



Information leaflet

New source-tax regulation effective as from 1 January 2021

Background

The revised tax at source legislation (Impôt à la source/Quellensteuer) entered into force **on 1 January 2021**. The aim of the revision is to ensure compliance with equal treatment rules stipulated in the EU/EFTA agreements on the free movement of persons by eliminating disparities in treatment between individuals subject to tax at source and those under ordinary taxation as well as harmonizing the practice and rules at Swiss level.

Tax filing obligation & options

Previously, employees were

- either obliged to submit a tax return (or an extension of the deadline) by **31 March of the following year** (the tax year following the due date of the benefit)
- or had the option of applying for a new assessment of the withholding tax (also known as a withholding tax correction) by a date set by the canton.

Now, a tax return can also be submitted on request and the **withholding tax correction** is partially replaced by the **recalculation of the withholding tax**, as described below.

Independently of the procedure, **31 March has now been set as the deadline for submission for all cantons.**

Subsequent ordinary assessment in case of **residence in Switzerland**

Previously, resident withholding taxpayers whose annual gross income exceeded CHF 120'000 (except for residents in Geneva, where the threshold was set at CHF 500'000) were required to file a tax return. This rule remains in place and Geneva will also assume the limit of CHF 120'000.

Following the new regulation, all other resident withholding taxpayers will in future also have the option of obtaining a subsequent ordinary assessment by submitting a corresponding **application by 31 March of the following year**. This enables **additional deductions that are not considered at all or only at a flat rate** in the withholding tax rate to be claimed.

The application must be submitted in writing to the competent tax authority, signed (if necessary, also by the spouse), indicating the tax year in question (a model form is included in Appendix I of circular 45).

It should be noted that Swiss residents can only submit such an application **once** and must then submit a tax return every year the end of the withholding tax liability (even after a divorce).

Subsequent ordinary assessment despite residence abroad

Non-resident taxpayers subject to **quasi-residence withholding tax** who tax more than **90 percent of their worldwide gross income** (which includes, among others, the income of the spouse and the rental value of foreign real estate) in Switzerland now have the option to apply for a subsequent ordinary assessment by **31 March of the following year**.

In contrast to resident withholding taxpayers, quasi-resident withholding taxpayers have an annual option to apply for subsequent ordinary assessment, i.e., the application must be submitted annually. In addition to the requirements mentioned above, the application must designate a **representative** in Switzerland.

Individuals whose situation is comparable to that of a **taxpayer resident in Switzerland** (hardship rule, e.g., if the personal situation in the country of residence is not taken into account) may now also apply for a subsequent ordinary assessment. Finally, an ordinary assessment must be made ex-post if the taxpayer has income that is subject to ordinary assessment, such as Swiss real estate income or income from independent (secondary) employment. The supplementary assessment procedure for income not subject to withholding tax is therefore no longer applicable and is replaced by the subsequent ordinary assessment.

Recalculation of withholding tax

Instead of applying for a subsequent ordinary assessment, any person liable to withholding tax, irrespective of their residence, may apply for a recalculation of the withholding tax by **31 March of the following year** in order to complain about **errors in the calculation of gross wages or the application of tariffs**.

The procedure is comparable to the previous application for the reassessment of withholding tax (withholding tax tariff correction), but **no additional deductions** can be claimed. Therefore, to claim additional deductions, the person liable for withholding tax must be resident or at least quasi-resident in Switzerland to be able to be assessed, either compulsorily or upon application in an orderly manner.

Non-residents should therefore carefully consider, particularly before making voluntary contributions to Pillar 2a or 3a from the 2021 tax year onwards, whether more than 90% of worldwide gross income will still be taxable in Switzerland after any foreign working days have been eliminated, as otherwise no application for subsequent ordinary assessment can be submitted and the voluntary contributions will remain unrecognized for tax purposes in Switzerland.

Further reading

- https://www.zh.ch/content/dam/zhweb/bilder-dokumente/themen/steuern-finanzen/steuern/quellensteuer/infobl%C3%A4tter/div_q_informationsblatt_qs_2021_EN.pdf
- <https://blogs.deloitte.ch/tax/2019/06/new-tax-at-source-legislation-federal-tax-administration-publishes-circular-letter-no-45.html>
- <https://www.newrealityblog.com/de/2020/07/07/new-withholding-tax-regulation-for-employment-income-as-of-2021/>
- <https://assets.kpmg/content/dam/kpmg/ch/pdf/new-tax-at-source-legislation-from-2021-individuals.pdf>
- <https://www.pwc.ch/en/insights/swiss-withholding-tax-reform-2021-what-employees-need-to-know.html>

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

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