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**TAGLaw**  
Taxation Based on Living Expenses  
"Lump-Sum Taxation" in Switzerland

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**Overview taxes in Switzerland**

Switzerland levies taxes on three levels:

- Federal level: wealth and income tax
- Cantonal level: wealth and income tax
- Municipal level: wealth and income tax
- [Church tax: on income tax]

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**Taxes for an employed, married with 2 kids**

- **Income of CHF 150'000**
- Federal tax: CHF 2'804
- Cantonal/municipal taxes:
  - lowest: Zug CHF 6'686
  - highest: Neuchâtel CHF 21'922

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What is taxation based on living expenses?

Switzerland offers foreign individuals the possibility of taking residence in the country and of paying tax essentially based on their living expenses rather than their actual income („lump-sum taxation“).

- The lump-sum taxation replaces the ordinary Swiss income tax.
- New residents pay taxes on only a fractional amount of their worldwide income.
- The individual has the right to choose.
- The lump-sum taxation applies at the federal level and all cantonal levels (except Zurich) on the same principles.

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Personal requirements

- Individual person (no entities)
- Residence in Switzerland for the first time or after an absence of at least 10 years
- No gainful employment or self-employment in Switzerland (= no income in Switzerland)
- Residence permit
- Independent of the level of income

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6
Beginning and during of the lump-sum taxation?

- Beginning of taxation by take up residence in Switzerland.
- The lump-sum taxation takes place as long as the individual fulfills the personal requirements.
- The right to elect lump-sum taxation expires if one of the personal requires ceases to exist (e.g. the individual receives an income in Switzerland or obtains Swiss citizenship).
- Special case: Married couples!

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## How is the tax calculated?

- **Basis of calculation:** Annual living expenses
- **Definition of living expenses:** minimum of five times the annual rent or annual rental value
- **Taxation at ordinary tax rates**
- **Control calculation:** The income tax must be at least as high as the taxes calculated on certain income elements (income of Swiss real estate, IP exploited in, cash investments in Switzerland etc.; art. 14 para. 3 DBG)

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Thank you for your  
interest!

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