

GHR FactSheet

Swiss lump-sum taxation for individuals

Non-Swiss nationals moving to Switzerland are in general subject to the same income and wealth taxes as Swiss residents. In view of the very low tax rates in some Swiss cantons, ordinary taxation is already attractive. This being said, foreign nationals who move to Switzerland may under certain conditions pay in lieu of ordinary income and wealth taxes a lump-sum tax based on their living expenses. This so-called expense-based or lump-sum taxation may provide significant tax savings.

Requirements and procedure

The lump-sum taxation is only available to non-Swiss nationals who immigrate to Switzerland for the first time or after an absence of at least ten years and are not carrying out any gainful, professional or commercial activity in Switzerland. Gainful activities carried out outside Switzerland are not harmful to the Swiss lump-sum scheme.

The lump-sum taxation provides for a simplified tax assessment procedure. The tax is calculated on the basis of the total annual costs of living expenses of the taxpayer and its dependents. The lump-sum taxation may be applied for the federal tax as well for the cantonal taxes, except in Zurich, Schaffhausen, Appenzell Ausserrhoden, Basel Stadt and Basel Land. Prior to immigrate to Switzerland, it is strongly recommended to analyze the individual tax situation and eventually request a formal tax ruling with the competent tax authorities. In the tax ruling the amount of living expenses relevant for the lumps sum taxation will be determined. Such tax ruling remain in general valid until relevant changes in the personal or financial situation of the taxpayers happen.

Determination of tax bases

Income taxes under the lump-sum taxation are based on an income, which is determined primarily by reference to the individual's or family's living expenses. The individual tax basis is subject to the normal federal, cantonal and communal tax rates applicable. Since January 1, 2016 the income tax basis is calculated:

- on seven times the rental value of the taxpayers Swiss property, in which the taxpayer has his principal residence; or the equivalent of tree times the annual housing costs, if the taxpayer resides in a rented apartment/house;
- at a federal level a minimum income tax basis of CHF 400'000 applies;
- at a cantonal level the minimum income and wealth tax basis is at the own discretion of the relevant Canton.

For taxpayers subject to the lump-sum regime since 2015 or earlier on, the new rules become applicable as from January 1, 2021.

The total tax liability shall be in minimum the same as the tax on assets in Switzerland and on income from Swiss sources as well as on income for which a partial or total reduction of foreign taxes is requested under one of the double tax treaties agreed by Switzerland. In addition, the double tax treaties with Germany, Austria, Belgium, Italy, Norway, and the United States are only applicable to a lump-sum taxed individual residing in Switzerland, if all income of that relevant state ordinary taxed in Switzerland (so-called *Modified Lump Sum Taxation*).

Social security contributions

Social Security Contributions Old-age and survivors' insurance (AHV), invalidity insurance (IV) and income compensation insurance (EO) are compulsory insurances for all individuals living or working in Switzerland. Particularly, also non-working persons must pay social contributions following the year after their 20th birthday until they reach the ordinary retirement age, currently 65 years for men and 64 years for women. This applies as well to lump-sum individuals. In most cantons the contributions are calculated based on the tax assessment of the cantonal tax authorities. The maximum contribution amounts to CHF 23'900 per year per person concerned or up to CHF 47'800 for couple. In case of an employment abroad (in particular within the EU) an exemption of this obligation may be granted.

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