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Information leaflet

Real estate property abroad

Unlimited tax liability

Resident individuals or temporary residents performing gainful activities in Switzerland are subject to unlimited tax liability in Switzerland for all their **worldwide income and assets**, if tax treaty provisions do not override this taxation right.

Exemption with progression clause

Most tax treaties allocate the taxation right for real estate to the country where the property is located. But the country where the tax payer is resident keeps the right to include the value and income of the property for the determination of the tax bracket which is applied to the other income and wealth.

As a result, the income (effective or notional rental income) and value of the property located abroad are not taxed in Switzerland, but **taken into account for the determination of the Swiss tax rate** (tax bracket) which is applied to your other taxable income and wealth.

Property for sale: If you can demonstrate (with selling ads in newspapers or on the internet, order to real estate broker, etc.) that the property is for sale and if you are not really using it, then no notional rental income will be taken into account for the determination of the Swiss tax rate (tax bracket).

Mortgages

The mortgage interest and the amount of the mortgage can be **partly** deducted from Swiss taxable income and wealth. 'Partly' means in **relation to the wealth** taxable in Switzerland and abroad.

The tax office does however also look at the income amount of your investments taxable in Switzerland (bank interest, dividends, rental income from Swiss properties). If this income is less than proportionate debt interest allocated to Switzerland, then the allowable debt interest deduction is reduced accordingly.

See example on next page.

If you have any questions, please do not hesitate to contact us

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International tax allocation (simplified example)					
ASSETS	Total wealth	taxable in Switzerland		taxable abroad	allocation
<u>assets</u>					
Banks/securities	180 000	180 000			CH
Car etc.	20 000	20 000			CH
Property abroad	800 000			800 000	abroad
Total Assets	1 000 000	200 000	20%	800 000	80% <i>proportion of assets CH/abroad</i>
<u>deductions</u>					
Private debts	0				
Mortgage	-400 000	-80 000		-320 000	<i>in relation to assets CH/abroad</i>
Tax free amount	-150 000	-30 000		-120 000	<i>in relation to assets CH/abroad</i>
Net taxable wealth	450 000	90 000		360 000	
INCOME	Total income	Switzerland		abroad	
<u>income</u>					
from employment	100 000	100 000			CH
on banks/securities	2 000	2 000			CH
on real estate abroad	16 000			16 000	abroad
<u>deductions</u>					
maintenance cost property	-1 600			-1 600	abroad
professional deductions	-4 800	-4 800			CH
other deductions	-6 000	-6 000			CH
<i>subtotal</i>	<i>105 600</i>	<i>91 200</i>	<i>86%</i>	<i>14 400</i>	<i>14%</i>
social deductions	-4 000	-3 455		-545	<i>in relation to 'subtotal'</i>
mortgage/debt interest	-8 000	-1 600 *)		-6 400	<i>in relation to assets CH/abroad</i>
Net taxable income	93 600	86 145		7 455	
RESULTS					
Net taxable wealth in Switzerland		90 000			
Net taxable wealth that determines tax bracket		450 000			
Net taxable income in Switzerland		86 145			
Net taxable income that determines tax bracket		93 600			
*) limited to investment income taxable in CH of		2 000			