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Information leaflet

Lump-sum taxation

Summary

Expenditure-based taxation, also referred to as lump-sum taxation, is a simplified assessment procedure for foreign nationals who are domiciled in Switzerland but are not gainfully employed here. Less than 0.1% of taxpayers are taxed on a lump-sum basis in Switzerland.

In order to improve tax equity and acceptance by the population, the Federal Council has increased the assessment basis and made the conditions more stringent. The more stringent measures will apply from 2016 for the Confederation and the cantons.

An initiative is calling for lump-sum taxation to be abolished. A popular vote is expected in 2014.

Current expenditure-based taxation mechanism

Expenditure-based taxation is a special way of assessing income and wealth. The regular tax rates are applied in calculating the tax amount, however.

People who are taxed on an expenditure basis may not be gainfully employed in Switzerland. This form of taxation is available to those who make Switzerland their tax domicile for the first time or after at least ten years spent outside the country. Swiss citizens have the right in the year they move back to Switzerland.

The right to expenditure-based taxation expires when a person acquires Swiss citizenship or takes up gainful employment in Switzerland.

The tax is calculated on the basis of the total annual cost of living expended by the taxpayers in Switzerland and abroad for themselves and their dependents living in Switzerland. For the Confederation and most cantons at present, the expenses in question must amount to at least five times the rental value of the taxpayer's home or the rent paid. The law also provides for an additional minimum calculation, according to which the tax may not be lower than the tax on specified gross elements of income and wealth according to the regular tax rate in Switzerland. This income includes all income from Swiss sources as well as income for which the taxpayer claims relief from foreign taxation in accordance with a double taxation agreement concluded by Switzerland.

Reforms to increase acceptance

For tax equity reasons, citizens in various Cantons voted against expenditure-based taxation in recent popular votes, and the practice was abolished in these Cantons. Some other Cantons decided to maintain lump-sum taxation, but to applied stricter rules.

The Federal Council rejects the abolition of lump-sum taxation for economic reasons. However, it wants to improve acceptance of this form of taxation.

The following legislative amendments will come into force on 1 January 2014 (amendment of the Federal Act on the Harmonisation of Direct Taxation at Cantonal and Communal Levels; DTHA) and 1 January 2016 (amendment of the Federal Act on Direct Federal Taxation; DFTA):

- **The worldwide expenses should amount to at least seven times the housing costs.**
- **A minimum assessment basis of CHF 400,000 should now additionally apply for direct federal tax. The cantons must also set at their discretion a 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 existing legislation will continue to apply for a period of five years for persons who were taxed on an expenditure basis at the time of entry into force of the DFTA.**

Popular vote in 2014

The popular initiative entitled “Stop the tax privileges for millionaires (abolition of lump-sum taxation)” was submitted in October 2012. It is calling for lump-sum taxation to be abolished throughout Switzerland. A popular vote on this initiative is expected in 2014.

If you have any questions or need assistance,
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