International Tax
Switzerland Highlights 2020

Updated January 2020

Recent developments:

For the latest tax developments relating to Switzerland, see Deloitte tax@hand.

Investment basics:

Currency – Swiss Franc (CHF)

Foreign exchange control – No restrictions are imposed on the import or export of capital.

Accounting principles/financial statements – Swiss GAAP. Financial statements must be prepared annually.

Principal business entities – These are the corporation (AG), limited liability company (GmbH), and branch of a foreign company.

Corporate taxation:

Rates	
Corporate income tax rate (federal)	8.5%/7.8% (effective)
Branch tax rate (federal)	8.5%/7.8% (effective)
Capital gains tax rate (federal)	0%/8.5%/7.8% (effective)

Residence – Companies with their legal seat (registered office) or place of effective management in Switzerland are considered resident for tax purposes.

Basis – Resident companies are taxed on their worldwide income, except for profits derived from foreign branches and foreign immovable property, which are tax-exempt. Nonresident companies are taxed on permanent establishment (PE)/branch income and/or immovable property located in Switzerland. Branches are taxed in the same way as subsidiaries.

Taxable income – Corporate income tax is levied on a company's net profits, which consist of business/trading income, passive income and capital gains. Foreign-source income is included in taxable income, but relief is granted for dividend income from qualifying participations. Business expenses are deductible in computing taxable income. Gains and losses from the conversion of financial statements in a functional currency into CHF are disregarded for tax purposes.

Rate – Tax is imposed at the federal and cantonal/communal levels. The federal tax rate of 8.5% is levied on net income (since income and capital taxes are deductible in determining taxable income, the effective tax rate (ETR) is 7.8%). Taking into account both the federal and the cantonal/communal income tax, the combined ETR generally is between 12% and 22% for companies subject to ordinary taxation, depending on the place of residence. As from 1 January 2020, the ETR in the majority of cantons ranges between 12 and 14%.

Surtax – No

Alternative minimum tax – No

Taxation of dividends – See "Participation exemption," below.

Capital gains – There is no specific capital gains tax levied at the federal level. Capital gains on the sale of assets are treated as ordinary income (and losses are deductible), regardless of the length of time the assets have been held. If assets are sold to a shareholder or related corporation at a price below market value, gains may be reassessed for tax purposes. Capital gains derived from the sale of a participation of at least 10% in a company (whether resident or nonresident) benefit from participation relief if the participation has been held for more than one year.

Losses – Losses may be carried forward for seven years and may be set off against any income or capital gains. Losses may not be carried back.

Foreign tax relief – Foreign-source income is included in taxable income, but relief is granted for dividend income from qualifying participations. Foreign-source income is taxed net of foreign taxes; no credit is granted for foreign tax paid (except for nonrefundable withholding tax on dividends, interest, and royalties under an applicable tax treaty).

Participation exemption – Dividends generally are taxable for the recipient company, although relief is granted for dividends received from a qualifying participation in a resident or nonresident company. A participation is considered qualifying if the recipient company owns at least 10% of the capital of the payer company or the value of the participation is at least CHF 1 million.

Holding company regime – No

Incentives

As part of the implementation of the corporate tax reform, which became effective on 1 January 2020 Switzerland abolished its tax privileged regimes, in particular the holding company, mixed company, domiciliary company, principal company, and finance branch/company regimes, which had been considered harmful by the OECD. These regimes were replaced with new internationally accepted measures. The key replacement measures for corporate taxpayers are:

- Reduction of the general headline tax rates, with the majority of cantons with an ETR (i.e., the effective combined federal/cantonal/communal rate) ranging between 12% and 14%;
- Introduction of a cantonal level patent box regime based on the OECD's modified nexus approach, with tax relief for qualifying income of up to 90%;
- Introduction of an R&D super deduction at the cantonal level up to a maximum of 150% of effective qualifying expenses; and
- Asset basis step-up upon the migration of a company or of its activities and functions to Switzerland.

The sunset of the special tax regimes is subject to transitional rules, which should enable companies benefitting from such regimes to maintain their pre-2020 level of taxation by way of a "special release of hidden reserves" mechanism for five years after the 1 January 2020 sunset date, depending on the companies' specific facts and circumstances.

Compliance for corporations:

Tax year – Accounting year

Consolidated returns – Consolidated returns are not permitted; each company is required to file a separate return.

Filing and payment – There is combined tax return filing for both federal and cantonal income tax purposes. A self-assessment procedure applies. Filing deadlines depend on the canton.

Penalties – Penalties may apply for late filing or failure to file.

Rulings – Advance rulings may be obtained from the tax authorities on various Swiss tax matters. See also "Disclosure requirements," below.

Individual taxation:

Rates

Individual income tax rate (federal, married taxpayers)	**Taxable income**	**Rate (percentage on excess)**
	Up to CHF 28,299	0%
	28,300 – 50,900	1%
	50,901 – 58,400	2%
	58,401 – 75,300	3%
	75,301 – 90,300	4%
	90,301 – 103,400	5%
	103,401 – 114,700	6%
	114,701 – 124,200	7%
	124,201 – 131,700	8%
	131,701 – 137,300	9%
	137,301 – 141,200	10%
	141,201 – 143,100	11%
	143,101 – 145,000	12%
	145,001 – 895,900	13%
	Over CHF 895,900	11.5%
Capital gains tax rate (federal)	Same as individual income tax rates	

Residence – Individuals are deemed to be resident in Switzerland if they intends to stay in Switzerland permanently (as indicated by the location of the center of personal and business interests), are physically present in Switzerland for at least 30 days to carry out a professional activity or are physically present in Switzerland for at least 90 days (regardless of purpose).

Basis – Resident individuals are taxed on their worldwide income, except for profits from foreign businesses, foreign branches, and foreign immovable property, which are tax-exempt. Nonresidents are taxed on Swiss employment income, business profits, and profits attributable to Swiss immovable property.

Taxable income – Federal income tax applies to all income derived from compensation for work performed and income from capital (both real and movable property). Gross income from Swiss capital is taxable; income from foreign capital is taxed only after deduction of nonrefundable foreign withholding taxes. At the federal level, partial taxation applies to income from participations of at least 10%. Similar relief provisions have been enacted, or are being enacted, at the cantonal level. All cantons levy taxes on personal income, with deductions that vary from the federal deductions.

Rates – Income tax rates are progressive at the federal level and in most of the cantons, except in the cantons of Obwalden and Uri. The federal income tax rates range from 0.77% (for single taxpayers) and 1% (for married taxpayers) to a maximum rate of 11.5%. Individuals with taxable income below CHF 14,500 and couples with taxable income below CHF 28,300 are exempt from federal tax. At the cantonal level, tax rates vary significantly, not only among the cantons, but also from community to community within a given canton. The lowest of the maximum marginal tax rates (including federal income tax) for 2019 was 22.42% in Wollerau, Canton of Schwyz. The maximum marginal tax rates of some large cities were: Zug (22.94%), Lucerne (32.58%), Lucerne (32.58%), Lausanne (41.50%), and Geneva (48.04%). There are no significant changes expected for 2020.

Capital gains – Capital gains and capital appreciation derived from the sale or realization of assets through the increased value of tangible and intangible assets of a business are subject to tax. Gains realized on the sale of shares or real property generally are not subject to federal tax.

The cantons levy a separate capital gains tax on the sale of real property, but no canton levies tax on personal capital gains from movable property that is not considered an asset of a business.

Deductions and allowances – Various expenses may be deducted in computing taxable income, including interest on loans, alimony, and certain donations. Personal allowances are granted to taxpayers, their spouses, and dependent children.

Foreign tax relief – Foreign-source income is included in taxable income, but relief is granted for dividend income from qualifying participations. Foreign-source income is taxed net of foreign taxes; no credit is granted for foreign tax paid (except for nonrefundable withholding tax on dividends, interest, and royalties under an applicable tax treaty).

Compliance for individuals:

Tax year – Calendar year

Filing status – A married couple is assessed jointly.

Filing and payment – Filing deadlines vary from canton to canton and apply for both federal and cantonal/communal taxes. Cantons tax at source the wages of foreigners working temporarily in Switzerland (i.e., the employer must deduct the tax from salary and remit it on behalf of the foreign employee to the tax authorities).

Penalties – Penalties apply for late filing or failure to file.

Rulings – Advance rulings may be obtained from the tax authorities on various Swiss tax matters.

Withholding tax:

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	35%	35%	35%	35%
Interest	0%/35%	0%/35%	0%/35%	0%/35%
Royalties	0%	0%	0%	0%
Fees for technical services	0%	0%	0%	0%

Dividends – Dividends paid are subject to a 35% withholding tax. Swiss residents will be able to obtain a full refund of the withholding tax. Under the Switzerland-EU agreement, which provides Switzerland access to benefits similar to those in the EU parent-subsidiary directive, withholding tax is reduced to 0% on cross-border payments of dividends between related companies that are resident in EU member states and Switzerland provided the capital participation is 25% or more and certain other criteria are met. In addition, many of Switzerland's tax treaties provide for reduced rates for qualifying investments. The repayment of nominal share capital and capital contribution reserves is exempt from withholding tax.

Interest – Switzerland generally does not levy withholding tax on interest under domestic law. Exceptions apply to interest derived from deposits with Swiss banks, bonds, and bond-like loans, which are subject to a 35% withholding tax at the federal level. Interest paid to a nonresident on receivables secured by Swiss real estate is subject to tax at source. The 35% withholding tax and the tax at source levied under domestic law may be reduced under a tax treaty.

Royalties – Switzerland does not levy withholding tax on royalties.

Fees for technical services – Switzerland does not levy withholding tax on service fees.

Branch remittance tax – No

Anti-avoidance rules:

Transfer pricing – Switzerland does not have formal transfer pricing legislation or documentation requirements, although all related party transactions with Swiss entities must be carried out on arm's length terms. In general, Switzerland follows the OECD transfer pricing guidelines and introduced country-by-country (CbC) reporting requirements as from 1 January 2018. See also "Disclosure requirements," below.

Interest deduction limitations – Safe haven thin capitalization rules require a minimum debt-to-equity ratio for each asset class (e.g., receivables may be 85% debt financed, investments 70%, and intellectual property 70%). In addition, safe haven interest rates apply.

Controlled foreign companies – No

Hybrids – Switzerland does not have any special rules addressing hybrids, but the participation exemption does not apply to income that is tax deductible in the source country.

Economic substance requirements – There are no economic substance requirements in Switzerland.

Disclosure requirements – CbC reports for qualifying enterprises must be exchanged as from 2018. Advance tax rulings may be subject to the spontaneous exchange of information.

Exit tax – Switzerland does apply an exit tax. The exit tax rate is the same as the ordinary tax rate mentioned above.

General anti-avoidance rule – Swiss tax law does not contain a general anti-avoidance rule. Instead, a general tax avoidance theory has been developed over the years based on Federal Supreme Court decisions that apply, in principle, to all Swiss taxes. This theory, which is applied by all Swiss courts and tax administrations, grants the tax authorities the right to tax a taxpayer's legal structure based on its economic substance (instead of its form) if the following conditions are fulfilled:

- The taxpayer's legal structure is unusual, inappropriate, or inadequate to its economic purpose;
- Tax considerations are deemed to be the only motive for the transaction; and
- The transaction effectively would lead to significant tax savings if it were accepted by the tax authorities.

Other – Measures against treaty abuse may apply, including a base erosion test.

Value added tax:

Rates	
Standard rate	7.7%
Reduced rate	0%/2.5%/3.7%

Taxable transactions – VAT applies to the sale of goods and services in Swiss territory, the acquisition of services from businesses domiciled abroad, and to the import of goods. Exports of goods and most services provided to nonresident recipients are, in principle, either zero-rated or not subject to Swiss VAT. The acquisition and sale of intellectual property are VAT-able transactions.

As from 1 January 2019, distance selling companies generating annual turnover in Switzerland exceeding CHF 100,000 from low value shipments (i.e., those on which the import VAT does not exceed CHF 5) are liable for VAT in Switzerland.

Rates – The standard VAT rate is 7.7%. Certain goods and services are subject to a reduced rate of 2.5% and others (e.g., most banking services, insurance premiums, residential real estate, education, health, and regulated casinos) are exempt. A special 3.7% rate applies to the hotel and lodging industry.

Registration – Enterprises conducting business in Switzerland with annual worldwide turnover exceeding CHF 100,000 must register for VAT purposes, irrespective of the level of VAT-able turnover in Switzerland.

Persons not registered as VAT payers that acquire services from abroad exceeding CHF 10,000 in a calendar year subject to VAT under the reverse charge mechanism, must register with the Swiss Federal Tax Administration in writing by 28 February of the following year and account for VAT at 7.7% on the services.

Filing and payment – VAT returns generally must be filed quarterly, and the relevant VAT amount remitted to the Federal Tax Administration within 60 days after the end of the quarter.

Other taxes on corporations and individuals:

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the federal level.

Social security contributions – Federal old age and disability insurance (AHV/IV/EO) is mandatory for all employees. The annual contribution of 10.55% of total employee remuneration (with no ceiling) is divided between the employer and employee. The employer is required to deduct the contributions from the salary and remit the total amount to the social security authorities. Professional pension plans are mandatory for employees; private pension plans are voluntary.

Payroll tax – There is no general payroll tax, but payroll tax is levied on the wages of foreigners without permanent Swiss residence. For all other Swiss resident employees, wages are taxed as part of ordinary income.

Capital duty – No, but see "Stamp duty."

Real property tax – Some cantons levy real property tax.

Transfer tax – The transfer of securities by Swiss securities dealers is subject to a 0.15% tax on Swiss securities and a 0.3% tax on foreign securities.

Stamp duty – A 1% stamp duty is levied on contributions to the equity of a Swiss company, whether in cash or in kind. A CHF 1 million exemption threshold applies to the issuance of shares. Reorganizations, such as mergers, spinoffs of corporate assets, or transfers of a company's domicile from abroad to Switzerland typically are exempt from stamp duty.

Net wealth/worth tax – Corporate net wealth tax is imposed at varying rates depending on the canton and the type of tax privilege (typically between 0.001% and 0.5%). The net wealth tax may be credited against the income tax liability in many cantons.

There is no individual federal tax, but the cantons levy net wealth/net worth tax.

Inheritance/estate tax – There is no federal inheritance and gift tax, although the cantons may levy the tax.

Other – Businesses with a registered office, domicile, or PE in Switzerland that are VAT-registered and whose total annual turnover (excluding VAT) is at least CHF 500,000, are subject to the radio and television fee of between CHF 365 and CHF 35,590 depending on turnover.

Tax treaties: Switzerland signed the OECD multilateral instrument (MLI) on 7 June 2017 and the MLI came into force in Switzerland on 1 December 2019. For information on Switzerland's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Federal, Cantonal, and Communal Tax Administrations

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