An expat's guide to Swiss taxes

When do Swiss taxes apply? This guide explains the Swiss tax system, including Swiss tax rates, income tax calculations, how to file a Swiss tax return and applicable Swiss tax refunds for expats.

If you are a foreigner living and working in Switzerland, you will typically be liable to pay Swiss taxes. However, when filing your Swiss tax return, you may also be able to claim certain tax expenses and deductions as a foreigner.

The Swiss tax system is quite complex due to its federalist structure of the Switzerland. There are 26 cantons and around 2,250 municipalities that levy their own income taxes, wealth taxes, inheritances taxes, property gains taxes and other taxes.

Certain circumstances dictate who needs to pay Swiss taxes, and at which tax rate in Switzerland, which are outlined below. Despite a complex tax system in Switzerland, this guide aims to help you navigate the maze of Swiss taxes**.**

Who needs to pay Swiss taxes?

Resident individuals or temporary residents in Switzerland are subject to unlimited Swiss tax liability. The same applies to Swiss resident legal entities. This means that Swiss taxes apply to worldwide income and assets.

Limited tax liability applies to non-residents and companies having economic relations to Switzerland. In these cases, the Swiss tax is levied only on specific items of income that originate in Switzerland.

Residence is defined as the place where a person stays with the intention of reside permanently and which therefore provides the centre of his/her personal and business interests. A person will also be considered resident for tax purposes if they remain in the country for a protracted period, typically more than 90 days (30 days if working), even if they are not engaged in gainful activity.

Companies are considered resident when either their registered office or their actual administration is in Switzerland.

Automatic exchange of information

It is commonly agreed that cross-border tax evasion should be prevented with the help of the new global standard for the automatic exchange of information (AEOI). To date, approximately 100 countries, including Switzerland, have committed themselves to introducing this global standard. Domestic bank client confidentiality in Switzerland is not affected by the AEOI.

The legal foundations for introducing the AEOI entered into force on 1 January 2017. Since then, Switzerland has been collecting data which will be exchanged for the first time from 2018.

Which Swiss taxes are applicable?

Switzerland places taxes on income and wealth (direct taxes), as well as on goods and services (indirect taxes, through VAT in Switzerland). In addition, most cantons levy inheritance and gift taxes in Switzerland (although spouses and direct descendants are typically exempt), which is a tax on gains derived from the sale of immovable property, and certain other taxes and dues.

On an international scale, taxes in Switzerland are fairly moderate. Note, however, there are considerable differences between the various cantons and municipalities.

Types of tax in Switzerland

To understand the Swiss tax system, it is important to understand that there are different tax levels. Swiss taxes are levied by the Swiss confederation, the 26 cantons and the approx. 2,300 municipalities.

The delimitation of Swiss taxation powers is governed by the federal and cantonal constitutions. However, the cantons exercise all the rights of a sovereign state. They are authorised to levy any type of tax as long as the Federal Constitution does not reserve a certain right for the confederation.

There are only a few types of Swiss taxes for which the Swiss confederation claims exclusive taxation authority, including:

- Swiss VAT
- Stamp duties
- Withholding tax
- Customs duties
- Special consumption taxes

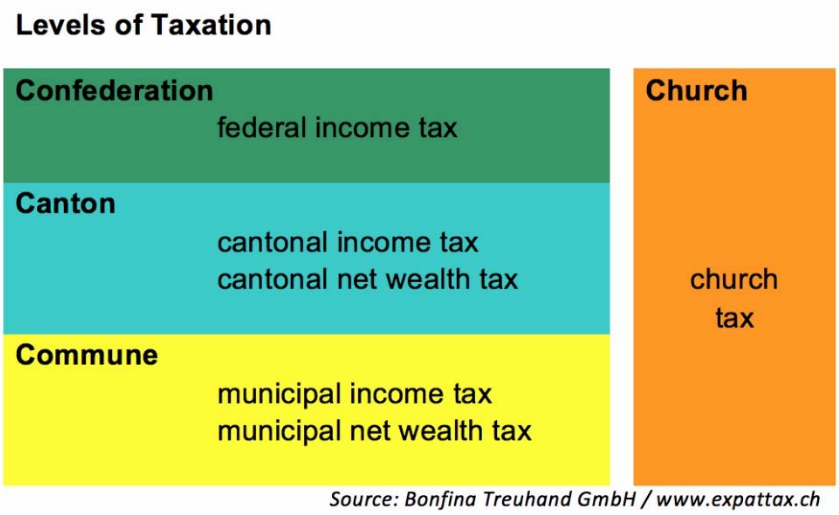
Consequently, the cantons are given a wide latitude in the creation of their own tax legislation. Municipalities are only empowered to levy taxes that are authorised by the constitution of their respective canton.

In addition, the parishes of the three national churches (Roman Catholic, Protestant or Christian Catholic) levy a church tax on their members in almost all cantons, and usually also on the legal entities liable for tax in the canton.

Thus the levels of Swiss tax authorities are:

1. Federal level – governed by the Federal Constitution
2. Cantonal level– governed by the canton
3. Municipal level– governed by the commune, i.e. the city/town you live in
4. Church – members of one of the three national churches (Roman and Christian Catholic, as well as Protestant) are taxed in almost all cantons.

The following table depicts the income and wealth taxes levied at each level, including Switzerland's church tax:



Swiss corporate taxes

Any company with a registered office or administration in Switzerland are liable for unlimited Swiss tax, while foreign companies abroad are liable for limited taxation if they hold real estate or a permanent establishment in Switzerland. An international comparison shows that Switzerland is a very attractive location for corporate taxpayers.

Swiss income taxes and wealth tax

Swiss residents as well as temporary residents performing gainful activities in Switzerland are subject to unlimited (worldwide) tax liability, with tax treaty provisions prevailing. Limited tax liability applies to non-resident individuals having specific economic link with Switzerland. In such cases, taxes are not levied on an international basis but only on specific items of income having their source in Switzerland (e.g. property, permanent establishments, etc.)

It is important to note that Swiss tax laws are based on the principle that income and wealth of a family represents an economic unit and is taxed together. Hence, only one tax return are submitted per household, where income and wealth of both spouses are added together and are combined filed. Children under that age of 18 that earn an income have to declare their income in their parent's tax return.

High-income earners tax assessment

Foreign employees residing in Switzerland whose gross salary exceeds CHF 120,000 per year (CHF 500,000 in Canton Geneva) are obliged to file a tax return for their worldwide income and assets. The tax withheld from salary is credited interest-free against the assessed tax.

Assets tax assessment

Foreign employees residing in Switzerland whose gross salary does not exceed CHF 120,000 per year (CHF 500,000 in Canton Geneva) but who have additional sources of income or additional assets (e.g. income from securities or real estate property) are also obliged to file a tax return. However, in most cantons this is only for the additional income or assets.

Foreign employees: Withheld income tax

Foreign employees (without a C permit) have the fiscal amount deducted directly from their salary each month by their Swiss employer. The rates are lower than the rates of the assessed income taxes because they apply to the gross income. All typical deductions and allowances are standardised and directly included in the tariffs. The tariffs are generally progressive (i.e. the more you earn, the higher the tax rate) and take into account whether you are married or single, living with children or subject to church tax.

The tax withheld at source does cover taxes of all tax levels – see the levels of taxation table.

Correction of withholding tax

If you are a foreign employee with tax deducted from your salary and if you are not required to file a tax return, you could eventually reduce your tax burden by submitting a claim for the correction of withholding tax. This may lead to a partial tax refund.

The correction claim can be submitted for the following items:

- Cost of international weekly residence
- Debt interest (consumer loans and credit cards)
- Further education and retraining costs
- Health and accident costs
- Costs associated with disability
- Support payments
- Alimony payments
- Contributions in recognised forms to own pension provisioning (3a pillar)
- Purchases of contribution years in a pension fund (2nd pillar)
- Childcare costs
- Donations

Such claims can be submitted in most of cantons. Usually, cantons provide a special form that needs to be completed and additional deductions must properly be documented. Some cantons require completion of a full tax return in order to have these deductions taken into account.

If a correction of withholding tax is applied for, the application has to be submitted by 31 March of the following year. In most cantons, this is a fixed deadline, which cannot be extended.

Filing a Swiss tax return as an expat

Swiss citizens, foreigners with a permanent residence permit C, or foreigners married to a Swiss citizen, don't have their taxes deducted from the salary, they need to file a tax return each year. Some cantons have incorporated additional criteria in their tax laws that require an ordinary tax assessment of foreign residents in Switzerland, e.g. if real estate is owned in Switzerland. An annual tax return is also due if you are working as a self-employed person or as an employee of a foreign employer.

In Switzerland, the tax year corresponds to the calendar year. Thus, the tax year-end is the 31st of December. In most cantons, a tax return has to be filed on the 31st of March, which is three months after the end of the tax period. The majority of cantons allow one deadline extension free of charge. A further deadline extension might be possible against a fee.

If the taxpayer fails to file his/her tax return on time, he/she may be subject to default taxation. In such a case, the tax authorities will assess the taxpayer on the basis of a reasonable estimate. This tax base would usually be substantially higher than the actual tax base and is likely to be more expensive for the taxpayer. No appeal is available if action is not taken within 20 or 30 days (depending on the canton) of the issue of this final assessment. Penalties for non-filing may also be issued.

Calculating your Swiss taxable income and wealth

Taxable income includes:

- Income from gainful employment and self-employment
- Compensatory income (such as annuities and pensions)
- Secondary income (such as seniority allowances and tips)
- Income from bank accounts/securities and real estate property
- Other income (e.g. prizes on lotteries and pools over CHF 1,000).

Expenses relating to the earning of income (e.g. professional expenses) are deductible from gross income. In addition, several general deductions (e.g. deductions for double income earners, for insurance premiums, for social security and pension plan contributions, for interest on private debt up to a certain amount, etc.) and social deductions (e.g. deduction for married couples, for single parent families, for children, for needy persons, etc.) are granted.

In general, total property is subject to wealth tax. Total property comprises all of the taxpayer's assets and rights that have a cash value. These assets and rights are usually assessed at market value.

Taxable property includes in particular real estate, capital assets, redeemable life and annuity insurances and business assets. The tax base for the wealth tax is net wealth, that is, gross wealth reduced by the sum of the taxpayer's documented debt, as well as personal allowances and social deductions, which vary from canton to canton.

How much Swiss tax do I have to pay?

The extent of your Swiss tax burden varies from canton to canton and from municipality to municipality. Therefore, the taxes that an expat has to pay depend on where they live or intend to live. The tax scales are generally progressive. There is a reduced tax scale for married couples living together and single parent families. Below you can see some examples of Swiss tax tables to get an idea of liable taxes depending on your situation.

Swiss taxes for married couple with two children

The table below shows the income tax burden of a **married couple with two children** for the principal town of each canton. On a gross annual (joint) income of CHF 200,000 for example, the lowest tax due is in Zug with 6.64 per cent and the highest in Neuchâtel with 19.07 per cent.

Canton	Principal	Gross income in CHF											
	Town	100 000		150 000		200 000		400 000		500 000		1 000 000	
		MARRIED COUPLE WITH 2 CHILDREN: TAX BURDEN 2016 (federal & cantonal & communal & church tax)											
		%	CHF	%	CHF	%	CHF	%	CHF	%	CHF	%	CHF
ZG	Zug	1.16%	1 159	3.48%	5 225	6.46%	12 924	16.06%	64 233	17.30%	86 487	19.79%	197 854
SZ	Schwyz	4.78%	4 779	8.69%	13 035	12.17%	24 339	19.27%	77 080	20.68%	103 421	24.96%	249 638
AI	Appenzell	5.31%	5 309	9.19%	13 790	12.34%	24 688	19.06%	76 260	20.25%	101 270	22.34%	223 360
OW	Sarnen	6.67%	6 672	9.74%	14 603	12.40%	24 799	18.17%	72 664	19.31%	96 569	21.62%	216 204
UR	Altdorf (UR	6.74%	6 742	9.57%	14 350	12.52%	25 032	18.71%	74 840	19.94%	99 716	22.42%	224 209
NW	Stans	5.29%	5 288	9.19%	13 785	12.57%	25 137	19.63%	78 519	20.71%	103 547	22.87%	228 743
ZH	Zürich	4.99%	4 988	9.19%	13 787	13.30%	26 592	23.40%	93 591	26.23%	131 160	32.23%	322 299
LU	Luzern	6.44%	6 437	10.34%	15 510	14.09%	28 172	22.44%	89 776	24.11%	120 549	27.46%	274 550
VS	Sion	4.04%	4 039	8.67%	12 998	14.11%	28 223	24.83%	99 328	26.95%	134 771	30.61%	306 067
AG	Aarau	5.74%	5 742	10.17%	15 252	14.20%	28 405	22.80%	91 189	24.76%	123 802	28.94%	289 370
GR	Chur	5.61%	5 613	10.07%	15 111	14.31%	28 616	22.92%	91 688	24.69%	123 473	28.41%	284 080
TG	Frauenfeld	5.85%	5 846	10.56%	15 844	14.31%	28 621	22.40%	89 597	24.23%	121 135	27.90%	278 983
GL	Glarus	6.87%	6 873	11.04%	16 559	14.56%	29 116	22.59%	90 364	24.45%	122 230	28.64%	286 427
TI	Bellinzona	4.39%	4 390	9.94%	14 905	14.99%	29 980	25.69%	102 775	28.07%	140 326	32.87%	328 693
GE	Genève	3.13%	3 134	9.62%	14 435	15.02%	30 050	25.46%	101 838	27.94%	139 704	33.78%	337 784
SH	Schaffhaus	6.89%	6 888	11.06%	16 588	15.58%	31 163	25.03%	100 108	26.96%	134 785	29.24%	292 429
AR	Herisau	7.70%	7 704	12.43%	18 638	16.19%	32 379	23.93%	95 719	25.36%	126 782	27.49%	274 929
FR	Fribourg	6.33%	6 332	11.98%	17 964	16.58%	33 161	26.88%	107 503	29.32%	146 582	31.85%	318 464
VD	Lausanne	9.17%	9 171	13.11%	19 662	16.85%	33 707	27.41%	109 632	30.24%	151 189	36.25%	362 459
SG	St. Gallen	6.62%	6 621	12.36%	18 539	17.04%	34 079	26.26%	105 029	28.11%	140 559	30.90%	308 970
BS	Basel	7.32%	7 323	13.23%	19 852	17.32%	34 635	25.21%	100 842	26.78%	133 910	31.70%	316 980
BL	Liestal	6.28%	6 275	12.53%	18 789	17.34%	34 688	27.54%	110 169	29.73%	148 667	34.51%	345 056
BE	Bern	8.63%	8 626	13.08%	19 624	17.38%	34 767	27.20%	108 785	29.53%	147 651	34.45%	344 456
SO	Solothurn	8.92%	8 915	13.70%	20 548	17.79%	35 583	26.86%	107 427	28.74%	143 703	31.84%	318 380
JU	Delémont	8.68%	8 675	13.94%	20 909	18.03%	36 066	27.68%	110 710	29.79%	148 949	34.19%	341 904
NE	Neuchâtel	9.25%	9 249	14.59%	21 878	19.07%	38 150	29.30%	117 183	30.88%	154 387	33.56%	335 605
(sorted by column: 200,000)							source: Swiss Federal Tax Administration FTA / compiled by the author						

Swiss taxes for a single person

The table below shows the income tax burden of a **single person** in the principal town of each canton. For a gross annual income of CHF 150,000 for example, the lowest tax is due in Zug with 12.43 per cent and the highest in Neuchâtel with 23.81 per cent.

Canton	Principal	Gross income in CHF											
	Town	100 000		150 000		200 000		400 000		500 000		1 000 000	
		SINGLE PERSON: Total income tax due 2016 (federal & cantonal & communal & church tax)											
ZG	Zug	7.59%	7 591	12.43%	18 648	14.72%	29 441	18.57%	74 270	19.34%	96 702	20.67%	206 721
OW	Sarnen	11.88%	11 883	14.24%	21 358	16.14%	32 272	20.10%	80 409	20.90%	104 493	22.28%	222 780
UR	Altdorf (UR	12.31%	12 315	14.71%	22 065	16.73%	33 464	20.89%	83 545	21.72%	108 599	23.17%	231 744
AI	Appenzell	11.82%	11 818	14.89%	22 333	17.01%	34 025	20.85%	83 414	21.60%	107 990	22.87%	228 734
SZ	Schwyz	11.85%	11 846	15.02%	22 533	17.33%	34 665	23.05%	92 198	24.31%	121 563	25.76%	257 567
NW	Stans	12.55%	12 553	15.43%	23 145	17.70%	35 405	21.44%	85 768	22.19%	110 964	23.48%	234 814
ZH	Zürich	12.88%	12 883	17.06%	25 586	20.68%	41 350	28.94%	115 773	30.83%	154 145	34.39%	343 936
GL	Glarus	13.98%	13 979	17.25%	25 872	20.06%	40 121	26.32%	105 284	27.92%	139 623	29.34%	293 390
LU	Luzern	14.42%	14 415	17.29%	25 939	19.77%	39 531	25.33%	101 319	26.45%	132 271	28.49%	284 924
TG	Frauenfeld	14.57%	14 570	17.95%	26 929	20.66%	41 330	26.19%	104 754	27.29%	136 473	29.30%	292 970
AG	Aarau	14.37%	14 372	18.10%	27 154	21.00%	42 001	26.95%	107 801	28.32%	141 593	30.85%	308 457
GR	Chur	14.58%	14 576	18.38%	27 571	21.20%	42 394	26.64%	106 558	27.79%	138 962	29.77%	297 676
AR	Herisau	15.26%	15 261	18.88%	28 319	21.56%	43 124	26.11%	104 449	26.85%	134 230	28.10%	281 029
TI	Bellinzona	14.98%	14 982	19.56%	29 333	22.84%	45 686	29.52%	118 061	31.17%	155 846	34.40%	343 975
SH	Schaffhaus	16.08%	16 082	20.06%	30 086	23.31%	46 612	27.94%	111 742	28.68%	143 421	29.97%	299 716
BS	Basel	17.39%	17 392	20.95%	31 425	23.46%	46 925	29.69%	118 775	31.13%	155 638	33.79%	337 874
VS	Sion	15.59%	15 590	21.32%	31 987	25.12%	50 249	30.40%	121 592	31.29%	156 465	32.64%	326 414
BE	Bern	17.35%	17 352	21.42%	32 131	24.72%	49 432	31.63%	126 508	33.13%	165 637	36.13%	361 271
FR	Fribourg	17.29%	17 287	21.55%	32 320	25.42%	50 842	30.48%	121 907	31.29%	156 456	32.70%	326 965
GE	Genève	16.94%	16 938	21.56%	32 343	24.82%	49 642	31.96%	127 837	33.68%	168 377	37.32%	373 202
SO	Solothurn	17.87%	17 867	21.85%	32 769	24.93%	49 860	30.44%	121 748	31.21%	156 059	32.54%	325 420
SG	St. Gallen	17.96%	17 961	22.11%	33 165	24.95%	49 899	29.68%	118 704	30.42%	152 125	31.71%	317 135
VD	Lausanne	17.90%	17 898	22.27%	33 409	25.92%	51 830	34.35%	137 403	35.35%	176 758	36.76%	367 577
BL	Liestal	17.52%	17 519	22.45%	33 668	25.84%	51 672	32.45%	129 807	33.91%	169 562	37.00%	369 973
JU	Delémont	18.01%	18 008	22.75%	34 125	25.92%	51 834	32.27%	129 088	33.56%	167 823	35.94%	359 430
NE	Neuchâtel	19.33%	19 334	23.81%	35 712	27.32%	54 639	32.13%	128 536	32.99%	164 925	34.48%	344 795
		%	CHF	%	CHF	%	CHF	%	CHF	%	CHF	%	CHF
(sorted by column: 150,000)							source: Swiss Federal Tax Administration FTA / compiled by the author						

Swiss wealth tax

The table below shows the wealth tax due in the principal town of each canton. For instance, the annual tax for a net wealth of CHF 500,000 in the canton of Zürich is around 0.11 percent. The maximum individual wealth taxes levied in all cantons varies between 0.14 per cent (Canton of Nidwalden) and almost 1 per cent (Canton of Geneva).

Canton	Principal Town	Net wealth in CHF 100 000		200 000		500 000		1 000 000		5 000 000		10 000 000	
		WEALTH TAX 2016 (cantonal & communal & church tax)											
		%	CHF	%	CHF	%	CHF	%	CHF	%	CHF	%	CHF
ZG	Zug	0.00%	0	0.00%	0	0.06%	322	0.16%	1 645	0.27%	13 565	0.28%	28 465
ZH	Zürich	0.00%	0	0.03%	53	0.11%	527	0.19%	1 935	0.50%	24 911	0.59%	59 261
NW	Stans	0.04%	41	0.09%	177	0.12%	587	0.13%	1 269	0.13%	6 729	0.14%	13 554
SZ	Schwyz	0.00%	0	0.00%	0	0.13%	635	0.19%	1 904	0.24%	12 056	0.25%	24 746
UR	Altdorf (UR	0.00%	0	0.00%	0	0.13%	667	0.18%	1 782	0.21%	10 706	0.22%	21 861
OW	Sarnen	0.08%	77	0.11%	230	0.14%	689	0.15%	1 454	0.15%	7 574	0.15%	15 224
AG	Aarau	0.00%	0	0.00%	0	0.17%	851	0.27%	2 733	0.43%	21 414	0.45%	44 934
TG	Frauenfeld	0.00%	0	0.00%	0	0.18%	921	0.25%	2 455	0.29%	14 731	0.30%	30 076
SO	Solothurn	0.00%	0	0.11%	210	0.19%	960	0.22%	2 160	0.24%	11 760	0.24%	23 760
AI	Appenzell	0.00%	0	0.13%	269	0.21%	1 074	0.24%	2 417	0.26%	13 157	0.27%	26 582
GR	Chur	0.00%	0	0.07%	135	0.22%	1 081	0.30%	2 987	0.33%	16 655	0.34%	33 740
LU	Luzern	0.00%	0	0.14%	278	0.22%	1 110	0.25%	2 498	0.27%	13 598	0.27%	27 473
GL	Glarus	0.00%	0	0.10%	191	0.27%	1 334	0.32%	3 239	0.37%	18 479	0.38%	37 529
SH	Schaffhaus	0.00%	0	0.11%	225	0.27%	1 350	0.45%	4 500	0.51%	25 358	0.51%	51 233
AR	Herisau	0.00%	0	0.10%	194	0.28%	1 395	0.35%	3 526	0.41%	20 576	0.42%	41 889
TI	Bellinzona	0.00%	0	0.00%	0	0.30%	1 482	0.42%	4 154	0.61%	30 323	0.64%	64 448
GE	Genève	0.00%	0	0.06%	117	0.30%	1 487	0.49%	4 859	0.87%	43 479	0.94%	93 879
JU	Delémont	0.00%	0	0.21%	416	0.31%	1 556	0.40%	4 022	0.55%	27 396	0.57%	56 990
BS	Basel	0.00%	0	0.11%	225	0.32%	1 575	0.48%	4 815	0.78%	39 160	0.79%	79 160
BE	Bern	0.00%	0	0.22%	435	0.32%	1 624	0.42%	4 205	0.58%	29 246	0.60%	59 690
SG	St. Gallen	0.00%	0	0.12%	242	0.34%	1 696	0.41%	4 118	0.47%	23 498	0.48%	47 723
BL	Liestal	0.00%	0	0.07%	136	0.36%	1 821	0.65%	6 456	0.78%	39 237	0.80%	79 687
VS	Sion	0.13%	128	0.28%	567	0.41%	2 065	0.50%	5 013	0.63%	31 611	0.64%	63 606
NE	Neuchâtel	0.05%	48	0.31%	618	0.52%	2 584	0.68%	6 840	0.68%	34 200	0.68%	68 400
VD	Lausanne	0.00%	0	0.32%	639	0.52%	2 616	0.65%	6 478	0.76%	38 141	0.78%	77 719
FR	Fribourg	0.00%	0	0.44%	881	0.52%	2 621	0.65%	6 451	0.67%	33 264	0.67%	66 528
	(sorted by column: 500,000)						source: Swiss Federal Tax Administration FTA / compiled by the author						

Swiss tax refunds for expats

Expatriates may assert certain additional tax deductions according to the Expatriate Ordinance by the Federal Department of Finances. The definition of an expat is however very tight.

The Expatriate Ordinance has been revised effective 1 January 2016. As from that date, qualifying as an expatriate requires temporary secondment of senior staff as well as specialists with particular professional qualifications from a foreign employer to Switzerland. Specialists or executives with a timely limited local contract do only qualify as an expatriate if their employment is a transfer within the group and the foreign employer guarantees a re-employment after the stay in Switzerland.

Examples of specific deductions are costs for housing in Switzerland, moving, travelling and school of minor children.

This special treatment ends as soon as the temporary assignment is changed into a timely unlimited contract or after 5 years of staying in Switzerland, whichever is earlier. In some cantons, lump-sum expatriate deduction, known as OEXPA deduction, are granted instead of the itemised deductions. This is usually equivalent to about CHF1,500 per month.

Expenditure-based taxation (lump-sum taxation) for expats not employed in Switzerland

For expats that are not pursuing an occupation, or more simply, who do not work or hold a job in Switzerland, an attractive taxation option could be expenditure-based taxation. Expenditure-based taxation, also referred to as lump-sum taxation, is a simplified assessment procedure for foreign nationals who are living in Switzerland but are not generate an taxable income.

The federal and most cantonal tax legislations provide an option to request to be taxed based on estimated living expenses rather than on actual income and net wealth. This lump-sum taxation is a special way of assessing income and wealth. However, regular tax rates are applied in calculating the tax amount. In order to improve tax equity and acceptance by the population, as from 2016 a minimum assessment basis of CHF 400,000 taxable income is now applicable for the federal taxes and the cantons must also at their discretion set at least the same minimum amount for the assessment basis.

In the case of spouses who wish to be taxed on an expenditure basis, both parties must fulfil all of the prerequisites for expenditure-based taxation.

The basic prerequisite for lump-sum taxation is that the person concerned does not pursue an occupation in Switzerland. This type of taxation is available to those who make Switzerland their tax home for the first time or return after having been outside the country for at least 10 years. Foreigners enjoy this right indefinitely, while it is limited to the first year of residence for repatriating Swiss citizens, who are returning from abroad.

The right to expenditure-based taxation expires as soon as the person gains the Swiss citizenship (i.e. Naturalisation) or takes up gainful employment in Switzerland. Less than 0.1 per cent of taxpayers in Switzerland are taxed on a lump-sum basis.

Miscellaneous taxes in Switzerland

In addition to individual and corporate income tax and tax on wealth or equity, you may be interested to know of the other taxes in Switzerland. The most important of these is the value-added tax (VAT), which is by far the lowest rate anywhere in Europe.

Swiss VAT or value-added tax

The value added tax (VAT; *Mehrwertsteuer / Taxe sur la valeur ajoutée / Tassa sul valore aggiunto*) is one of the Confederation's principal sources of funding. It is a general consumption tax levied at a rate of 8 percent on most commercial exchanges of goods and services. Certain exchanges, including those of foodstuff, drugs, books and newspapers, are subject to a reduced VAT of 2.5 percent.

Yet other exchanges, including those of medical, educational and cultural services, are tax-exempt, as are goods delivered and services provided abroad. A special rate of 3.8 percent applies to the hotel and lodging industry.

Although Switzerland is not an EU member state, its value-added tax system was structured in accordance with the sixth EU VAT directive as a non-cumulative, multi-stage tax that provides for deduction of input tax. It is designed as a tax owed by the supplier of goods or services and the tax is usually passed on to the customer as part of the price.

Liable for VAT purposes in Switzerland is basically any person or company that performs commercial activities within Switzerland and if the annual turnover exceeds the threshold of CHF 100,000.

This also applies for companies domiciled abroad having operational activities within Switzerland. Up to now only taxable turnover in Switzerland was included in this threshold. The federal parliament has however enacted a partial revision of the Swiss VAT law in autumn 2016, which does have a major impact on foreign companies with activities in Switzerland. Under the new regulation, which enters into force on 1 January 2018, companies who supply goods or services in Switzerland or are domiciled there will be exempt from the requirement to register for Swiss VAT only if their worldwide turnover amounts to less than CHF 100,000. If their worldwide turnover is higher than this threshold, then the foreign company needs to register for Swiss VAT and any Swiss turnover is subject to Swiss VAT.

Foreign companies that do only provide mere ‘services’ in Switzerland are still exempt from the registration requirement. The Swiss VAT law does however define ‘services’ in a very narrow range. Not qualified as a service, but as a supply of goods is any type work that is performed in relation to a specific good, even if the good is not altered by the work, but only installed, tested, calibrated, regulated, checked for its function, made available for use or exploitation, or has been treated in another way.

Federal withholding tax

Federal withholding tax (*Verrechnungssteuer / impôt anticipé / Imposta preventiva*) is levied at a rate of 35 percent on certain forms of income, most notably dividend payments, interest on bank loans and bonds, liquidation proceeds, lottery prizes above CHF 1,000 and payments by life insurances and private pension funds. The debtor of such payments is liable for the payment of the tax; they must pay the creditor only the net amount.

With respect to creditors resident in Switzerland, the withholding tax is only a means of securing the payment of the income or profit tax, from which the creditor may then deduct the amount already withheld or request its refund. The same applies to foreign creditors to the extent that a tax treaty provides for it. Other foreign creditors are not eligible for a refund; with respect to them, the withholding tax is a genuine tax.

Stamp duties

Stamp duties are a group of federal taxes levied on certain commercial transactions. The name is an anachronism and dates back to the time when such taxes were administered with physical stamps. Stamp duties include:

- Issue tax (*Emissionssteuer / Tassa di emissione*) – levied on the issue of certain securities such as shares and bonds. Exceptions are made, *inter alia*, for securities issued in the course of a commercial reorganisation, and the first CHF 1.0M of funds raised are in effect exempt from taxation. The tax amounts to 1 per cent of the funds raised and is payable by the issuer. The trade in shell companies (*Mantelhandel*) is also subject to the issue tax.
- Transfer tax (*Umsatzsteuer / Imposta sulla cifra d'affari*) – levied on the trade in certain securities by certain qualified traders (*Effektenhändler*; mostly stockbrokers and large holding companies). The tax amounts to 0.15 or 0.3 percent depending on whether Swiss or foreign securities are traded. Finally, an insurance premiums tax of 2.5 or 5 per cent is levied on certain insurance premiums.

Border duties and miscellaneous federal taxes

The Confederation is constitutionally empowered to levy tariffs, which were its principal sources of funding up until World War I, but are now more important as an instrument of trade policy. Additional federal taxes of lesser economic importance include taxes on the import or manufacture of spirits, beer, tobacco, automobiles and mineral oil, as well as on gambling establishments. Citizens exempt from military service are required to pay a tax in compensation until the age of 30.

Other cantonal taxes: Capital gains tax, inheritance and gift tax, profits tax

In addition to individual and corporate income tax and tax on wealth or equity, the cantons are free to introduce others.

Several cantons levy an inheritance tax (*Erbschaftssteuer / Imposta di successione*) and a gift tax (*Schenkungssteuer / Imposta di donazione*), although there is a trend towards abolishing those. In all cantons, the transfer of wealth by inheritance to the spouse is tax-free. In most cantons, the same applies for direct offspring and sometimes even for direct ancestors.

Moreover, the cantons are required by federal law to levy a tax on the profit from the sale of real estate (*Grundstückgewinnsteuer / impôt sur les gains immobiliers / Imposta sugli utili immobiliari*). Except for real estate, there is generally no capital gains tax on private capital such as stocks and bonds.

Most cantons also levy a tax on the value of the property sold (*Handänderungssteuer / impôt sur les mutations / Tassa di mutazione)* in order to discourage speculation with real estate. Furthermore, taxes are frequently levied on the ownership of dogs, motor vehicles, on the sale of tickets to public entertainments and on overnight stays in certain tourist destinations**.**

Disclaimer

Please note: The information contained within these articles is for guidance only. Items herein are general comments, do not constitute or convey advice per se and should not be relied upon without obtaining professional advice regarding your direct circumstances.

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Document last revised: July 2017