ▶ Planning for fiat expenses
- ▶ Creating a system to sell ADA to minimize exchange rate risk
- ▶ Deciding whether the company needed any additional insurance

## 8. TAXES

The Company must consider several tax requirements in addition to the personal tax obligations for any employees, including myself. Personal tax considerations are out of scope for this document.

### 8.1. Income Tax

As already discussed in the Accounting section, Crypto Alley must keep good records of all incoming and outgoing funds. The accounting firm assists with turning these into financial statements. The financial statements serve as the basis for reporting the Company's income for the purposes of paying income tax. Income tax is calculated based on the profit a Company makes during a 12-month period, typically a calendar year. Roughly speaking, profit, or income, is calculated by subtracting all the Company's expenses during the 12-month period from the Company's revenue earned during that same 12-month period.

I had formed Crypto Alley in June 2020. Swiss regulations allowed me to skip preparing a financial statement and filing taxes for 2020, because the Company was newly formed and just beginning operations. As a result, the Company will submit its first tax report as of 31 December 2021, and it will encompass the period from formation to that date. Although the first report will cover about 18 months, all subsequent reports will use the typical 12-month period.

The accounting firm, Brag, is assisting me to prepare and file my taxes based on the cash inflows and outflows of the company's first 18 months of operations. Since the Company did not have any revenues during that period (the Company only began earning revenue in 2022) the Company reported a loss, rather than income/profit. I anticipate that I will not need to pay much for income taxes given the absence of income. Those calculations were being finalized as this document was completed.

*Key Issues I focused on during this phase of the process:*

- ▶ Understanding how and when the Company would first file income taxes
- ▶ Ensuring the proper financial documentation and professional assistance to correctly file income taxes

### 8.2. Value Added Tax (VAT)

Switzerland has a Value Added Tax (VAT) system, which requires Swiss companies to pay a tax on all revenues earned within Switzerland. Companies must register for and pay VAT once their revenues exceed CHF 100,000 annually. However, any company may decide to register and pay before reaching that threshold. Swiss regulations only permit companies which have already registered for VAT to invoice their Swiss clients for VAT.

Because it seems likely that Crypto Alley will reach the revenue threshold with 2022 (fingers crossed!!) I decided to register the company. Registration for 2022 can be done anytime within the calendar year (prior to 31 December 2022). It is important to note that the threshold applies to revenue, not to income. Even if Crypto Alley has CHF 100,000 in expenses in 2022 and reports an income of CHF 0, or even a loss, the requirement to pay VAT would still apply.

[www.cryptovalley.ch](http://www.cryptovalley.ch)

However, Switzerland allows companies to deduct the amount of VAT that the company pays to other suppliers and vendors. For example, if the accounting firm bills Crypto Alley for CHF 1000 worth of work, they will add 7.7% to that bill. Crypto Alley will therefore pay a total of CHF 1,077. If Crypto Alley earned CHF 2000 during the same period, Crypto Alley would be responsible to pay CHF 154 in VAT (2000 times 7.7% equals 154). The net VAT calculation for Crypto Alley is therefore only 77 (calculated by subtracting the 77 already paid as part of the accounting bill from the 154 owed based on the total revenues). Proper tracking of invoices and VAT is therefore very important.

Although the EU and other parts of the world also have VAT systems, these are separate from Switzerland. Only Swiss companies should add VAT to invoices provided to Crypto Alley. And when Crypto Alley invoices Swiss clients, Crypto Alley should add the VAT to that invoice. If Crypto Alley invoices other clients outside of Switzerland, the VAT should not be added.

This is a critical point regarding the revenues earned from Catalyst. As a result of the discussion in the Accounting section above, I determined that Catalyst funding does not come from a Swiss entity.

*Key issues I focused on during this phase of the process:*

- ▶ Determining the requirements for VAT registration
- ▶ Understanding which invoices should account for VAT
- ▶ Ensuring proper documentation of VAT for accounts payable and accounts receivable

## 9. CONCLUSION

The entrepreneurial journey is exciting and demanding. I am learning all the time, and enjoy the challenge of figuring out how to navigate the crazy space in between legacy regulations and the frontier of blockchain technologies. As mentioned repeatedly, I am not an expert in any of these areas and rely heavily on the advice and guidance of professionals.

Nothing provided in this document is intended as professional advice. Particularly given my own status as an entrepreneur, I can give no assurance that the information provided is accurate, although I have certainly done my best to share the facts of what I have learned. This document is simply the story of my own journey, related to the best of my abilities.

In addition, rules, regulations, practices, and processes are constantly changing, particularly in the fast-moving blockchain industry. If you think I got something wrong, or if there is something you don't understand, please don't hesitate to let me know.

**And for anyone reading this who is already on their own entrepreneurial adventure, or about to embark, I wish you all the very best and hope that you enjoy much success!**

## 10. HELPFUL LINKS

### **brag Buchhaltungs und Revisions AG:**

<https://www.brag.ch/>

### **Bütikofer & Partner AG:**

<http://www.buetikofer-ag.ch/>

### **Eternal Wallet:**

<https://eternl.io/>

### **Ideascale:**

<https://cardano.ideascale.com/>

### **Kraken:**

<https://www.kraken.com/>

### **LEXcellence:**

<https://excellence.swiss/>

### **Post Finance:**

<https://www.postfinance.ch/>

### **Catalyst Treasury Guild:**

[treasuryguild.io](https://treasuryguild.io)

### **Wise.com:**

<https://wise.com/>

## 11. APPENDIX

### 11.1. Invoice Example

Project Catalyst  
Cardano Blockchain  
Input Output Global, Inc.  
2015 Ionosphere Street, Unit 201  
Longmont, Colorado 80504  
USA

### INVOICE 0006D

Date: 13 June 2022

#### SUMMARY

SERVICE	DATE PROVIDED	AMOUNT DUE
"Roadmap to Creating a Legal Entity Project" – Payment 4	13 June 2022	XXXXXXXXXX ADA
<b>Total Due</b>		<b>XXXXXXXXXX ADA</b>

Further reference please see the Catalyst Fund7 funded proposal (Catalyst Accelerator & Mentors) "Roadmap to Creating a Legal Entity":

<https://cardano.ideascale.com/c/idea/382258>

#### Payment:

Kindly transfer to:  
addr1qyeXX

In case of questions about this invoice, please contact Allison Fromm at [allison@cryptoalley.ch](mailto:allison@cryptoalley.ch)

## 11.2. Wallet Tracking Spreadsheet

Invoice Number	Project	Amount Paid	Date	Wallet
0001	CCv2		14.Feb.22	addr1qye6s
0002	CA Rewards Fund7		21.Feb.22	addr1qye6s
0003a	PRISM DIDs for CA Onboarding - Test		23.May.22	addr1q8k3
0003b	PRISM DIDs for CA Onboarding - #1		31.May.22	addr1q8k3
0003c	PRISM DIDs for CA Onboarding - #2		13.Jun.22	addr1q8k3
0003d	PRISM DIDs for CA Onboarding - #3		11.Jul.22	addr1q8k3
0004	PRISM DIDs for CAs	NOT FUNDED	N/A	<a href="https://drive.google.com">https://drive.google.com</a>
0005a	Promote PRISM in CH - Test		23.May.22	addr1qxqd
0005b	Promote PRISM in CH - #1		31.May.22	addr1qxqd
0005c	Promote PRISM in CH - #2		13.Jun.22	addr1qxqd
0005d	Promote PRISM in CH - #3		11.Jul.22	addr1qxqd