



## Global Employer Services Newsflash

### Switzerland: Plans for higher taxes on expatriate benefits

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#### Background

The Swiss Federal Ordinance providing the legal basis for deducting moving, housing and schooling expenses for expatriate employees dated from 2001 is being reviewed this summer and changes, if accepted, to these concessions are expected to enter into force on 1 January 2015.

#### Suggested changes

Among the changes suggested by the Swiss Federal Department of Finance, the most notable include :

- A more restrictive definition of who qualifies as an expatriate employee whereby only employees with a home country contract and a letter of assignment may qualify for these deductions.
- A requirement that home country lodging must be kept in order to benefit from the lump-sum deduction of CHF 1'500 per month.
- To avoid double housing costs, rent paid in Switzerland will only be deductible if it can be proven that home country lodging is readily available.
- Schooling costs for children of employees will only be deductible for a period of five years and the system of cooperation agreements with international private schools will be abolished. This system previously allowed companies to extend tax free schooling benefits beyond five years.

#### What does it mean for you?

The revision aims to define more precisely certain terms in the ordinance and harmonize different cantonal practices while providing more planning security going forward. Although the clarification of the law as such is welcome, the suggested

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changes would impact all companies and employees and would possibly limit certain tax benefits currently available to companies respectively employees.

Deloitte **is** actively participating in consultations with the Federal Department of Finance in order to bring our- and our clients' perspectives to the table on the topic in order to mitigate any potential negative implications of the suggested changes.

We can support you with a detailed analysis of the impact of these potential changes. We will also be available to assist you should you consider restructuring your current arrangements, once the changes are finally adopted.

If you have any questions concerning the issues raised in this GES Newsflash, please contact your usual Deloitte advisor or one of the listed professionals.

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