

SWITZERLAND

As per 1 January 2020

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EXPATRIATE AND EMPLOYER TAX COMPLIANCE AND ADVISORY

Personal Income Tax Rates – Employment Income	Progressive personal income tax rates from 0% – 45% (tax rates are different for each Swiss cantons. Three levels of taxation, federal, cantonal and communal. Ultimately tax rate will depend on exact city of residency.
Tax Rate	
Tax period	Calendar year.
Tax residency / Domicile according to domestic law	Persons are deemed to be domiciled in Switzerland for tax purposes in the following situations: <ul style="list-style-type: none"> • residing in Switzerland with the intention of staying permanently in Switzerland; • being present in Switzerland for a continuous period of 30 days carrying a professional activity or for a continuous period of 90 days without any professional activity.
Tax registration	Not required (automatic further to the registration with the Population office of the Municipality in case of foreigners taking residence in Switzerland).
Employment income definition	Any income received from the employer by the employee, that it be governed by private law or public law, including various kind of incomes, such as allowances for special benefits, commissions, allowances, bonuses for length of service, gratuities, tips, percentages of profits, benefits deriving from contributions by the employer and other benefits in cash. Income deriving from employee participation plan also fall under the above definition. Timing and scope of taxation may vary depending on the type of plan considered.
Examples of tax exemption	Reimbursements of properly documented business expenses (trip, lunch, hotel expenses related to business etc.) are not taxable (and in principle not subject to social security contributions). Fees for training and development for business purposes paid by the employer, fees from professional reconversion including, are not considered as taxable benefits, under certain conditions provided in the dedicated ordinance. Lump-sum representation expenses: under certain conditions the cantons may agree that a part of the employee's salary be free of tax (and social security).
Specific expatriate concession	Expatriates may benefit from additional professional deductions than the other workers to the extent that they qualify as Expatriate under the Swiss regulation definition. Condition to qualify as expatriate are : <ul style="list-style-type: none"> • Being an executive, having a management position or having special professional qualification / competence; • Being assigned by a foreign employer for a limited period of time to Switzerland (max. 5 years) • Keep a home at disposal (not rented) in the expatriate's home country (only considered at the federal level) If the above conditions are fulfilled, Swiss law grants a lump-sum deduction of CHF 1'500.-/month (CHF 18'000.- overall) as as housing allowance. Effective expenses may be deductible instead if proven. Also, moving allowance can be granted free of tax for expatriate, should the related amount be proven. Other expenses for instance such as mobility premium, travel expenses, schooling can be considered. It is recommended in any case to request for a tax ruling to the cantonal tax administration concerned to secure the tax treatment of the expatriate deduction/allowances.
Income of board members	Board member fees are considered as a taxable income and are also subject to social security contributions.

Tax returns

Swiss foreign workers (other than Swiss national and C-permit holder) are subject to Swiss tax-at-source which is levied by the employer on the employee' salary and paid to the Swiss cantonal tax administration.

Nonetheless, foreign employees who are Swiss tax residents or quasi-residents may have to or may request to complete the annual income and wealth tax return should they earn more than CHF 120'000 on an annual basis (except Geneva canton which considers the threshold of CHF 500'000). Specific criterias apply depending on the canton of domicile of the foreign employee and should be considered carefully.

A new federal tax-at-source law, in particular extending the possibility to submit a tax return for foreign Swiss resident, will enter into force as at January 1st, 2021. The Swiss cantons should adapt their cantonal legislation accordingly.

Tax payments

For persons subject to tax-at-source, the amount of tax-at-source is levied directly by the employer from the employee's income when the related payment is made.

For persons not subject to tax-at-source, taxes are payable monthly with tax installments that are fixed yearly based on the figures of the last tax return, or at the latest with the final tax assessment issued by the tax administration.

Tax on real estate property**TAX TREATIES****Employment income / income from board members**

Art. 15/16 Model OECD Tax treaties

INTERNATIONAL SOCIAL SECURITY**Cross border employments**

EU Regulation No 883/2004 and EU regulation No. 1408 / 71 (applicable to Switzerland) and several bilateral social security treaties amongst which with USA or China.

Exception under Art 16 of Reg. 883/2004

Generally applicable.

and Art 17 of Reg. 1408/71**Social Security Cost as % from gross salary and absolute amounts**

The Swiss social security system is composed of 3 layers of coverage (so-called Pillars), providing a wide range of benefits from old-age / retirement, disability, work-related accident, sickness, maternity, unemployment excluding health-care.

The total contribution to the first pillar (minimum coverage) amounts to 10.55% divided equally between the employer and the employee (5.275% each) as from January 1st, 2020.

The total contribution to the second pillar (Pension fund) varies on a case by case basis as it depends on the regulations of the pension fund of the company and the plan(s) set-up.

Nonetheless, the minimum contribution usually amounts to 10% and is also divided equally between the employer and the employee (5% each). The amount of contribution increases with the Age of the employee.

The contribution to the third pillar (individual provident measures) are made on a voluntary basis and are not subject to any specific rate. However, maximum deductible amount is CHF 6'826 (2020).

IMMIGRATION

Work permit

As Switzerland is not part of the EU, every foreign (who is not Swiss national) worker needs to possess a Swiss working permit, visa or residency permit to work in Switzerland (no differentiation between these three types of documents).

There is different types of permit with different lengths (situation needs to be analyzed on a case by case basis) and may provide for different benefit : working authorization, with or without residency permit, duration.

Under current regulation, it is easier to obtain Swiss work permit, visa or residency permit for EU nationals than non-EU nationals. Indeed, to limit "mass" immigration, only a specific number of permits are available each year for non-EU nationals. Additionally, procedures for non-EU nationals are longer and require more documents.

For short stay, an online declaration procedure is available. Such procedure is limited to 90-days per calendar year and by employer / company.

Visa

See above.

Residency permits / registration certificate

See above.

Driving license

Foreign driving licences are generally recognised. However, foreign persons should apply for a Swiss driving licence in the following situations:

- foreign drivers who have lived in Switzerland for more than 12 months and without interruption of more than three consecutive months;
- professional drivers of Swiss-registered motorised vehicles that require a category C or D driving licence, a sub-category C1 or D1 licence, or authorisation as defined by Art. 25 of the Ordinance on the Licensing of Persons for Road Traffic Purposes.

STOCK OPTION PLAN

Income deriving from employee participation plan also fall under the above definition of employment income. Timing and scope of taxation may vary depending on the type of plan considered.

ARTICLE 15 OF THE OECD MODEL**183 days**

The days of physical presence will be accounted per calendar year, tax year or 12 month period (depends on tax treaty).

Notion of employer

The Federal tax administration has not issued a formal and unified recommendation as to whether legal or effective employer should prevail. Thus it has to be reviewed on a case-by-case basis and always confirmed with the competent Cantonal tax authority. Criteria for effective employer are generally as follows :

- What is the relation between employee's activity and Swiss company's activity
- Who bears the risk and responsibility of the employee's work;
- Who gives orders / instructions to the employee;
- Is the employee part of the Swiss structure (space, infrastructure, intergration, etc.)
- Who bears the economic cost of the employee

Existence of a permanent establishment

The Swiss criteria of permanent establishment is the following:

- Any type of fix or permanent place / location where all or part of the activity of the company is performed.

Also, the criteria of the tax treaty should be considered.

Murielle Kammermann

Manager

Send Email

Direct line: +41213104924

Address: Avenue de Gratta-Paille 2, 1018 Lausanne

www.mazars.ch (<https://www.mazars.ch/>)