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## Swiss Taxation System

TIAG Conference Geneva, 5. Mai 2011

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## Agenda

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

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# Overview



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# Contents

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



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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



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## Constitution and law

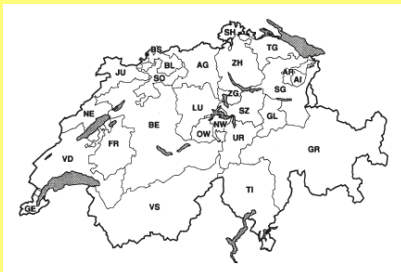
- Constitution (Bundesverfassung BV Art. 3)
- All federal taxes are mentioned finally
- Cantons are free to levy taxes except it is forbidden by the constitution
- Municipals may only levy taxes when they are authorized by cantonal law

**Changes have been sanctioned by a peoples vote**

## Principals of taxation

- Equal rights
- Economic freedom
- Guarantee of property
- No double taxation on cantonal level
- No illegal tax privilege

## Tax Revenue Services 1



## 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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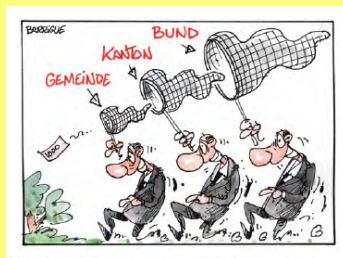
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## Tax Revenue Services 3




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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		
Spirits 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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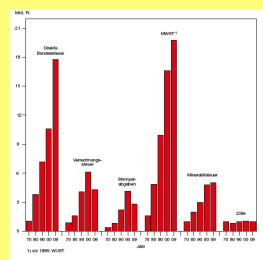
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## Most important Revenue



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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
Aserbaidshan	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

## Important taxes

## 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

## 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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## Lump-sum taxation 2

	Tax Rate	Amount in CHF
pension/insurance from home country		150'000
dividend and interest (foreign sourced)		800'000
Swiss real estate income (deemed income)		50'000
<b>Total income per year</b>		<b>1'000'000</b>
House in Switzerland		3'000'000
dividend and interest (foreign sourced)		17'000'000
<b>Total wealth</b>		<b>20'000'000</b>
Ordinary Swiss income taxes per year	40.00%	400'000
Ordinary Swiss net wealth taxes per year	0.75%	150'000
<b>Total ordinary Swiss taxes per year</b>		<b>550'000</b>
Taxable income based on expenses		300'000
<b>Lump-sum Swiss taxes</b>	<b>33.33%</b>	<b>100'000</b>

## Income tax calculation 1

Status	employee
AHV (federal pension)	5.15 %
ALV (unemployment)	1.10 %
BVG (company pension)	5.00 %
Insurance	cantonal maximum
deductions	cantonal maximum
Social deduction	cantonal maximum

## Income tax calculation 2

### Singles without children

	30'000	50'000	100'000	200'000	500'000
Zug / ZG	793	2'318	7'772	19'835	52'427
Schwyz / SZ	1'293	3'010	8'978	21'851	58'537
Sarnen / OW	1'875	3'887	9'934	22'125	58'790
Zürich / ZH	1'344	3'474	11'637	32'702	111'889
Genf / GE	1'026	4'807	15'678	40'326	124'538
Neuenburg / NE	1'943	6'019	18'639	47'416	123'053
Federal	72	251	2'067	10'711	46'325

## Income tax calculation 3

### Married without children

	30'000	50'000	100'000	200'000	500'000
Zug / ZG	181	1'069	4'828	15'843	51'171
Schwyz / SZ	649	2'153	6'718	19'214	57'731
Appenzell / AI	696	2'172	7'647	22'174	65'979
Zürich / ZH	653	2'245	8'503	26'303	100'376
Genf / GE	25	763	10'080	33'886	117'455
Neuenburg / NE	561	2'741	13'489	39'234	122'385
Federal	0	100	1'215	9'295	44'376

## Income tax calculation 4

### Singles with 2 children

	30'000	50'000	100'000	200'000	500'000
Zug / ZG	0	0	2'485	12'300	48'006
Bellinzona / TI	40	40	3'914	24'794	101'724
Schwyz / SZ	3	772	4'739	16'947	55'609
Genf / GE	25	25	5'948	29'497	112'473
Zürich / ZH	48	936	6'088	22'880	95'891
Neuenburg / NE	7	1'034	10'054	35'269	118'793
Federal	0	0	709	7'522	42'596

## Wealth tax 1

- No Wealth tax on federal level
- All Cantons and municipal levy wealth taxes
- Most of them with a progressive rate
- Property and beneficial property is taxed to market value

## Wealth tax 2

- Movable property (shares, bonds, bank accounts, cars, paintings, jewelry ...)
- Immovable properties (land, houses ...)
- Insurance policies
- Self-employment assets
- Deductions for debits
- Tax-free amount (normally CHF 100'000)

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## Wealth tax 3

### Married without children

	100'000	250'000	500'000	1'000'000	5'000'000
Zug / ZG	0	38	340	1'737	13'817
Zürich / ZH	0	124	577	2'061	25'760
Stans / NW	40	242	578	1'251	6'631
Genf / GE	0	508	1'832	5'274	44'060
Freiburg / FR	0	1'282	2'762	6'708	34'528

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## Income and wealth tax 1

Status married, without children  
 Home Zürich / ZH  
 Income CHF 150'000  
 Wealth CHF 1'000'000

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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 1

Company Stock company / AG  
 Profit CHF 400'000  
 Equity CHF 2'000'000

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## Tax calculation 2

Kt.	Ort	Kanton	Bund	Total
AR	Herisau	22'286	29'589	51'875
OW	Sarnen	24'751	29'397	54'148
AI	Appenzell	27'472	29'189	56'661
ZG	Zug	32'094	28'824	60'918
NW	Stans	32'485	28'792	61'277
UR	Altdorf	34'801	28'611	63'412
TG	Frauenfeld	39'103	28'273	67'376
SH	Schaffhausen	39'123	28'271	67'394
SG	St. Gallen	40'407	28'169	68'576

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## Tax calculation 3

Kt.	Ort	Kanton	Bund	Total
GL	Glarus	42'719	27'990	70'709
GE	Genf	42'999	27'864	70'863
AG	Aarau	44'700	27'835	72'535
SZ	Schwyz	49'077	27'489	76'566
LU	Luzern	51'912	27'268	79'180
VS	Sitten	56'489	26'911	83'400
GR	Chur	56'587	26'903	83'489
BL	Liestal	58'240	26'775	85'015
BE	Bern	59'298	26'682	85'979

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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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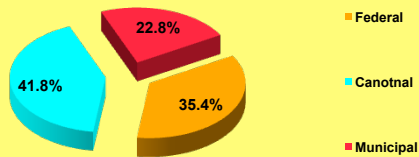
## Tax revenue / Tax comparison

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## Tax Revenue 2009

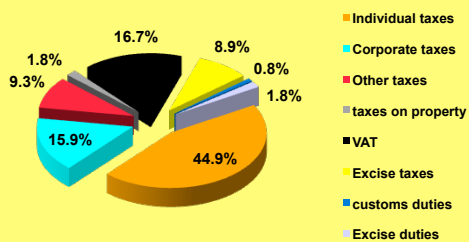


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## Revenue on federal level '09

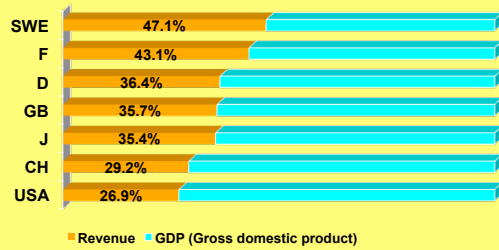


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## Revenue in % of GDP



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## Questions ?

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## Links

### Sudan Partner AG

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Email [info@sudan.ch](mailto:info@sudan.ch)

Homepage [www.sudan.ch](http://www.sudan.ch)

### Swiss Tax Revenue Service

Eidgenössische Steuerverwaltung

Homepage [www.estv.admin.ch](http://www.estv.admin.ch)

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Thank you  
for your attention

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EXPORTS  
IMPORTS

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