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 International Taxation

## Swiss Taxation System

TIAG Conference Geneva, 5. Mai 2011

Member of  
 

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## Agenda

- Overview
- The Swiss Taxation System
- Tax Revenue / Tax comparison
- Questions

 International Taxation Member of  

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**Overview**

MEMBERSHIP  
**SUDAN PARTNER AG**  
REPRESENTATION

Member of   

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**Contents**

- History
- Constitution and law
- Principals of taxation
- Tax Revenue Services
- DBA

MEMBERSHIP  
**SUDAN PARTNER AG**  
REPRESENTATION

Member of   

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**History**

until 1848 only cantonal custom duties and taxes

1848 Custom duty only on federal level,  
income and wealth tax only on cantonal level

1918 stamp duty on shares and insurance policies

1941 federal income tax (war tax)

1945 VAT

MEMBERSHIP  
**SUDAN PARTNER AG**  
REPRESENTATION

Member of   

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## Tax Revenue Services 2

Tax	Federal	Cantonal	Municipal
Individual income taxes	X	X	X
Individual wealth taxes		X	X
Corporate income taxes	X	X	X
Corporate worth taxes		X	X
Value added tax	X		
Withholding tax on passive inc.	X		
Stamp duties	X		

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## Tax Revenue Services 3




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## Tax Revenue Services 4

Tax	Federal	Cantonal	Municipal
Casino tax	X	X	
Military exemption tax	X		
Tobacco tax	X		
Beer tax	X		
Sprits ax	X		
Oil tax	X		
Motor vehicle import tax	X		

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## Tax Revenue Services 5

Tax	Federal	Cantonal	Municipal
Custom duties	X		
Personal tax		X	X
Inheritance tax		X	X
Gift tax		X	X
Real estate capital gain tax		X	X
Real estate tax		X	X
Real estate transfer tax		X	X

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## Tax Revenue Services 6

Tax	Federal	Cantonal	Municipal
Lottery gain tax		X	X
Business tax			X
Motor vehicle tax		X	
Dog tax		X	X
Entertainment tax		X	X
Ticket tax		X	
Water company tax		X	

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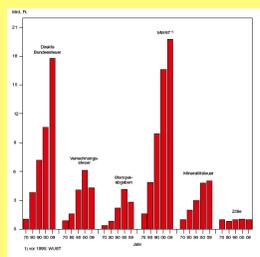
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## Most important Revenue




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# Double Taxation

## Cantonal

- Forbidden (Art. 127 Abs. 3 BV)
- Problems are handled by the federal court

## International

- Double treaty agreement (DBA) with 90 countries

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# DBA 1

Ägypten	Bulgarien	Frankreich
Albanien	Chile	Georgien
Algerien	China	Ghana
Argentinien	Costa Rica	Griechenland
Armenien	Dänemark	Grossbritannien
Aserbaidshjan	Deutschland	Hongkong
Australien	Ecuador	Indien
Bangladesch	Elfenbeinküste	Indonesien
Belarus	Estland	Iran
Belgien	Finnland	Irland

OECD Standard

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# DBA 2

Island	Kroatien	Mexiko
Israel	Kuwait	Moldau
Italien	Lettland	Mongolei
Jamaika	Liechtenstein	Montenegro
Japan	Litauen	Neuseeland
Kanada	Luxemburg	Niederlande
Kasachstan	Malaysia	Nordkorea
Katar	Malta	Norwegen
Kirgisistan	Marokko	Oman
Kolumbien	Mazedonien	Österreich

OECD Standard

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## DBA 3

Pakistan	Slowenien	Tunesien
Philippinen	<b>Spanien</b>	Ukraine
<b>Polen</b>	Sri Lanka	Ungarn
Portugal	Südafrika	Uruguay
<b>Rumänien</b>	<b>Südkorea</b>	<b>USA</b>
<b>Russland</b>	Tadschikistan	Usbekistan
<b>Schweden</b>	Thailand	Venezuela
Serbien	Trinidad und Tobago	<b>Ver. Arabische Emirate</b>
<b>Singapur</b>	Tschechische Republik	Vietnam
<b>Slowakei</b>	<b>Türkei</b>	Zimbabwe

OECD Standard

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## Important taxes

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## Content

- Individual taxes
- Corporate taxes
- Inheritance and gift taxes
- Federal withholding taxes on passive income
- Value added tax (VAT)
- Real estate, real estate gain and transfer taxes

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**Individual taxes**






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**Residence**

- Income tax on federal level
- Income and wealth tax on cantonal / municipal level
- Vital interests (home, family, business)
- Working in Switzerland for a period of 30 days
- Non-Working in Switzerland for a period of 90 days
- World-wide-taxation (exemption method with progression)






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**Non-Residence 1**

- Only certain Swiss sources
- Very often restricted by tax treaties

**Assessed Taxes**

- income from Swiss real estate
- income from business performed in Switzerland
- permanent establishments located in Switzerland






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## Non-Residence 2

### Withholding taxes

- employment income performed in Switzerland
- directors' fees
- interest secured by mortgage on Swiss real estate
- pensions and similar payments related to a former employment in Switzerland
- income from certain Swiss retirement funds, excluding the public old-age/survivor/disability insurance

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## Expatriates

### No tax

- Non resident company without permanent establishment
- Employment is during no longer than 183 days

### Wage tax at source

- Employees of Swiss companies
- Without C-Permit
- Income less CHF 120'000

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## Taxable income

- Gainful activities (employment / self employment)
- Movable and immovable property
- Retirement income
- Compensations
- Pooled and taxed together
- Capital gains on private movable property is tax free

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## Deductions

- Expenses related to taxable income
- Interest related to business property
- Interest related to private property
- Depreciation only in respect to business assets

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## Tax rates

- In general progressive
- Different for married and single
- Maximum federal income tax is 11.5 %
  - KCHF 100 is taxed with about 3% (married) / 4% (singles)
  - KCHF 200 is taxed with about 7.5% (married) / 8% (singles)
- Cantonal rates vary considerably
- Parish taxes are levied as well

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## Lump-sum taxation 1

- Only resident aliens
- No professional activity in Switzerland
- Based on living expenses in Switzerland

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## Income and wealth tax 2

Cantonal Tax ZH	CHF	7'692
Municipal tax Zürich	CHF	9'202
Parish tax Anglican (Evangelisch)	CHF	770
Federal Tax	CHF	3'520
<b>Total</b>	<b>CHF</b>	<b>21'184</b>
		14.13 %
Income tax	CHF	19'025
Wealth tax	CHF	2'159

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## Corporate tax

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## Resident companies

- Seat or effective management in Switzerland
- World-wide-taxation (exemption method with progression)
- Stock company (AG), Limited liability company (GmbH), Cooperative, Association, Foundation
- Profit tax on federal level
- Profit and net worth tax on cantonal / municipal level

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## Non-Resident companies

- Are partners of a business in Switzerland
- Have a permanent establishment in Switzerland
- Own Swiss real estate
- Have claims secured by mortgage on Swiss real estate
- Deal with Swiss real estate or act as a broker
- Taxed only in respect of the particular Swiss income

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## Taxable base / Tax rate

- Based on the profit of the financial statement
- Adjustment accord. to specific provisions in the tax law
- Federal corporate income tax rate is 8.5 % flat
- The cantonal tax rates vary considerably
- In general they are progressive
- All corporate taxes are deductible

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## Mixed Holding companies

- On federal, cantonal and municipal level
- Substantial participations (20 % / CHF 2 millions)
- Reduction of the tax
- Not as reduction of the taxable base

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## Pure Holding companies

- Only on cantonal and municipal level
- Substantial participations (20 % / CHF 2 millions)
- No active business in Switzerland
- Either least 2/3 of the assets are participations
- Or 2/3 of the income comes from participations
- Only net worth tax on cantonal and municipal level

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## Domiciliary companies

- Only administrative activities in Switzerland
- Special tax status in all cantons
- Federal tax is not reduced

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## Tax holidays

- Up to maximum 10 years
- Investments and creation of jobs
- Innovative strategy
- Focus on international markets
- Importance for the local/national economy

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## Tax calculation 4

Kt.	Ort	Kanton	Bund	Total
SO	Solothurn	59'457	26'682	86'139
ZH	Zürich	60'844	26'571	87'415
TI	Bellinzona	61'263	26'537	87'800
FR	Freiburg	64'956	26'248	91'204
JU	Delsberg	65'808	26'180	91'988
VD	Lausanne	68'147	26'002	94'148
NE	Neuenburg	70'700	25'797	96'497
BS	Basel	76'170	25'373	101'543

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## Inheritance and gift tax

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## Inheritance and gift taxes 1

- Only on cantonal and municipal level
- Movables assets are taxed in the canton of the decedent or donor
- Immovables assets are taxed in the canton of their location
- Taxpayer is the recipient
- Base is the fair value of the transferred assets

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## Inheritance and gift taxes 2

- No tax between husband and wife
- No tax between parents and children in 13 cantons
- 1 % - 6 % tax for children in the other 13 cantons
- 50 % - 60 % tax for all other persons
- Tax treaties for inheritance but not for gift with (USA, Austria, Denmark, Finland, France, Germany, Netherlands, Norway, Sweden and UK )

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## Inheritance and gift taxes 3

Kanton	20'000	50'000	100'000	500'000
Schwyz	0	0	0	0
Graubünden	0	0	0	0
Zug	2'000	5'100	10'800	70'900
Nidwalden	0	4'500	12'000	72'000
Appenzell Innerrhoden	3'000	9'000	19'000	99'000
Zürich	2'400	7'200	16'800	140'400
Basel-Landschaft	3'429	12'600	31'467	202'909
Neuchâtel	9'000	22'500	45'000	225'000
Genève	9'576	24'696	49'896	268'296

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## Federal Withholding tax on passive income

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## Federal withholding tax

- Source tax on income of movable assets
- 35 % on interests, bonds, dividends and lottery prizes
- 8 % or 15 % on certain insurance payments
- No withholding tax on private and intercompany loans and royalties
- Refund to Swiss resident after declaration of the income
- Refund to non-resident according to the DBA

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## Value Added tax - VAT

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## VAT 1

- In line with the 6<sup>th</sup> Directive of the European Union
- Taxable persons
  - Turnover exceeds CHF 100'000
  - Import of services for more than CHF 10'000
- Taxable transactions
  - supply of goods and services in Switzerland
  - self supply in Switzerland
  - import of services and goods

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## VAT 2

### Turnover is not taxed under VAT law

- ➔ Pure tax exemption
- ➔ Paid VAT is deductible
  - Export
  - Transport to foreign countries
  - Services to clients in foreign countries

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## VAT 3

### Non taxable turnover

- ➔ Limited tax exemption
- ➔ Paid VAT is not deductible
  - Health system
  - Education and childhood
  - Cultural events
  - Turnover from insurance companies and banks

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## VAT 4

- Rates
  - 8.0 % = normal rate
  - 3,8 % = Hotels
  - 2,5 % = Food and beverage (except alcohol)  
animals, living plants, flowers, cereal, spoils,  
fertilizer, medicines, newspapers, journals, books,  
radio and TV services)

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# Stamp duties

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# Stamp duty

- Tax on new securities (Emissionsabgabe)
- Tax on traded securities (Umsatzabgabe)
- Tax on insurance premium

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# Emissionsabgabe

- Tax on new securities of Swiss companies
- Shares: 1 % (the 1<sup>st</sup> million is free)
- Bonds: 1,2 ‰ per year
- Special bank bonds: 0,6 ‰ per year
- **No duty** on mergers, changing type of business entity, moving a company to Switzerland

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## Umsatzabgabe

- Tax on trading securities of Swiss and foreign companies
- Taxpayers are Banks, investment consultants, trustees, holdings, trusts, foundations
- 1,5 ‰ on Swiss securities
- 3,0 ‰ on foreign securities
- Tax exemption under certain conditions

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## Tax on insurance premium

- Tax on premiums of policy for liability insurance, insurance for assets, life insurance
- Taxpayer are normally the insurance companies
- 5,0 % of the insurance premium of the policy
- 2,5 % of the premium of life insurance policy

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## Real estate tax

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## Real estate tax

- Real estate tax on land and houses in 12 cantons
- Based on the market value less 20 % - 50 %
- Tax rate 0.3 ‰ - 4,0 ‰

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## Real estate gain tax

- In all cantons for individual persons
- In the canons of ZH, BE, LU, UR, OW, NW, GL, ZG, BS, BL, AR, AI, AG, TI, NE, JU also for companies
- In the other cantons the gain is taxed with the normal profit of the company

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## Real estate transfer tax

- In all cantons except ZH and SZ for individual persons and companies
- Based on the market value of the transferred property
- Tax rate 1 % - 3 %, proportional

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## Tax revenue / Tax comparison

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## Tax Revenue 2009



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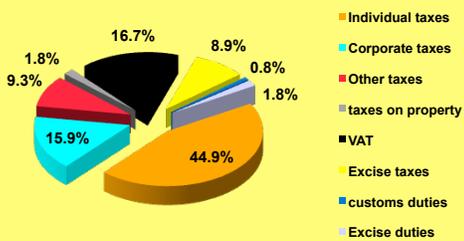
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## Revenue on federal level '09



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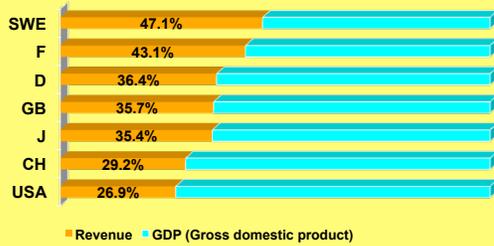
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## Revenue in % of GDP



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## Questions ?

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## Links

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### Swiss Tax Revenue Service

Eidgenössische Steuerverwaltung

Homepage

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Thank you  
for your attention

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